

Economic Policy Papers

What should the next Iraqi Prime Minister do? By Amer Hirmis*

[An open letter to the next Iraqi Prime Minister to develop Iraq's economy]
[Risāla maftūha li Ra'īs al-Wizarā' al-'Irāqi al-tāli li Inmā' Iqtisad al-'Irāq]

[In our world, there is only one race – the Human Race.
Wars and sanctions do not produce economic development – Peace Does.](#)

Today, most Iraqis live in anticipation. Their trust in the political class that emerged over the past 14 years has waned, fast. The general election of May 12 will determine the political dynamics in Iraq over the next four years; a dynamic which will take the country in either of the following two directions:

1. Either initiate *economic development* (1), as distinct from economic growth (2), by changing the direction of economic policy-making in favour of economic efficiency, equality of opportunity, creation of gainful employment for the unemployed millions and gender parity, through strong political will, establishing the basis for the rule of secular law, good governance, diminishing corruption and, *inter alia*, providing a regulatory framework for private sector investment to thrive, in a well-characterised and diversified economic structure, thus diminishing the endemic reliance on crude oil and gas.
2. Or, keep edging away from the long and rocky, but ultimately desirable, road to initiate economic development, and, instead, consolidate religious, ethnic and tribal tendencies in shaping the economic dynamics of Iraq, consolidating the rentier sectors of the economy, which translate in quick profits rather than invest in the productive sectors like manufacturing and agriculture, or upskilling the labour force in the digital age or investing in education and health services and continue ignoring the establishment of well-connected local and regional markets through adequate physical infrastructure, which would otherwise save time/costs for users.

1. PRELUDE

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The natural and human riches of Iraq do not need to be emphasised. They are obvious and well documented. The current *objective conditions* need changing to make economic development and functional democracy possible in Iraq.

Most Iraqis, however, are desperate for change – they desire gainful employment, decent housing, good universal education, quality health services at the point of need, greater certainty about their future and that of their offspring(s), greater security, stability and continued improvement in their well-being. Most Iraqis aspire to live in environmentally pleasant, liveable neighbourhoods, towns and cities, with adequate physical infrastructure – a good network of streets, roads, electricity, drinking water supply, efficiently-run sewage, reliable buses, trains and all that makes a liveable environment tick. Most Iraqis wish to live in lasting peace; they are tired of wars, sanctions, unspeakable savagery and injustices (*thulm*) that their lives have been subjected to, over many decades, to the present.

These are legitimate *unifying* aspirations of the majority of Iraqis, and form a common ground that transcends religion, ethnicity and tribalism. They are strong policy elements of initiating economic development, which could be deployed as a *unifying force* for the Iraqis to come together and build a brighter future for Iraq.

Iraq's history, since early Mesopotamia, is testimony to the failure of *autocratic* and *theocratic* rulers to initiate economic development and functional democracy. To maintain their often ruthless dominance of power, successive rulers, whether indigenous or foreign, have maintained objective conditions that kept the majority of the people of Iraq in poverty, poor education, health and, every now and then, committed genocidal crimes against 'other' religion, sect, and ethnic minorities. The rubric 'my religion is my politics' used in Sumer, 'Old Babylonia' down to the Abbasids, the Ottomans, and even during the last 14 years has left a large part of Iraq in poverty.

Apart from the recent defeat of ISIS (a major triumph for secularism), barely a day passes without a barrage of sober news, drowning meagre achievements like opening a new school here, or a hospital there, or helping a group of orphans or widows, to re-build their lives.

Most Iraqis are tired of wide-spread corruption, cronyism, and lack of opportunities which are compounding the social and financial cost of

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investing in economic ventures. As a consequence of long suffering, and false and misguided promises from self-interested political classes, the average life expectancy of the Iraqis at birth was 69.6 in 2015, ranking 116th out of 187 countries (UNDP), well below the global average. The UN's assessment of Iraq's Human Development Index (HDI) makes a sad reading at 0.649 and ranking 121 out of 188 (ibid, 2016). The 1990-2014 almost horizontal trend line shows the HDI for Iraq on a downward path since 2012 (ibid). On two indicators, inequality and poverty, Iraq's score is extremely low; 30% - 40% of Iraqis are currently living in poverty.

