

## **Fragile State and Sustainable Development: A Study of Macroeconomic Indicators in Iraq**

**By**

**Sohaila Abdul Zahra**

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

Email: [dr\\_sohayla1973@uomustansiriyah.edu.iq](mailto:dr_sohayla1973@uomustansiriyah.edu.iq)

**Mustafa Kamil Rasheed**

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

Email: [dr\\_mustafa\\_kamel@uomustansiriyah.edu.iq](mailto:dr_mustafa_kamel@uomustansiriyah.edu.iq)

**Ayad Qasim Ghabash**

Wasit University College Of Dentistry /Iraq

Email: [ayadqasem2122@gmail.com](mailto:ayadqasem2122@gmail.com)

### **Abstract**

Macroeconomic derives its strength from the state's ability to manage economic resources to serve sustainable development, and the fragile state is not able to make development plans successful and support the local economy. The importance of the research that the economically unstable conditions in Iraq caused the fragile state indicators to rise, which weakened the state in building the economy and supporting its economic resources. Macroeconomic indicators and the fragile state in Iraq were used for the period (2007-2020). The research concluded that all indicators of the fragile state are high, and macroeconomic indicators are deteriorating. The research recommended the adoption of a national strategy to combat the weakness of the state and build a stable and prosperous economy.

**Keywords:** fragile state indicators, macroeconomic indicators, economic development, economic instability.

### **First: Introduction**

Many developing countries face internal and external challenges that threaten their security and weaken their sovereignty, the most important of which is the issue of financing productive activities and following up on government debts.

The deterioration of the ability of the political elites to manage economic affairs leads to the weakening of their influence in favor of the financing countries, and consequently the rise in economic dependence and the inability to determine the fate of these countries.

These challenges have intensified after the Corona pandemic, as most macroeconomic indicators have weakened in developing countries generally, Arab countries particularly.

The weakness of the political administrations in these countries leads to a rise in the indicators of the fragile state in light of the repercussions of the interests of the developed countries in a way that distances the market from efficiency and justice.

*Research importance:* continuation of the Corona pandemic, represents of the major challenge that eliminated economically fragile economies, as Iraq case, caused the decline of most macroeconomic indicators, that is lead economic development plans lose refinancing ways. *Problem statement:* fragile state lead non-supporting macroeconomic indicators, then inability to finance economic development plans. *research hypothesis:* deterioration of the fragile state indices leads to failure of macroeconomic indicators, then economic development plans. *research aims:* explain trends of some macroeconomic variables under analyzing the indicators of the fragile state in Iraq, in period (2007-2020). To knowing the economic potential, natural and financial resources sufficient to finance economic development plans.

## **Second: Thertical Side**

Sustainable development defined: “necessity of protecting rights in achieving public development” (Maan Ahmed Sahlab, 2019, p. 23), accordingly, development economic has been formulated to be sustainable path with right to achievement, this necessity through right is proportional to support, strength, not proportional to fragility so that states can be then preserve their right to achieving development, getting rid for weak capacities to carry out in basic governance functions, controlling its economic resources management from corruption and extortion through non-state forces, that represent state depth, avoiding weak of real ruling powers to mutual trustworthy, credible relations with the public. weak of confidence generated a fragile state, characterized by lack "state competence" in performing that is basic tasks and/or a weakening of its legitimacy, in a way to makes its citizens vulnerable in a wide range of different risks, Millennium Development Goals in these countries are difficult Applying. Fragility represent linked to economic, political, and social stability, since Stability is synonymous with continuity, which is the condition of sustainability, development represent linked to the availability of appropriate conditions, if development occurs in any society, it is temporary mean not sustainable. fragile state not a coincidence. it was product of imperfect sovereignty, it was restricted due to its exposure to external pressures and/or the presence of foreign forces on its territory (Maan Ahmad Sahlab, previous source, p: 25).

consists of Fragile State Index (12) sub-indicators, to measure degree of severity of political and security threats, and aggregate of economic, financial, social, and external challenges that countries encounter, which cause management of economic resources to still fragile and weak. Refugees and displaced people in these countries, as well as social grievances, failure to achieve social justice in the distribution of financial and wealth resources, brain drain and external migration. (Muhammad Saber, 2019, p: 5).

