



# NATIONAL DEVELOPMENT PLAN 2013-2017



NATIONAL DEVELOPMENT PLAN 2013-2017

REPUBLIC OF IRAQ  
MINISTRY OF PLANNING  
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**Republic of Iraq**  
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**National Development Plan**  
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# Preface

A clear and defined path for development can only be mapped out through the creation of medium- and long-term plans and strategies built on sound methodology and an accurate reading of the economic, social, urban, and environmental reality. All the possibilities, problems, and challenges of distributing the available material and human resources across competing uses must be taken into consideration to maximize results for the national economy and the broader society.

Three years of implementation of the 2010-2014 National Development Plan have resulted in important successes in certain areas and setbacks in others. It's not fair to say that responsibility for the failures lies with the policies and programs adopted in the previous plan. The security and political dimensions of the surrounding environment, the executive capabilities of the ministries and governorates, the problems that continue to hinder the establishment and implementation of projects, weak commitment to the plan, and the weak link between annual investment budgets and plan priorities, along with the plan targets and the means of reaching these targets are all factors that contributed to these setbacks in certain areas and require that this plan be met with a high degree of compliance.

The official decision announcing the 2010-2014 National Development Plan document included following up on plan goals in 2012 to monitor achievements and diagnose failures. In addition, it included keeping up with world economic developments and the effects and repercussions of the financial crisis on all economic conditions, in particular oil prices and developments in oil production and exports in Iraq, expectations of increasing it over the medium term through oil licensing rounds, and the effects of this on the great increase anticipated in the resources available for development and relative improvement in security. All of these factors called for the creation of a new plan for 2013-2017 to align the data and transformations above so as to better respond to reality.

The 2013-2017 National Development Plan was created amid better security circumstances, relying on more precise and available data and information, and with financial resources expected to double what was available for the previous plan. More significantly, this plan built on the successes and failures that accompanied the previous plan, providing the circumstances and information to draft a plan that is more precise and comprehensive and capable of setting at its end stage the conditions for the Iraqi economy to take off and start to free itself from a revenue-generating economy dependent on a single resource, oil, to expanding its base to depend on other activities, whether production, service, or distributional.

The plan was prepared in accordance with the latest methods used in preparing national development plans, starting from its methodology and comprehensiveness to the cooperative method adopted at the various stages of its preparation. The 2013-2017 Plan defined the roles of the public and private sectors and civil society in achieving its developmental, economic, human resource, and environmental goals. Guidance was sought from governmental executive programs and the strategies and sectoral plans for all of the ministries and governorates, wherever located. Representatives from these ministries and governorates participated in building this plan alongside representatives from the private sector and civil society, and academic specialists. Donors and the international community also weighed in during the plan preparation stages, enriching the plan and deepening its transparency.

The national team has again proven its ability to carry out complex and complicated strategic national tasks in less than ideal circumstances. No matter how advanced and modern, this document remains one that will bear full fruit only by providing further security and political stability, blocking corruption and limiting its reach, and involving all development partners in the acceptance and implementation of the plan's programs.

**Dr. Ali Yousef Al-Shukri**  
Minister of Planning  
Head of the Higher Planning Committee  
Baghdad, January 2, 2013

# Acknowledgements

This national strategy document was completed after a full year of intensive and methodological work on the part of the leadership and specialist teams at the Ministry of Planning, with the active and dedicated participation of all ministries and non-ministerial agencies, governorates, private sector representatives, some civil society organizations, and a number of academics. On this occasion we must offer our thanks, appreciation, and acknowledgement to all who contributed to and participated in its preparation and production. First of all we thank His Excellency, the Minister of Planning, Dr. Ali Yusuf al-Shukri, Head of the Higher Planning Committee, who ably led and oversaw preparation of the plan and directed the Higher Planning Committee sessions, for the flexibility he gave to the technical and sectoral working groups to carry out their work, which had a tremendous effect on what was accomplished in the plan.

We also offer our thanks and appreciation to the Council of Representatives, the General Secretariat of the Council of Ministers, the Advisory Panel, the Office of the Deputy Prime Minister, and the Chairman of the Economic Committee. We thank all of the ministries and non-ministerial agencies, the Kurdistan region, all governorates, the unions and professional syndicates and their representatives on the plan preparation committees for their cooperation and active participation in the preparation of the plan. The Ministry also offers its utmost thanks and best wishes to *Tarabot*, especially the experts Mr. Nael Shabaro and Mr. Behnam Elias Putrus and their assistants for technical and logistical support during the development of the plan and their great work for the plan conferences in Baghdad and Erbil. We'd like to thank the United Nations Assistance Mission for Iraq and all affiliated agencies. We would specifically like to mention the Deputy to the Special Representative of the United Nations Secretary General, Amb. Jacqueline Badcock, and Mr. Peter Batchelor and his assistants for their continual support and ongoing follow-up and active participation in conferences and workshops related to the plan, and for providing their opinion on the draft plan and securing the expertise of two national experts for the entire plan preparation period.

The Ministry would also like to record its high regard and appreciation for the efforts expended by the heads and members of the plan's technical and sectoral committees and the ministry affiliates who effectively participated in the various phases of plan preparation, transforming the Ministry of Planning into a hive of activity during 2012 in order to complete this strategy document.

We also cannot forget to offer our highest appreciation for the efforts exerted by the national experts, Dr. Adnan Yasin Mustafa, Dr. Wafaa Al-Mahdawi, and Eng. Hisham Qasim Saoudi, for their distinguished technical contributions and active role in preparing the draft and final documents for the plan. We also value the great efforts that were exerted by the plan's higher and technical committee rapporteurs, Dr. Mays Sahib and Mr. Qais Ali Abdelhussein, as well as their assistants.

We hope this national effort forms a comprehensive development program putting Iraq at the starting point for building an efficient national economy that is competitive, diversified, and sustainable.

Dr. Sami Mati Polous  
Deputy Minister of Planning for Technical Affairs  
Head of the Technical Planning Committee  
Baghdad, January 2013

# Foreword

The plan seeks to lay a brick in the road of Iraq's return to the way Iraqi journalist Hussein Ali Mahfouz described it:

"Iraq is the Garden of Eden. This is where Adam fell. This is where humankind was born. This is where calligraphy was born. This is where history was born. This is where laws and legal codes were born, where civilization was born... a garden of plenty, an amazing carpet woven over the ages by many hands and cast in all colors, bringing together all forms. What a unique and exquisite tissue; a country of culture and civilization. Over every inch of Iraq's land is presence and civilization, and under every inch city after city... A country of gifts and achievements, a country of inventions, innovations, and discoveries, a country of messengers and prophets, saints and forefathers, the Companions and the Followers, honored by the imams, and boasting scholars, sheikhs, men of letters, writers, and poets. Truly get to know Iraq, and appreciate its true value..."<sup>1</sup>

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<sup>1</sup> *Hala Magazine*, Vol. II, February 2006, p.3

# Introduction



## I – Iraq's Geostrategic Importance

From time immemorial, Iraq has been described as the skull of the Arabs, the center of the earth, the material of cities, the heart of the world, the greatest of regions, the most noble of rank. It is said that "Iraq" means a water shore or sea shore and that it was named this because it is on the shore of the Tigris River or due to its proximity to the sea, or for the interlocking roots of its trees and palms. The name "Iraq" is Arabic or Arabized and has existed since long ago.<sup>1</sup> The name "Iraq" is mentioned in Arab historian and geographer al-Masudi's history of nations and kings more than 300 times.

Iraq is defined by its two great rivers. Humankind's response to the challenges posed by these rivers led to the construction of advanced irrigation systems and the flourishing of a civilization defined by water and the existence of a unified power capable of managing life. Its geographical location and topography of fertile oases and open borders made Iraq a center for diverse civilizations as well as conflicts inhabiting the wide hills and mountain ranges, fighting off migrations and invasions over history, and having a definitive effect on the population and cultural makeup of Iraqis as well as on the country's own makeup, existence and practices.

Defining the geostrategic role of any country depends, among other things, on the available potential and the relative characteristics of that country, aside from its location within the surrounding region and its demographic and ethnic characteristics, etc. Moreover, some countries have economic and cultural roles that go beyond the immediate area. A preliminary reading of the relative characteristics of Iraqi resources and potential shows that "according to geologic studies" Iraq contains around 530 geologic structures where the presence of a tremendous quantity of oil is strongly indicated. Of these, only 115 have been drilled, and 71 have proven to contain confirmed large oil reserves distributed across many fields. Seventy-one fields have been discovered, out of which only 27 fields have been used, and ten of these are immense. The spatial, economic, and geologic maps also show that Iraq contains a distribution of areas with metal deposits, and provinces rich with metal resources, whether in terms of the size of the reserve quantities available or the variety of these resources.

This great potential has made Iraq, with its tremendous resources, the holder of the three largest oil reserves in the world. It is tenth in natural gas reserves, making it an influential player among civilizations, a main actor in the world economy, and a strong competitor at the regional level.

<sup>1</sup> Longrigg, S. Hemsley, *Four Centuries of Modern Iraq*[1925], translated by Ja'afar Al-Khayat, 1425 AH, p.9.

This is aside from high capabilities on the level of production of oil derivatives at competitive prices to lower the costs of oil production and extraction in Iraq compared to other countries. Iraq also possesses competitive capabilities and expertise in the field of sulfur-related industries, in addition to the broad production of nitrogen and phosphate fertilizers aside from very high reserves of silicates that are considered among the purest in the world.

In addition to its outstanding human resources, God blessed the land of the Euphrates and Tigris rivers with diverse natural resources and a strategic position placing it in a geographic location opening out to the east and west. This provides an opportunity to build a dry canal for transportation to shorten the distances between the two and the economic and geopolitical advantages enriching the status and future importance of Iraq.

## **II – Why the 2013-2017 Plan?**

Preparation of the 2013-2017 National Development Plan depended on a number of justifications which may be grouped as follows:

- Translating the official decision announced in the 2010-2014 National Development Plan document that there be developmental review of plan goals in the middle of 2012 based on Council of Ministers Decision No. 189 of 2010, to monitor achievements and diagnose failures to correct the plan's course and train its trajectories to harmonize and suit the directions of the country's economic policy at this phase.
- Keeping pace with world economic developments and the effects and repercussions of the financial crisis on overall economic conditions, especially oil prices and exports, considered among the issues governing identification of the financial resources available to Iraq.
- Developments in oil production and exports and expectations of increasing such over the medium term through oil licensing rounds and the ensuing increase in federal resources, for which planning must take place to ensure they be invested effectively.
- The nature of the challenges of the transformation to a market economy faced a troubled environment whose effects covered all elements of the Iraqi economy, as well as the delay in carrying out the stages and methodologies of transformation and the delay of supporting legal legislation such as the privatization law to an unnamed period, not to mention the faltering restructuring of the public sector and public institutions and the absence of the institutional environment supporting the private sector. These facts imposed a reality requiring a renewed planning vision to keep up with these challenges.
- Relative improvement in the level of security, although the political scene is still unstable.

### **III – Plan Preparation Methodology:**

Building the plan depended on a realistic method for analysis and reasoning. A comprehensive analysis was done of the spatial, sectoral, and overall dimensions of the Iraqi economic reality for 2010-2011 and, wherever available, data for 2012. Public services, [central structures], the environment, and all different community and human development indicators were analyzed with a focus on vulnerable groups (women, children, the disabled, etc.).

The plan has strived [within its logical method] to analyze the development yield achieved in the implementation of the 2010-2014 Development Plan annual programs and the achievements and setbacks in the targets set in the plan in order that they might guide the elaboration of the visions, targets, and means of achieving these targets for each activity or service discussed. In summary, the plan, through its diagnosis of the reality and of the problems, constraints, possibilities, and development opportunities for each activity or aspect, has extracted the long-term vision for the sector or activity and translated this vision into quantitative and qualitative mid-term targets so as to suggest the means by which these goals can be achieved.

This plan, like its predecessor, depended on the collaborative method in its preparation at all stages, from setting out the general framework to diagnosing the reality and possibilities to defining the problems and challenges. The vision was sketched and translated into goals and means of reaching the targets; and members of the Council of Representatives, the ministries, non-ministerial agencies, provinces, the private sector, professional unions, relevant academics, civil society organizations, international organizations, and donors were involved. The partnership took on various forms as follows:

A higher committee for leadership and oversight of the preparation of the plan document was formed, chaired by His Excellency, the Minister of Planning. Membership included the governors of Basrah and Ninewa, the Ministry of Planning of the Kurdistan region, a member of the Council of Representatives, ministry deputies, of the ministries and advanced cadres, a member of the advisory board, representatives of the Office of the Deputy Prime Minister for Economic Affairs and the General Secretariat of the Council of Ministers, and members of professional unions. The responsibilities of these individuals were centered on establishing the plan's general framework and development model as well as its development trajectories and priorities. Responsibilities also included establishing the plan's overall budget from revenues and expenses, determining the development of the percentage of investment expenses to operational expenses, and establishing the overall economic accounts for the plan and the population growth rate.



The technical committee was formed, chaired by the technical deputy to the Ministry of Planning. Members included representatives from the Ministries of Finance and Oil as well as the Central Bank of Iraq, heads of the plan's sectoral teams, and plan academic experts. The committee assumed the tasks of elaborating the work methodology, mechanisms, and overall framework for the plan, as well as setting out the background papers for the plan, distributing responsibilities and roles of the sectoral committees, following up on progress made, and submitting the results to the higher committee for approval.

Twelve sectoral committees were formed, chaired by a deputy minister or director general in the Ministry of Planning and members of the relevant sectoral ministries, local and international academic experts, and representatives of the relevant professional unions. All assistant governors and representatives of the Kurdistan region took responsibility for preparing the background studies and papers for the plan, each in their specialization. These committees are:

Macroeconomic Committee  
Plan Fiscal Revenue Accounting Committee  
Population Studies and Workforce Committee  
Agriculture and Water Resources Sector Committee  
Industry and Energy Committee  
Transportation and Communications Committee  
Building and Construction Committee  
Human and Community Development Committee  
Spatial Development Committee  
Environmental Sustainability Committee  
Private Sector Committee  
Good Governance Committee

- The first conference was held in cooperation with the United Nations Development Program and the Tarabot program in May 2012 at the Al-Rasheed Hotel. In attendance was a representative of the Prime Minister and a number of ministers and others holding similar titles, the Secretary General of the Council of Ministers and a number of governors and heads of governorate committees and their assistants, deputy ministers and representatives of all the ministries and governorates, representatives of international organizations working in Iraq, donor country representatives, professional unions, and the private sector as well as a number of academics for a total of about 400 people. During the conference, the development yield realized during 2010-2011 from the previous plan was presented and the successes and failures of this yield were evaluated. A discussion was held about the philosophical framework and development model of the plan and the values adopted by the 2013-2017 plan. The visions and strategic targets for the plan sectors and their various activities

were presented, and the outcomes of this conference were used in constructing the plan chapters.

- The second conference for the plan was held in Erbil from November 11-13, 2012 under the sponsorship of the Prime Minister and head of the Economic Committee, Dr. Roz Nuri Shawees, in cooperation with the United Nations Development Program and the Tarabot program. In attendance were representatives from all of the international agencies and organizations. The number in attendance exceeded 500 people out of which 50 were specialists from the various international organizations working in Iraq. Twenty-five specialized papers were discussed in addition to the plan's general framework. Over three days, the results produced by the committee and the observations received by the ministry from the international organizations, professional unions, ministries, non-ministerial agencies, and governorates were reflected in the final form of the plan by the drafting committee, chaired by the technical deputy and plan experts.

This collaborative drafting process included absorbing the quantitative and qualitative trajectories, data, and indicators of all the ministries and the provinces and benefiting from international trends. Further, it is not possible to describe this as a national plan without mentioning the great effort of the Ministry of Planning in preparing this national strategy document.

## **V – Data and Information Sources**

Creation of the plan depended on the Ministry's specific strategies and plans such as the energy and industry strategy, the environment, education, and youth strategy and others, aside from the plans and studies published by the Ministry of Planning and the relevant ministries and the governorate development plans which were the foundation for elaborating the plan's main sectoral visions and trajectories. The great improvement made by the Central Statistical Organization (CSO) in its surveys and periodical statistical reports actively contributed to the analysis of the current reality of all the plan's various development indicators, especially the human and community development indicators, the deprivation, poverty and unemployment indicators, and the Millennium Development Goals indicators.

The improvement in the abilities of the different ministries to elaborate detailed plans for their activities as well as the improvement in the specificity and comprehensiveness of statistical data was the main factor in increasing the degree to which the plan's targets and indicators were quantified as compared to its predecessor. This improvement eases follow-up on its implementation and ensuring the designated targets are reached.

## **VI – Obstacles to Plan Preparation**

Elaborating realistic development plans requires a high level of security and political and economic stability. This requirement was missing to some extent during the preparation of this plan, making the opportunities for translating it into success on the ground uncertain, especially as concerns the contribution of the private sector to the local and foreign sides, forming a challenge for the plan drafters. Iraq's development continued to depend on oil as a sole resource, making the achievement of the designated targets sensitive to any changes in oil prices or any decreases in oil production or exports.

The plan preparation process also met with varying responses and weak representation of some agencies, which resulted in some gaps in coverage of certain aspects, especially as concerns the lack of qualitative information which in turn affected the ability to measure certain qualitative indicators.

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# 1

## Development in Iraq: Trajectory and Horizons

### 1-1 Development Yield of the National Development Plan

#### Development Yield of the 2014-2010 National Development Plan

The first years of the 2010-2014 National Development Plan were witness to a series of factors, internal and external, some push and others pull. These factors positively or negatively impacted economic performance, leaving their mark on aggregate, sectoral, and spatial variables, and hence on development achievement rates as evidenced by 2009 base year values.

#### 1-1-1 Economic Growth: Near-Target Rates

Iraq did not witness structural changes to its economy. The general trajectory confirms the precedence of the oil sector in driving GDP, and this is in line to some extent with the direction of the plan's investment policy at this phase, which calls for temporary acceptance of a single-commodity economy in order to increase oil production and export rates, boosting Iraq's financial position with a development financing incentive and a rebuilding program. For that reason, the structural imbalance of the economy in 2009-2011 was intentional on the surface, however, and could possibly be sustainable over the course of decades.

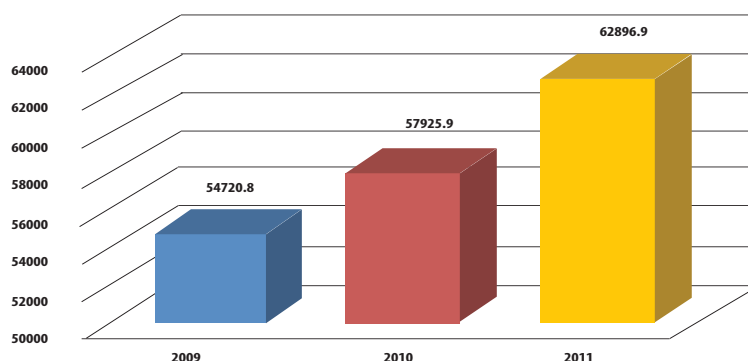
#### One: Gross Domestic Product: Quantitative and Qualitative Trajectories

Quantitative trajectories achieving the target:

- The plan aimed to achieve a 9.38% increase in the GDP as the average annual growth rate during the years of the plan. The data indicates that the GDP at constant prices achieved a growth rate of 5.9% in 2010 and 8.6% in 2011, which is good compared to the overall target rate of the plan. The government's continued efforts to implement the economic and social reform programs were supported by governmental initiatives like the agricultural initiative. In addition, the effort to improve and activate economic management efficiency, especially in the oil sector played a role in the progress made toward achieving the target.



**Figure 1-1:** GDP 2009-2011 GDP at constant prices in millions of IQD



- The Statistical Compass recorded a significant increase in the GDP including oil at constant prices for 2009-2011, increasing from IQD 54720.8 million in 2009 to IQD 57925.9 million in 2010. It continued to increase in 2011 to reach IQD 62896.9 million with an annual rate of change of 8.6% compared to 2010. The increases in the GDP played a positive role in the push toward reaching the target set in the plan of 9.38%. The GDP excluding oil at constant prices increased from IQD 36088.6 million in 2009 to IQD 34115.3 million in 2010 and to IQD 36088.6 million in 2011, for an annual growth rate of 5.7%.

**Table 1-1:** GDP Including and Excluding Oil and Per Capita GDP for 2009-2011 at Constant Prices (100=1988)

Section	2009	2010	2011
GDP including oil (millions of IQD)	54720.8	57925.9	62896.9
GDP excluding oil (millions of IQD)	30910.6	34115.6	36088.6
Per capita GDP (1000s of IQD)	1.7	1.8	1.9

- Per capita GDP increased from IQD 1.7 million in 2009 to IQD 1.8 million in 2010, with an annual rate of change of 5.9% compared to 2009, and continued to increase to IQD 1.9 million in 2011 for an annual rate of change of 5.6% compared to 2010, thereby exceeding the effect and ramifications of that crisis on the oil market.

#### Qualitative Trajectories: Imbalance and Distortion

- The contribution of commodity activities including oil to the GDP at current prices increased from 57.1% in 2009 to 60.8% in 2010 and to 66.9% in 2011, while the contribution of distributional activities including oil constituted no more than 15.3% in 2009, decreasing to 14.8% in 2010 and to 12.8% in 2011. Similarly, the contribution of service activities to the GDP decreased from 27.6% in 2009 to 24.4% in 2010 and to 20.4% in 2011.
- These facts confirmed that the oil sector continues to hold the leading position in generation of the GDP, perpetuating the seriousness of deformities in the economic structure and continuation of the single-resource economy. The target raised in the plan of distributing the production base was carried over to future stages.

**Table 1-2:** Relative Significance of Economic Activities to the GDP Including and Excluding Oil at Constant Prices for 2009-2010

<b>Economic Activity</b>	<b>2009 %</b>	<b>2010 %</b>	<b>2011 %</b>
Commodity activities including oil	59.1	58.9	59.5
Commodity activities excluding oil	27.4	29.8	29.1
Distributional activities	9.6	10.5	10.7
Distributional activities	17.1	17.9	18.7
Service activities including oil	31.3	30.6	29.8
Service activities excluding oil	55.5	52.3	52.2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

- The contribution of commodity activities excluding oil to the GDP increased from 27.4% in 2009 to 29.8% in 2010 and fell to 29.1% in 2011, while the contribution of distributional activities increased from 17.1% in 2009 to 17.9% in 2010 and to 18.7% in 2011. Service activities contribution excluding oil to the GDP was in a leading position over the remaining activities at 55.5% in 2009 and decreasing to 52.3% in 2010 and to 52.2% in 2011. The nature of the sectoral investment policy applied in 2009-2011 and the executive procedures relied on to translate these targets may be one explanation for this hierarchy.
- The agricultural sector contributed 7.3% of the GDP including oil in 2009 at constant prices, and increased to 8.1% in 2010 then fell to 7.6% in 2011, while the contribution of the manufacturing industries to the GDP was only 2.9% in 2009 and 2010 and decreased to 2.7% in 2011. The contribution of the oil, mining, and queries sector occupied the leading position in the GDP with 43.9% in 2009, decreased to 41.7% in 2010 due to the ramifications of the world financial crisis, then increased again to 42.9% in 2011.

## **Two: National Income and Per Capita Income: On the increase**

- The size of the national income increased from IQD 120,428.4 billion in 2009 to IQD 143,029.6 billion in 2010 at current prices and to IQD 188,041.2 billion in 2011 for an annual rate of change of 18.8%. This increase was achieved through a concurrence of international and local factors together. The impact of the world financial crisis on oil prices and international demand for oil both lessened. This, in addition to investment policy responsiveness to the targets adopted in the plan to make the oil sector occupy the first position on the investment ladder allocations at 15% of total investments, all had an active effect on that increase.
- Per capita GDP at current prices increased from IQD 3,803,300 in 2009 to IQD 4,409,500 in 2010 and to IQD 5,659,300 in 2011 for an annual rate of growth of 15.9%.

## 1-1-2 Investment and Sources of Financing: Financing attained and completion delayed

### One: Planned and Actual Investment

#### Ministry Annual Investment Programs

The idea behind the mid-term 2010-2014 National Development Plan was born out of the failures and problems faced in preparing annual investment programs after 2003 and the accompanying difficulties of instituting a comprehensive mid- and long-term development vision and defining and integrating program priorities. In addition, the gap between planned and actual investment expanded as evidenced by the financial implementation efficiency indicator. This indicator showed a decrease in most economic sectors, generating high risk consequences, increasing costs, leading to deterioration in public services and infrastructure and a failure to meet targets and establish the designated economic and social programs. All of this was reflected negatively in the performance of the national economy and the social welfare of citizens, specifically the poor segments of society, and the weakening of the large investment returns the state had worked to allocate to the investment areas.

Annual investment programs in 2010 included around 2,220 projects which increased to 2,371 in 2011, while the regional development program included 1,368 projects in 2010 rising to 2,161 projects in 2011. This plan was designed to express the development trajectories incorporated in the five-year plan, which the ministries and governorates are responsible for implementing, and strives to establish the following fundamentals:

- Provide the requirements for economical building by focusing on urban infrastructure projects.
- Generate work opportunities by implementing investment projects.
- Provide the necessities for making security and stability opportunities succeed by granting them priority in implementation.
- Improve quality of life by giving priority to meeting the basic needs of citizens and providing better services by the state.