A minority of Iraqis, having a tight grip on political power in the country, wish to maintain the status quo; indeed the polity of the successive autocrats and 'elected' prime ministers, and their respective policies over the past 60 years, have been divisive at best. Around 60% of Iraqis can't afford access to good quality food, health services, modest entertainments, traveling as tourists, or enjoy cultural activities, participate in civil society and political life (COSIT-Iraq: 2007). Women in Iraq have endured severe pressures in the guise of 'social norms' and 'religious codes' based mostly on "tradition" instilled by Tiglath-Pileser I down to Tiglath-Pileser III (ca.1100 BC-727BC) whose Assyrian military campaigns/empire extended from Elam to the north-west of Arabia, enforcing the payment of tribute and Assyrian social norms, for centuries.

Iraq can continue on this ruinous path. It *must not*.

Also a *must* is the continued improvement of the well-being of every Iraqi person, and for this to happen, the next Iraqi Prime Minister must begin to introduce holistic changes on the road to economic development.

2. KEY AREAS FOR THE PRIME MINISTER'S ECONOMIC POLICIES

If they wish to display a strong political will for change in the direction of initiating economic development, Iraq's next Prime Minister should set out a realistic overarching vision (3) for the country, agreed with the people, through wide consultation. Based on such a vision, a deliverable economic strategy and policies should be designed, and implemented within a democratic framework, to realise the vision, covering the following seven areas:



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Consumption, production, economic structure, sector policies, international trade, monetary and fiscal policies and resource allocation.

Each area is briefly discussed below.

CONSUMPTION

Expenditure on private consumption is an important component of total expenditure on GDP (Gross Domestic Product); for example, in 2010, private spending reached some US\$ 68.8 billion, accounting for 47.5 percent of Iraq's estimated GDP.

Around 60-70% of this expenditure on consumption is made by the top 20% of the richest people in Iraq (ibid). This means the gap between consumption expenditure (effective demand) made by the rich compared to that made by poorer sections of the society remains significantly wide.

The top 20 percent of the richest population in Iraq spent slightly more than 30 times more than the poorest 50 percent of the population on recreation and culture. This means that at least half of the Iraqi population would find it hard, if not impossible, to engage in civil society, social activities outside the home, following up the domestic and international news, let alone actively participate in political decision making.

The new Prime Minister should seek to increase effective demand (consumption) amongst the poorer sections of the society, by creating new gainful employment. This can be achieved by enabling new investment in infrastructure, manufacturing, schools building, as well as hospitals and housing, based on a new 'Company Law' that closes the loopholes for tax evasion, prosecute corrupt people and speed up establishing new businesses. As the Prime Minister will know well, job creation is a major vehicle to tackle corruption and poverty. Increasing effective demand (including that generated by public expenditure as well) is likely to induce indigenous investment in the productive sectors of the economy, and will expand the domestic market.

PRODUCTION

The *manufacturing* and *agriculture* sectors currently (2015) contribute less than 1.0% and 3.0% to GDP respectively, at 2007 constant prices (cosit.gov.iq/AAS2016), mirroring a 1950-2015 downward trend,

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consolidated since 2003. This is not only a worrying trend. It is a dangerous one, exposing Iraq's economy further to the vagaries of international oil politics, which plays a role in determining international oil prices, as the mid-2014 showed.

The new Prime Minister should take responsibility for reversing such trends in the productive sectors of the economy, to reduce the percentage contribution of crude oil to GDP which has been hovering around 50% for many decades.

More than 90% of the Iraqi firms, in the manufacturing sector, for example, are small, employing 10 workers and less. The larger firms comprise state owned enterprises (SOEs). The recent history of public sector ownership of production firms has clearly shown that over the past 50 years the SOEs, generally, have not faced competition, they adopted administrative, not market-determined, pricing policies, and exhibited productive inefficiency to the extent that they have not had comparative advantage in the international markets.