Decision makers seek to pay attention to economic policies in order to increase the efficiency of allocating productive and economic resources, improve the business environment, raise the efficiency of the production process, and train and qualify employment in order to increase the competitiveness of local markets. achieving an economic surplus and increasing the economic ability to export requires efforts by the governmental and private sectors to support the structure of the local economy. (Pierre Bourdieu, 1986, p: 61).

indicators related to political and military indicators, extent of financial allocation for these indicators. Then achieving sustainable development does not stop at economic and financial aspect. indicators of human rights, good government, public services provided, rule of law, legitimacy of the authority, good governance, professionalism of security services, non-interference of neighboring countries, non-cracking of the elites, internal affairs Intervention, including unbalanced economic sustainable, indicator of poverty and economic deterioration. (Aref Bani Hamad, 2019, p: 8).

### Third: Results

Table (1) show fragile state indicators were at high levels, start in security threats index until external intervention index, therefore, increase of these indicators mean an indication of fragility of the Iraqi state in period (2007-2020), which led to deterioration of many macroeconomic and public financial indicators, its lead deepened resource gap, unsustainability of public debt, weakness governments for obligations towards domestic and foreign economic units. This in turn deprives in sustainable development plans possibility of Applying due to inefficient of field cadres and departments, lack of decision- maker, factional interventions political instability, lack of the necessary funding to apply sustainable development plans. This led to persistence of structural imbalances in public budget, public revenues, public spending, current account, balance of payments, and aggregate productive sectors.