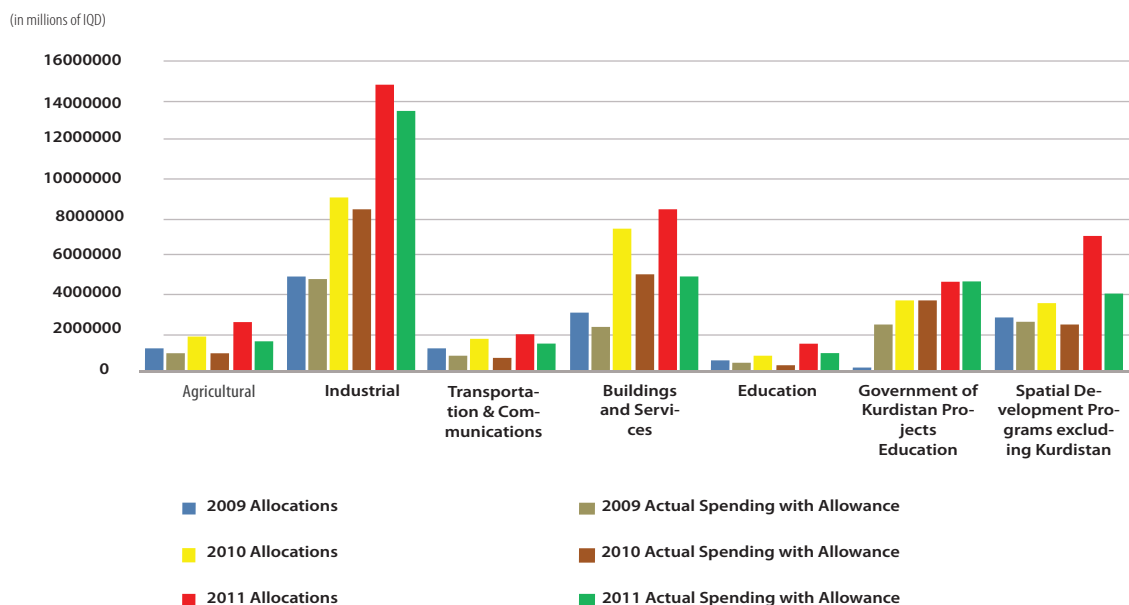
Allocations for investment programs planned for the first year of the plan, including the regional development program and the Kurdistan region and marshland restoration programs, recorded an amount of IQD 25,683,111.6 million, while actual investment spending reached IQD 19,895,190.0 million with a fiscal spending rate of 77.5%, which is less than 2009 which was 88.6% (Figure 1-2). The chart also indicates an increase in planned investment for 2011 where it reached IQD 38,212,789.8 million, while actual investment for the same year was IQD 28,809,059.66 million with a fiscal spending rate of 75.4%, which is less than 2009 and 2010. Delayed project implemen-

tation and the problems and obstacles faced by the ministries and governorates in implementing projects, especially those problems related to the inefficiency of the companies responsible for project implementation, the delay in the allocation of land, and contractual problems explain the decline in fiscal spending during plan years.

Sectoral distribution of those planned and actual investments reflect the following facts:

- Planned investment program allocations (including the regional development program, the Kurdistan region and marshland restoration programs) recorded an increase from IQD 15,083,111.5 million in 2009 to IQD 25,683,414.6 million in 2010 and to IQD 38,212,789.8 million in 2011, thereby harmonizing to a great extent with the plans' sectoral, social, and physical development priorities.
- National Development Plan investment priorities were distributed by giving the oil and electricity sectors advance priority, as the oil sector is the main source for development financing, and the electricity sector is a main foundational block for achieving any growth and development in the production and services sectors. Within in this pathway, the industrial sector enjoyed the highest share of planned investment allocations, increasing from IQD 4,577,404 million in 2009 to IQD 8,312,072.4 million in 2010 and to IQD 13,731,246.8 in 2011. However, fiscal spending decreased from 96.9% in 2009 to 93.5% in 2010 and to 91.1% in 2011.
- In terms of significance, the industrial sector follows the building and services sector where total allocations for this sector increased from IQD 2,859,392 million in 2009 to IQD 6,789,842.6 million in 2010 and to IQD 4,609,023.6 in 2011. However, financial implementation efficiency decreased from 75.7% in 2009 to 69.3% in 2010 and to 59.1% in 2011.
- Investment allocations for the agricultural sector increased from IQD 1,098,255 million in 2009 to IQD 1,633,233.0 million in 2010 and to IQD 2,310,672.4 million in 2011. However, financial implementation efficiency greatly decreased from 83% in 2009 to 52.9% in 2010 and rose again to 61.6% in 2011. This increase is explained by the state's enhanced interest in the agricultural sector and in agricultural initiatives.
- The education sector witnessed a decrease in fiscal spending from 75.4% in 2009 to 36% in 2010, and an increase to 57.8% in 2011. The transportation and communications sector indicated a fiscal spending efficiency of 73.7% in 2009, which decreased to 43.5% in 2010 then increased again to 71.9% in 2011. The result was a decrease in investment implementation efficiency at the level of all economic sectors from 88.6 in 2009 to 77.5% in 2010 and to 75.5% in 2011 for the Iraqi public including the Kurdistan region which saw an increase in investment allocations from IQD 2,303,338 million in 2009 to IQD 3,438,448.404 million in 2010 and to IQD 4,354,964.253 million in 2011. Investment implementation efficiency also increased from 99.2% in 2009 and settled at 100% in 2010 and 2011.

**Figure 1-2: Planned and Actual Investment by Economic Sector, 2009-2011**

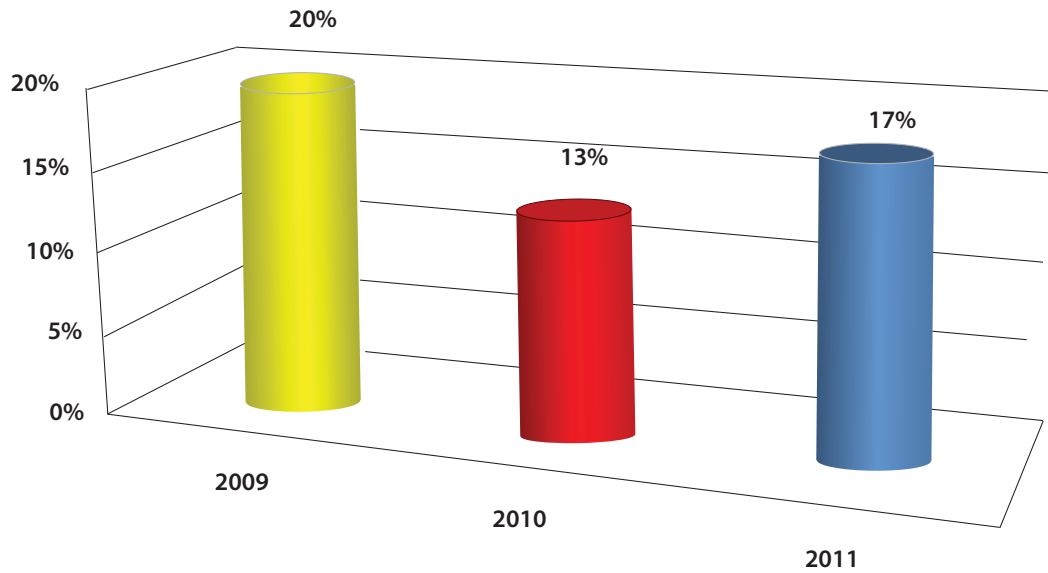


## Regional Development Program

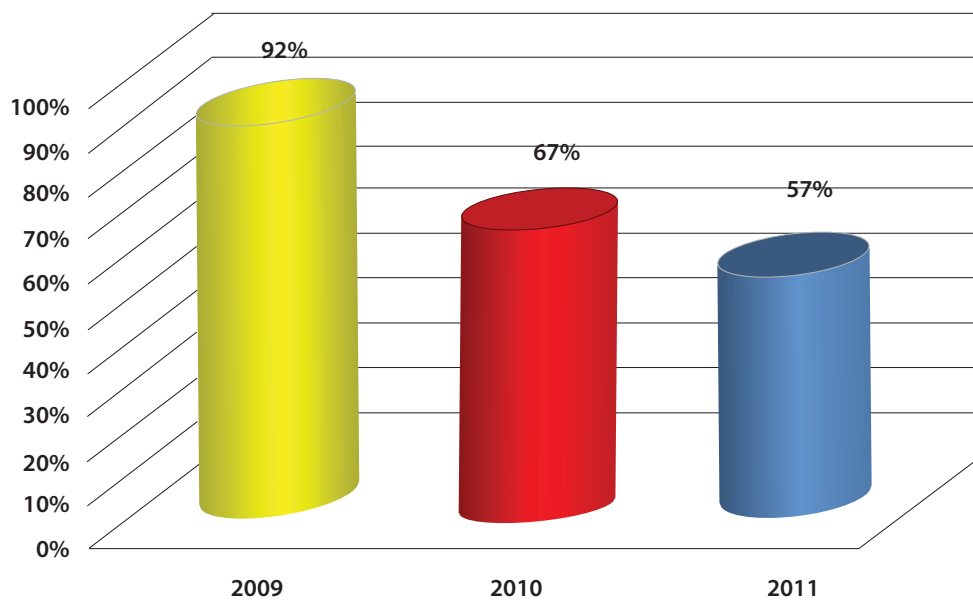
The aim of the program is to reduce development fluctuation among the governorates and their administrative and services units, and the central support structure through allocating a certain percentage of the investment budget placed under the disposal of the governorates and its related councils for its distribution across the activities and sectors decided by the local administrations within its developmental priorities, encouraging decentralized development management in Iraq as a constitutional principal. In this regard, the most prominent features of this program can be summarized with the following:

- Inter-regional development program allocations (excluding Kurdistan) formed 12.7% of total investment allocations for 2010 and 12.8% for 2011, thereby agreeing with the percentage set out in the development plan of 12.5%.
- Total allocations of the interregional development program (excluding Kurdistan) increased from IQD 2,568,319 million in 2009 to IQD 3,265,644.3 million in 2010 and to IQD 6,534,790.6 million in 2011, while financial implementation efficiency decreased from 92% in 2009 to 67% in 2010 and to 56.6% in 2011, indicating a decline in development efforts and the inability of the governorates to translate the targets set in the program.
- There is a clear variation in the rates of program implementation in certain governorates; while implementation rates in Kurdistan and some central and southern governorates indicate an increase, there is a decline in implementation rates in other governorates due to security conditions or a decline in the executive power and capabilities there, as indicated in Figures 1-3 and 1-4.

**Figure 1-3:** Relative Significance of Inter-Regional Development Program Allocations for 2009-2011



**Figure 1-4:** Inter-regional Development Program Project Implementation Rates for 2009-2011



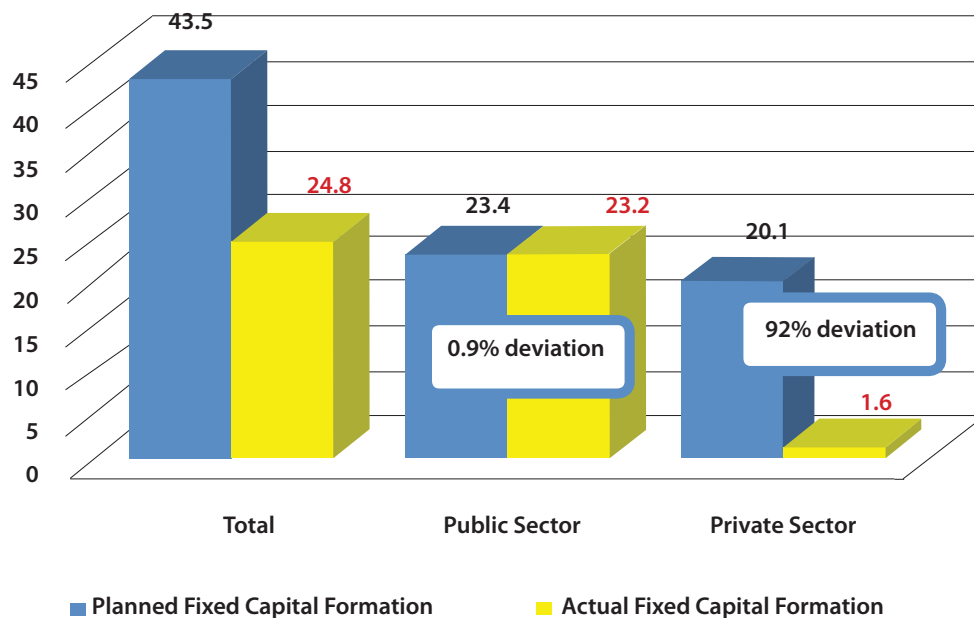
## Two: Fixed Capital Formation

- Total fixed capital formation at constant prices increased from IQD 5,919.8 million in 2009 to 10,155.5 million in 2010, with an absolute increase of IQD 4,235.7 million and a percentage increase of 71.6%.
- The public sector played the role of the biggest investor during 2009-2010. It had the distinct role in fixed capital formation which increased its contribution

from 93.2% in 2009 to 96.3% in 2010. The oil sector's continuation to hold its position as a developmental pole and main source of hard currency and investment financing explains the central and distinct role of the public sector.

- The private sector contribution to fixed capital formation decreased from 6.8% in 2009 to 3.7% in 2010. This percentage makes us take great pause before the plan's presumptions regarding the responsibility of the private sector for financing 46% of total plan investment. The distance from this goal can be explained by the continued weakness of the investment environment and its inability to attract the private sector into investments.
- Total fixed capital formation fell short of the planned goal of IQD 37.3 trillion for 2011 at current prices and IQD 24.8 trillion at constant prices for 2010 with a deviation of -43%.
- The deviation of private sector contributions to fixed capital formation planned increased IQD 24.8 trillion compared to the actual contributions of IQD 1.6 trillion, for -92%, while the deviation of public sector contributions to fixed capital formation planned did not exceed IQD 23.4 trillion, reaching IQD 23.2 trillion for -0.8%.

**Figure 1-5:** Planned and Actual Fixed Capital Formation for 2010 at Current Prices Distributed by Public and Private Sector (IQD trillions)



### 1-1-3 Public and Private Sector Contribution: Silent Roles

- Both public and private sector contributions to the GDP at current prices for 2009-2010 are characterized by relative stability. Public sector contributions reached 66.1% in 2009 and decreased to 65.4% in 2010, while private sector contributions to the GDP did not exceed 33.9% in 2009 and raised slightly to



34.6% in 2010 to confirm the modest role of the public sector in development activity management, as evidenced by its contribution to fixed capital formation which didn't exceed 1.6%, constituting 6.4% of total fixed capital formation at current prices in 2010.

- The relative significance of private sector contributions to the GDP at current prices differed by economic sector. Agricultural, ownership of dwellings, and personal services activities reached 100%, while the private sector contribution to manufacturing industries reached 27.9% in 2009 and increased to 39.7% in 2010. This increase is explained by the increase in the number of private-sector industrial enterprises, whether large, medium or small scale. Large enterprises increased from 412 in 2009 to 420 in 2010, while medium-scale enterprises increased from 50 in 2009 to 55 in 2010. The number of small businesses increased from 10,289 in 2009 to 11,126 in 2010.
- The investment policy for the private sector was characterized by a lack of diversity and a reliance on traditional models despite the plan's aim to open investment fields in all the different economic, social, and service activities. The percentage of private-sector contributions to the GDP in the educational and health sectors did not exceed 15% of the total GDP in both sectors for 2009-2010. This indicates the lack of the sector's flexibility in diversifying its activities.
- The total number of investment projects for the private sector approved by the National Investment Authority at the governorate level reached 281 projects in 2010 valued at USD 10.1 billion and increased to 298 projects in 2011 valued at USD 13.2 billion. Total investment allocations for these projects reached USD 23.3 billion and constituted only 27% of the total private sector investment included in the plan, which is IQD 100 trillion, i.e., USD 86 billion. These contributions will seem more modest if reference is made to the amount of investments approved and which have actually gone into implementation.
- On the other hand, this percentage may appear to have decreased when in fact has increased, as evidenced by the oil licensing rounds, construction activity, and growing population and urbanization, which are driven by private sector investments. However, the scarcity of data and information on the activity of this sector and the unavailability of data on investment in Kurdistan may be among the causes explaining the apparent decrease in the actual investment percentage stipulated in the plan.
- Despite the existence of laws supporting the private sector participation in qualifying public companies, like State Companies Law No. 22 of 1997 and the adoption of the annual plan to announce companies that the state wishes to qualify. Although 76 investment files were completed up to 2010 and the qualification of 18 industrial companies was announced in 2011, the openness of private sector investors to these companies was weak due to hesitation of the companies.



## 1-1-4 Financial and Monetary Targets: Harmony and Division

### 1-1-4-1 Financial Policy: Budgets Responsive to Consumer Spending

The goals of the fiscal policy applied in Iraq through its public budgets for 2010 and 2011 extended from government policies included in the Prime Minister's address to the national partnership government on December 22, 2010, the 2010-2014 National Development Plan, and the 2009 Poverty Alleviation Strategy. The fiscal reforms made are embodied in two federal budget strategies, first, the 2011-2013 budget strategy and second, the 2012-2014 mid-term federal budget strategy. The substance of the reform is represented by:

- ▶ Deficit reduction by establishing high aggregate expense ceilings.
  - ▶ Development and rebuilding by raising investment spending to 50% of total public spending.
  - ▶ Adoption of a fixed hedge price for oil based on realistic and rational estimates.
  - ▶ Increase non-oil revenue by budget support for the mechanisms for the transition to a market economy by expanding the tax base.
- Iraq continued to adopt budget items in designing and implementing its fiscal programs with all the faults and loopholes involved but there were bright moments in the course of this trajectory, as follows:
    - ▶ Adoption of [a medium fiscal framework] to analyze the results of budget preparation and implementation in prior years.
    - ▶ Reliance of the 2010 and 2011 budget on poverty indicators when distributing spending allocations to certain activities among the governorates, based on degree of deprivation.
    - ▶ "The resource at the source": one of the standards approved in the 2011 budget allocating petrodollar returns to governorates producing and harmed by oil wealth production.
  - The public budget for 2009-2011 continued to rely in estimating its revenues on a single probable hedging price that was characterized by rigidity and lack of flexibility toward influencing the mechanisms for changing public budget resource outflow, and hence its expenses. The Iraqi economy started to grow when it retained oil financial resources resulting from the positive external supply shock and this effect diminishes when spending leaks surpass the level injected into the economy.
  - The 2009-2011 federal budget relied on oil revenues as a main source of financing its expenses at 88.47% in the 2009 budget, decreasing to 85.68% in the 2010 budget, and to 90.19% in the 2011 budget, making the performance of the fiscal policy and extent of the ability to achieve the targets related to or

concurrent with the positive and/or negative effects that the external supply shock left on the international energy market.

- Non-oil revenues formed only 11.53% of the 2009 budget, increased to 14.32% in 2010 and decreased to 9.81% in 2011. The percentage of tax revenues of total public revenues was 6.04% in 2009, decreased to 2.12% in 2010, and to 1.78% in 2011, indicating the lack of effectiveness of the tax policy in accomplishing its fiscal function.
- The federal budget did not witness a fundamental change in treatment of the imbalance in the public spending structure. Public spending continued to lean in the favour of operational expenses over investment expenses in the 2009-2011 budgets. Operational expenses made up 82.6% of total public spending in the 2009 budgets and decreased to 77.8% in 2010 then went on to increase to 80.44% in the 2011 budget. Hence, investment spending increased from 17.4% in 2009 to 22.2% in 2010 then decreased to 19.56% in 2011. This imbalance in the public spending structure can be explained by the consumer welfare indicators and the apparent expansion of [free riding] in the economy.
- Spending on salaries and wages out of the total operational spending increased to reach 52.8 in 2009, however, it decreased to 32.4% in 2010 then increased again to 54% in 2011. The remaining operational spending inputs that enter into the scope of manufacturing expenses formed 46.7% in 2009, increased to 67.5% in 2010, and decreased to 46% in 2011. These increased percentages place some of the investment goals announced in the plan beyond the reach of the deadlines of the plan and transfer the burden of the present period and its failures to the next generation.
- The Iraqi economy continued to be exposed to effective aggregate demand pressure, which had a major impact in doubling the spending budget. The effects of this started to surpass expansion limits in the fiscal policy itself generating an enormous gap. Monetary policy worked in excellent harmony to narrow this gap by using all available tools, decreasing the inflation rate from 7.1% in 2009 to 2.5% in 2010. It then rose to 5.6% in 2011. With this, the inflationary effects on the public budget became evident, as long as it was fed by income not subject to compound taxes which, if approved, would enable the public budget to reach an economic balance through a doubly balanced budget.
- The public budget swung between a deficit and a surplus during the 2009-2011 period, and then vacillated, influenced by external shock factors, whether positive or negative. This caused a deficit in the 2009 budget of IQD 346.2 billion in 2009, a surplus in the 2010 budget of IQD 116.023 billion, and a higher surplus in the 2011 public budget of IQD 30,359.3 billion, caused by the rise in the prices of crude oil and increasing production and export rates.

### 1-1-4-2 Monetary Policy: Functions Performed

Management of monetary policy is one of the most important functions of the Central Bank of Iraq based on Article 4 of Law No. 56 of 2004. That policy has strived to provide opportunities for economic stability by influencing and controlling liquidity levels and directions, stabilizing local prices, maintaining work opportunities, and achieving development. It also played a pivotal role in strengthening the essentials of economic growth through its indirect monetary policy tools such as the rediscount price, compulsory reserve requirements, open market operations, and options for managing liquidity like treasury transfer auctions and inter-bank loans.

The trajectories of that policy were tied to basic reform procedures. The target of strengthening monetary market ties and brokerage operations coincided with the needs of stabilizing the foreign financing market and supporting the stability of the foreign value of the Iraqi dinar. The concurrence of these two elements led to two strong pricing market indications which were adopted by the monetary policy to reach its stated targets: the interest rate and exchange rate indicators of the Iraqi dinar against the dollar. This strengthened the monetary transfer mechanism to affect the balance of the monetary market and hence the stability of actual activity. Thus, the monetary policy that has been adopted since 2003 produced its results by choosing the suitable nominal stabilizers. The monetary policy's interest rate indicator reached its goal in obtaining returns on the Iraqi dinar and transforming it into an attractive currency and strong buffer against inflation expectations. The bank's interest rate also decreased from 15% to 7% in 2009 and to 6% in 2010. The dinar's attractiveness, better management to improve cash stores, and financial brokerage became the sound and suitable way to face inflation expectations.

The exchange rate indicator had a greater effect on lowering inflation and raising the foreign value of the Iraqi dinar. With this, the monetary policy achieved its main target of affecting the nominal exchange rate to reach the real levels of the exchange rate weighted by the auction of foreign currency. That reflected positively on the general price level, especially final import commodity prices and production inputs, aside from the auction being a means to apply the monetary policy's indirect tools for managing the economy's liquidity, controlling liquidity levels, achieving the desired balance in the monetary market and strengthening opportunities for financial stability.

The monetary policy also contributed to building healthy reserves of foreign currency and led to building high-quality foundations for preserving external economic stability and establishing a suitable climate for launching investment. The achievements of the 2009-2011 period can be observed in:

- Increased money supply in its narrow concept (currency in exchange + current deposits) from IQD 37,300 billion in 2009 to IQD 51,743 billion in 2010, for an increase of 38.7%.
- Increased current deposits from IQD 15,524 billion in 2009 to IQD 27,401 billion in 2010, for a 76.5% increase.
- Change in cash supply components; the contribution of currency in exchange out of the total cash supply decreased from 58% in 2009 to 47% in 2010, in favour of deposits, which increased to 53% in 2010.
- Increased balance of net foreign assets to reach IQD 68,139 billion in 2010, for a 9.7% increase compared to 2009.
- Success in reducing the inflation rate to 2.5% in 2010; it then rose again to 5.6% in 2011.
- Spurred investment activity by reducing the interest rate four times in 2009, decreasing it 15% in February 2009 to 7% in June 2009. This period was permeated with treasury [rate] reductions. The Central Bank of Iraq reduced it once in 2010 from 7% to 6%.
- The exchange rate of local currency was stable against the dollar at around IQD 1170 in 2009 as a result of the preparation of the stability operation in the foreign monetary market. The amount of USD sold in the foreign currency auction increased from USD 34 billion in 2009 to USD 36 billion in 2010, noting that sold amounts include cash transfers and sales, and that the greatest percentage tends to be transfers at 94% and 85% for 2009 and 2010 respectively.
- Government banks continued to play the greatest role in granting credit at 66% in 2009 which increased to 75.4% in 2010. Private bank contributions in granting credit was not more than 34% in 2009 and decreased to 24.6% in 2010, suggesting that the local banks have a conservative nature when granting credit irrespective of the size of its capital or the credit capabilities granted to it by the executive regulations of eight times its capital.
- Until the end of 2010, the number of Iraqi banks was 7 government banks and 38 local and foreign banks. Of the latter, 7 were foreign banks and 7 were partner banks of foreign banks. Participation fluctuated between 20-75% of total capital. Capital in Iraqi banks also reached around IQD 2.4 trillion in 2009 and increased to IQD 2.9 trillion in 2010. The local bank share of this was 73.8% in 2009 and increased to 79% in 2010, distributed across the local commercial banks at 37.6%, to Islamic banks at 17.6%, and to branches of foreign banks working in Iraq at 18.6%.
- Despite the banking policy's aim of improving the bank density index for 2009-2011 by increasing the number of banks and expanding their spatial distribution horizontally and vertically, the results were modest. The number of banks increased by one in 2010 compared to 2009, and that bank is owned by the private sector. Therefore, the progress made toward reaching the target of reduc-

ing bank density is hardly indicated. The average density of banks per person decreased to 38,484 in 2010 compared with around 40,000 in 2009.

- Specialized banks did not see an observable expansion in number and we did not observe new activity, noting that the activities of these banks fall outside the rules of the market in that their credits are directed and supported by its service terms and conditions. There were only 3 such banks in 2010 (agricultural, industrial, and real estate cooperative), all of which are government banks having 67 branches. The value of credit granted was IQD 1,346 billion in 2010.