The agriculture sector has suffered the effects of multiple, and contradictory, policy changes especially since 1963, turning the country into a net importer of grains, which it previously exported. Generally, the sector suffers from the predominance of small scale holdings, lacking economies of scale, a huge problem of water mismanagement, almost an astonishing stagnation, and a clear lack of government direction for the sector going forward.

The Prime Minister and his advisors should know that to reverse the situation noted above they should design policies that work on the key determinants of business performance.

These include access to finance, legal framework (a new Company Law) inducing private investment in manufacturing and agriculture through the provision of physical and social infrastructure, regulating the market and encouraging competition, tackling corruption, inducing FDI (Foreign Direct Investment) through providing security of operation in a stable environment, robust land and regional economic policy which provides business development opportunities, auditing corporate governance in large and medium-sized firms, and, inter alia, linking the education sector with businesses.



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Both monetary and fiscal policies can play a critical part in inducing investment in productive sectors, and the Prime Minister should work with the Iraqi Confederation of Industry and Chambers of Commerce and institute a six-monthly survey on business performance and future prospects, to assist devising appropriate policies to improve business performance.

ECONOMIC STRUCTURE

One of the key challenges for the next Prime Minister is to *begin* to change the economic structure of the Iraqi economy (noted above) in favour of the productive sectors, lessening its dangerous reliance on crude oil exports.

The new Prime Minister, and his advisors, will know that the current economic structure of Iraq benefits only those in control of the rent (*rai*?) emanating from the export of crude oil. They will also know that oil is *not* a curse. Oil (and natural gas) comprises natural resources that Iraq is endowed with. The issue has been that the proceeds of crude oil exports have been *misused* by successive rulers of Iraq since it was discovered in 1927.

Furthermore, the proceeds of crude oil exports will not be sufficient to initiate economic development in the long-run (as the decades-long experience of Iraq's neighbours so clearly shows), in spite of the anticipated increase in the extraction and export level to over five million bpd. And, if the next Prime Minister shows a strong political will for change, they will, accordingly, seek to direct his ministers to enable investment in the productive sectors of the economy, led by the private sector, whose proposed investment projects will be scrutinised to pass the rigorous test of proper socio-economic feasibility studies. This is the way forward to reduce high unemployment and mass poverty.

There is a plethora of rigorous development/investment research that has been undertaken by Iraqi specialist experts and international donors and consulting firms, over the past 12 years. They will only need to look at the library of the PMAC (Prime Minister Advisory Commission) and that of, say, the Ministries of Finance, Planning and Industry & Minerals. Most of this valuable research relating to the economy of Iraq and its various sectors has *not* been considered by Iraqi senior civil servants/advisors, as the various recent National Development Plans (NDPs) and the Federal Budgets testify. Even when the UN and USAID 'experts' get involved, as in the case of the '2030 Industrial Strategy' only unexplained *aspirational* targets are

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set out. The ‘Iraq - 2030 Vision: Prosperous Economy’ (July 2017) contains numerical targets for private sector contribution to GDP – at 57%. This is difficult to comprehend, as a ‘vision’ is actually a statement of intent, not of specific targets given the timescale covered?

The next Prime Minister should also know that during their four-year term, the IMF projections for the structure of the Iraqi economy look very bleak, given the assumptions made by the IMF, the statistics used (which appear to be designed to support financial balances) and the proposed ‘fiscal consolidation’ policies in the SBA (Standby Agreement) as conditions for lending Iraq money. The next Prime Minister should look into the SBA very closely, and decide whether they too would wish to see an unchanged economic structure in 2022? The 2018-2022 NDP too does not seem to aim at changing the current economic structure in a marked way (mop.gov.iq, accessed on 10.05.2018, when NDP was launched).

It is imperative for the next Prime Minister to *characterise* the Iraqi economy within a clear vision for the country. They should decide whether the economy should be ‘Social Market Economy’, a market-driven ‘Capitalist Economy’, a ‘Socialist Economy’ or a so-called “Religious Economy.” These are all well tried models, and the history of Iraq shows that the country has witnessed elements of some of these models. In ways more than one, the characterisation (*tawcief*) of the economy will influence the design of the economic strategy and the economic and social policies that follow.