**Table (1): fragile state Indicators in Iraq for the period (2007-2020) (%)**

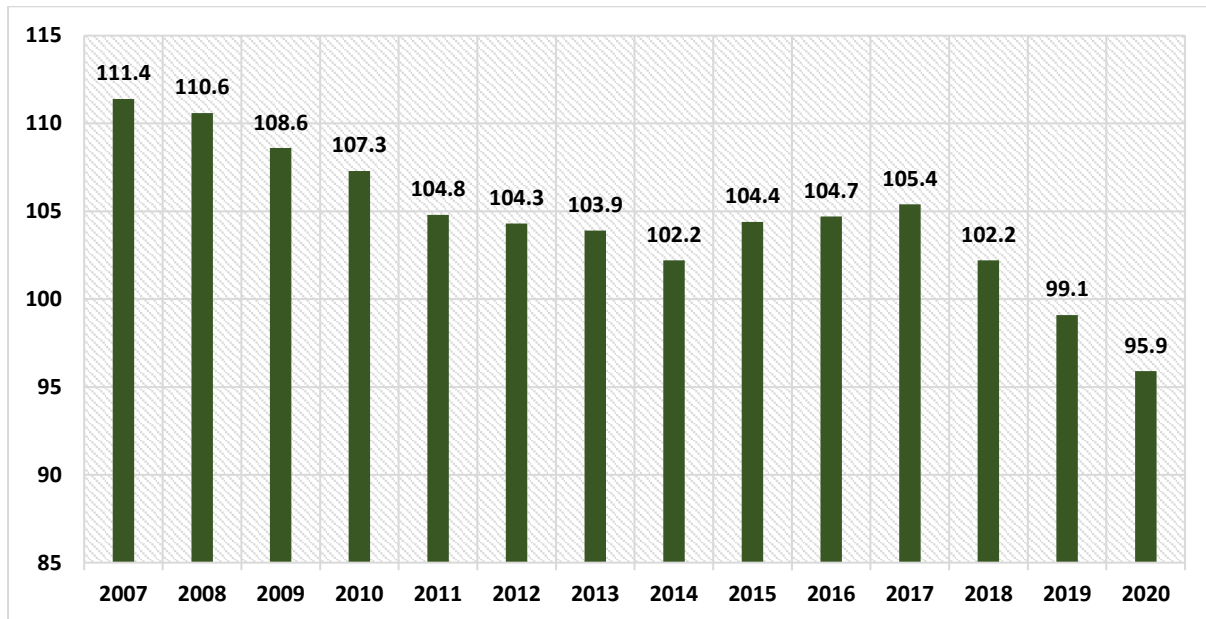
| Index Year | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8 | 9   | 10  | 11  | 12  |
|------------|-----|-----|-----|-----|-----|-----|-----|---|-----|-----|-----|-----|
| 2007       | 10  | 9.8 | 10  | 8   | 8.5 | 9.5 | 9.4 | 9 | 9.7 | 9   | 9   | 10  |
| 2008       | 9.9 | 9.8 | 9.8 | 7.8 | 8.5 | 9.3 | 9.4 | 9 | 9.6 | 9   | 9   | 10  |
| 2009       | 9.7 | 9.6 | 9.7 | 7.6 | 8.6 | 9.1 | 9   | 8 | 9.3 | 8.7 | 8.9 | 10  |
| 2010       | 9.5 | 9.6 | 9.3 | 7.6 | 8.8 | 9.3 | 9   | 8 | 9.1 | 8.5 | 8.7 | 9.5 |
| 2011       | 9.5 | 9.6 | 9   | 7   | 9   | 8.9 | 8.7 | 8 | 8.6 | 8.3 | 9   | 9.3 |
| 2012       | 9.9 | 9.6 | 9.7 | 7.7 | 8.7 | 8.6 | 8.4 | 8 | 8.3 | 8   | 8.5 | 9   |
| 2013       | 10  | 9.6 | 10  | 7.3 | 8.4 | 8.3 | 8.6 | 8 | 8.6 | 8.3 | 8.8 | 8.5 |
| 2014       | 10  | 9.6 | 10  | 7   | 8.1 | 8   | 8.7 | 8 | 8.7 | 8   | 8.5 | 7.9 |
| 2015       | 10  | 9.6 | 10  | 6.9 | 7.8 | 8.1 | 9.2 | 8 | 8.9 | 8.2 | 8.9 | 9.4 |
| 2016       | 10  | 9.6 | 9.8 | 6.8 | 7.5 | 7.9 | 9.2 | 8 | 8.9 | 8.1 | 9.4 | 9.7 |
| 2017       | 10  | 9.6 | 9.6 | 6.6 | 7.3 | 7.7 | 9.5 | 8 | 8.7 | 8.6 | 9.9 | 9.7 |
| 2018       | 9   | 9.6 | 9.3 | 6.3 | 7   | 7.4 | 9.2 | 8 | 8.4 | 8.7 | 9.6 | 9.4 |
| 2019       | 8.7 | 9.6 | 8.8 | 5.9 | 6.7 | 7.1 | 8.9 | 9 | 8.1 | 8.4 | 9.1 | 9.1 |
| 2020       | 8.2 | 9.6 | 8.5 | 5.6 | 6.4 | 6.8 | 9.1 | 8 | 7.8 | 8.1 | 8.6 | 8.8 |

All indexes, 0 (low) - 10 (high).

1- Security threats index. 2- Factionalized elites index. 3- Group grievance index. 4- Economic decline index. 5- Uneven economic development index. 6- Human flight and brain drain index. 7- State legitimacy index. 8- Public services index. 9- Human rights and rule of law index. 10- Demographic pressures. 11- Refugees and displaced persons' index. 12- External interventions index.

Source: The Global Economy, Indicators, (2007-2020).

Figure (1) show fragile state index in Iraq was ranged between (95.9-111.4) points, which is that record a high level of fragility (Fragile state index, 0 (low) - 120 (high)). average index of fragile state in Iraq in research period was (104.63) points. That is confirms reason for decrease most macroeconomic variables, as well as the lag and lack of applied of sustainable development plans. caused waste most of financial surpluses comes from crude oil revenues, misdistribution in economic resources, disruption of production process, rising administrative and financial corruption, neglect and destruction of public vital facilities, lack contribution of private sector to building local economy.



**Figure 1.** Fragile state index in Iraq  
Source: *The Global Economy, (2007-2020), Indicators.*

Table (2) it is show that number of population ranged between (29.682-40.150) million people in the research period, due to the relative instability in security and political conditions, which led to the rising in moment of marriages as well as the excess of births to deaths, GDP ranged between (88.408-257.287) million dollars, this rising is due to oil sector that developed in this period, highest contribution of oil sector to GDP was reached (64.5%) in 2016. While contribution of other sectors ranged between (34.8% -50.5%), which confirms in high severity of GDP structural imbalance, these indicators have more deteriorated after the Corona pandemic, isolation application from the world, imposition of a curfew. unemployment rates were increased, ranged between (10.6% -15.3%) according for research period, caused a rising in poverty rate and deprivation among the population, despite stability in inflation rate, ranged between (0.1% -30.9%), but it was at very low limits in years close to the COVID-19 outbreak.