## **1-1-5 Population and Workforce: Strong Demographic Growth and Limited Work Opportunities**

### **I. Population: Estimates without a Census**

- The repeated delay in the census and limitation of its activities to numbering and listing weakened the opportunity available to Iraq to incorporate population data into development activities in a comprehensive way.
- The population growth rate maintained increasing rates that stabilized at around 3% in 2011, affected by the increased overall fertility rates of 4 births for each woman in 2009 to 4.6 in 2011.
- Life expectancy at birth increased from 58.2 in 2009 to 69 in 2011, which has clear effects on the urban makeup and hence the form of the population pyramid, which is characterized as being young and active.
- The percentage of people in the under-15 age bracket decreased from 41% in 2009 to 40.2% in 2011, while the percentage of people in the 15-64 age bracket increased from 56.1% in 2009, and to 56.9% in 2011, indicating an increase in the [propelling force] of the economy. The 65 and over age group formed only 2.8% of the total population in 2009 and increased to 2.9% in 2011. The stability of this figure is explained by the weak effectiveness of health policies especially preventative health policies.
- The percentage of youth in the 15-24 age bracket (the internationally known category) reached 20% in 2009, and increased to 20.2% in 2011. This requires comprehensive policies in the field of job training for youth and preparing and assisting them.
- Males made up 51% of the total population in 2009, decreasing to 50.9% in 2011 in favour of females who increased from 49% in 2009 to 49.1% in 2011.
- The percentage of the population in urban areas increased at 69% of the total population in 2009 while the population in rural areas accounted for only 31% in the same year. This imbalance continued in 2010 and 2011 which can be explained by the weak response of spatial policies to sustainable growth demands.

## II: Workforce: Jobs without growth

- Unemployment rates decreased from 15% in 2009 to 11% in 2011, indicating the potential of meeting the 2014 plan target to reduce unemployment to acceptable levels.
- Participation in economic activities decreased from 46.25% in 2009 to 42.4% in 2011, affected by economic, social, and institutional factors.
- The gap between men and women's participation in economic activities expanded to 56.6% in 2011 after being 50% in 2005.
- The gap in women's and men's participation in the job market in urban areas decreased from that in rural areas, decreasing from 50.6% in urban areas and 57.7% in rural areas in 2003 to 57% in urban areas and 51% in rural areas in 2011 respectively.
- Protected work was 47.6% in 2011, and the percentage of women in protected work was 58.6%. This is higher than the percentage of men which was 45.6% in the same year.
- Rates of low employment, both visible and hidden, continued to increase at 38.6% and 61.4% respectively. The selective nature of the employment policies applied may explain the causes for the increase in rates.
- Underemployment and low employment are two closely connected states for workers. Unstudied employment decisions and laws generating these conditions may be a cause for the persistence of those qualities among those in the work force.
- Unemployment in the 15-29 age bracket increased, with 15.5% of men and 33.3% of women unemployed in 2011. This rate is higher than the overall unemployment rate of 11.1%.
- There is a relative link between educational level and unemployment, that increases with the level of education, where 12.7% of those with a secondary level of education were unemployed which is less than the 24.2% rate of unemployment for those with institute education or higher.

### 1-1-6 Sectoral Development: Uneven Development Efforts

#### I. Agricultural Sector: Signs of Diversification

The agricultural sector responded positively to the goals set in the 2010-2014 National Development Plan, affected by the pricing and marketing policy applied and the measures to protect the local producer that contributed to encouraging agricultural producers to expand production and brought them back to the production circle, generating new work opportunities in the Iraqi countryside and greater possibilities for absorbing the new numbers of unskilled workers and benefitting from the abili-



ties of rural women deeply rooted in poverty, according to the results of the National Strategy to Reduce Poverty (2009).

The factors pushing toward the diversification of plant and livestock production were not accompanied by notable progress in the creation of a legal and legislative environment that helps to stop the division of agricultural areas and holdings of lands and green areas to keep them within the production circle.

#### a. Agricultural Production:

Iraq possesses vast expanses of irrigated and dry arable land for cultivation, estimated to be 44.46m dunams. The greatest portion of this has been affected by salination and overwatering, especially in the central and southern regions due to poor operation and maintenance and the lack of integrated drainage networks. Although this has had implications for agricultural production both quantitatively and qualitatively, the policies that accompanied application of the agricultural initiative items and that were approved in 2010 had positive effects on production, dunam harvest, and crop composition.

Plant and livestock production indicators for 2010-2011 reflect the following:

- 99% of target production for wheat yields in 2011 was achieved and high production levels of 525.6 kg/dunam were reached for irrigated wheat, which represents 105% of the target harvest at the end of the plan. Baghdad achieved the highest harvest levels at the governorate level with 687.3 kg/dunam.
- Reasonable success and an increase approaching the target for plant yields was achieved, such as barley at 97%, yellow corn at 52%, rice at 81%, tomatoes at 69%, potatoes at 56%, and dates at 113% in 2011.
- Vertical expansion in strategic yields was attained as well as expansion in spray-irrigated areas, increasing production levels. Average per dunam harvest over all agricultural areas reached 429.3 kg/dunam for the 2011 winter season. However, this increase is less than 13.4% compared to 2010.
- Vegetable and tomato production rates increased in 2011 by 13% compared to 2010, while potato and date production rates increased 160% and 117% respectively in 2011 compared to 2010. These increases in vegetable production rates afford it second place in relative importance in plant production. There was a positive response to the use of modern technologies applied over small areas, such as greenhouses and spray and drip irrigation methods.
- Although the rice production rate decreased in 2010 by 89% compared to 2009 due to water legislation and decreasing agricultural area, it increased again in 2011 to 235,100 tons.

#### b. Livestock production

- The rate of increase in farm animal numbers in 2010 and 2011 achieved the target of 7% for sheep and goats, and fell short of target for cows and buffalo with an annual growth rate of 1.9%.
- Red meat production increased by 1.8% in 2011, fish by 12.7% and milk production by 3% compared to 2010. Main herd harvest and weakness of genetic traits of local varieties, in addition to fodder production harvest, and weak veterinary and guidance services, which lack contact with scientific research, may have affected livestock production growth rates in 2010 and 2011.
- The number of chicken farms increased from 1745 in 2010 to 2092 in 2011, thereby increasing chicken meat production by 5.7%, which is more than planned for 2011.
- Egg production increased from 704 million eggs in 2009 to 926.2 million in 2010 to 970 million in 2011, for a 4.8% increase compared to 2010, which seems modest. The failure to complete poultry infrastructure projects especially Al-Usul project in Abu Ghraib and Al-Ajdad project in Samarra may have had the greatest effect on the absence of rapid growth in this area, and hence weakened the competitive abilities of local products compared to imported products.

## Two – Water Resources: Growing External Threat

The need for water resources in Iraq continued to grow. Continued population growth and economic and social development is met by a lack of water resources resulting from the expanding investment in water resources in countries that share Iraq's rivers. This has generated effects, positive and/or negative, on the efficiency of meeting the targets during the first years of the plan, as follows:

- No progress was made in increasing the water storage of existing dams or dams under implementation and reaching the plan target of around 33 billion cubic meters. This is due to a lack of a decision on Bakhma Dam, with a storage capacity of around 14.4 billion cubic meters, not to mention the failure to transfer implementation of the ongoing treatment activities for the foundations of the Mosul Dam to date, and delaying the Taq Taq Dam and the Khazar-Comel project, which led to failure to achieve increased storage of about 20 billion cubic meters.
- Water resources development efforts were translated by expanding the water yield in the suitable areas and using post-treatment waste water, adding 114.346 million cubic meters to the size of the reserve available at the end of 2010. Work is still ongoing to increase storage capacity by 127.4 million cubic meters by implementing 7 small dams (Al-Wand in the Diyala Governorate; Khassa Jay in the Kirkuk Governorate; Kara 2, Kara 4, and Al-Masar in Anbar Governorate; Shahabi in Wasit Governorate; and Dwirij in Maysan Governorate).
- A number of procedures were adopted aiming to guide water consumption by establishing water use associations in all governorates and spreading aware-



ness through participative management, limiting the expansion of agricultural plants that consume large amounts of water, and relying on new technologies in irrigation and farming such as irrigation systems and protected agriculture in order to achieve sustainable development.

#### a. Land Reclamation and Irrigation and Draining Projects: Modest Achievement

- The integrated land reclamation target of 1,600 dunams is still unreachable. Total land areas fully reclaimed during 2010 and 2011 did not exceed 84,000 dunams and those partially reclaimed were 192,000 dunams, which both form only 12% of the total land targeted for reclamation.
- Due to the lack of fiscal allocations, the enormity of the work to be done, and the scattered nature of the energies exerted, the number of projects supporting land reclamation did not exceed 47 in 2010 and decreased to 45 in 2011.
- Noticeable progress was made in completion of the main outlets, such as the Eastern Euphrates Drain where 200 km (or 77%) of the total length of 261 km was completed, with drainage of 385 cubic meters per second at the end of 2011. At the end of 2011, excavations were 100% completed on East Al-Gharraf Drain, the length of which is 172 km with drainage of 26 cubic meters per second.
- 2011 witnessed noticeable improvement in maintenance and repair of irrigation and canal projects, with 128% of the lengths completed compared to 2009, and the amount of sediment removed upstream from dams and in river excavation increased from 12.3 million cubic meters in 2010 to 12.7 million cubic meters in 2011. Concrete lining work also increased from 1.263 million square meters in 2010 to 1.668 million square meters in 2011. Streams and drains were cleaned with an increase of 22,757 km in length in 2010 to 23,562 km in length in 2011.

#### b. Groundwater: Sustainable Use

- 2010 and 2011 saw an increase in the numbers of actual wells drilled in relation to those planned. In 2010, drilling of 1200 wells was planned in the various governorates of Iraq and 1403 wells were created, for an implementation efficiency of 117%. Meanwhile, the drilling of 1300 wells was planned in 2011 and 1463 wells were actually drilled, for an implementation efficiency of 113%. One well secures water for drinking and other daily needs for around 30-40 people.

#### c. The Iraqi Marshlands: Returning life to a rare environment

- Water was restored to 38% of the total marshland area, reaching 5,589 km<sup>2</sup> in 2010, and the restoration rate increased to 46% in 2011.

#### d. Iraq's Share of Water: Urgent efforts for water security

- Political and social relationships were invested in as a way to apply pressure in order to secure Iraq's water needs.

- Efforts to sign the United Nations Convention on the Law of the Non-Navigational Uses of International Watercourses of 1997 were supported as the best legal framework for equitable and just division of water.
- Strengthening of negotiation abilities.
- Pressuring neighboring countries to share information and operation plans.
- Conducting joint measurements on the locations of key definitions as an important basis when determining the size of returns.
- 2011 saw the drafting of a limited negotiation strategy policy for negotiating with neighboring countries on determining Iraq's water share and supporting the negotiation system. Progress in this direction was made through preparation of a draft law for the National Water Council, and a higher national water council was formed, which is responsible for managing water resources in Iraq and pushing negotiations.

### Three – Industry and Energy Sector: Leading Activities

- Investment allocations for the industrial sector increased from 32.4% in 2010 to 36.3% in 2011. Electricity, oil, and manufacturing industry shares were 16.6%, 12.1%, and 3.6% respectively in 2010, while the shares for these activities was 13.7%, 18.8%, and 3.6% respectively in 2011.
- The industrial sector's contribution to the GDP decreased from 48% in 2009 to 46% in 2010 then rose again a little to 47.4% in 2011. Despite the simple relative decrease, its contribution remained within half of the country's GDP.
- Extractive industries contributed 43.6% to the GDP in 2009, decreased to 41.7% in 2010 then rose to 43.2% in 2011. While electricity formed only 1.6% of the GDP in 2009, this settled around 1.5% in 2010 and 2011. Manufacturing industry contribution to the GDP was stable at around 2.8% for 2009-2011.

#### a. Oil and Gas: Generous Prices

- Crude oil production increased from 2336 thousand barrels/day in 2009 to 2554 thousand barrels/day in 2011, for an increase of 9% compared to 2009. This increase is a natural result of the increase in the number of fields discovered and an increase in the number of oil wells drilled. However, this increase is 11% less than that planned due to the complicated procedures involved in signing licensing rounds.
- Quantity of oil exported rose to 2165 thousand barrels/day in 2011 after being 1906 thousand barrels/day in 2009 and 1890 thousand barrels/day in 2010. This is a result of the development of crude oil transportation pipelines, the building of new pipelines, qualification of current export platforms, and building new floating platforms.
- Gas production increased from 1395 MMcf/day in 2009 to 1426 MMcf/day in 2010 and to 1574 MMcf/day in 2011. This increase is due to the expansion-

ist nature of the gas production policies that were applied in the oil sector during this period.

- In order to enhance the increase in the quantity of oil products, the current refineries were improved by increasing the refining capacity from 449 thousand barrels/day in 2009 to 598 thousand barrels/day in 2010 and to 605 thousand barrels/day in 2011, for an increase of 34.7%.
- 2010 and 2011 saw the continuation of the deficit in gasoline production and white oil production as well as gas oil. The long time period required to establish new factories to produce the derivatives may explain the deficit between the supply and the demand on those derivatives.
  - ▶ Some of the achievements made did not meet expectations due to the problems facing oil and gas activity in 2010-2011, including:
    - ▶ Reliance on routine, the administrative procedures used in transferring tenders, and the delay in opening credits, as well as the delay of some international companies in performing their obligations.
    - ▶ The age of the technology used in the gas oil separation plants and oil refineries as well as the age of gas pipeline networks.
    - ▶ The laws and legislation that hinder foreign company investment, including the law on government contracting and the investment laws.

#### b. Electricity: Long-awaited hopes

- Electrical power generation increased from 5258 megawatts in 2009 to 6149 megawatts in 2011, for an increase of 17%. However, actual production for 2011 is less than that planned by 25%. The directives on enforcing government contracts, the delay in opening credits, and the lack of expertise may be among the reasons explaining the production gap.
- Per capita electricity consumption increased from 1400 kWh in 2009 to 1700 kWh in 2010 and to 1800 kWh in 2011, for an increase of 29.5% for 2009-2011. However, this increase is still far from that planned due to the age of the network and its exposure to sabotage and trespass, and irrational power consumption by individuals and institutions.
- The efforts exerted to improve the performance efficiency of electrical systems and to stop their deterioration through restoring conversion stations and lines and cables achieved noticeable success, increasing from 5% in 2009 to 20% in 2010 and increased to 60% in 2011 for 400 k stations, while the success rate decreased 30% for 132 k stations in 2011. Concerning the length of time required to restore production lines, the lack of response from international companies to the calls sent, and the delay in opening documentary credits, are all causes that affected the achievement of the goal of improving electrical system efficiency in 2010-2011.

- An environmental strategy was elaborated for the electricity sector in cooperation with UNDP and UNEP in 2010; however, its goals were not fully achieved due to the limitations of using environmentally-friendly technology and the use of heavy fuels in operating gas stations.

#### c. Manufacturing Industry: Delayed Priorities

- The manufacturing industry contribution to the GDP for 2009-2010 was 2.9%, and increased to 2.7% in 2011.
- The manufacturing industry saw a deviation in actual production in 2009 compared to planned production by 51.5%, increasing to 52% in 2010, and decreasing again to 51.2% in 2011.
- An effort was made to improve the role of the private sector in the manufacturing industry during 2010-2011 by granting permission to establish and encourage investment in these activities. The number of projects increased from 213 fully established projects with an invested capital of IQD 67.3 million, to 452 projects in 2010 with an invested capital of IQD 102.3 million, then to 574 projects with an invested capital of IQD 221.8 million. This actual increase did not reach the level planned in the target due to the failure to identify the appropriate mechanism to effectively involve the private sector.
- In order to develop the industrial sector and strengthen the bases of private sector participation in the activities of this sector, three industrial cities were commenced in the governorates of Basrah, Dhi Qar, and Ninewa, aside from commencing topographical tests and preparing surveys and preliminary soil investigations for the industrial city in the Anbar governorate. The completion rate was 35% by 2011.
- Private sector contributions to industrial output reached 27.9% in 2009 and increased to 39.7% in 2010, due to the increasing number of private industrial enterprises during that period.

## Four – Infrastructure: Achievements without meeting needs

### a. Water and Sanitation: Projects Awaiting Completion

#### Pure water

- The number of water supply services projects increased from 245 in 2009 to 251 in 2010 and to 260 in 2011 throughout Baghdad and the governorates. Rehabilitation projects prepared increased from 275 in 2009 to 367 in 2010; however, they decreased in 2011 to just 72 projects. The reduction of allocations set aside for the projects and upgrades from 9.25% in 2009 to 3.57% in 2010 to 3.93% in 2011 may be reflected in the termination of most of the projects that needed upgrade.

- Individuals served by drinking water networks reached 100% in Baghdad. In the other governorates, the rate improved from 77.4% in 2009 to 80% in 2010 and to 82% in 2011. This increase is explained by the appearance of new projects to produce pure water.
- The quantity of drinking water production in Baghdad increased from 2250 thousand cubic meters/day in 2009 to 2350 thousand cubic meters/day in 2010 and to 2740 thousand cubic meters/day in 2011, which led to a decrease in water shortages by 35.8% in 2009 to 21.7% in 2011. Meanwhile, drinking water production capacities in the governorates increased from 3229 thousand cubic meters/day in 2009 to 3835 thousand cubic meters/day in 2010 and to 3945 thousand cubic meters/day in 2011. With the continued population increase, water shortages remained at 20% in 2009 and 2010 and decreased to 18% in 2011.
- Daily per capita share of drinking water in Baghdad increased from 300 liters/day in 2009 to 325 liters/day in 2010, thereby reaching the target by 98.5% of that planned, and then the share increased to 350 liters/day in 2011, thus achieving the target by 97.2% of that planned. With respect to the governorates, the per capita share improved from 300 to 320 then to 335 liters/day for 2009, 2010, and 2011, thus achieving the target by 96.9% in 2010 and 93.1% in 2011.
- As a result of the implementation of the large Al-Rasafa water project and the repair of the water networks and other projects still under implementation, waste decreased from 40% in 2009 to 35% in 2011.
- The number of water desalination projects increased in the governorates suffering from high salinity, especially the southern governorates, from 64 projects in 2009 and 2010 with a production capacity of 34,980 cubic meters/day to 959 projects in 2011 with a production capacity of 54,670 cubic meters/day.

### **Sanitation**

- The number of qualified projects in the sanitation sector did not increase in Baghdad and the rest of the governorates, remaining at 3 projects in Baghdad for 2009-2011, and 29 projects in the governorates in 2009-2010, increasing to 31 projects in 2011. This confirms their inability to cover the population served 100% in Baghdad and 35% in the governorates.
- The length of the sanitation network in Baghdad increased from 21,444m in 2010 to 125,297m in 2011, while the length of rain water networks increased in the governorates from 3445.297m in 2009 to 3696.236m in 2010 and to 5077.647m in 2011.
- The absorptive capacity of the sanitation networks in Baghdad did not change, remaining at around 684,000 cubic meters/day for 2009-2011. Modest change occurred in the absorptive capacity of sanitation networks among the governorates, increasing from 551,652 cubic meters/day in 2011 for a change of 18.1%.

- The number of those served by the sanitation networks in Baghdad increased from 75% in 2009 to 80% in 2010 then to 82% in 2011, while the number of those served by the sanitation networks in the governorates rose from 25% in 2009 to 26% in 2010 and to 30% in 2011.

#### b. Transportation and Communications: Achievements below expectations

##### **Roads and Bridges:**

- Slow progress was made in improving the current road network; 254 km of arterial highways, 367 km of rural roads, and 46 km of secondary roads were completed in 2011. No progress was made in improving the border highways. Security conditions, lack of annual allocations for projects, lack of specialized technical teams, and administrative routine may have played a role in the delay in meeting the target set in the plan.
- More than 100 km of main and secondary roads were maintained.
- The number of bridges reached 1260 concrete and iron bridges; there are 52 floating bridges spread throughout all areas of Iraq and, according to 2011 data, more than 36 of these bridges were maintained in 2011.
- Weigh stations were not in fact established along all the main roads between the governorates and trade outlets between Iraq and the neighboring countries, yet 22 stations were transferred in 2012, distributed across five governorates and to be built in 2012.
- Work is ongoing to eliminate road and railway intersections, and rural roads were built according to programs covering the greatest percentage of villages and agricultural projects, securing a link between sites of agricultural production and the market. Work is also ongoing to refurbish the exterior highways with traffic signs, directional and warning signs.

##### **Civil Aviation**

- Until the end of 2011, construction did not begin on any new airports, and no planes were added to the Iraqi fleet. Work continued to be centered on renovating the Baghdad and Basrah airports, progressing slowly and not meeting the target. The dissolution and liquidation of Iraqi Airways also exacerbated the continued lack of strategic vision in spurring civil aviation activity.
- Development courses were held in Iraq and abroad to improve national cadres and create new qualified cadres, strengthening the Iraqi fleet.
- The ability to cover the increase in travelers on international and national transportation with Iraqi Airways planes faltered, decreasing from 99% in 2010 to 86% in 2011 compared to that planned, while national transportation decreased from 66% in 2010 to 42% in 2011.



- The movement of goods by air did not indicate a major quantitative advance, as the quantity of import goods shipments decreased from 8272 tons in 2010 to 7916 tons in 2011, while the quantity of export shipments was 128 tons in 2010 and increased to 400 tons in 2011.

### **Railroads**

- Doubling of single-track railways was not finished; the lengths of lines actually completed is 108 km out of a total planned 220 km, for a rate of 49% for 2011. The low number of annual allocations for railroad projects and the complications of announcement, transfer, and contract signing procedures may be objective causes for the distance from the target.
- 50% of the railroad/highway intersection designs were completed.
- Most of the targets remained merely ink on paper, including those related to upgrading the communication and sign systems, improving Iraq's geographical position as a link between east and west, equipping the railways with modern trains and new passenger and cargo cars, and electrifying the railway.

### **Ports**

- Iraq possesses four commercial ports (Umm Qasr, Khor Al-Zubair, Abu Falous, and Al-Maqal). There are 46 docks, out of which 43 were working in 2011. Total capacity available was 15.9 million/ton in 2011.
- Iraq possesses two ports for exporting oil, Basrah Port and Al-Ameeq Port. Basrah Port's load increased from 33.2 million/tons in 2010 to 34.1 million/ton in 2011, while Al-Ameeq Port's load increased from 0.7 million/ton in 2010 to 1.7 million/ton in 2011.
- Depth of navigation channels and dock facades were improved, varying from 5.6-12 meters.
- Transition is being made to a stage of building advanced ports to keep pace with developments occurring in world ports like the construction of Al-Faw Port, aside from building several docks at Umm Qasr and Khor Al-Zubair ports.
- There was noticeable growth in the role of the private sector in carrying out, operating, and providing port services. Joint operation contracts may be entered into with the private sector for ports docks and areas.

### **Passenger and Cargo Goods Transportation**

- The target of providing 300 passenger busses during 2010 and 2011 was reached, for 134% of the planned target, while 709 busses were imported to support national transportation and 86 busses to support international transportation during 2010, along with providing 246 busses in 2011.

- The rate of growth in the number of passengers and travelers increased in 2011 compared to 2010 by 3.4%.
- Contracting with the private sector took place with the objectives of participating in the joint operation of passenger busses within the city of Baghdad with regular lines and with company follow-up and oversight.

### **Overland Shipping of Goods**

- An actual capacity of 747.5 thousand tons were transported during 2010, that is, a rate of 71% of the 1050 thousand tons planned. In 2011 the actual amount reached 319% where actual capacity transported reached 2342.5 thousand tons and the planned capacity was 732.9 thousand tons.
- An increase was achieved in the number of goods transported in 2011, reaching 248% compared to 2010.
- Revenues realized in 2010 were IQD 39.1 billion, which is 112% of the planned amount of IQD 35 billion. In 2011, actual returns reached IQD 59.1 billion, which is 141% of the planned amount of IQD 41.7 billion.

### **Maritime Transport**

- A multi-purpose vessel was purchased with a capacity of 15-20 thousand tons.
- Contracts for joint operations and requalification of maritime cadres were signed.

### **Telecommunications**

- There was a relative increase of 1.6% in the number of electronic switches for 2010 and 2011 compared to previous years.
- There was an increase of 13.7% in overall phone lines for 2010 and 2011, which is the biggest increase achieved for these two years.

## **Five – Service Sector: Faltering Steps**

### **a. Housing: Increasing Deficit**

- There was a modest success not exceeding 13% of the total housing units planned for 2010 and 2011. This is due to the poor efficiency of public and private sector contracting companies.
- The number of borrowers from the housing fund decreased from 3175 in 2009 to 2829 in 2010 and to 2148 in 2011, due to local expectations that loan interest rates will be lowered.
- Loans were redistributed geographically based on the level of housing deprivation, where the Maysan governorate, the most deprived governorate in meeting housing needs, recorded the highest housing lending rate of 13.5% in 2011.



## b. Culture, Tourism, and Monuments

- The number of hotels and tourism accommodations decreased from 662 in 2009 to 590 in 2010, for a negative change of -10%. This is due to a lack of services generally and tourism services especially, aside from the security conditions that led to the disruption of nature, archaeological, and medical tourism.
- The private sector achieved progress in tourism activity, where the number of hotels increased by 2.4% from 2009 and 2010. The private sector share of total hotels, apartments, and tourism accommodations was 98%, whereas the public sector share did not exceed 2% in 2010.
- The number of tourism companies increased from around 201 to 460 in 2011 for an increase of 129%. Around 50% of these are concentrated in the Baghdad Governorate.
- Three tourism and hospitality institutes were opened in Najaf, Karbala, and Basrah to train and qualify professionals in the tourism field.
- There was a steady and high increase in tourism to Iraq, where the number of religious tourists reached around 1.5 million in 2011.
- Surveys are still being conducted on around 1000 archaeological sites throughout all the governorates.
- Around 116,000 archaeological pieces smuggled abroad were returned, and 12,000 coins and clay tablets were received from local residents.
- More than 2000 found pieces were repaired.
- Work continued on tens of projects in the area of protecting, restoring, salvage excavation, and maintenance of archaeological sites.
- 29 buildings throughout Iraq were declared historical sites.