SECTOR POLICIES

Notwithstanding the recent tragic incalculable damage and suffering caused by the invasion of Iraq in 2003 and more recently by ISIS’s genocidal and savage attacks on Iraqi people, the next Prime Minister should provide *rational, realistic* and *reasoned* direction for individual sectors of the economy. The relevant ministries/institutions, especially those to do with the productive sectors of the economy, oil and gas, physical and human (education/health) infrastructure work in cahoots, following a new direction. The Prime Minister should get rid of the haphazard and fire-fighting *modus operandi* in policy-making; they should aim to design short/medium/long-term policies, avoiding those designed for electioneering purposes, near their term end (as the recent promulgation of the inconsistent ‘Iraq National Oil Company’ law testifies).

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In each sector of the economy and, in each province (*muhafatha*), the next Prime Minister's policies should aim to induce economic efficiency, productive efficiency, job creation, and equality of opportunities, including gender parity. One of the key reasons for success is the availability of skilled labour for investors to employ. Thus universal co-education is key for achieving economic development, instilling a new mind-set, critical thinking and culture in the new generations. The next Prime Minister should also provide incentives for universities to work and support new and existing industrial and agricultural establishments, as well as those operating in physical and social infrastructure (like hospitals). Tax incentives in 'special zones' for firms in productive sectors and high-technology should become more wide-spread, to attract indigenous and foreign investment.

The next Prime Minister should know that another key reason for success in economics is the *increased participation of women in the labour market*, as the case of Singapore and other developed countries testify. Poorer economies always have a low women participation rate; in Iraq it currently stands at around 15%, compared with 60% in Singapore (<https://www.straitstimes.com/singapore/manpower...>). The next Prime Minister should take a leaf from Ibn Rushd (12th century philosopher/jurist), who in his '*al-Tabi'yyat*' recognised the great potential of women in the economy and human life generally, rightly departing from the teachings of '*Hujjat al-Islam*' al-Ghazali (11th century theologian/jurist), whose views about women and their position in society were not very different from those of the Assyrian Tiglath Pileser I (ca 1100 BC), or, indeed, those of many in present-day Iraqi government/state.

Finally, sector policies must aim to increase the *absorptive capacity* of the economy, thus making it easier in the future and less costly to invest. As a result of the restricted absorptive capacity (high capital/output ratio), it now takes more capital to create a unit of output in Iraq. Investing in infrastructure, skills and new technology will improve this ratio.

INTERNATIONAL TRADE

Excluding oil revenue, both the Iraqi 'Balance of Trade' and the 'Balance of Payments' have been in chronic deficit for many decades now. Ironically, Iraq has, of late, been importing in large measure non-tradeable goods – e.g. health services, insurance services, and skills, all of which were available in domestic market, in the recent past.

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The next Prime Minister should advocate policies that place emphasis on *export-oriented productive sectors*, turning manufacturing and agriculture in particular into exporting sectors. Such an objective links strongly with changing the structure of the economy away from its heavy reliance on crude oil exports. Linking manufacturing and agriculture with universities across Iraq would create a competitive environment in innovation – the commercialisation of new inventions.

Achieving high *productivity* is key to giving Iraq a *comparative advantage* in regional and international markets. Incentivising productive establishment should also deepen the competitive environment, taking some of the industries to the leading-edge of technology.

Iraq should join the international race for providing its employees/workers with the required skills for achieving high productivity in the digital age. Education, as noted above, is the vehicle that needs investment and development to reach world-class standards.

Research has identified industries where Iraq has, or could within a relatively short period of time, develop comparative advantage in international markets. These include:

Poultry production, Agri-processing, Fisheries, Plastics, Pharmaceuticals, Petrochemicals, Mobile/Telecommunications, and Cement.

Each of these industries merit support, and should be studied in greater detail by qualified experts. It is certainly possible to describe theoretical implementation plans, or to adapt plans that have been applied elsewhere in the world. However, in light of the particularly difficult circumstances in Iraq, and because conditions are in any case different from place to place, a more careful analysis is required. For this work specialist experts should be able to analyze sectors in detail and devise workable implementation plans within 16-20 weeks (*cf.* the 2006 Louis Berger Group/USAID).

The next Prime Minister could instruct the Ministries of Oil, Industry and Agriculture in particular to start developing these ideas to fruition.

MONETARY AND FISCAL POLICIES

Monetary policy should have as its principal objective contributing to

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achieving economic development in Iraq. This can be achieved through the normal operations and responsibilities of the Central Bank of Iraq (CBI): i.e. concern with general price stability/inflation, interest rates, exchange rates and controlling the supply of foreign currency/money in the economy.

The Bank should speed up the process of regulating the public and commercial banking system so that credit for investment purposes is available, at interest rates that do not impede investment in productive sectors of the economy. Government controls 80% of banking (*sayrafa*) and 90% of foreign exchange transactions. The Bank's own research shows the prevalence of structural impediments for investment. The banking credit to private sector (investors) is low by any standard, and the financial depth in terms of percentage of broad money and credit to GDP needs to increase substantially, in comparison to its current low level. The financial market in Iraq is inefficient; a holistic approach is needed to induce investment in productive sectors of the economy (*cf.* A.I. Ali, 2018: [cbi.iq...pdf](#)).

The advisors of the next Prime Minister, will hopefully tell them that the price of the Iraqi Dinar (IQD) against the US\$, or other major currencies, will not improve unless the economy grows faster, in real terms, and unless investment steadily grows (in a secure environment) in the productive sectors, making the economy less sensitive to oil prices, and unless non-oil exports begin an upward trajectory for some years, and unless poverty is being diminished through increased employment opportunities, and more equality secured in income distribution than is currently the case. Otherwise, the IQD will remain volatile, subject to speculation, and the Bank's US\$ reserves will continue depleting in the guise of stimulating trade (mainly imports), and mixed-up with money laundering. The preference of holding US\$ over IQD will continue. This situation needs to change.

The next Prime Minister should also advise the next Parliament to assert the *independence* of the CBI, to avoid the sort of debacle of adding Article 50 to the 2015 'Federal Budget.' All sides (the Parliament, the Cabinet and the CBI) should be crystal clear on their *separate* roles and responsibilities. The CBI, together with other independent bodies, is accountable to Parliament, the ultimate legislative body in the country.

As for fiscal policy, the *key challenge* facing the Ministry of Finance, indeed the economy, is to *raise taxes and tariffs*, and to diversify revenue, lessening the dangerous level of dependence on proceeds from the exports of crude oil. Subsidies should also be reviewed, balancing market

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mechanisms with social welfare needs and getting the unemployed back to work.

The most effective way for this to happen is by adopting a three-pronged strategy: diversify the Iraqi economic structure, in favour of the productive sectors, adopt an efficient and enforceable progressive tax on personal/corporate incomes, alongside streamlining the extravagant privileges parliamentarians, cabinet members and senior civil servants enjoy. Finally, tackle corruption and the avoidance of paying taxes and tariffs in time and in accordance with the law.

Another major challenge the Ministry of Finance faces in today's Iraq is the use of the current financial resources it commands. In preparing its annual 'Federal Budget' (FD), the Ministry must shift the balance soon in favour of investment in the productive sectors (investment budget), and away from financing the obese government machinery (operational budget). The FD must serve the initiation of economic development in Iraq.

Neither the reliance on financing over 90% of the FD with oil revenue, nor supporting the current scale of the 'operational budget' is sustainable. This situation must change, if the well-being of Iraqi people is to improve. The latter should also happen on the back of *close coordination* between monetary and fiscal policies, which has *not been the case over the past 14 years*.

To this effect, the next Prime Minister must strongly advise the CBI and instruct the Ministry of Finance to coordinate their work in the interest of initiating economic development in Iraq, almost immediately following their inauguration. And, lack of coordination within government and between government and the private sector is a wider concern that needs addressing in the context of the *defragmentation* of the institutional structure in Iraq generally, as noted below.

RESOURCE ALLOCATION

The next prime Minister of Iraq will know that democracy is not just about voting. They will also know how people voted and on what basis.