## 1-1-7 Human and Social Development

### One – Education: Quantitative Improvement, Qualitative Stability

The main education trajectories in the 2010-2014 National Development Plan were based on the integration of human capital as a course for development. This program aims to strengthen and improve the abilities of Iraqis' throughout their entire education, from the early childhood stage to higher education, in addition to other ways of building knowledge. The most important of the plans' trajectories include: equal enrollment in a comprehensive educational system, focusing on furnishing and realizing equivalent educational opportunities by supporting expanded building of schools, full absorption of all school-age pupils, girls' education, wiping out illiteracy, and adult education. They also include raising the level of educational outputs by modernizing the educational system and ensuring its quality by relying on school reform, teacher qualification and support through professional and academic skills

development, improving education methods and student activities, employing technology to improve the educational process, developing and improving the quality of professional education, aside from nurturing gifted and high achieving individuals. It also focused on reducing the variation in enrollment rates between rural and urban areas and among the governorates, providing just distribution of higher education opportunities of all kinds to meet community demand in all areas, aside from boosting the efficiency of institutional systems, through institutional qualification and support and developing administrations, capabilities, and academic research in addition to encouraging community participation in building, administering, and financing higher educational institutions.

However, real data reflects the fact that the educational system in Iraq continues to suffer from structural and curricular weaknesses in most of its courses, despite graduating hundreds of thousands in the sciences and humanities fields. These educational programs continue to be exposed to many problems and often lack the essential goal of producing influential and effective educated individuals. At various stages of study, students are subjected to an educational system that relies on traditional methods based on curriculums founded on dictation and listening. The efforts of the private sector and civil society organizations in this field are still modest and coordination between the different entities participating in those programs are weak in light of the great deficit in the number of educational facilities, which are of poor quality, and the number of teachers, many of whom lack educational and academic competence.

### **The plan realized the following achievements:**

#### **a. Educational Opportunities**

Enrollment in the educational system was witness to fluctuations during 2008/2009 and 2010/2011 according to level:

- At the pre-school level, a relative improvement from 63 children per 1000 to 80 children per thousand, for an increase of 27%.
- There was noticeable improvement in primary school enrollment, reaching around 92%. Net enrollment at the middle-school level reached 40%, and net enrollment at the preparatory level reached around 21%.
- Enrollment at teacher training institutes did not improve and remained fixed at 1%.
- University enrollment increased from 8.3% to 12.3%, for an increase of 4%.

#### **b. Educational Needs**

### **Student/School Indicator**

- The indicator shows an increase at the pre-school level where it reached 217 students per school, achieving an increase over the overall average of 130 students per school.
- There was no observable change in the student/school indicator at the university level.
- The teacher training institute saw a decrease leading toward improvement from 366 to 282.
- The number of Iraqi universities for the mentioned period increased by 8 universities, and the number of government colleges increased from 201 to 238.
- The number of technical education colleges increased from 9 to 13, and the number of institutes remained the same at 27.

### **Student/Teacher Indicator**

- Pre-school increased from 20 to 26 students per teacher.
- The ratio remained relatively fixed and consistent with the plan target for all educational levels prior to university level.
- The teacher/professor ratio at the university level increased from 11 to 12.

### **Dropout Rates**

- The dropout rate at the primary school level decreased from 2.9% for the 2009-2010 school year to 2.5% for the 2010-2011 school year.
- The dropout rate at the secondary school level decreased from 3.7% to 3.2% for the same period.
- The dropout rate at the university level decreased from 1.9% to 1.5%.

### **Community Education**

- Private sector contribution to providing educational services increased. The number of community schools increased in 2009-2010 and 2010-2011 from 286 to 558 schools. Of these, preschools increased from 125 to 223, primary schools from 87 to 156, and secondary schools from 74 to 176. The number of students enrolled in these schools increased from 4,999 to 63,070.
- The number of community colleges increased from 19 to 23 for the same period.
- The number of students accepted at community colleges increased from 13,973 students in 2009-2010 to 20,631 students in 2010-2011, for an absolute increase of 6658 students and an increase of 47.6% for 2009-2011.

## Two – Health: Incomplete Services

Despite the successive crises Iraq has gone through and their effect on overall conditions, health conditions witnessed a relative improvement in the health indicator during the past few years. The 2010-2014 National Development Plan's health strategy focused on building a health care system that can provide comprehensive coverage for health services for all citizens. It focused on improving, monitoring, and financing health care infrastructure to ensure effective provision of services to citizens with continued expansion in building primary health care units in all governorates, aside from improving public hospitals, clinics, and health care departments to ensure that needs are met in urban and rural areas. This is aside from boosting opportunities for building medical and nursing abilities in all areas, the effort to introduce preventative care and early detection in all aspects of the health system, and enabling people to actively participate in improving health, health care, and disease prevention.

### Perhaps the most significant indications of improvement:

- A great improvement in life expectancy at birth, increasing from 58.2 in 2006 to 69 in 2012.
- A decrease in mortality rates for children under the age of 5, from 41 deaths per thousand live births in 2006 to 38 deaths per thousand live births in 2011.
- A decrease in infant mortality from 35 per thousand live births in 2006 to 33 deaths per thousand live births in 2011 for Iraq overall, and 30 deaths per 100 live births in the Kurdistan region.
- Health and medical human resources for 2009-2011 witnessed a simple increase in the number of doctors, dentists, pharmacists, and health professionals for each 10,000 residents, as shown in Table 1-6.

Table 1-6

Indicator	2009	2010	2011
Doctor/Population	0.72	0.74	0.75
Dentist/Population	0.16	0.17	0.18
Pharmacist/Population	0.19	0.20	0.20
Health Professional/Population	1.5	1.6	1.7
Nursing Corps/Doctor	1.4	1.4	1.5

With the exception of the clear improvement in bed occupancy in hospitals and specialized centers, bed occupancy rates per 1000 inhabitants and child-friendly hospitals did not show any noticeable improvement, as shown in Table 1-7.

Table 1-7

Indicator	2009	2010	2011
Bed/1000 inhabitants	1.14	1.15	1.17
Bed occupancy rate, %	51.6	51.4	60.1
Number of child-friendly hospitals	36	37	37

- The rate of tuberculosis outbreaks for each 100,000 inhabitants decreased from 78 to 65, realizing a noticeable improvement in this indicator.
- The number of medical and community clinics increased from 298 in 2009 to 353 in 2010 and then to \_\_\_ in 2011.
- Programs to introduce a basic health services package at primary health centers were approved to ensure that the actual needs of the population are met in accordance with the best geographical distribution, and health centers in uninhabited areas and remote health complexes were established.

### Three – Women: Faltering Growth

Despite the many achievements in narrowing the gender gap, especially in the fields of education, health, work, and political participation, efforts are still faltering and the gap remains wide. There remain many legal texts and legislation that have not yet been subjected to review or that contain loopholes that have not been closed.

#### Development indicators related to gender reflect that:

- ▶ § Women's economic activity decreased from 14.2% in 2003 to 13% in 2011.
- ▶ Women's representation in parliament decreased to 25% after having reached 27.3% in 2007.
- ▶ Illiteracy rates remain high among the Iraqi population at around a fifth of the population and are higher among women.
- ▶ The gender gap at the level of primary education was narrowed (0.93) but it expands at the middle and secondary levels to reach 0.34 and 0.38 respectively.
- ▶ The average age of first marriage declined among women from 23.5 in 2009 to 22.4 in 2011.
- ▶ Women's representation in the government declined from six ministers in 2004 to one minister in the current parliament.
- ▶ Female breadwinners decreased from 11.5% in 2006 to 7.7% in 2011.
- ▶ Divorce rates in Iraq doubled from 28,690 in 2004 to 59,515 in 2011.
- ▶ The gap between men's and women's participation in the work force decreased in the cities compared to rural areas. The gap between men and women reached 60.6 in cities compared to 57.7 in rural areas in 2003. The rate increased to 57% in urban areas against 51% in rural areas in 2011.

### Four – Youth: Institutional Development and a Challenge of Values

The challenges facing youth remained, in part, representative of the result of decades of poor economic management and poor investment in human and material resources.

es, whose negative effects were enhanced by the effects of consecutive wars and crises. Although economic and political circumstances have changed, and given the palpable achievements for youth, this segment continued to face enormous challenges hindering opportunities for its sustainability and progress:

- Despite the relative improvement in reading and writing proficiency rates among youth, illiteracy rates are still high. Illiteracy rates among the 20-29 age group reached 16.3% for all youth, and 21.2% for women compared to 11.7% for men.
- The level of youth economic activity is on the rise in rural areas compared to urban areas, with 37% for rural areas against 27% for urban areas.
- The difference in economic activity rates for men and women remained large for the 15-29 age group, with 63.4% for men and 12% for women.
- Economic activity rates for young women are on the rise in rural areas at 14% compared to 6% in urban areas.
- Despite the decrease in youth unemployment during 2008-2011, the rates for the 15-29 age group reached around 18.2%, which is higher than the overall unemployment rate in Iraq of 11.1%, with the rate for men being 15.5% and for women 33.3%.
- The rate of unemployed individuals holding advanced degrees (institute and above) increased compared to other groups having less education, reaching 24% and 13% respectively.
- There was a decline in the value systems among youth like the culture of volunteerism, participation, and responsibility, which are being replaced by indifference, loss of confidence, self-centeredness, and the desire to immigrate, which have led to a kind of social disintegration and a rift between youth and the society they live in.

## Five – Community Development

In the area of community development, the 2010-2014 National Development Plan aimed to lend special protection to vulnerable groups with limited income to improve their living conditions, support opportunities for community stability, strengthen the institution of the family, and give due consideration to the balance between the rights and duties of development partners from state and public institutions, the private sector, and civil society. The indicators reflect improvement in the following community development fields:

### a. Social Security Network

- The Social Security Network had very high coverage, encompassing vulnerable groups (the disabled, widows and widowers, the elderly...). The fluctuation in the rates of those covered from 2009-2010 is due to changing inclusion

controls in the network, and the disqualification of the cases not covered under the controls.

#### b. The Disabled

- The percentage of disabled individuals benefitting from centers for the mentally disabled in 2010 and 2011 increased by 2.4% and 5.1% respectively.
- The levels of utilization of the absorptive capacity of centers for the mentally disabled increased during 2009, 2010, and 2011 by 75%, 76.8% and 80.7% respectively.
- Numbers of individuals receiving services from centers for the physically disabled increased from 2009 and 2010 by 8.3%.
- Levels of utilization of the absorptive capacity increased, with the percentage of those receiving services increasing in 2009 and 2010 by 44.5% and 48.2%.

### **Six – Poverty Reduction Strategies: Serious Programs to Achieve Social Justice**

The National Strategy for Poverty Reduction approved in 2009 aimed to reduce poverty rates at the national level from 23% to 16% during the 2010-2014 period. The strategy went into actual effect in 2011 through the implementation of the National Development Plan programs that covered many of the poor areas in all governorates, and coverage rates increased in 2012 by allocating around IQD 500 billion of that year's investment budget, distributed to projects having priority within the poverty strategy. This centered on:

- Supporting the small loan fund to assist the poor
- Building low-cost housing compounds
- Eliminating clay schools
- Improving primary health care services

### **Seven – Third Millennium Development Goals: National Adaptation and Targeted Achievement**

Iraq succeeded in settling the goals through their integration in the national strategy as the strategy to reduce poverty and the 2010-2014 National Development plan. The latter was distinct from the previous plans given its interest in distributing the fruits of development equitably and justly across all of Iraq according to the levels of deprivation, need, and population sizes in the field of services and infrastructure, and according to their capacities and relative character in the production sectors.

The progress achieved in the implementation of the millennium development goals in 2011 compared with 2007 reflects clearly the nature of economic, political, and



social changes, positive or negative. This qualifies the results of its follow-up to be the main [index] relied on in evaluating the economic performance efficiency of the goals of the aggregate and sectoral plans, the human development fields, and the main standards in guiding and designing the goals and their priorities for the coming 2013-2017 National Development Plan. The results, set out in Figure 1-6, can be summarized as follows:

Figure 1-6

Variables	Ninewa	Kirkuk	Diyala	Al Anbar	Baghdad	Babil	Karbala	Wasit	Salah ad Din	Najaf	Al-Qadisiyah	Muthanna	Dhi Qar	Maysan	Basrah	Dohuk	Sulaymaniyah	Erbil	Iraq (current rate)
نسبة السكان الذين يقل دخلهم عن دولارين ونصف	26.0	4.2	10.3	12.5	2.8	10.9	11.4	17.1	6.9	8.1	19.2	29.2	37.8	16.4	16.1	4.9	0.3	2.3	11.5
معدا جودة الفقر (انتشار الفقر * مدا) (مدا)	6.5	1.0	1.7	2.3	1.0	2.7	2.2	4.2	1.5	1.5	4.9	5.7	9.4	3.4	3.3	1.4	1.0	1.0	2.6
حصة أفقر خمس من الاستهلاك الوطني	7.4	9.1	8.9	8.0	8.3	7.3	7.7	8.0	7.7	6.7	8.9	8.8	8.7	7.8	6.8	7.6	7.7	7.4	8.0
معدل انتشار حالات الأطفال ناقصي الوزن دون السادسة من العمر	6.3	3.7	7.3	13.4	11.2	5.1	7.2	9.4	9.2	10.4	7.1	8.7	8.7	7.6	9.9	5.9	4.1	9.7	8.5
نسبة السكان الذين لا يحصلون على الحد الأدنى من الطاقة الغذائية	7.0	3.0	6.0	5.0	5.0	3.0	3.0	11.0	2.0	3.0	3.0	12.0	17.0	7.0	21.0	5.0	0.0	2.0	6.4
صافي نسبة الإلتحاق بالتعليم الابتدائي	88.0	93.1	92.2	89.4	89.3	88.2	89.7	84.5	87.3	89.9	86.6	85.4	88.3	72.2	91.5	94.0	97.8	92.7	89.1
صافي نسبة الإلتحاق بالتعليم الثانوي	41.2	56.2	45.8	45.3	50.7	44.7	43.3	37.1	43.4	39.3	43.5	33.5	42.2	31.4	43.6	65.7	79.0	69.0	48.6
نسبة عدد الطلبة الذين يتخونون بالصف الأول ويلتقون الصف الأخرى في المرحلة الابتدائية	94.4	92.0	93.4	97.4	96.8	94.8	96.2	96.2	95.3	93.1	98.0	97.4	94.0	98.4	94.5	95.1	96.8	95.0	95.5
معدل الإتمام بالمرارة والكتابة بندي (الأشخاص بين 15 - 24 سنة)	80.1	90.5	92.7	67.9	92.4	86.2	85.4	73.6	82.4	77.9	73.8	74.5	76.3	72.0	84.5	83.3	94.4	87.2	85.5
نسبة الإلتحاق بالمتا إلى البنين في مرحلة التطوير الابتدائي	0.90	0.97	0.96	0.94	0.98	0.95	0.94	0.84	0.91	0.95	0.92	0.85	0.89	0.78	0.95	0.98	0.99	0.98	0.94
نسبة الإلتحاق بالمتا إلى البنين في مرحلة التطوير الثانوي	0.70	0.83	0.95	0.65	0.93	0.79	0.92	0.80	0.74	0.88	0.73	0.64	0.81	0.60	0.96	0.90	1.04	0.96	0.85
نسبة الإلتحاق إلى الذكور الذين لم يلمن بالقراءة والكتابة بعمر (15 - 24 سنة)	87	92	94	91	97	93	93	100	88	96	86	79	83	77	94	88	91	96	91
حصة النساء من الوظائف المدفوعة الأجر في القطاع الزراعي	7.8	12.6	12.1	11.9	18.9	14.5	11.8	15.5	11.8	13.9	17.5	10.9	11.7	13.5	12.5	15.8	19.8	18.6	14.7
نسبة المقدمين الذين تنشطها النساء في الريزمات الوطنية	25.0	15.4	16.7	21.4	32.5	27.3	26.7	33.3	9.1	22.2	25.0	40.0	30.8	33.3	35.3	37.5	33.3	16.7	27.0
معدل وفيات الأطفال دون الخامسة لكل 1000 ولادة حية	45.9	50.9	45.8	37.9	30.5	47.6	35.0	29.5	42.3	37.1	43.8	30.0	39.4	28.9	33.9	36.6	25.2	33.9	37.2
معدل وفيات الأطفال المراجع لكل 1000 ولادة حية	39.7	44.1	42.5	31.9	25.0	40.3	28.5	26.2	35.4	32.9	36.2	26.1	29.9	26.2	31.8	33.3	23.9	27.2	31.9
نسبة الأطفال البالغين من العمر سنة واحدة المحصنين ضد الحصبة	72.1	92.9	71.5	66.2	75.8	79.9	84.8	60.8	57.8	77.2	77.0	84.7	53.4	91.9	75.6	91.3	83.2	81.1	75.4
نسبة الولادات التي تحوي بإمرف موظفي الصحة من ذوي الإحتصاص	82.6	66.6	91.0	83.3	92.2	83.4	99.9	85.5	84.9	96.2	93.7	89.1	93.8	94.2	94.0	90.2	95.1	91.8	90.9
نسبة الولادات في المراكز الصحية	72.0	66.1	69.1	83.1	71.7	82.6	81.2	75.0	75.5	82.9	86.8	83.2	73.3	76.6	83.9	92.0	89.3	75.5	76.6
معدل انتشار وسائل منع الحمل	43.0	46.4	49.9	51.5	51.9	54.4	50.9	49.5	47.5	58.6	49.6	44.1	49.8	47.0	54.4	54.8	49.6	66.7	52.5
نسبة الريادة الصحية أثناء الحمل (قبل الولادة)	71.1	74.8	79.6	70.3	78.5	76.9	86.3	74.6	63.3	86.4	80.9	84.4	80.6	70.7	82.2	84.6	88.7	72.0	77.7
الحصول على الرعاية الصحية قبل الولادة (زيارة واحدة على الأقل أو أربع زيارات على الأكثر)	79.8	86.5	86.6	96.2	93.8	95.7	97.6	70.1	87.5	92.8	93.2	98.3	90.2	80.0	92.9	90.9	96.9	83.1	89.1
الحاجة غير الملباة في مجال تطهير الأسرة	8.0	8.2	6.0	6.5	8.2	4.9	9.1	6.6	9.8	5.8	7.8	10.4	9.6	9.2	9.5	10.7	8.5	6.3	8.0
نسبة النساء اللاتي سمن أو يعوقن مريض الإيدز	96.5	93.1	91.2	92.0	87.1	55.1	91.6	96.6	91.4	98.0	94.0	96.8	96.6	97.1	94.8	91.6	86.9	88.8	91.5
نسبة السكان الذين يمتلكون الجيوب بانصفا على مصدر محسن للماء في الريف أو الحضر	70.6	99.2	97.5	97.2	1.2	6.9	36.9	27.3	62.7	82.7	80.2	56.1	72.5	80.4	82.6	78.3	93.9	93.9	85.6
نسبة سكان الحضر الذين يمتلكون الإلتحاق بمرافق صحي محسن	95.1	93.0	93.0	93.0	96.5	78.8	90.9	91.9	96.0	92.5	45.3	91.8	86.8	91.3	93.5	97.3	96.9	98.7	93.8
نسبة الأسر الممتددة التي يمتلكها الحصول على جياة آمنة	78.1	70.4	79.3	76.8	81.5	79.1	88.8	91.2	67.6	80.3	83.1	80.8	76.9	86.1	70.9	80.2	79.3	75.8	81.7
عدد خطوط الهاتف لكل 100 شخص	4.0	2.5	3.0	4.3	7.3	4.0	3.8	3.0	5.9	3.6	7.6	4.6	4.6	5.6	4.6	N	N	N	5.1
عدد خطوط الهاتف الخليوي لكل 100 شخص	97.0	93.8	91.8	80.3	95.4	92.3	95.7	97.9	96.3	93.5	89.3	86.2	95.2	97.9	95.8	N	N	N	94.3
نسبة الأسر التي تملك حاسب شخصي	16.2	13.9	9.0	16.3	12.9	11.2	16.3	10.3	15.5	17.3	13.7	7.5	4.5	10.2	8.9	16.6	37.1	28.0	17.2
نسبة الأسر التي تستخدم المصليات	96.2	96.0	98.3	96.0	98.9	96.4	99.0	96.0	95.0	97.7	95.3	97.3	97.3	96.9	99.3	95.5	91.0	85.0	96.1
القيمة المعيارية للمتغيرات	-15.9	-1.3	-3.2	-6.7	14.2	-1.1	6.0	-9.0	-10.3	7.0	-5.8	-7.4	-13.5	-6.9	5.2	12.6	26.2	9.8	2.3

Source: This matrix was prepared by Dr. Mehdi Mohsin Al-Allaq, Head of the Central Statistical Organization (CSO), as part of a report on the progress made in achieving Millennium Development Goals in Iraq.

### Goal I: Eliminating Extreme Poverty and Hunger

- The percentage of the population whose daily income is less than two and a half dollars decreased from 13.9% in 2009 to 11.5% in 2011.
- Some governorates are not expected to reach the target for 2015 due to the rise in the percentage of the population who spend less than two and a half dollars a day in 2011, including Muthanna at 29.4%, Dhi Qar at 37.8% and Basrah at 16.1%.

- The poverty gap decreased from 5% in 2007 to 2.6% in 2011, and there continues to be fluctuations in attainment of this goal among the governorates.
- The per capita GDP growth rate increased from 0.8% for 1997-2007 to 2.1% for 1997-2011.
- Youth unemployment rates in the 15-24 age group decreased from 30% in 2008 to 22.8% in 2011, with unemployment rates of young women being higher than that for young men.
- The rate of underweight children under the age of 5 decreased from 15.9% in 2000 to 8.4% in 2011; however, the southern governorates as compared to the rest of the governorates continued to suffer from an increase in the percentage of underweight children under the age of 5.
- Food deprivation for the southern governorates rose compared to the other governorates.

### **Goal II: Spreading Primary Education**

- Iraq made progress in net enrollment rates in primary education, where it increased from 76.3% in 2000 to 85.8% in 2006 and to 92% in 2011. There continued to be fluctuation in rates of meeting the goal between males and females, between rural and urban areas, and among the governorates.

### **Goal III: Improving Gender Equality and Empowering Women**

- Female to male enrollment rates at the level of primary education increased from 85% in 2000 to 88% in 2006 and to 94% in 2011. The rate also increased at the secondary level from 66% in 2000 to 75% in 2007 and to 85% in 2011.
- The rate of women working for wages in the agricultural sector increased throughout Iraq in 2011 to 14.7% compared to 12.1% in 2008, with great variation among the governorates. Erbil governorate came in at first place with 19.8% while Ninewa was last with 7.8%.
- It is not expected that gender equality in Iraq will be achieved due to cultural and social factors. Achieving the goal requires longer periods of time.

### **Goal IV: Lowering the Child Mortality Rate**

- Mortality rates for children under five greatly decreased, down from 101 children under five per 1000 in 1999 to 41 in 2006 then to 38 in 2011, thereby meeting the target.
- Infant mortality rates decreased from 50 for each 1000 live births in 1990 to 35 deaths for each 1000 live births in 2006 and to around 33 deaths per 1000 live births in 2011.

## **Goal V: Improving Maternal Health**

- The rate of births under the supervision of a specialist between 2000 and 2011 witnessed an observable increase from 72% to around 91% respectively. The percentage of births under the supervision of a qualified health specialist in rural areas also increased greatly, from 60% in 2000 to 78% in 2006 and to 85% in 2011.
- The demand for birth control increased in most governorates during 2000-2011, rising from 43.5% in 2000 to 49.8% in 2006 and to 52.5% in 2011.
- The rate of teenage births is one of the recently improved indicators for monitoring early births among teenage girls between ages 15-19. Results of the 2011 cluster survey showed that the rate of teenage births reaches 82 for every 1000 women between the ages of 15-19.
- In the field of medical care for pregnant women, the number of mothers who are vaccinated for tetanus reached 63%. These rates vary according to the mother's educational level, where 82% of the mothers have obtained a high academic degree, compared to 49% who are uneducated. No changes to these percentages were seen among the governorates for 2006-2011.
- The rate of unmet needs in the field of family planning decreased between 2006 and 2011, from 10.8% in 2006 to 8% in 2011.

## **Goal VI: Fighting HIV/AIDS and other diseases**

- The number of AIDS cases in 2010 reached 12 cases only, 10 of which were men and 2 women, most of them in Baghdad. This number decreased to 11 in 2011, of which 7 were men and 4 were women.
- The number of cases is very low due to health awareness and conservative social upbringing, and doesn't exceed 10-11 cases annually, thereby achieving the goal.

## **Goal VII: Guaranteeing the survival of the environment**

- Despite the improvement in the percentage of the population that can regularly obtain a source of improved water, there are still variations among the governorates in per capita rates according to the main source of improved water. Rural and remote areas continued to complain of a lack of services tasking them with having to fetch drinking water, a laborious task, the burden of which largely falls upon women.
- The number of housing units linked to the public improved water system increased from 81.3% in 2007 to 84.5% in 2012, while the percentage of the population who regularly has access to a source of improved water rose from 83.3% in 2000, decreased a little in 2006 to 79.2%, then went up again to 88.8% in 2011.
- The percentage of the population that is able to benefit from an improved sanitation system increased from 92.5% in 2000 to 93.8% in 2011.