Iraqis voting, in their majority, on May 12 will vote for a social, economic and political contract with the elected members of the new parliament. This multi-faceted contract will be about *resource allocation* amongst the Iraqi

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people – in this instance, between those who have been elected to take charge of governing the country for the next four years, and the rest.

The next Prime Minister should know that transparency in wealth creation and redistribution is vital for their legitimacy (and that of their government) and parliament. They should use oil revenue in a transparent way, in the interest of the Iraqi people, not the few in power. They must ensure that increased taxation would, over time, create a ‘tax bargain’ allowing people to bring those in power to task if they deviate from serving the people of Iraq.

The experience of the last 14 years in Iraq strongly suggests that growth has not been inclusive or equitable - the machinery of the state has been paying large rewards to some groups, and families who have influenced policy and the distribution of income. The rejuvenation of the middle class in Iraq, seen as a critical enabler of greater political and economic stability has not occurred – there is a future risk that this may cause a “renewed internecine conflict.”

More generally, the pattern of allocations of resources amongst the economic sectors, reflecting government/parliament priorities, has not changed significantly for nearly 90 years – the allocation in the 2018 Federal Budget bear similarities to those made in 1931. Military expenditure has the highest share – 21.1% of the total (IQD 23.2 trillion). Only 3.9 % has been allocated for the education sector and, worse, 1.8% for health services. Both manufacturing and agriculture have less than meagre share of the total capital expenditure.

Thwarted by political instability, wars, economic sanctions and the atrocities committed by ISIS, the *development planning* experience in Iraq has not been a success story. The rate of implementation averaged 50-60% at best since the beginning of 1950s. Development planning has not changed the economic structure of the country significantly. Characterising the kind of economy the next government want in Iraq, a decision will need to be made swiftly and publically announced on how resources would be allocated in Iraq.

3. EPILOGUE

History matters.

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The next Prime Minister must have the wisdom to recognise that Iraq's Sovereignty means total political independence from, and having mutually respectful relationships with, its neighbours, and the international community at large. Serious efforts are being made by Iraq's neighbours to sway Iraqi politics one way or the other, based not on common political or economic benefits, but on dangerous sectarian and ethnic basis that have proved fatal for millennia.

The next Prime Minister must have a vision for what sort of Iraq they want to make possible in the future, and, as noted above, this vision should emerge through a process of wide public consultation with the people, civil society and relevant institutions.

The lesson of history is clear as one Iraqi professor of sociology has put it: Iraqis allegiance must be to Iraq (*al-Watan*), not religious authorities (*marji 'īyat*), which in fact have aggressively pursued their own financial and political interest in seeking power. And, so the new Prime Minister should serve the Iraqi people, both those who will have elected them and those who will have not. They should be careful *not* to act as the Shepherd (*al-Ra'ī*) and treat the Iraqis as the flock (*al-Ra'īya*) as successive rulers of Iraq have done, from Shulgi to Hammurabi, down to Haroun al-Rasheed, the Ottomans, Faisal I and, as effectively happened in Iraq's more recent history. The new Prime Minister should remember that *all Iraqis* are equal citizens, with rights and responsibilities, equally abiding by the secular constitution and laws (*dustūr wa qawānīn 'almāniya*) of the country, and aspirations for a better life that could only be realised through economic development and functional democracy. The next Prime Minister must ensure that the continued improvement of the well-being of *all Iraqis* is paramount in Government's economic policies, designed and implemented effectively.

If the next Prime Minister reviews Iraq's history objectively, they and his advisors will know that Hammurabi put it in his shari'a that Marduk was the Head of the Pantheon of gods to be worshiped, that those who attempted to change his perfect and "everlasting" shari'a would be cursed forever, and severely punished by gods. They would know that Tiglath Pileser I was a misogynist who ordered women to veil, and had to be chaperoned when they went outside their home; his neo-Assyrian offsprings' empire dominated present day Levant, north-west Arabia and south-west Iran, and transmitted social norms and spread their religious ideas. The Prime Minister's advisors would know that the neo-Babylonian king Nabunidus



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stayed in Taimā' for nearly a decade, dominating trade routes that spread across Arabia and Mesopotamia, and transmitted social norms and religious codes of the day. They would know that the Umayyads and the Abbasids followed suit in their political modus operandi, and as the late Hadi al-Alawi put it, they suppressed the individual in the name of the community (*al-umma*) thus never achieving the scale of economic growth other nations (who believed in the freedom of the individual) did.

Hammurabi and those who followed him in Iraq have all gone. Iraqi people still stand tall, aspiring to build a different Iraq for themselves and others.

The next Prime Minister of Iraq should, in all sincerity, and objectivity, reflect on Iraq's long history and extract lesson for the future. Theocratic and autocratic polities never produced economic development and functional democracy; occasionally they achieved economic growth, but even then this was desperately non-inclusive. The history of the Middle East is testimony to this fact. Only a secular government/state (*dawla 'almāniya*) can initiate economic development, which will (simultaneously) create the *objective conditions* for functional democracy to evolve – the direction of causality runs both ways.

This is why a key challenge for a strong-willed Prime Minister is to *desectionalise* and *deethnicise* polity/politics in Iraq, and in the government machinery and all institutions. This is why the next prime Minister should *defragment* the current institutions, instilling new work ethics, professionalism in the institutions where this is absent, and build professional security and armed forces, that will build confidence on the security front and encourage both indigenous and foreign investors to do business in Iraq. And, there is much more to be done to *change the current objective conditions* in Iraq that stand to obstruct progress and modernisation of life in Iraq.

Modernity (*al-Hadātha*) does not have to be understood as Westernisation. For the fellaheen and workers/labourers (*'ummāl/shaghila*) of Iraq, indeed most Iraqis, modernity means having a decent home, a secure job, good education system for their children instilling critical thinking, good, clean and liveable/safe environment and, above all the prospects of improving their well-being. This is what economics and economic development is about, in a modern Iraq.

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The future of the economy of Iraq, like the future of the country itself, is in the hands of the Iraqi people. If the next Prime Minister is willing to go down the path of initiating economic development, Iraqis will have some hope. If not, a secular Prime Minister will emerge in the not too distant future, to unleash the inextinguishable energy, and love for life Iraqis have to build a different Iraq, together.

The question that the next Prime Minister will have to ask themselves is: what *contribution* will their administration make to improve the well-being of ordinary Iraqis, those currently living in poverty, shanty towns, and the unemployed widows and youth? The next Prime Minister will know that their term will be judged by the *difference* they will make in Iraq. Iraqis living in anticipation will hope, watch and, in time, pass their judgement in the next general elections.

NOTES:

(1) Here *economic development* is defined as:

The design and the implementation of policies that aim to initiate and achieve not only economic growth, but also the enhancement of people's multiple skills, education, health, civility (urbane-ity), work ethics, employment creation, eradication of poverty, physical environment and infrastructure, to the highest levels possible, regardless of people's race, gender, ethnicity, social background, geography, all achieved with humanity.

As economic development evolves, with it evolves the supporting institutions, legal frameworks, good governance, proficient government and functional democracy that would work to sustain economic development, and increasingly higher levels of well-being of people, in the long term.

This definition builds on Kindleberger, C.P. (1958) Economic Development; Seers, D. (1979) The Meaning of Development; and Sen, A. (1999) Development is Freedom.

(2) Economic growth means *an increase in real GDP*. An increase in real GDP in turn means there is an increase in the productive capacity of the economy and value of national output/national expenditure.



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(3) An example of a vision statement, from Iraq's 2010-14 National Development Plan/Ministry of Planning (page 11) is:

“Iraq aspires to be a peaceful, unified federal democracy and a prosperous, market-oriented, stable, regional economic powerhouse that is fully integrated into the global economy, guided by the principles of international partnership. On this basis, Iraq also aims to achieve efficient and effective exploitation of the country's human and natural resources, a competitive, diversified, economy, where the private sector plays a leading role in jobs and wealth creation and where the government plays an enabling and regulatory role to forestall market failures, ensuring a fair distribution of national income, to enable the vulnerable sections of the society to positively contribute to economic and social progress. All this will be realized by following the principles of democracy, rule of law, good governance, sustainable development, competitiveness, social justice, liberty and respect for human rights.” [Author's translation, from Arabic]

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