## **Goal VIII: Establishing a Global Partnership for Development**

- In carrying out their activities in Iraq, development partners relied on the 2007 National Development Strategy and the ICI to promote the welfare of the Iraqi people in four areas: boosting economic growth, revitalizing the private sector, improving the quality of life, and strengthening security and good governance.
- In the area of debt reduction, the Paris Club nations reduced their official loans of USD 114 billion in 2003 by 80% of the nominal value of the debt balances.
- Despite Iraq's delay in obtaining modern communication and information technologies, great achievements were made over 2004-2012.
- The percentage of families with a land line reached 5.1% compared to 94.3% of families with mobile phones.
- The percentages of families that own personal computers rose from 5% in 2004 to 17.2% in 2011. At the same time, the percentage of families that use satellites increased from 40% to 96.1% in the same period.

### **1-1-8 Spatial Development: A way to achieve justice**

The development plan for treating the imbalance in Iraq's development aimed to limit the economic, social, and urban dimensions of spatial variations, whether among the governorates or between the rural and urban environment. The plan also aimed to treat the deformation of Iraq's urban structure, seen in the hegemony of the city of Baghdad over this structure at the national level and the hegemony of the governorate centers over the rest of the urban structure within the governorate.

The diversity of natural resources, the topography, agricultural land, and the presence of the Tigris and Euphrates Rivers, besides the considerable hydrocarbon wealth and the existence of main and secondary development centers in all of Iraq's governorates, all provide the suitable basis for beginning to correct the imbalances in the spatial development structure. This can be done through redistributing investments geographically to be more balanced and integrated, and as suits the economic, social, and environmental traits and characteristics of each governorate or portion thereof.

Realizing these changes at the spatial structural level require a long time as well as a data base of surveys and statistics. As this is not available in most of the fields, it is more difficult to precisely define plan achievements. However, there are many indications of having achieved just and equitable distribution of the fruits of development, as follows:

- The creation of programs for regional development based on distributing a certain percentage of the investment budget, reaching around 20% in 2012, to all governorates on the basis of governorate population sizes. This contributed greatly to reducing developmental gaps especially in the area of service

provision among the governorates and within the components of the governorate itself.

- There is an improvement in the level of deprivation of the governorates that saw the fewest fruits of development in previous decades, as a result of investments allocated to them as suits their relative characteristics and needs.
- There is a relative improvement in the urban system toward the development of mid- and small-sized cities (Tal-Afar, Fallujah, and Al-Samawah), with the continuing hegemony of Baghdad on the urban structure.
- Construction has begun on three industrial cities.
- Importance is starting to be given to integrated rural development, through allocation of lands for constructing modern rural towns targeting the development of promising areas of the Iraqi countryside through allocating them to agricultural engineers and graduates of agricultural vocational high schools.
- Boosting decentralization in development management in the governorates and giving local governments the powers necessary to create their plans and define their developmental priorities and follow-up on the implementation of their programs.

### **1-1-9 Environmental Sustainability: Modernizing Development Methods**

The 2010-2014 development plan was launched to make sustainable development a set principle in the content and the priorities of its strategic targets, development activities, and chosen projects, all striving to incorporate the environmental dimension with the economic and social dimension in development activities. It has thus succeeded in making environmental considerations and standards an inseparable part of the decision making process in development on the macro- and micro-levels, thus achieving noticeable progress in the level of efficiency of implementing the strategic targets announced in the plan. This level of progress has not completely reached the level of national and international aspirations.

#### **a. In the area of environmental control and monitoring**

- Air quality was monitored and assessed; relying on 10 fixed monitoring stations distributed throughout Iraq's governorates in 2010.
- Water quality was monitored and assessed, relying on 148 stations distributed along the rivers in 2011.
- The marshlands and diversity of species was monitored and assessed, polluted areas were identified, and chemicals and mine activities were monitored.

b. In the area of utilizing cleaner environmental technologies

- Dust precipitators were renovated and rebuilt at 14 cement factories
- Amounts of lead (IV) acetate added to gasoline were reduced to a lead content of 0.15 g/l in 2010.
- Sulfate content in crude oil and gas oil production was reduced to 50 ppm as a first stage in 2010.
- Renewable energy alternatives like solar and wind power were relied on in irrigation, industrial, and household technologies, even if only limitedly.

c. In the area of combating desertification

- Advancing desertification was dealt with through the stabilization of sand dunes that cover an area of 4 million dunams; 500 thousand dunams were treated in 2011.
- 57 desert oases were constructed to take advantage of the resources of the western desert in contributing to ensuring food security.
- Plant cover was developed in desert areas through implementing 16 nature monitoring stations from 2006-2011.
- The number of nature preserves increased to 13, covering all of Iraq's governorates in 2011.

d. In the area of marshland rejuvenation

- 2710 square km of marshland were replenished in 2011, for a rate of 48% of the total area scheduled for replenishment.
- Hydrologic monitoring stations were set up to control the marshland water inlets and outlets.
- Marshland canals and tributaries were dug, cleaned, and repaired.

e. In the area of waste collection and recycling

- The amount of waste collected reached 48 thousand tons/day in 2011.
- Waste collection services covered 91.3% in urban areas and 7.5% in rural areas in 2011.
- The number of waste collection sites reached 32 formal sites and 357 informal sites in 2011.

f. In the area of international cooperation

In 2009-2011, Iraq signed on to more than 11 international agreements on the environment, and has officially announced its accession to 7 of these. The instruments are being studied for accession to the remaining treaties during the coming stage.

g. In the area of environmental awareness

Iraq strived to introduce the environment and sustainable development into school curriculums at the different levels during 2010-2011. Booklets and posters on the environment were prepared as well as television programs and documentary films on environmental work.

## **1-2 National Development Plan General Framework 2013-2017**

The economic, social and environmental challenges that the 2013-2017 National Development Plan is up against are not very different from those faced by the 2010-2014 National Development Plan. Despite the significant achievements made during the initial years of the previous plan, it still fell short of its targets in many fields.

The 2013-2017 Plan represents a new stage in the development planning pathway and constitutes the first chapter of a strategic approach to economic and social progress. The constitution, the government's 2011-2013 operating program, the national strategies and the Millennium Development Goals all form a reference framework for this approach, which comprises a long-range vision for the future. This vision aims to build up a diversified and prosperous economy with industry, energy, agriculture and tourism as the main drivers and pillars of development, where the public and the private sector along with civil society are partners in development, and where centralized and decentralized roles complement each other in managing development. Likewise, the orientations in the Federal budget will correspond with the plan's goals as part of comprehensive and balanced policies to realize the following goals: achieving fiscal and monetary stability; developing the primary and secondary spatial poles in order to close the gap between urban areas and the countryside as well as between governorates; guaranteeing equal opportunities on the basis of gender so as to boost economic participation rates; fostering knowledge and skills to keep pace with the demands of the knowledge economy and the job market; guaranteeing integrated health care for both the sick and the healthy; raising the level of quality social care to cover the needs of vulnerable groups in order to enhance social development opportunities; and achieving environmental sustainability and thereby laying the groundwork for the green economy. These all represent possible future orientations that will fulfill the Iraqi people's aspirations and they are capable of building a bridge between a tumultuous reality and the desired developmental path.

The 2013-2017 development plan will continue the development pathway of the previous plan, updating it to take into account all the new local and international variables, such as the relative improvement in the security situation, fluctuation of the price of oil in global markets, and the positive uptick in oil production rates in Iraq due



to the impact of oil licensing rounds. These factors impact the effectiveness of development and the direction it takes in such a way as to boost human development indicators. This requires programs and policies to be adopted with future targets that take into account the present trends and prepare an appropriate environment to move into the future so that Iraq becomes an advanced country with sustainable development. Iraq must strive to meet the needs of the current generation and enhance their quality of life. It also must not bargain away the needs of future generations, but respect them by adopting an equitable approach as an alternative to an approach based around satisfying needs, in order to obtain a society that enjoys stability, inclusion and achievement.

### **1-2-1 Plan Assumptions and Basic Principles**

- The 2013-2017 Plan rests on nine basic assumptions that constitute the systematic foundation for drafting the plan.
- Balanced development supported by the gravitational force of chosen sectoral and spatial growth poles constitutes the development approach used to frame the horizons of the vision for the future, and represents a step toward changing the nature of Iraq's economy from a rentier state to a production economy in the long term.
- Establishing an empowering environment that promotes structural preparation factors for the hinges of the economy and society through transparent, good governance. This helps lay the foundations for the take-off readiness phase over the course of the plan, so that the year 2017 will mean that Iraq really enters the take-off phase toward sustainable development.
- Development of the economy's competitiveness is a necessary condition to expedite integration into the regional and global economy and lay the groundwork for a market economy in the least costly way.
- The public and private sectors and civil society are active partners in achieving sustainable development. The public sector is a strategic partner with the private sector over the course of the plan.
- The true compass approach, which will indicate the priorities for sustainable human development in economic, social and environmental rights to improve quality of life for the average Iraqi.
- Growth that generates jobs linked to investment in order to deal with unemployment and poverty in order to achieve the principle of sustainable justice.
- Continue to emphasize the empowerment approach as the basis for human capacity building, so as to lay the groundwork for a knowledge economy with an enhanced role for women and youth in development.

- Take into account the demographic growth effect, especially the age brackets of working age, as an opportunity for saving, investment and sustainable development.
- The development yield is boosted by continuous improvement in the security landscape and political stability.

## 1-2-2 Philosophical Framework

### One

The proposed development model: The philosophy of the plan's proposed development model springs from the assumption that: "Balanced growth requires imbalanced elements in the vertical structure of production. Unbalanced growth also involves the existence of elements in a balance imposed on them by the nature of interwoven relationships between economic sectors."

On this basis, balanced development is driven by the gravitational force of chosen sectoral growth poles (industry, energy, agriculture and tourism) which impacts the formation of primary and secondary spatial growth poles according to the potential and relative advantages of the governorate. Thus the energy sector – specifically, the oil sector – will be a development pole funded along with the growth of other poles over the course of the plan due to its gravitational pull, mobilization and reach, which generate impact benefits (such as front connections and back connections) that cause structural changes that promote growth in other economic, service and human sectors, and the resultant spatial development course corrections, boosting of environmentally sustainable development and laying the groundwork for the take-off readiness phase.

To achieve the development model above, the development roles between the public and the private sector must be reformulated so that public investment generates market incentives and hence promotes private sector investment and influences trends in effective aggregate demand. Private investment meanwhile must respond to break the restraints of supply scarcity and improve flexibility by taking active and productive investment decisions that allow expansion of private establishments that are effectively in tune with the desired economic growth.

### Two

The philosophy of economic management: Formulating and distributing roles between the public and private sector is still linked to the preeminence of the state and its control over economic surpluses from oil resources. This reality helps formulate a relationship pattern whose trends and pathways have changed over time. However, in any case, those approaches were not development oriented, but rather solidified

the public sector's control and the private sectors exclusion or sidelining from sources of wealth accumulation and their various potentials to achieve growth – which were monopolized by the state. Therefore, the plan strives to reconstruct the private sector's development role so that it complements the public sector, whose role will remain a strategic one throughout the duration of the plan. To this end, the plan seeks to create an empowering and collaborative environment that attracts capital and expertise and includes them in the system of development interactions. This will support private sector activity through various methods of investment management that increase the chances of transformation into a market economy based on competency and competition.

## **1-2-3 Supporting Principles of the Development Model Philosophy**

### **One: Diversity**

In order to designate the features of Iraq's economy over the duration of the plan, diversity in the non-oil production structure will be a governing principle behind the mobilization of economic resources for the plan.

### **Two: Strength in Decentralization**

Decentralization in Iraq draws its strength from the constitution, which requires directly-elected governing institutions accountable to citizens. This is an application of the principles of good governance, and arises from the principles of decentralization – thereby recognizing the legal personality of local administrative units and acknowledging that they have particular interests. Legitimizing this helps build an administrative regime that allows for these interests to be administered, regulated and managed locally as long as this does not conflict with national goals and principles.

### **Three: Green Investment**

So long as the green economy requires improvements in human prosperity and social equality, reduces environmental risks and ecological resource scarcity and promotes biodiversity, the plan will continue to integrate environmental data in the development interaction system. Investment in the environment will be how we lay the groundwork for the green economy. This will be achieved by putting in place environment-friendly projects and implementing policies that limit consumption of energy that produces ozone-depleting gases; limit desertification and air, water and soil pollution; revive the marshes; preserve biodiversity; and expand green spaces. The plan also believes it is necessary to reform policies, change legislative regulations, impose environmental taxes, and adopt the environmental footprint method for imported goods and services.

## Four: Empowerment and Equal Opportunity

Empowerment is the sustainable human development approach that builds capacities for the sake of participation, while equal opportunity on the basis of gender is the chief means to reduce multidimensional poverty and achieve sustainable justice.

## Five: Decent Work

Developing the work force, improving management of the labor market and creating a suitable legislative and investment climate all help to generate opportunities for decent work, especially for women and youth. This helps provide secure, protected work and better quality of life.

## 1-2-4 Challenges

Despite the development achievements realized over the past years, the plan believes that the political and security challenges are ongoing, as well as the economic, social and environmental challenges. This explains the low implementation efficiency for the previous plan's goals and indicates the potential of reaching the current plan's goals. The most significant challenges can be identified as follows:

### One: Economic Challenges

- The rentier nature of the Iraqi economy: Crude oil extraction activity continues to represent the largest share of GDP at 43% in 2011 and forming 97% of federal budget revenues and 92% of the Iraqi exports sector. This distorts the relationship between oil revenue growth and the fluctuation of aggregate variables in the economy, thereby weakening the level of long-term economic cohesion and the future of development.
- Economic exposure: Iraq's economy continues to be exposed to the outside world due to the low contribution made to GDP by non-oil commodity activity at 16.5%, with distribution activity accounting for 10.6% and services accounting for 29.8%. The total contribution made by all non-oil activities thus comes to 57%. These figures explain why the production apparatus continues to be characterized by low efficiency, inflexibility and unresponsiveness to increasing demand for goods in the domestic market. This is indicated by the rise in the level of imports due to the demand for commodities in the market compared to domestic content.
- The private sector has not held a strategic role in overall economic development activities, despite the strategic approach that calls for this role to be strengthened and promoted, as its contribution to fixed capital formation in 2010 does not exceed 6.4% of total fixed capital formation. This means that it has been unable to lay the groundwork for a cohesive market economy that generates long-term growth.

- The banking system plays a limited role despite structural reform efforts to improve efficiency and support financial solvency, as the percentage cash credit granted to GDP is only 5.9%. It is possible that the imbalance between bank protection requirements (hedges) and economic activation requirements (encouraging banks to move towards providing credit to finance development) is an objective cause behind these modest numbers.
- Public spending is imbalanced in favor of operating expenses, forming 68.3% of public expenditures in 2012, to the detriment of spending on investment, which accounted for 31.7% that same year. Furthermore, workers' compensation and retirement pensions still made up 50% of total operating expenses in 2012 and constituted 34.3% of total public spending for that same year. This is higher than the percentage for spending on investment.
- Iraq's labor market is traditional, which is nothing but a reflection of the political, economic and social circumstances that Iraq is passing through. This means that it is a market that is not keeping pace with international developments and responding to the increased quantitative supply of Iraqi labor, as evidenced by high rates of unemployment among young graduates for the year 2011, reaching 24.2% for the 15-29 age bracket. This is due to the absence of an active employment policy and the fragility of the private sector's role.
- Despite efforts to develop an institutional framework for an anti-corruption plan, poor transparency in financial activity, widespread social and administrative values that incubate, protect and tolerate corruption, the weak role played by the banking system and its inability to adhere to sound implementation tools and anti-money laundering requirements, and failure to punish corrupt individuals – all these factors limit the process of development and attracting foreign investment.
- The informal economy enjoys wide scope in the economic sphere due to a number of factors – internal and otherwise – that cause distortions in the trajectory of aggregate and sectoral policies and their fluctuating variables. This causes high rates of underemployment, distortions in the job market configuration and a decline in the level of economic stability and sustainable development rates.

### Three: Social Challenges

- The 2011 Global Human Development Report index ranks Iraq among the last ten countries in the medium human development category (132nd place overall). This ranking reflects the state of human development in Iraq in terms of health, education, environment, the gender gap and multi-dimensional poverty.
- The transformation to a market economy entails a heavy social cost amid ineffective social policies of a protective nature, such as social safety nets and welfare, which have kept up a high level of deprivation and a large poverty gap.

- Long-term crises have left structural impacts on Iraqi society, with the size of vulnerable classes growing within society. This places a burden on transformational expenses in the federal budget inconsistent with the principle of development sustainability.
- Illiteracy, which affects around one-fifth of the population, still represents the biggest obstacle in the educational system. This is in addition to low net matriculation rates in middle school and preparatory school (40% and 21% respectively).
- The severe shortage of school buildings represents the most urgent challenge, as the shortage of more than 7,000 schools leads to schools doubling and tripling up and causes high rates of overcrowding in the classrooms.
- The high level of stress placed on public health institutions, which are operating at their highest capacity these days due to the severe deficit in absorption capacity compared to morbidity rates and the population sizes they serve.
- The general rate of women's participation in economic activity remains low at 13% of the total economically active population, and women continue to have low participation in legislative, judicial and executive branches of government.
- There is a poor correspondence between higher education outputs and the labor market, which causes education outputs to be wasted.

The shortage of housing units continues to worsen in a manner that fails to keep up with population growth rates and rising income levels. The shortage of housing units is in the range of 2 million units, which causes psychological pressures and has a negative effect on quality of life.

There continues to be a lack of complete coverage for households using improved water sources (82% in 2011), in addition to unstable water supply and water network contamination. This means that Iraq is having difficulty in achieving the Millennium Development Goals to provide 91% of families with improved water supplies. The urban-rural gap likewise persists in household access to water from the public network. The problem runs even deeper in the field of sanitation services, whether on the national level or according to the urban-rural environment. Whereas the coverage ratio of the sanitation network rises to 86% of the population in Baghdad, it falls to 32% in the governorates, with a complete absence of sanitation networks in rural areas.

### Three: Environmental Challenges

- The three elements of Iraq's environment (water, air and soil) continue to suffer from high rates of environmental pollution despite relative improvement over the past years. This has had a noticeable impact on sustainable human development indicators in Iraq.

- The lack of a national development strategy has helped disrupt episodes of integration and coordination between plans and programs to protect and improve the environment, whether in terms of preparation or execution, and thrown Iraq off the path to a green economy.
- Iraq has begun to feel the onset of climate change, including the greenhouse effect, low precipitation levels, and rising annual rates in temperatures, humidity and dust and sand storms. This exposes Iraq to negative impact in the absence of an early warning system against natural phenomena and environmental situation monitoring standards.
- Water quantity is diminishing and quality is deteriorating, with high levels of contamination by untreated water from agricultural and industrial waste, domestic sewage and oil spills. The water quota Iraq obtain from rivers shared with neighboring countries is also affected. This means that Iraq is facing the challenge of a shortfall in water resources and an inability to meet future development requirements.
- The desertification phenomenon is worsening as affected areas expand due to climate change, intensive exploitation of resources and failure to apply management methods, in addition to other negative environmental influences. This requires the reclamation of 7.9 dunams at a cost of 2 million dinars per dunam.
- Passive and underdeveloped waste management, lack of ways to recycle and reuse waste to turn it into energy or fertilizer. A near total lack of a role for the private sector in offering this service, although the percentage of the population covered by trash collection services was 65% in 2010, of which the Iraqi countryside constituted only 7.5%
- Landmine areas continue to remain untreated, and the impact this has on human security, land exploitation and development projects in these areas.
- Spatial disparities between Iraq's governorates remain high, particularly in terms of the rural and urban environment, as the deprivation level in urban areas reached 17% in 2012, while it was at 58% in rural areas. This underscores the continued spatial development duality in Iraq and the inherited underdevelopment of the rural environment.
- The private sector is absent from the scene in terms of participation in environmental activities, despite repeated declarations that it is one of the main players in laying the groundwork for sustainable development in Iraq.

### 1-2-5 Vision

"A safe, stable country where citizens enjoy civil, economic, social and environmental rights, aspire to build a diverse and competitive national economy, possess the keys to advancement in all scientific, cultural and intellectual fields; where everyone participates in a federal, decentralized, socially-integrated system that provides fair opportunities for development, in which the private sector and civil society are active



partners and environmental sustainability represents an approach toward achieving a green economy.”

## 1-2-6 Plan Goals

Harmonizing and coordinating the orientations, pathways and visions of the National Development Plan provides an important benchmark for evaluating its achievements in terms of whether it sticks to and deviates from development pathways consistent with the visions for the future. There is no doubt that focusing on a long-term development vision will mobilize, coordinate and direct the efforts of development partners to achieve their aspirations for a better future and brighter tomorrow that upholds the principles of justice and rule of law. Perhaps the most significant of these goals are as follows:

### One: Economic Goals

- Make the developmental management of oil sector revenues responsive to sustainable development criteria so as to guarantee the rights of current and future generations.
- Diversify the economic base by boosting the contribution percentage of select growth poles in the sectors of industry, energy, agricultural and tourism toward GDP in order to hit the target annual GDP growth rate of 13.31% including oil and 7.5% excluding oil.
- Work on laying the foundations of economic partnership between the public and the private sector so that the former contributes 79% of the plan’s total investments, i.e. 329 trillion dinars, while the private sector contributes 21% of the plan’s total investments, i.e. 88 trillion dinars. This provides for a gradual transformation to a market economy based on competency and competition.
- Work on achieving a stable overall economic structure and sustainable development to ensure an equitable distribution among the governorates weighted according to population and deprivation indicators and to provide more developments role to the governorates and local administration.
- Through its aggregate and sectoral goals, the plan aims to promote coordination and harmonization between the two branches of economic policy (financial and monetary) to attain sustainable growth, economic stability that keeps inflation in check, and equitable distribution of the fruits of development among the classes of society.
- Increase the productivity of economic activities and worker productivity to boost the competitiveness and diversity of the economy and so that the private sector has an active role in the fields of investment and generating protected work opportunities.

## Two: Social Goals

- Enhance opportunities to integrate the plan's pathways and procedural steps of the poverty-reductions strategy to reach poverty strategy yields that aim to reduce the percentage of the population below the poverty line to 13% and to reduce the poverty gap.
- Create decent work opportunities within an active framework based on implementing the provisions of the national employment policy and passing the new labor law to raise employment levels and reduce unemployment to 6% by 2017.
- Boost the knowledge and skills base by granting opportunities to achieve an equal educational environment that supports expansion by building schools to meet half the outstanding need; take an interest in preschool, girls education, literacy, adult education, raising the net matriculation level in primary, middle and preparatory schools to 95%, 45% and 30% respectively.
- Improve the health services infrastructure in terms of type, capability and coverage to enable it to cover national programs that preserve people's health; offer high-quality services and reduce infant mortality rates to 18 per 1000 births and under-5 mortality rates to 24 per 1000, in addition to raising the life expectancy rate to over 70.
- Women and youth are targeted in the plan in order to build their capacities in terms of knowledge, skills and health in order to boost their level of participation in the development interactions structure.
- Prepare an empowering environment that leads to tangible progress in quality of life for vulnerable groups, integrate them into society and the work force, broaden the base of participation and ensure that they have access to services and social benefits.
- Provide new housing units meeting half the outstanding need (one million housing units) and rehabilitate the obsolete housing stock.

## Three: Environmental Goals

- Protect and improve elements of the environment, such as water, air and soil.
- Practice sustainable exploitation of natural resources to protect the rights of current and future generations.
- Use the most environmentally clean technologies in production and service activities.
- Treat the causes of environmental pollution arising from human activities, production and services, including sewage, solid and liquid waste, waste from factories and hospitals, etc.
- Reduce desertification by expanding land reclamation, establishing desert oases, and increasing green spaces and belts around cities as a means toward attaining a green economy.

- Preserve biodiversity by developing natural grasslands, adopting developed methods of environmental management and threatened ecosystem maintenance to guarantee biosecurity.
- Promote the spirit of citizenship and environmental awareness.
- Strengthen environmental management and environmental tracking and monitoring.

### **1-2-7 Plan Values**

Growth, change, reform, sustainability, empowerment, justice, rights.

# 2

## Population and Workforce



### 2-1 Population...the Renewable Iraqi Resource

The International Conference on Population and Development held in Cairo in 1994 underlined the correlation between the population and development and highlighted the importance of meeting the increasing needs of the population as a guaranteed right, thus, human beings become both ends in themselves and means of development. Moreover, the quality of the population rather than its quantity became the cornerstone of the goals set in population policies. These goals are based on sustainable human development and require the expansion of the population's choices in terms of education, health, income, labor and clean environment. These choices represent basic capacities emanating from human development such as enjoying a long life, gaining knowledge, having sufficient resources to live a decent life and enjoying other capacities such as social and political participation. In this context, the National Human Development Report in Iraq issued in 2008, called for building these types of capacities and stressed that people are a dynamic variant that affects and is influenced by the system of developmental reactions, thus, the population should be necessarily integrated in national development plans.

#### 2-1-1 Situation Analysis: Population Policy... New Orientations

Iraq has witnessed during the last three decades many demographic changes due to wars and political developments however, these changes, in addition to the level of political and executive interest in this issues, reveal that population affairs and their integration in development were highly neglected. The government was not tangibly or seriously concerned in these matters nor did it prioritize them, thus the state refrained from setting a national population policy aiming at changing the factors influencing demographic growth and responding to the relevant challenges that impede sustainable development. Not so long ago, Iraq was still addressing demographic issues separately from economic and social development plans and away from the mechanisms involved in legislative and political decision-making. This approach has deepened the gap between improving the quality of human life and reducing poverty on one hand and achieving economic growth and material production on the other.

The National Development Plan 2010-2014 highlighted the importance of integrating demographic data into developmental activities, therefore, it would be possible to assess the population's effects on development based on demographic indications and to measure the effects of devel-

opment on the population based on its qualitative indicators. Consequently, the previous plan called for the adoption of a national population policy with clear orientations and deliberate specificities. This policy should be based on demographic growth rates that meet the requirements of sustainable development and the labor market needs and aim at preserving the rights of all Iraqi generations in order to guarantee an equal distribution of financial resources in the federal budgets and regional development programs. This would strengthen the principles of decentralization and guarantee a sustainable expenditure. However, the years 2009-2011 did not witness a real implementation of this goal, even if the National Committee for Population policies did prioritize this target, due to the recurrent postponement of the population's general census where the relevant activities were limited to listing and enumeration. Therefore the country missed the opportunity to incorporate demographic data into developmental activities, widened the gap between demographic issues and development efforts and misled the developmental goals. However, the National Committee for Population Policies is expected to adopt central goals including drafting, monitoring and implementing the national population policy. The committee shall also mainstream the policy and create a relevant supporting environment in order to monitor and track the demographic indicators. This would, to a certain extent, allow the integration of demographic data into developmental activities until the establishment of the Supreme Council of Population Policies in the upcoming years.

Despite this striking reality, the new orientations of the Iraqi Population Policy adopted in the National Development Plan of the year 2010-2014, aimed at underlining the importance of national demographic connotations specially in terms of increasing the birth and fertility rates by maintaining a demographic growth rate that is consistent with the demographic specificities of the Iraqi society and the economic, social and cultural goals of the country.

Moreover, the previous plan sought to include the developmental orientations pertaining to the workforce in its population policies that aimed at increasing the percentage of the economically active population and at raising the workforce-to-population ratio and the proportion of women's participation in the economic activity provided that this increase would not negatively affect the fertility rate (reproduction rate). In order to maintain the intended reproductive capacity, the previous plan prioritized investments directed at maternal and childcare projects in the private and public social services sectors mainly kindergartens, primary education, nurseries and maternity hospitals. In order to achieve the desired positive effect of demographic indicators on sustainable development in Iraq, the plan disregarded the inverse relationship between education and the reproductive capacity by giving preference to married people in some areas like recruitment, giving them facilities to help them find an adequate residence and providing them with health and food supplies for their children.

Consequently the 2013-2017 Development Plan had to continue with the implementation of a targeted population policy that responds to the economic and social growth while taking in account or even favoring humanitarian priorities over economic ones in accordance with “the approach of justice” that the plan adopted and in line with the principles of sustainable human development. This should also be achieved in consistence with a balanced vision that embraces the principles and goals of the International Labor Program that was adopted by the International Conference on Population and Development. The Conference affirmed that wide choices would be given to satisfy the individual’s and households’ needs by focusing on reducing fertility rates, enlarging the base of comprehensive reproductive health services, improving their quality and guaranteeing equal access to said services rather than focusing on implementing a family planning program in a narrow sense.

This orientation set by the 2013-2017 Development Plan is based on a series of principles which the Iraqi population policy calls to adopt and that might achieve a quantum leap in understanding the correlation between demography and development in terms of sustainable development and in determining the priorities of funding, investment, international collaboration and partnership. The Plan seeks to adopt these principles in a bid to create the necessary environment that attract official and popular support for that policy. The adopted principles are the following:

- Revealing the correlation between demography and development in the system of developmental reactions in order to lay the foundations of sustainable development.
- Guaranteeing that the human rights platform is embodied in all the aspects of population policies based on the idea that human beings are both ends in themselves and means of sustainable development.
- Improving the quality of life while controlling the patterns of production and consumption and by preserving the wellbeing environment for future generations.
- Guaranteeing gender equality and empowering and encouraging women to achieve their potential through education and providing job opportunities to contribute to development.
- Incorporating demographic factors and dynamics in development strategy and developmental planning.
- Underlining the importance of international collaboration and partnership between the public and private sector and the non-governmental organizations in implementing the population and development program while stressing on the importance of making the international collaboration and partnership consistent with national priorities in terms of demography and development.

## 2-1-2 The Iraqi Demographic Map

### First: Population Size and Growth Rates

The 2010-2014 Development Plan did not expect a decrease in the population growth rates in the medium term. Thus, population growth rates remained high and settled at around 3%. This explains the increase in the population size that was revealed by the results of the listing and enumeration process for the year 2009 where population grew from 31.6 million to 33.3 million in 2011 and to 34.2 million in 2012 registering an increase of 8.2% compared with 2009. According to population projections, the country's population would reach 35.1 million in 2013 and 38.9 million in 2017.

The rise in total fertility rates from 4 births per women in 2009 to 4.6 in 2011 clearly explains the continuous increase in the population size and growth rates which are exerting pressure on the country's resources and environment. The total fertility rate is expected to remain high at 4 births per women during the four years of the Plan.

These demographic facts indicate the continuous increase in population size in Iraq and go in line with the United Nations expectations in this regard. Iraq's population is expected to reach 48.9 million people in 2025 and might even double to reach 80 million during the fifty upcoming years in the event that population growth maintained the same pace. Moreover, the country reveals social values and traditions that push further towards this direction, therefore Iraq would not enjoy population stability and achieve the third phase of demographic change unless it adopts population policies aiming at decreasing the population size and supported by a social awareness that is conscious of the demographic repercussions on the environment and on development.

### Second- Population by age

The demographic balance of the population between age categories for the years 2009-2012 was affected by the decline in infant mortality rates and the increase in life expectancy at birth. The former indicator decreased from 35 deaths per thousand live births in 2009 to 32.5 deaths per on thousand live births in 2011 and to 32 deaths in 2012. The infant mortality rate is expected to drop to 31.7 deaths per thousand live births in 2013 and to 30.2 in 2017. On the other hand, the life expectancy rate at birth increased from 65 years in 2009 and to 69 years in 2011. According to population projections, life expectancy at birth is expected to climb to 69.2 years in 2013 and to 69.7 years in 2013 which would have clear repercussions on the population's age composition and on the country's population pyramid that is characterized by its youth and energy.



Despite the increase in the total population on an absolute basis in the age category (less than 15 years) from 12.95 million people in 2009 to 13.4 million people in 2011 and to 13.6 million people in 2012, the percentage of this age category from the total population has decreased from 41% in 2009 to 40.2% in 2011 and to 39.9% in 2012. This percentage is expected to decline to 39.5% in 2013 and to 38.1% in 2017 but this decrease does not mean that this age category is no longer the consumer in the economy and the category that exerts the most pressure on the country's federal resources and budget since it represents one third of the Iraqi population. In the same context, statistics showed the effect of this demographic trend on the age category 64-15 that reached 17.8 million people in 2009 and increased to account for 19 million people in 2011 and 19.6 million in 2012m representing thus 56.1% of the population in 2009, 56.9% in 2011 and 57.2 in 2012 and 2013. This percentage would climb again to score 58.6% in 2017.

These increases contributed to the decline in the age dependency rates from 78.2 people per 100 person in 2009 to 75.8 people in 2011 and 74.7 people in 2012. These figures are expected to decrease to 73.7 people in 2013 and 70.8 people in 2017.

The growth in the working-age population means that the driving force in the economy (workforce) became stronger due to the positive relationship between the population size and the workforce supply and reveals the importance of adapting political policies in order to strengthen job-rich growth and improve the efficiency of the labor market. The latter would therefore become more organized and balanced to harmonize workforce supply with workforce demand. It is possible to benefit from the economic opportunities offered by the increase in the working-age population, the latest demographic developments and the demographic dividend achieved by the country where the age category between 15-64 years represents more than the half of the population. This age categories would reach its peak in while the dependant population (children and elders) would be at its minimum size. The balance between age categories would not last more than one generation after which it would be disturbed. Therefore, it is necessary to take this developmental opportunity where the opportunities for saving and investing are pretty high and that would stimulate a rise in the supply related to the improvement of the households' quality of life and not their size. Thus, growth would register high rates that might reach 15%.

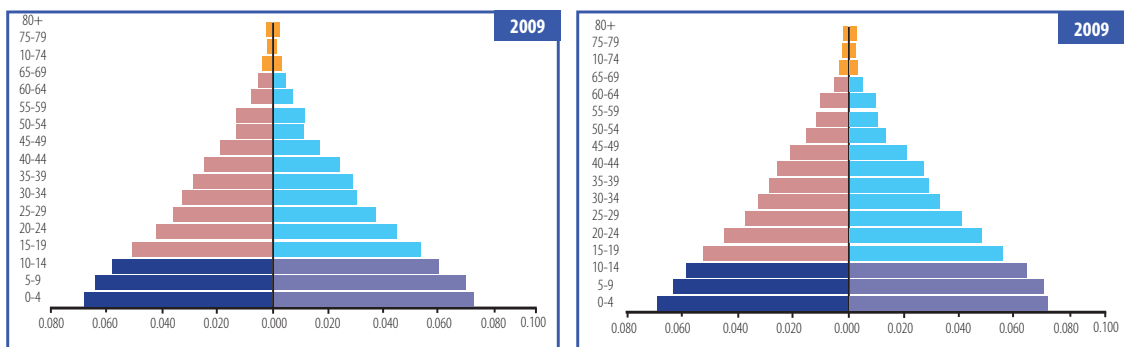
Concerning the young population, internationally defined as that in the age group 15-24, it represented 20% in 2009 and rose to 20.2% in 2011 and to 20.3% in 2012 while it is expected to settle at this level until the year 2017.

It is worth mentioning that the third National Report on Human Development that is expected to be released in 2013 affirms that the percentage of the age group 15-29 representing the youth in the population composition would increase according to

population data. In fact, it scored 27.7% in 2009 and increased to 27.9% in 2011 and to 28.1% in 2012. It is expected to climb to 28.2% in 2013 and to 28.5% in 2017. According to population projections, this increase during the years of the Plan would require the adoption of economic and social policies that would support young people and respond to their aspirations by providing job opportunities in order to increase their participation in economic activity.

As for the age group of 65 years old and older, the demographic record shows that its percentage represented 2.8% of the population size in 2009 and 2.9% in the years 2011 and 2012. According to population projections, these figures would not witness any change until the year 2013, however it will start rising to reach 3.3% of the total population in 2017. The stability in the percentage of this age group is due to weak health policies, especially preventative policies and their intransigent executive and institutional mechanisms, which cast a shadow over life expectancy rates. These facts reveal the necessity of giving special attention to the elderly age group in order to extend their longevity and improve their health and social situation by expanding the coverage of the mentioned policies by the means of a governmental health support and social security program.

**Graph (2-1):** The Distribution of the Iraqi Population Based on the Age Composition for the



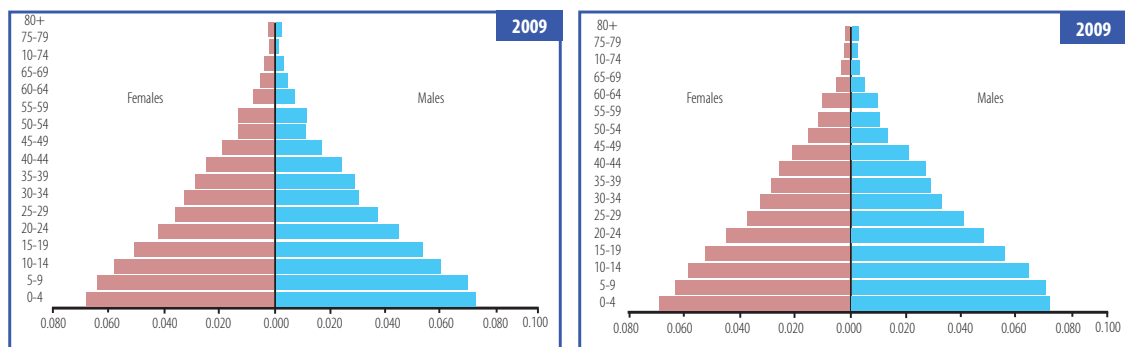
### Third- Population by Sex

Statistics reveal a demographic balance between the percentages of males and females in the population. Population estimates for the year 2009 showed that the percentage of males reached 51% of the total population and the projections affirm that the male percentage will decline to 50.9% in the years 2011, 2012 and 2013 and to 50.8% in the year 2017. On the other hand, the percentage of females reached 49% in 2009 while population projections affirmed that the percentage of females will increase to reach 49.1% in the years 2011, 2012 and 2013 and will continue growing until scoring 49.2% in 2017.

These statistical data indicate that the gender ratio in Iraq reached 104 males for every 100 females, according to the population projections for the year 2009 and is expected to decline to 103 in 2017.

Concerning the three age groups, the ratio for the age group of 15 years and less is 105 males for 100 female. In the second age group of 15-65, it scores 103 males for every 100 females. As for the third age group of 65 years and above, the ratio reaches 89 males for every 100 females, according to the 2017 population projections. In light of these facts, the National Development Plan 2013-2017 should adopt gender-responsive policies both at the macro and sectoral levels, thus guaranteeing the integration of the gender concept in all aspects of the economic system. Consequently, gender would have an active effect on the path towards sustainable development.

**Graph (2-2):** The distribution of the Iraqi Population by Sex for the Years 2009-2012



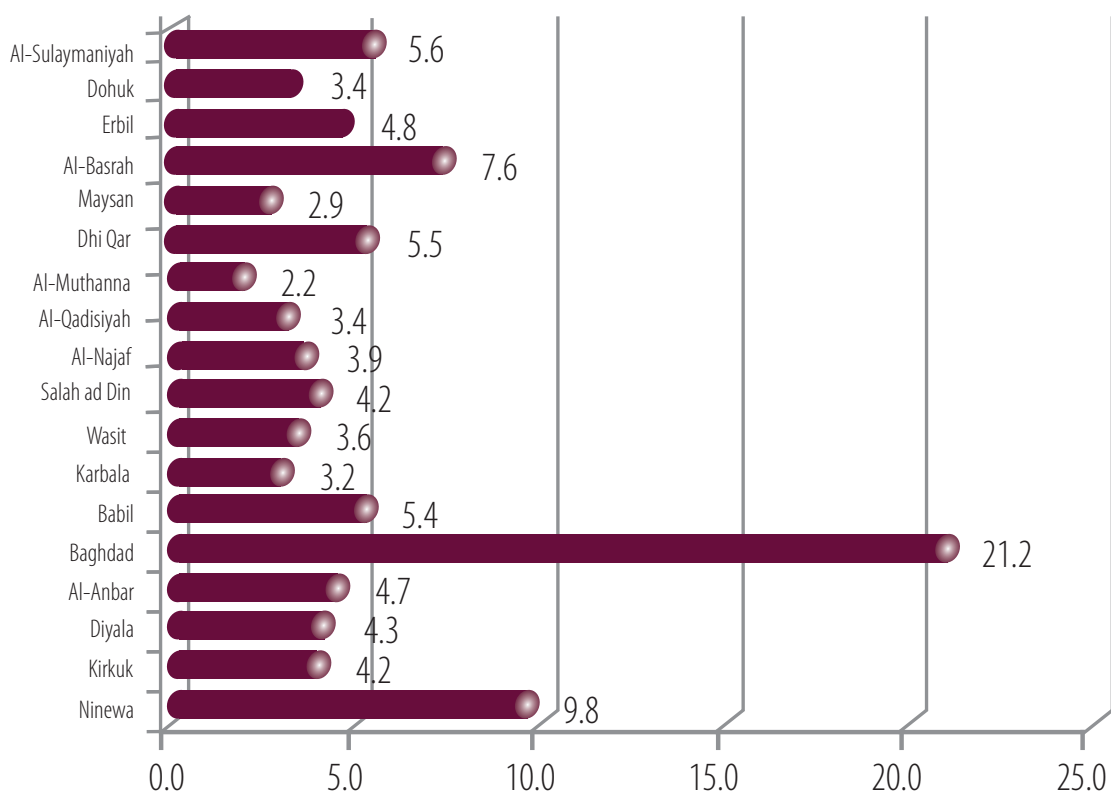
## Forth : Spatial and Environmental Distribution of the Population

Just like other Arab and developing states, Iraq's population is distributed disproportionately in terms of geography and the country suffers from the presence of a single demographic center located in the capital Baghdad. This demographic center is dominating the urban system and causing negative environmental, economic and social impacts. The population of the governorate of Baghdad represented 21.2% of the population in 2012 according to population projections while the capital's surface only represents 1% of the country's space. Approximately one fifth of the Iraqi population lives in three governorates: Baghdad, Al-Basrah and Ninewa. On the other hand, there are three Iraqi governorates that cover half of the country's surface but only host 11% of the population including Al Anbar which surface is the third of that of Iraq and which population accounts for only 4.7%, Al Muthanna that covers 12% of the surface but only represents 2.2% of the total population and An Najaf with 6.6% of the country's surface but only 3.9% of its population according to 2012 data.

In parallel to the population's disproportionate geographical distribution, Iraq also faces disparities in the environmental distribution of its population where the percentage of the urban population increases to reach around 69% of the total population according to the findings of the listing and enumeration process of 2009. Population projections suggest that this percentage would reach 69.4% in 2013 and 70.3% in 2017.

These facts result from internal displacements and changes in the movement patterns of the population that vary depending on the lack of security, forced displacement and disparities in the levels of social and economic advancement among regions, in addition to the lack of specialized policies that deal with rural development. Therefore the 2013-2017 National Development Plan should call for the adoption of a national strategy for geographic and rural development that would decrease the economic, social and services disparities among governorates and between urban and rural regions.

**Graph (2-3):** Population Distribution According to the Findings of the Listing and Enumeration Process in 2009



### 2-1-3 Challenges

- The continuous increase in demographic growth rates and its dissociation from real developmental levels has aggravated prevailing consumption patterns in the economy, society and the irrational investment of resources.

- Iraq is on the verge of entering the phase of demographic dividend and the percentage of the working-age population is increasing which requires promising comprehensive policies that aim at creating job opportunities in line with this increase, transforming it from an economic burden to a point of strength in the country's economy.
- The persistent migration to a limited number of main cities and the prevalence of these cities on the national demographic system in addition to the continuous displacement from rural to urban cities has created economic, social and environmental tensions and caused a lack of services in the hosting community. On the other hand, the regions of origin, especially rural areas, lost their productive human resources which would restrict their developmental role if the adequate solutions are not implemented.
- It is difficult to predict the demographic situation because the general population census was not conducted and because general censuses are usually separated by long periods of time which makes it harder to link the demographic situation to the desired developmental policies.

#### 2-1-4 The Vision

"A coherent population policy that complements the economy's developmental orientations and makes quantitative and qualitative changes in the lives of the people in order to achieve sustainable development and fulfill justice and equal opportunity according to a right-based approach".

#### 2-1-5 The Goals

**First Goal:** Integrating population data in developmental plans and programs

The means of achievement:

- Linking both the operational and investment public expenditures in the federal budget to population data
- Conducting population studies and projections in addition to economic and social studies and projections in order to estimate the different future needs in terms of education, workforce size, demand on commodities and services and other needs.
- Raising awareness of economic decision-makers concerning the role of the population as a variant that affects development.

**Second Goal:** Making a progressive impact on the population growth rate

The means of achievement:

- Adopting a national population policy to face population challenges through direct and indirect state interference in order to achieve the desired changes in terms of the composition and distribution of demographic growth factors.
- Adopting a national family planning program by encouraging women of child-bearing age to use family planning methods in order to bring the fertility rate down or close to the replacement rate.
- Increasing the number of multidimensional awareness programs in order to make a behavioral change that would help prevent early or late childbearing and stimulate the demand on a smaller number of children according to the family's reproductive ambitions.
- Expanding social and family planning services as strong tools to fight poverty while prioritizing poor regions and removing the obstacles that prevent the achievement of said expansion.
- Identifying a governmental institution that deals with women's health and that would determine and promote women's health priorities and conduct health researches to unify, adopt and disseminated health indicators among governmental actors and international and non-governmental organizations.

**Third Goal:** Increasing the life expectancy rate at birth to more than 70 years in 2017

Means of achievement:

- Decreasing infant and under five children mortality rates
- Adopting effective health programs and an advanced health system
- Adopting social programs that respond to the needs of the elderly age group in terms of health and social assurance.
- Expanding the coverage of the governmental support program in the fields of health and social security for elderly people in order to prolong their longevity and improve their health and social situation.
- Increasing the numbers of retirement homes while strengthening the governmental support to said institutions.

**Fourth Goal:** benefiting from the demographic dividend

Means of achievement:

- Adopting a youth capacity building and empowerment program to help them contribute to development and policy making.
- Adapting economic policies to increase job-rich growth and benefit from the advantages of the demographic window.
- Drafting a plan to develop diverse technical education and vocational trainings in the framework of programs that are based on the labor markets needs.

- Creating an environment that would attract private sector investments and guarantee sustainable development and job opportunities for young people.
- Providing soft bank credits to support youth and help them acquire personal skills and set up small businesses.

### **Fifth Goal: Organizing the population's movement in development**

Means of achievement:

- Orienting geographical development policies towards less developed regions in order to reduce the economic and social disparities between these regions and other more advanced areas and laying the foundations of a balanced geographical development.
- Adopting a comprehensive strategy for rural development that would attract investments since rural areas are considered as the pockets of poverty within the country.
- Activating the mechanisms that allow the shift to administrative and financial decentralization in order to increase service provision from local financial resources.
- Redistributing the workforce on the geographical areas and among sectors to achieve the developmental and geographical balance among the population and especially between urban and rural areas.
- Laying the foundations of human security as the essence of the right to development by creating an adequate environment for balance that would create job opportunities and reduce the external movement of the population.

## **2-2 The Workforce.... Productive hands, creative minds**

### **2-2-1 Situation Analysis**

The increase in the economic participation rate of the working-age population reflects the level of the economy's efficiency in generating decent work opportunities. The 2010-2014 Development Plan aimed at attaining the adequate level of economic participation based on the following:

- ▶ Guaranteeing compatibility between workforce supply and demand.
- ▶ Building the knowledge and the skills of the workforce.
- ▶ Increasing the absorptive capacity of investment in the economic sectors that depend on work.
- ▶ Supporting the private sector in providing work opportunities to graduates.



These foundations have been strengthened by a set of goals that constitutes the general framework of the policies, programs and activities undertaken during the years 2010-2011 in the following areas:

- Poverty reduction linked to the social security net program and small grants program that aims at generating income, in addition to the unemployment allowance program and social rehabilitation program that seeks to create income generating job opportunities, empowering the poor, building their capacities and rehabilitating them in a bid to increase their productivity.
- Increasing the level of employment in order to achieve the essential goals set in the 2010 National Employment Policy by improving the labor market management and programs and creating the adequate legislative, investment and commercial environment, in addition to increasing the opportunities for recruiting the unemployed and the labor market's new comers, mainly youth and women. Moreover, the Plan seeks to lay the foundations of decent work and disseminating its culture in all labor sectors while insisting on the need of increasing and expanding the opportunities and activating social dialogue in order to increase employability and respect the values and standards of work.

It is also important to create a decent work environment by setting a series of goals that are consistent with the 2012-2017 National Environmental Policy as one of the objective conditions to achieve sustainable development. This will be done through the management, planning and execution of a occupational health and safety at work program and restricting dangerous and harmful professions in order to create a safe working environment. Moreover, there is a need to spread the culture of occupational safety and adherence to relevant international standards in the workplace.

Developing human resources by conducting vocational trainings allows the unemployed to acquire the skills that are needed in the labor market according to global professional standards. It is also necessary to improve the performance of all workers and building their skills in strategic planning. Furthermore, there is a need to fight discrimination at work and improve the workers' life and public relations skills at work in order to expand their options.

The crisis emanating from the clash between the inherited problems and the present difficulties resulted in many challenges and aggravated existing problems that have clearly hindered the efficiency of policies and programs and reduced the possibility of achieving the goals set by these policies and programs. Furthermore, the situation became even more complicated and replicated the problems in the institutional and infrastructure dimensions where there has been an increase in the labor market imbalance and where the outcomes of the education system became inconsistent with labor market needs. Moreover, enrollment in education decreased and school dropout rates rose while the scope of poverty became even larger. Women and youth living

in rural areas were the first to be hit by the consequences of these crises with the decline in labor force demand and the increase in the numbers of unemployed people. Due to the lack of monitoring, unemployment among graduates became a common phenomenon in addition to underemployment and child labor. Male participation in economic activities was still dominating in light of the traditional customs prevailing in the labor market. It was also difficult to implement the provisions of the National Employment Policy and institutions were not acting actively to control the relationship between all production actors. Lax executive procedures were implemented and there was a continuous delay in adopting the new labor and social security laws.

However, this grim picture of the labor work situation in Iraq is not entirely devoid of positive aspects represented in the achievements that were accomplished in the years 2010-2011. The most important achievement is the adoption of the decent work concept in Iraq, thus, it was necessary to implement the decent work program that aims at increasing decency and stability in society by accomplishing determined strategic goals aiming at abolishing forced labor, fighting child labor, guaranteeing gender equality in employment and at the workplace, guaranteeing social protection and strengthening social dialogue. In the year 2011, serious efforts were exerted to create a regulating, legislative and technical environment that supports labor market ingredients and to adopt an efficient work plan guaranteeing a protected and safe full employment that depends on the efficiency of the investment program implemented in the country.

The private and mixed sector is playing a limited role that is declining due to the unfavorable conditions of the working environment and the decrease in wage levels in said sector. Therefore, the informal sector grew larger; this sector always refrains from implementing regulatory and evolutionary plans and from subscribing its workers to health and social security schemes while efforts are focused on consecrating the concept of security for all and on expanding the social security floor according to international standards.

Based on these facts, the 2013-2017 Development Plan is supposed to fulfill a multidimensional societal responsibility that requires the adoption of strategic visions and realistic goals based on the conditions that prevail on the correlation between growth and employment. This would create decent jobs- rich growth that would increase productivity levels in a way that is consistent with the wages and skills set by the macro economy approach and its sectoral and social policies that are based on the principles of participation and empowerment of all production actors as a means to strengthen the right-based approach. Moreover, this would push sustainable development farther and would reflect the statement of the National Employment Policy that was adopted in 2010 by setting a pragmatic approach based on the Plan's goals and means of achievement in order to respond to all the problems and trans-

forming the Iraqi labor market into a clear reflection of the advancement, uniformity and harmony among all the branches and goals of the economic policy; the ultimate strategic goal being “providing decent work opportunities as a right” to all Iraqis.

### **First: The Economically Active Population**

The economically active population represents the workforce that is available in the economy and that goes within the age group of 15-64 years old. The increase in the economic participation of this population indicates the advancement towards a job-rich growth. Economic participation in Iraq declined from 46.25% in 2008 to 42.4% in 2011 due to security instability, unclear orientations of the economic policy, the decline in investment expenses and their weak execution, in addition to the poor condition of the economy's infrastructure and the services provided to citizens, weak sectoral networks and inconsiderate employment. This situation led to the increase of male participation in the economic activity where it reached 72% in 2011 compared with female participation that scored 28% in the same year. In order to bridge the gap in the composition of the economically active population from a gender-based perspective, the 2013-2017 Development Plan should adopt an approach based on the economic empowerment of in order to adapt macro and private financial and monetary policies and guarantee their contribution to the system of developmental reactions, thus fulfilling the principle of equal opportunity while the ratio of economic participation between sexes is becoming close to 101 males for every 100 females.

### **Second: Employment and the Labor market**

Employment in Iraq depends on the nature of the implemented macro policies and the orientations of the federal budget in terms of public expenditure distribution between occupational and investment expenses and on the nature of the economic management that caused a clear expansion in the public sector. The latter bore the brunt of increasing employment rates. Thus special decisions were taken to expand the appointment of employees in specific sectors such as security, defense, interior affairs, education and health; therefore, the public sector became the principal generator of job opportunities. Iraq lacks a clear employment policy that is based on scientific grounds and accurate data and indicators pertaining to the labor force, their education level, skills, number of workers and available opportunities. Thus, the situation of employment and labor market is actually the reflection of the political, economic and social reality that has been prevailing in Iraq during the last decades and until this date. This reality led to the emergence of challenges that have cast their shadow over the labor market and work environment. The National Employment Policy that was adopted in 2010 aimed at identifying strategic visions as shown by the demographic changes. The policy chose mechanisms that would absorb population growth and its effects on unemployment rates, thus the employment policy's orientations and the

goals of the National Development Plan aim at the same goal that would respond to demographic changes, optimize the achievements in terms of unemployment rates that declined from 15% in 2008 to 11% in 2011 and improve the distribution of full-time wage earners between the public and private sectors in order to increase their proportion in the public sector to 96.1% while their proportion did not exceed 48.4% in the private sector. The situation seems adverse for partial time workers whose percentage in the private sector increased to 33.3% while it only registered 3.3% in the public sector in the year 2011. Data reveal the increase of part time workers in the private sector to 15.9% compared with 3.3% in the public sector. The public sector became thus a source of comfort, stability and security where protected labor reached 97.1% in 2011. In fact, the increase of female fulltime workers in the public sector reached 19.2%; therefore, the private sector became an insecure resort for women and men employment in light of the lack of a social security umbrella. Accordingly, the percentage of females working in unprotected jobs in the private sector reached 92.2% in 2011 versus 97.9% of women working in protected jobs in the governmental sector. This reality reflects the need to draft social security laws that would cover all workers in the private sector. The private sector would consequently attract labor force and create an attractive business environment which would lay safe and sustainable foundations for the shift towards a market economy at the lowest cost.

### Third: Unemployment

Unemployment is a major concern for the State, the causes and consequences of the disturbing problems in Iraqi economy are overlapping which is aggravating poverty and widening the category of marginalized people living in social exclusion and marginalization. Therefore, the resulting unsafe and instable environment was reflected on the situation of the economy, investments and production. Despite the improvements in employment levels during the last few years and the decrease of unemployment rates from 28% in 2003 to 15% in 2008 and 11% in 2011, these figures remain high due to several reasons including the decline in investment expenses and the decrease in the efficiency of their implementation, as well as the drop in investment rates in the private sector due to the absence of an adequate business environment.

The problem of unemployment is not only limited to the increase in unemployment rates but is also embedded in its orientations and types as follows:

- The increase in the underemployment rate with an apparent rate of 38.6% and unapparent rate of 61.4% in 2011.
- The increase in the employment rate in urban regions by 12% compared with 10% in rural areas in 2011. The growing number of non-paid workers in rural areas explains the low rate registered in these areas in comparison with urban regions.

- The high increase in unemployment rates among youth (15-29) years old that reached 15.5% for males and 33.3% for females in 2011.
- The increase in the unemployment rate in comparison with the rise in education levels registered 12.7% for the level of Faqel preparatory school compared with 24.2% for the level in Faala Institute.

### 2-2-2 The Challenges

- The role of the public sector that became a strategic incubator of the workforce in the economy and that strives to cope with the market's mechanisms.
- Disguised unemployment and underemployment characterizes workers in the Iraqi labor force. The arbitrary employment decisions and the status-quo laws are likely the reasons behind the persistence of these phenomena in the workforce.
- The non-legislation of the privatization law and the procrastination in restructuring public institutions deprived the private sector of the possibility of becoming a sustainable-jobs creator and suspended social security legislations for an indefinite period.
- The new labor law was not adopted nor activated which has frozen all the items and possible interventions of the National Employment Policy which cast a shadow over employment and the labor market.
- A lack of consistency between the education system's outputs and the labor market needs has aggravated unemployment among graduates.
- The complicated mechanisms of loans and their conditional nature reduced the efficiency of income generating small business programs and increased the youth underemployment rate.
- The expansion of the informal private sector led to the emergence of arbitrary work and abolished the concept of decent work and the relevant adequate environment.

### 2-2-3 The Vision

"A productive and protected workforce"

### 2-2-4 The Goals

**First Goal:** decreasing the unemployment rate to %6 in 2017

Means of achievement:

- Increasing the investment expenses in the GDP to build a job generating economy for the public and private sector.

- Increasing the executing efficiency of programs dealing with the implementation of the investment projects set by the annual investment plans and the regional development program within the agreed timeframe.
- Focusing on economic activities that could guarantee intensive employment.
- Creating an investment environment that would attract capital to the private sector.
- Granting soft loans to unemployed craftsmen and skilled people.

**Second Goal:** increasing the participation rate in the economic activity to %50 in 2017

Means of achievement:

- To legislate a social security law to strengthen the role of the formal private sector in the generation of job opportunities.
- Creating a suitable environment to shift workers from the informal to the formal sector.
- Implementing specialized programs for women knowledge and skills building in order to increase their participation in the economic activity.
- Adapting the rehabilitation and vocational training program to the labor market reality.

**Third Goal:** developing the activities of labor market institutions

Means of achievement:

- Linking the educational systems and curricula to the labor market's actual needs.
- Developing the labor market information and data system.
- Activating employment centers that are considered as the main source for providing, analyzing and disseminating labor information.
- Coordinating with the scientific and research centers that conduct labor market studies in order to determine the existing problems and find pertinent solutions.

**Forth Goal:** increasing labor productivity

Means of achievement:

- Upgrading modern work systems and methods.
- Adopting a flexible wage policy that responds to the economic and social developments.
- Consecrating the values and conditions of decent work among workers.
- Adopting sustainable worker's rehabilitation and development programs.

- Developing vocational training centers and increasing their numbers according to the qualitative needs in the labor market.

### **Fifth Goal:** creating a decent work environment

#### Means of achievement:

- Promoting work ethics among actors in the labor system and adopting an Iraqi standard that is consistent with international requirements in this field.
- Guaranteeing the occupational health and safety requirements in the workplace.
- Restricting dangerous and harmful occupations and applying risk standards thereon.
- Spreading the culture of occupational safety and its ruling international standards in the different workplaces.
- Modernizing and developing laws related to occupational health and safety.

The executive power is willing to implement a series of projects in the years 2013-2017 in order to make a quantum leap in response to unemployment and support vulnerable groups. These projects include:

A. The e-government project that was launched in 2012 under which the center of the Ministry of Labor is now linked by an electronic network to its different departments and sections in Baghdad and the governorates. The smart card program shall be completed to guarantee that all poor people are fully targeted and all alien beneficiaries are removed.

B. Adopting developed programs that include qualitative activities related to decent work and the implementation of the occupational classification in addition to modern basic and popular training programs by introducing advanced portfolios of vocational training standards and by linking vocational rehabilitation programs in rehabilitation centers to the labor market's needs in order to integrate released people in the aftercare program.

#### 1. Laws and Reforms

During the period 2013-2017, the executive power will adopt a series of suggested bills that aim at activating the mechanisms of the employment policy and achieving their goals as follow:

- A. The bill on training unemployed in the workplace in order to increase their skills in occupations that are not available in training centers and finding job opportunities for them in the private sector.
- B. The bill on trainees' remuneration under which the monthly wage of a trainee should not go below 150 thousand Dinars.



- C.** The new labor law bill that was drafted based on a national vision that is consistent with developments in the labor and training fields and is in accordance with international commitments and conventions.
- D.** Drafting instructions for article 23 of Labor Law No 71 dated 1987 related to organizing work permits for foreign workers.

## 2. Administrative reforms scheduled for the five upcoming years:

- A.** Activating the process of institutional and job performance correction.
- B.** Using the job description guide in appointing and promoting employees.
- C.** Applying the job performance correction system.
- D.** Applying the electronic archive system.
- E.** Modernizing administrative and financial work procedures.

# 3

## Economic Development ... Overall Framework

### 3-1 Macroeconomic Analysis

Based on the Plan's general framework and the data, assumptions and goals put forward, macro and sectoral resource estimates have been estimated for the Plan's time frame to determine the scale of macro investments, their sectoral distributions and the public and private sector's roles in realizing them, in addition to GDP and sectoral performance estimates in the light of the targeted economic growth rate.

#### 3.1.1 Economic Growth

The growth orientations adopted by the Plan have coalesced around the idea of reconciling economic, social and environmental considerations, noting that economic growth is a necessary but not a sufficient condition to achieve justice, equal opportunities and environmental sustainability. All of these things require other measures to be adopted that impact, accompany or complement growth, such as expanding job market absorption capacity to guarantee high levels of employment. This is linked with improved livelihood and quality of life for the population -- especially for classes with limited income and impoverished households -- as it focuses on human and social development services and protecting the environment.

Thus the goal that the Plan is pursuing is not limited to boosting economic growth rates, but rather is also bound by social and environmental considerations. This goal is not out of reach in light of the steady improvement in the economic climate, the significant projected rise in crude oil production and exports, the commitment to continue to execute economic programs and existing and targeted development programs – in addition to the possibility of an enlarged role for development partners in achieving the Five Year Plan's goals. The plan aims to:

- Raise the GDP growth rate over the duration of the plan by an annual average of 13.31% at fixed 2012 prices.
- Develop non-oil economic activities (commodities + distribution + services) at an annual growth rate of 7.5%.
- Develop crude oil activity at an average growth rate of 18.7%.
- Keep inflation rates in single digits.
- Give a strong investment impetus to selected sectoral growth poles (industry, energy, agriculture, tourism) to raise their share of GDP generation to more than 60% of GDP in constant prices.

- Expand job opportunity generators to ensure an acceptable level of employment and help bring down the employment rate to 6% by the end of 2017.
- Reduce poverty rates to 16% of the total population in 2017.

### 3.1.2 Plan's Projected Revenue

General state revenues are projected to reach 812.263 trillion dinars over the duration of the Plan, of which oil revenues will constitute 95%, while non-oil revenues will constitute 5%, as detailed in the following sections:

#### First: Oil Revenue Estimates

Financial revenues from crude oil production and exports occupy first place in the hierarchy of general state revenues for the 2009-2012 period. Oil revenues represented 88.5% of total revenues in 2009, increasing to 97.1% in 2012, and oil revenues are projected to remain in the lead and impact the Iraqi economy over the duration of the 2013-2017 Plan, amid continued improvement in oil sector production capacity as well as implementation of contracts signed with foreign companies to increase production and export quantities. The average annual increase in oil production is projected to reach 17.9%, with the average annual increase in exports hitting 26.2% over the 2013-2017 period, as shown in Table 3-1.

**Table 3-1:** Estimates for Oil Production and Oil Available for Export for 2013-2017 Period (thousand barrels/day)

Year	Oil Production	Export
2013	3705	2900
2014	4485	3500
2015	4635	3750
2016	6435	5000
2017	9485	6000

In light of these projections and the assumption that the price of a barrel of oil for export will be \$85 USD, the total value of oil exports will reach 659.281 billion over the duration of the Plan, as in Table 3-2, meaning in the range of 768.721 trillion dinars, as indicated in Table 3-3.

**Table 3-2:** Projected Export Volume and Value of Oil Exported 2013-2017

Year	Expected Oil Exports 1000 Barrels/day	Value of exported Oil Million Dollars	Price Dollar/Barrel
2013	2900	89972.50	85
2014	3600	111690,0	85
2015	3750	116343.75	85

Year	Expected Oil Exports 1000 Barrels/day	Value of exported Oil Million Dollars	Price Dollar/Barrel
2016	5000	155125	85
2017	6000	186150	85
Total		659281.25	
*Oil Ministry Assumptions			
Dinar/Dollar Exchange Rate = 1166Dinar/Dollar for the entire period. According to the Assumptions of the Central Bank			

**Table 3-3:** Oil Revenue Estimates for the 2013-2017 Period

Year	Value of exported oil according to the assumptions of the Oil Ministry /Billions of Dollars
2013	104907.935
2014	130230,5
2015	135656.812
2016	180875.750
2017	217050.900
Total	768721.937

## Second: Non-Oil Revenue Estimates

The Plan does not expect any significant increase in the value of non-oil exports; in fact, whatever is achieved will disappear in the face of optimistic projections for the volume of oil revenues. As shown by its share of total revenue, non-oil revenues will increase from 7.398 trillion dinars in 2013 to 9.786 trillion dinars in 2017, for an increase of no more than 32% during the 2013-2017 period. However, its share of total revenues will drop from 6.5% in 2013 to 4.3% in 2017, for an average of 5.3% of total revenue over the 2013-2017 period, as shown in Table 3-4.

The modest increase in the value of non-oil revenues can be attributed to:

- The projected 10% annual increase in tax revenues over their previous level.
- The projected 10% increase in treasury share of non-oil company profits, as the rate for the 2013-2017 period.

Thus, non-oil revenues – as indicated in Table 3-4 – will rise from 112.306 trillion dinars in 2013 to 226.837 trillion dinars in 2017, according to the Plan’s total revenue projections of 812.263 trillion dinars over the duration of the Plan.

**Table 3-4:** Project Financial Revenue for the 2013-2017 Period (billion/dinars)

Year	Non-Oil Revenues (1)	Oil Revenues (2)	Total Revenues(3)	1: 3%	2: 3%
2013	7398.3	104907.935	112306.235	6.5	93.5
2014	9079.1	130230,5	139310,4	6.6	93.4
2015	8274.703	135656.812	143931.515	5.7	94.3
2016	9002.7	180875.750	189878.45	4.7	95.3
2017	9786.5	217050.900	226837.4	4.3	95.7
Total	43541.303	768721.937	812263.24	5.3	94.6

### 3.1.3 Required Investment Volume

To achieve the economic, social and environmental aspects of the Plan's macro and sectoral goals, 417 trillion dinars are required, according to the general and particular assumptions and contributions in the following sections. This is on the basis of a 4: 1 capital coefficient, i.e. producing one additional unit of production requires four units of capital.

#### First: State Investment Volume

State investment volume is in the range of 329 trillion dinars – which is equivalent to 282 billion dollars and represents 79% of the Plan's total required investments -- and is covered by revenues accrued to the State. These are expenditures on projects to be implemented – which numbered 5861 at the end of 2012 – and new projects scheduled to be added within the Plan's two first years. (Table 3-5)

**Table 3-5:** State Investment Volume for 2013-2017 Period

السنة	الإيرادات الكلي المتوقع	% نسبة الاستثمار	تخصيصات الاستثمار الحكومي
2013	112306.2	37	41553.3
2014	139310.4	38	52938.0
2015	143931.5	40	57572.0
2016	189878.5	40	75951.4
2017	226837.4	40	90735.0
Total	812263.0	39	318750.3

## Second: Non-State Investment Volume

The Plan supposes that the private sector will contribute 88 trillion dinars – equivalent to 75 billion USD – which represents 21% of projected expenditures over the various fields and investments set by the plan.

## Third: Sectoral Distribution of Investments

According to the Plan, investment is centered around the principle of strengthened investment priorities for the idea of sectoral and spatial growth poles over the duration of the Plan all the way to the future goal of balanced sectoral growth. Based on this principle, investments have been distributed sectorally to ensure that the Plan's goals are met and that its development model philosophy takes into account the time frame of the relative importance of sectoral investments, giving priority to spending on ongoing projects and achieving additions to fixed capital formation.

First priority was given to the industry sector at 38.2%, as this sector is the main generator of financial resources and the primary influence on the capital accumulation rate by developing transformational industry activity. It is also the largest stakeholder in the agricultural sector and reduces the exposure of Iraq's economy to the global economy. Second priority was given to the building and service sector, including human and social development, pivotal structures and tourism at 28.6%, as human development is the basis for generating an empowering environment for material development. In third place came the agricultural sector, as a development pole that helps boost food security, job opportunity generation, and makes an effective contribution to developing the countryside and reducing poverty. Accordingly, its share rose from 9.5% in the previous plan to 13.4% in the current Plan, in order to provide financial resources for land reclamation projects according to the indicators found in the Plan.

The above-mentioned sectoral priorities do not cancel out the goal of balanced distribution of investment by sector, as none of the activities received less than 9.5% of total projected investments, as shown in Table 3-6.

**Table (3-6): % Investment Share by Sector**

Economic Activity	Percentage
Agricultural Sector	13.4
Industrial Sector	38.2
Communication and Transportation Sector	9.5
Building and Services Sector	28.6
Education Sector	10.3
Total	100

#### **Fourth: Spatial Investment Distribution**

It is one of this Plan's priorities to achieve justice and fairness in distribution of its benefits across all of Iraq's regions and to reduce the spatial development disparity between the governorates on one hand and between urban and rural areas on the other.

The Plan has confirmed that the role of local governments in developing their governorates will continue to be promoted, with 14% of its total investments allocated to regional development programs that focus on local services and activities. These are at the disposal of local governments and are distributed by population volume on the national level and by population volume of each governorate's administrative units. Over the duration of the Plan, the programs' allocations are projected to rise based on the expansion of the governorates' executive capacities. The Plan also calls for planning of non-sovereign investments to correspond to the relative size of the population of the Kurdistan region as a share of the total population of Iraq. The Plan also calls for investments in the industry, agriculture, energy and pivotal structures sectors to be spread over various governorates according to the capacities and comparative advantage of each governorate with regards to the activity, so as to achieve balance between the principles of economic efficiency and social justice in distributing the benefits of development.

### **3.1.4 GDP Estimates and Sectoral Distribution**

#### **First: Projected GDP Growth Rate**

The Plan has estimated the total GDP growth rate in fixed 2012 prices at 13.31%. On this basis, total GDP including oil will rise from 264.950 trillion dinars in 2013 to 445.383 trillion dinars in 2017 for an estimated rate of 68%.

The Plan expects non-oil GDP to rise from 131.953 trillion dinars in 2013 to 181.361 trillion dinars in 2017 for an increase of 37.4%. This increase translates into economic activity growth (excluding oil) at an annual rate of 7.5%, whereas oil extraction activity will grow at a rate of 18.7%, as indicated in Table 3-7.



**Table (3-7):** GDP with and without Oil in 2012 Fixed Prices for the Years 2013-2017  
(Billion Dinars)

T	Economic Activities	2012 Base Year	Overall annual growth rate	2013	2014	2015	2016	2017
Base Year	Agriculture, forestry and fisheries	2013	2014	2015	2016	2017	12194.92	13249.8
2	Mining and quarrying							
1-2	Crude Oil	112044	18.7	132996	157867	187388	222429	264023
2-2	Other Types of Mining	1034.1	6.71	1075.085	1117.695	1223.03	1293.387	1430.83
3	Manufacturing	4418.6	3.68	4514.645	4612.778	4850.152	5003.174	5293.704
4	Electricity and Water	3320.3	7.97	3476.607	3640.272	4048.489	4325.12	4871.838
5	Building and Construction	13783.1	8.92	14509.3	15273.75	17193.24	18508.8	21129.3
6	Transport, communications and storage	15678.2	8.78	16491.28	17346.53	19491.87	20959.1	23880.39
7	Wholesale and retail trade, hotels and similar activities	19781.9	8.22	20742.37	21749.47	24265.82	25975.9	29363.35
8	Money, insurance and real estate services							
1-8	Banks and Insurance	3777	8.65	3970.0	4172.814	4681.156	5028.307	5718.678
2-8	Ownership of dwellings	17879.5	6.92	18610.31	19370.99	21254.26	22515.23	24983.32
9	Social and personal development services							
1-9	Social development services	33008.2	7.18	34408.07	35867.32	39486.73	41917.4	46686.42
2-9	Personal services	3550	6.01	3676	3806.517	4127.509	4340.182	4752.942
	Total activities without oil	Total activities without oil	7.5	131953.99	137777.07	152270.896	162061.52	181360.572
	Total activities	238427.2	13.31	264950	295644.07	339658.896	384490.52	445383.572

If total GDP growth is analyzed in current prices, the Plan projects an increase from 269.461 trillion dinars in 2013 to 468.104 trillion dinars in 2017 (including oil), meaning an increase of 73.7%. Meanwhile, GDP generated by non-oil economic activities will rise from 136.465 trillion dinars in 2013 to 204.081 trillion dinars in 2017 for an increase of 49%. These increases translate into a non-oil economic activity growth rate of 10% annually, whereas crude oil will grow at an annual rate of 18.7%, as indicated in Table 3-8

**Table (3-8):** GDP by the 2012 Current Prices for the Years 2013-2017 (Billion Dinars)

T	Economic Activities	2012 Best year	Overall annual growth rate	2013	2014	2015	2016	2017
	Agriculture, forestry and fisheries	2013	2014	2015	2016	2017	13649	14697
2	Mining and quarrying							
	Total activities without oil	126383.2	10.05	136465	147366	168397	185368	204081
	Total Activities	238427.2		269461	305233	355785	407797	468104

T	Economic Activities	2012 Best year	Overall annual growth rate	2013	2014	2015	2016	2017
1-2	Crude Oil	112044	18.7	132996	157867	187388	222429	264023
2-2	Other Types of Mining	1034.1	8.94	1107.7	1186.5	1337	1456.5	1586.7
3	Manufacturing	4418.6	5.85	4624.4	4839.7	5240.3	5546.9	5871.4
4	Electricity and Water	3320.3	8.4	3542.3	3779.2	4229.3	4584.5	4969.6
5	Building and Construction	13783.1	12.2	15122	16590	19468	21843	24508
6	Transport, communications and storage	15678.2	10.95	17045	18530	21413	23758	26359
7	Wholesale and retail trade, hotels and similar activities	19781.9	10.94	21505	23377	27010	29965	33244
8	Money, insurance and real estate services							
1-8	Banks and Insurance	3777	11.5	4122.8	4500.2	5235.7	5837.8	6509.1
2-8	House ownership	17879.5	10.24	19337	20913	23954	26407	29111
9	Social and personal development services							
1-9	Social development services	33008.2	9.44	35489	38155	43266	47351	51821
2-9	Personal services	3550	8.77	3797.8	4063	4568.3	4969	5404.7
	Total activities without oil	126383.2	10.05	136465	147366	168397	185368	204081
	Total Activities	238427.2		269461	305233	355785	407797	468104

## Two: Sectoral Distribution of GDP

In keeping with the goals of the Plan and the development model philosophy, the future orientation toward generating sectoral GDP growth means that the Plan will strive to give a greater role to (non-oil) commodity activity and services linked to distribution activities with the aim of consolidating the real economy by diversifying the national production structure and stimulating domestic content for commodity supply. This is in order to reduce the Iraqi economy's high level of exposure to the outside world, which the Plan considers to be among the biggest economic challenges that it faces, and is evidenced by the high imported content of the commodity supply in Iraqi markets.

To achieve this, the Plan expects the contribution of non-oil commodity activity to rise in constant prices from 34.055 trillion dinars in 2013 to 45.976 trillion dinars in 2017, for an increase of 35%. Despite relative increases in outputs, it will maintain the same relative importance in absolute rankings.

The crude oil extraction sector will clearly realize a high share of GDP, although non-oil commodity activities will maintain their levels of GDP generation in the range of

25.4% compared to 42% for service activities and 32.5% for distributional activities. This may be attributed to the increased contribution of the oil sector, which will have an impact on generating higher growth rates in service and distribution activities than in non-oil commodities, in addition to causing structural changes in favor of commodity activities, but which need a longer time frame than the Plan itself.

If the GDP structure including oil is analyzed, oil will contribute 56.4% in 2017 compared to 43.6% for other activities. This maintains the GDP distribution structure at current levels as a result of the large projected increase in oil and gas activity over the duration of the Plan.

**Table (3-9):** Contribution of Non-Oil Economic Activities to GDP Generation for the Years 2013-2017 in Fixed Prices

Activities	Activities Contribution 2013	Activities Contribution 2017	Percentage of the Total %	Percentage of the Total % 2017
Commodities other than oil	34055.1	45975.5	25.8	25.4
Distribution activities	41203.7	58962.4	31.2	32.5
Services	56694.4	76422.7	42.3	42.1
Total activities other than oil	131953.2	181360.6	100.0	100

## 3-2 Policies and Reforms Favoring Development

Coordination between the branches of economic policy is necessary to ensure the strategic efficiency of the development adopted in the Plan and to achieve its targets. The lesson is not that each policy should be appropriate for its goals and means on its own, but that these policies need to be coordinated, harmonious and forged in a single crucible so as to make them more able to translate the Plan's goals into a practical reality. Based on the foregoing, the two most important policies that influence and are influenced by development will be analyzed: these are financial and monetary policy, in addition to economic reforms.

### 3.2.1 Financial Policy

#### First: Situation Analysis

One of the most prominent features of the Federal budget is that the general budget cycle continues to be linked to the economic cycle and follows its direction. This linkage, which is explained by the effects caused by the foreign supply shock of the inter-

national energy market on the general budget is a natural result of the Iraqi economy's reliance on oil revenues as an essential source of financing for its budget – going from 93% in 2009 to 97.4% in 2012 – in addition to its fixed adoption of a single possible reserve price in budget revenue estimates. This leads to rigidity in the sense that there is no high-impact change mechanism in general budget revenue flow and expenses. Iraq's economy grows when it receives injections of oil revenue – as a result of foreign supply shock – and contracts when spending outflows exceed the level of the oil injections into the economy. This fact has left an impact on the contours of the financial policies implemented in Iraq, which have revolved around giving relative priority to operational expenses at the expense of investment expenditures, which represented 82.6% in 2009 and continually dropped until they reached 68.3% in 2012. These high rates are explained by consumer welfare indicators, free riding, salary and wage expense indicators, and transformational expense indicators in the budget, as appear in the government support and social welfare items – which represents a total of 50% of the budget's operational spending and around 40% of aggregate public spending.

Sticking to this financial policy orientation for the 2009-2011 period meant that the Iraqi economy continued to be exposed to aggregate demand pressure, which operated forcefully through expense budget multipliers and its impact began to exceed the limits of the expansion in the financial policies themselves. An inflationary gap was thereby generated, which monetary policy worked to close with great consistency using all severe instruments. Inflation thereby fell from 7.1% in 2009 to 3.1% in 2010 only to spike again to 5% in 2012, and it is projected to rise to 7.5% in 2013. In this way, the inflationary effects of the general budget have become characteristic, as long as rent expenditures subject to the tax increases – if approved – the general budget will be able to achieve economic balance through what is known as balanced budget multipliers.

The state has adopted the principle of medium-term Federal budget strategies since 2011 and supplied them for three years. The goals that arise there from help reduce the budget deficit, increase the share of expenditures dedicated to the investment budget, increase non-oil revenues and increase the governorates' share of investment spending. With the goal of increasing financial policy instruments, the Ministry of Finance has striven to adopt to programs: a program to improve the work environment of the Ministry of Finance and a program to encourage investment in the private sector.

The first program aims to increase revenue by redesigning revenue sector infrastructure (customs and taxes), developing the sector and boosting worker performance efficiency. This is in addition to restructuring and developing the banking sector by studying and modernizing these banks' systems incorporating modern scientific methods. The program also includes the essential goal of modernizing budget prepa-

ration methods and staff and monitoring it in detail, along with efforts to reorganize the financial relationship between various government departments by putting in place modern linkage and e-transfer systems, as used in advanced countries.

Regarding the second program, which seeks to encourage investment in the private sector, it involves a serious attempt to structure banking sector performance to serve local and foreign private investors by incorporating foreign transfer methods and dealing with global banks. This is especially now that Iraq has come out from under the guardianship of the Article Seven. Likewise, strategic investment projects will be announced for the industry, agriculture and service sectors, so that they may become fertile ground to attract private sector investment. Moreover, financial policy for the coming phase will reconsider factors that influence such investments, particularly taxes and customs, in order to support a business climate conducive to private investment activity.

## Second: Challenges

- Continuing imbalance in the structure of public spending in favor of operational expenses at the expense of investment expenses, generating an increase in aggregate effective demand levels in the economy. This is matched by rigidity in the production apparatus and inability to respond to that increase with a fresh rise in general price levels. This was avoided by increasing imports, thereby distorting the domestic supply component and increased the economy's exposure to the outside world.
- It also indicates important developments on the Federal general budget by adopting the principle of "resource from the source," which was adopted in the 2010/2011 budget, and which consists of allocating public expenses according to the petrodollar law. The 2010/2011 budget also adopted a national poverty line to determine the class covered by the social security network according to which transformational expenses are allocated in the budget.
- Oil revenues continue to hold preeminence as a main source of financing for Federal budgets. This makes budget estimates uncertain, along with the possibility of achieving the budget's goals.
- The share of non-oil revenues in total public revenues remains low due to continued application of tax exemptions, not levying new taxes, diverse channels for tax evasion. This is in addition to the failure to adopt new measures to seek new types of fees and fines that could improve non-oil revenue yield, and failure to activate Customs Tariff Law No. 22 of 2010 despite the fact that it was passed. There is also no program to collect taxes on foreign oil companies and secondary contractors working with them under Law No. 19.
- Low efficiency in implementing public expenses in the Federal budget, especially investment spending. This makes the annual deficit in the Federal budget obvious and squanders true spending opportunities.

- Financial decentralization was one of the most complicated challenges to preparing the budget during the 2009-2012 period, since the Financial Administration Law and the Governorates Law lack clear financial management and decentralization mechanisms. Disagreement persists over the concept and application of the federal system and decentralization. Thus, amid these restrictions it has become a major challenge to implement the items related to decentralization in the 2009-2012 budgets, which generates more administrative, financial and regulatory problems.
- The conventional approach (itemized budget) continues to be used in preparing Iraq's general budget. This distances it from the strategic planning vision.
- The problem of cumulative loans – which amount to 27 trillion dinar – remains, some of which go back for decades, while the rest are uncovered expenses that were not allocated resources in the budget.

### Third: Vision

A financial policy responsive to development needs.

### Four: Goals

#### First Goal: Eliminating the Budget Deficit

Means to Achieve Goal

- Commit to financial discipline on public spending
- Apply the principle of ceilings for public expenditures while incarnating the principle of top-down budget.
- Increase budget resources other than oil.
- Examine the reserve oil price, including a true estimate of Iraq's oil revenues.

#### Second Goal: Limit Imbalances in Public Expenditure

Means to Achieve Goal:

- Increase the rate of investment expenditures out of the overall spending to 40%-45% by 2017.
- Limit the growth of operational expenditures in order to keep it at a normal level on the basis of 2% per year for inflation and 3% for population growth.

#### Third Goal: Increase Non-Oil Revenues and Diversify their Sources

Means to Achieve Goal:

- Expand the basis for taxation and diversify its sources while seeking to impose local taxes according to each governorate, to reinforce financial decentralization and to reduce dependency on central budgets.

- Develop the efficiency of the taxation apparatus by developing the capacities of its staff and seeking to increase the collection of taxes.
- Reduce the scope of tax exemptions.
- Gradually increase subsidies for the prices of primary services and increase the efficiency of collecting the State's tax claims.
- Collect taxes, fees and fines from mobile phone companies and oil companies.
- Enforce the Customs Tariffs law and determine a date for its enforcement.

#### **Fourth Goal: Reform Financial Administration**

Means to Achieve Goal:

- Shift from line-item budgeting to program budgeting and provide the necessary requirements.
- Develop the accounting and auditing system.
- Gradually shift towards financial decentralization and reinforce the capabilities of governorates in this field.
- Develop the capabilities of workers in financial administration.

### **3.2.2 Monetary Policy**

#### **First: Situation Analysis**

The Central Bank of Iraq is seeking to increase the effectiveness of monetary policy in order for it to support economic stability, development goals and its investment interests. It seeks to do so while providing coordination and harmony with the economic policy in general and the financial policy in particular through a number of policies and reform measures that can be summarized as follows:

- Continue to face inflation rates to support the sustainable stability opportunities and stability that would lead to economic growth. The rate of inflation fell to 2.9% in 2010 but went back up to 6.5% in 2011. It is expected to reach 7.5% in 2013, which is an acceptable rate amid the adoption of a policy to expand public expenditures.
- Encourage credits at public and private banks by maintaining the interest rate, which was 6% in 2010-2011. This would aim to stimulate the private sector and reinforce its financial capacities in executing development plans. It would also reinforce its place as an active partner in development.
- Encourage real investment and reinforce development opportunities through loans given by the Central Bank to banks and through a secondary market that would provide the liquidity needed to help deepen financial brokerage and increase the credit capacity that supports real development activities. In addition, guarantee the best use of financial and human resources available, as the



Central Bank has issued a decision to increase bank capital to reach 250 billion Dinars in three years as of 2010. This growth is considered positive, supportive of financial stability and a reinforcement of the banking apparatus in the face of dangers.

- Maintain the stability of the local currency by continuing to take measures that fix the local exchange rate against foreign currencies. It should reach 1166 Dinars to the US Dollar by the end of 2017, without taking into consideration the counter effect of the monetary supply growth, which is affected by the expansive financial policy, as seen in the size of public expenditures -- estimated in the 2013 budget to be more than 38 trillion Dinars.
- Building strong reserves of foreign currency has led to building foundations to maintain internal and external economic stability. It has also provided an appropriate environment to launch investments. The size of reserve assets has increased from 44.4 billion USD in 2009 to 48.8 billion USD in 2010, an increase of 9.9%. The rate of foreign exchange reserve to oil GDP increased from 36% in 2010 to 39.4% in 2009. The increase in the overall foreign exchange reserve led to a new increase in the capacities of the Iraqi economy to cover imports that reached 13.1 months in 2010, a very positive indicator according to applied international standards.
- Stimulate banks to have an interest in the market and seek to increase the role of private banks in granting credit.
- Activate the financial and development role of the Iraqi stock market by increasing the capital of public companies in the market, except banks, from 5 billion Dinars for financial funding companies to 15 billion Dinars. This also requires increasing the capital of exchange companies to 150 million Dinars; that of financial investment companies to 50 million Dinars; and that of small to medium loans companies to 1-2 billion Dinars.
- Expand the credit market in order to stimulate funding activities, especially when taking into consideration that the rate of deposits at State banks represents 85% of all deposits for 2010 with 14.5% of deposits at private banks. The total of local deposits made in the banking apparatus was only 7.4% of the GDP.

## Second: Challenges

- Reduced level of coordination between financial policy and monetary policy, which limits the effectiveness of the monetary policy in impacting financial and monetary movements.
- Continued growth of monetary supply as a result of continued adoption of an expansive expenditures policy. This increases inflation pressure despite the monetary measures in place to limit the level of cash liquidity. The monetary supply increased in the general sense by 32.6% from 2009 to 2010, thus exceeding the increase in GDP, which was 23.4%.

- High impact of regional tensions on the US Dollar as a result of what is known as a “speculative attack.” This could shake the foundations of the foreign exchange rate stability, inflation rates and the flow of currency trade application, leading to many opportunities for the smuggling of foreign currency, corruption and money laundering.
- The Central Bank’s strict policy concerning the control of inflation rates has reinforced monetary stability without contributing to the same degree in measures to maintain the development of the Iraqi economy.
- The continued implementation of the open import policy could lead to a decrease in the local currency exchange rate (Dinar) and an increase of inflation pressures on the economy.
- Limited role of specialized banks in funding development investments of the private sector, which contradicts the direction of the economic policy that was set in the plan. The latter calls for the private sector to be given an important role in development activities. The absence of governmental support for these banks increases their lack of capacity and the marginality of their activities,
- Weak impact of reducing the interest rate in credit given by local banks due to their cautious nature. This definitely affects private sector investments and the role of this sector in the development process.
- Low interest rates for savings and high rates for bank credits granted.
- Achieve balance between reserve banking requirements (hedges) and the requirements to stimulate the economy (encourage banks to look towards the market to fund development).

### Third: Vision

Monetary policy that contributes toward reaching sustainable economic stability and growth

### Fourth: Goals

#### **First Goal:** Credit Activities that Stimulate Development

Means to Achieve Goal

- Expand the granting of credit to the private sector through the national banking sector.
- Generate banking initiatives that aim to grant loans to small and medium projects.
- Encourage banks to look towards the market in a way that supports the tendencies of the monetary policy to provide credits and bank financing.
- Adopt a strategy to supervise the banking apparatus in order to guarantee compliance with the best international standards and practices.

- Coordination and harmony between the monetary policy and the financial policy to guarantee stability and development.
- Increase the capital of specialized banks in order to increase development.

### **Second Goal: Keep Inflation Rates within Single Digits**

#### Means to Achieve Goal

- Lower the growth rate of monetary supply at the expense of checkable deposits.
- Interest rate that encourages savings.
- Influence the elasticity of the production apparatus through tools from both monetary policy and the financial policy.
- Execute open market operations.

### **Third Goal: Maintain the Stability of the Local Exchange Rate**

#### Means to Achieve Goal

- Adapt public expenditure according to growth requirements.
- Allow local and governmental banks to sell the dollar at a fixed rate determined by the Central Bank.
- Continue the foreign exchange trade according to the needs of the development market.

### **Fourth Goal: Strengthen and Reinforce the Foreign Exchange Reserve**

#### Means to Achieve Goal

- Diversify the methods of managing foreign exchange reserves according to the standards for insurance, elasticity and profit and in a way that protects the reserves.
- Reinforce cooperation with central banks and renowned international institutions in order to diversify the countries, currencies, tools and dues.
- Organize public trades in order to avoid the smuggling of foreign currency, corruption and money laundering.

### **Fifth Goal: Lower Bank Density**

#### Means to Achieve Goal

- Increase the number of governmental banks and private banks and expand their distribution horizontally and vertically.
- Encourage the opening of branches for Arab and foreign banks.
- Improve the services of the banking sector.

## **Sixth Goal: Combat Money Laundering**

### Means to Achieve Goal

- Prepare developed programs for the exchange of information in order to reach the highest levels of coordination with authorities specialized in combatting money laundering inside Iraq.
- Complete compliance from banks with the money laundering law No. 93/2004
- Comply with international standards issued by the FTAE.
- Coordination between the money laundering bureau at the bank, the Commission of Integrity, the Ministry of Justice, the Ministry of the Interior and judicial authorities as required when working on administrative corruption cases.
- Coordinate with similar units in Arab and neighboring countries regarding the exchange of information on issues related to combating money laundering and the funding of terrorism.

## **Seventh Goal: Localize Information Technology in the Work Mechanisms of the Central Bank**

### Means to Achieve Goal

- Organize the process of selecting a new banking system that fulfills the needs of the Central Bank in accordance with present and future developments.
- Seriously work towards linking the branches of the Central Bank to the information center through the IIBN network.
- Establish a system to link banks for the purpose of executing retail payments such as ATMs, mobile transfers and credit and debit cards.
- Seriously work towards developing and updating software for the Iraqi payment system including all its elements.

### **3.2.3 Economic Reforms**

After 2003, Iraq has witnessed a change in its political and economic systems with reform reaching four axes:

First axis/ Political reform, which includes shifting from a centralized comprehensive governance system to a democratic system with political freedom and peaceful transition of power through elections.

Second axis/ Economic reform, which includes shifting from a planned centralized economy to a market economy with economic freedom, openness and integration with the world.

Third axis/ Security reform, which includes a war against terrorism in order to make the new democratic experiment succeed.

Fourth axis/ Administrative reform which includes shifting towards decentralization in administration and giving broad authorities to regions and governorates independent of regions in terms of development management and financial management of increasing allocations.

Focus will now be on economic reforms because they are directly related to development. The following economic reforms were adopted:

The Cabinet agreed in September 2010 to adopt a roadmap to reform and restructure State owned companies. This roadmap aims at restructuring companies through stages and transforming them to competitive economic entities and at increasing the performance of these companies. This would help to increase and diversify economic activities, provide sustainable growth and relieve the State budget of the burdens of the benefits that it grants these companies to pay the salaries of its employees, which numbered 600,000 in 2010.

Establishing a roadmap for tax reforms would require a study of the reality and structure of the taxation system as well as a diagnosis of flaws and derailment from the standards prevailing in the State's economics, as the State is going through a transitional phase.

A review of taxation legislation; determining amendment requirements; determining the general principles to follow when planning the taxation policy and drafting a taxation system that is adapted to economic change – i.e., that is just, neutral and flexible; and adopting standards to set more realistic and flexible taxation rates.

Reforms for setting tax charges in a way that activates the private sector, attracts foreign investors and improves the business environment.

Launching a comprehensive strategy for financial and monetary reform in February 2009 with a focus on reforming and modernizing the banking system. The strategy also targeted updating the organization of State-owned banks and redistributing their roles and tasks. The strategy led to stability in the exchange rate of the Iraqi Dinar against foreign currencies and to a decrease in the yearly increase of inflation rates to single digits after two decades of deterioration. The strategy also led to a growth in the foreign exchange reserves of the Central Bank from 4 billion USD in 2004 to 60 billion USD at the end of 2011.

A draft law for small and medium businesses was drafted. The draft law supports all types of industrial, commercial, tourism, medical and other companies in terms of financing, tax exemption, marketing, and cross-border trade with foreign companies. This law and the companies it includes play an important role in diversifying the Iraqi economy; reinforcing the role of the private sector in it; and providing for a large amount of unemployed work force that will enter the market in the future.

- The preparation of a draft law for partnership between the private sector and the public sector. This draft law falls within the program to develop the private sector and reinforce its role in the sustainable development process in Iraq. It especially targets partnerships in executing infrastructure projects and projects for the operation and maintenance of public services.
- The establishment of a national policy to manage lands that will be used as rural and urban lands equally and efficiently. This will help achieve sustainable development, limit poverty and provide food within the market economy. It will also improve the land management system to make it more transparent and accountable and will protect productive agricultural land from urbanization.
- The launching of an agricultural initiative by the 2007 Cabinet as a national campaign to develop the agricultural sector by providing funding for farms and producers of livestock. This aims at developing agricultural production and livestock production; at reinforcing the contributions of the agricultural sector in the GDP; and developing water resources in addition to using them as best as possible.

### 3.3 Private Sector

The private sector did not play the role it needed to play before 2003 and it didn't have a real chance to reach the level that would allow it to play a prominent role in increasing economic development rates. For 40 years, the private sector has witnessed strong fluctuations and instabilities in terms of the policies applied under unpromising legislation. These have made the private sector more like a contractor for the public sector and an investor in quick profit activities with a short period for recovering the capital. These activities were mostly at the level of individuals or small businesses in terms of organization, productivity and marketing. It followed the principle of extensive work/low capital and was essentially dependent on government subsidies, which made the private sector unable to compete with imported goods and kept it at the margins of the country's economic performance.

This reality did not change much after 2003 because of the economic and political conditions and changes; the significant deterioration of the security situation; and the absence of the rule of law. This decreased the contribution of this sector in generating GDP, accumulating fixed capital, and generating job opportunities. Furthermore, most projects and economic activities of this sector stopped because of the technical and economic challenges as well as the severe competition of foreign goods and opening the Iraqi market to various regional and international importing institutions. The Iraqi market was therefore inundated with cheap foreign foods that do not meet Iraqi or international standards. Private sector activities were impacted despite the efforts of the State's economic policies to reinforce the role of this sector in the Iraqi economy; support economic openness to the world; and make economic reforms in

the aim of diversifying the structure of the Iraqi economy in the light of economic and political changes that hit the Iraqi market after 2003.

Despite the efforts exerted by the private sector to keep up with the economic developments and the requirements to develop its technological, production and competitive abilities, legislations, laws, policies and reforms that regulate economic affairs and business undermined its activities and encouraged investors and their capital to go outside the country. In order to limit the impact of the changes being witnessed, the 2010-2014 Development Plan has called for an interactive participative private sector to be built that reinforces sustainable development and provides an investment environment that attracts private investment. However, this call was limited by the absence of a motivating business environment that attracts the private sector to be an essential partner in the development process. This led to a continued growth of the public sector combined with an increase in the cost of maintaining the public sector. Meanwhile, the private sector is alienated and its capital has missed the chance to reach the goals of the previous national development plans: diversity in the production structure, increase in productivity, increase in job opportunities, reducing poverty. This reality requires setting conditions that should be met in order for the private sector to operate effectively and efficiently. This is what the 2013-2017 Development Plan will declare.

### **3.3.1 Situation Analysis**

Statistics for economic indicators within the private sector confirm that the contributions of the private sector to GDP did not exceed 34.6% in 2010. However, this rate changes with the level of economic activity. In 2010, it reached 100% in agriculture, ownership of residential units and personal services, while it did not go past 39.7% for manufacturing activities. Perhaps the increase in 2010 of large industrial institutions to 420, medium institutions to 55 and small ones to 11126 is what justifies the mentioned rate. This increase was certainly accompanied by an increase in the number of workers in the private sector to 61516 in 2010 and an increase in the sector's ability to provide work opportunities in a regulated economy or an unregulated economy. The proof is that the rate of workers in the private sector formed 59% of the total number of workers in the manufacturing industry.

The period of 2009-2011 did not witness any great improvement in the development role of the private sector despite the strategic approaches that demanded the strengthening and reinforcement of this role through the 2010-2014 National Development Plan. Elements of controlling the path of the economy were fixed and they consisted in State-owned projects. Furthermore, there was a delay in preparing and implementing a roadmap to restructure the mentioned elements and transform them into joint-stock companies in order to find new methods for investment and reviving



economic sectors. The immobility of these elements and this delay were among the most prominent reasons why the private sector was weakened as an effective partner in development and why the objectives of the previous development plan were frozen; the institutional pattern of a centralized economy was set in stone; all confidence in the appropriateness of the business environment was lost; and methods to modernize economic management through implementing the BOT, BOO and BOOT formulas confirmed in the previous plan were absent. Furthermore, the government lacked the effective institutional ability to restructure State-owned companies, which led to a delay in including private companies in the restructuring process despite the fact that main ministries running State-owned companies drafted strategies confirming the need to shift towards manufacturing in order to attract private investment and support participation in production in accordance with the provisions of Law 22/1997, Law 13/2006 and Law 2/2010. The efforts put in so far remain very humble. They remain in their primary stages and are waiting for special legislation to find vital arrangements, without which the national foreign private sectors might continue to refuse to participate economically. It should be noted that the Ministry of Industry and Minerals has set a methodological framework for gradually transforming State-owned companies to joint-stock companies able to depend on themselves. It has also put in place a program to rehabilitate other companies as will be clarified in the section relating to the manufacturing industry in this Plan. The private sector has been activated in some fields during the past few years, especially its strong entrance into the higher education field where it started contributing 12% of university students and 15% of the overall production of education and health. The private sector was also active in tourism, especially tourist accommodations in religious destinations. It also contributed with a rate of more than 90% to transportation, especially within cities.

The 2013-2017 Development Plan aims at reinforcing the role of the private sector within the frame of a restructuring strategy for State-owned companies, mainly in manufacturing. This would seek to raise the contributions of the private sector to the GDP and the accumulation of fixed capital. This would be done in a way that achieves the required role in development; developing competitive abilities; and supporting the country's shift to a knowledge economy and decentralization at the level of regions and governorates all the while benefiting from the principle of comparative advantages for each of them and guaranteeing the effectiveness of spatial development in the Iraqi economy. What supports such a transformation is the presence of financial and human foundations.

### **3.3.2 Potential**

- The State's shift in general towards establishing the foundations and principles of a market economy and leaving behind centralized economic policies.

- Availability of energy resources in relatively low prices compared with other countries.
- Availability of raw material, whether agricultural, mineral or industrial. This increases relative economic traits that attract local and foreign investors.
- Availability of historic, religious and natural tourist destinations.
- Capacity of the domestic market seen through the increase in the level of effective demand in the economy.
- Presence of a class of Iraqi businessmen who are pioneers in investments in manufacturing, agriculture, tourism, education, health and construction.
- Stability of the exchange rate for the Iraqi Dinar and presence of stimuli for investors. These consist in tax exemptions and the subsidization of services and essential infrastructure.
- A move towards issuing a law for partnership between the private and public sectors and the opportunity to use this legislation to encourage national and foreign investments in Iraq in accordance with the various formulas of this partnership.

### 3.3.3 Challenges

- Weak legal and legislative frameworks that reinforce a market economy and organize the work mechanism for the private sector.
- Fragility of the security situation, which has created a deterring environment for private investors.
- Limited role of the banking sector in addition to its old and complex mechanisms and collateral conditions. This has limited the access of the private sector to bank credits necessary to fund its projects.
- Old and deteriorated infrastructure for the economy, including the financial and electrical infrastructure. This has limited the success of the private sector in playing its consultancy role.
- The absence of a social partnership culture (businessmen) in the governmental decision-making process. This partnership is needed to establish the foundations of a market economy.
- Absence of an environment that empowers business (despite the existing national investment environment). This consists in complex governmental procedures; not implementing the one-window principle; not allocating collected amounts for the purpose of investment; and the presence of difficulties in the face of an investor seeking to obtain the requirements needed for a projects- this is mainly in practice.
- The Iraqi stock market has not kept up with developments in managing exchanges, mainly in the technology field.

- Delaying and stalling the implementation and privatization of reform programs owned by the state

### 3.3.4 Vision

“An effective, competitive and competent partner”

### 3.3.5 Goals

#### **First Goal:** Increase the Contributions of the Private Sector to the GDP

##### Means to Achieve Goal

- Create an appropriate business environment for the private sector through:
  - ▶ Freeing up interest rates and exchange rates while reducing prerequisites for the flow of capital
  - ▶ Establish incubators for technological businesses and expand their adoption
  - ▶ Establish comprehensive and developed industrial and service complexes
  - ▶ Revitalize specialized banks so that they can be incubators of financial activities for the private sector
  - ▶ Adopt differential interest prices in order to increase credits given by private banks to private sector investors
  - ▶ Enforce the Consumer Protection Law, the law on competition protection and anti-monopoly, the national product protection law, the customs tariff law and the labor law.
  - ▶ Expedite passage of the economic reform law, the mineral investment law, the industrial cities and regions law, the private and public sectors partnership law, the small and medium size institutions law, and the patent protection law.
  - ▶ Revive commercial and specialized banks.
  - ▶ Adopt economic policies that stimulate the private sector.
- Reinforce the contributions of the private sector as a partner in economic decisions.
- Transform the unregulated private sector to a regulated private sector and provide the conditions and requirements needed for the success of this transformation.
- Expedite a decision on the subject of privatizing and rehabilitating public State owned companies.