**Table (2):** macroeconomic indicators selected in Iraq for the period (2007-2020) (billion dollars, million people, %)

| Year | Population | GDP     | GDP for non-Oil sectors | Oil Sector : GDP | Non –Oil Sectors : GDP | Unemployment Rate | Inflation Rate |
|------|------------|---------|-------------------------|------------------|------------------------|-------------------|----------------|
| 2007 | 29.682     | 88.408  | 41.174                  | 53.5             | 46.5                   | 11.7              | 30.9           |
| 2008 | 30.577     | 101.18  | 45.309                  | 55.3             | 44.7                   | 15.3              | 12.7           |
| 2009 | 31.664     | 107.228 | 48.956                  | 54.4             | 45.6                   | 14                | 8.3            |
| 2010 | 32.481     | 114.018 | 55.173                  | 51.7             | 48.3                   | 12                | 2.5            |
| 2011 | 33.33      | 122.698 | 58.907                  | 52               | 48                     | 11                | 5.6            |
| 2012 | 34.208     | 140.221 | 67.949                  | 51.6             | 48.4                   | 11.9              | 6.1            |
| 2013 | 35.095     | 150.659 | 76.098                  | 49.5             | 50.5                   | 12.1              | 1.9            |
| 2014 | 36.313     | 147.564 | 71.368                  | 51.7             | 48.3                   | 10.6              | 2.2            |
| 2015 | 36.933     | 155.014 | 63.523                  | 59.1             | 40.9                   | 13.1              | 1.4            |
| 2016 | 37.887     | 176.436 | 62.664                  | 64.5             | 35.5                   | 10.8              | 0.1            |
| 2017 | 39.144     | 177.219 | 68.116                  | 64               | 36                     | 13                | 0.2            |
| 2018 | 39.555     | 215.604 | 72.233                  | 63.7             | 36.3                   | 12.8              | 0.4            |
| 2019 | 39.877     | 222.371 | 74.541                  | 63.9             | 36.1                   | 12.8              | 0.2            |
| 2020 | 40.15      | 257.287 | 75.543                  | 64               | 34.8                   | 12.9              | 0.3            |

Source: Ministry of Planning, (2004-2020), Central Bureau of Statistics, Directorate of National Accounts.

Table (3) show percentage of oil revenue contribution was dominant over rest of other public revenues types, ranged between (76.00% -95.3%) in period of research, this financial surplus was not employed to service of GDP, indicative of lack of the proportion of investment spending of aggregate public spending, ranged between (16.8% -33.9%), while current spending in Iraq ranged between (66.1% - 83.2%) of the aggregate public spending. weak financial resource management has caused loss of the opportunity cost of rebuilding as a good economy.

**Table (3): financial indicators in Iraq for the period (2007-2020) (%)**

| Year | Non-oil revenues: Public revenues | Oil revenues: public revenues | Current expenditure: public expenditure | Investment expenditure: public expenditure | Deficit / surplus |
|------|-----------------------------------|-------------------------------|---|--|-------------------|
| 2007 | 7.7                               | 92.2                          | 83.2                                    | 16.8                                       | 12.475            |
| 2008 | 6.6                               | 93.3                          | 77.7                                    | 22.3                                       | 20.083            |
| 2009 | 15.8                              | 88.1                          | 82.6                                    | 17.4                                       | 2.105             |
| 2010 | 11.6                              | 88.4                          | 77.8                                    | 22.2                                       | 0.38              |
| 2011 | 6.9                               | 93                            | 77.4                                    | 22.6                                       | 25.683            |
| 2012 | 9                                 | 90.9                          | 72.1                                    | 27.9                                       | 12.287            |
| 2013 | 4.7                               | 95.3                          | 66.1                                    | 33.9                                       | 4.689             |
| 2014 | 9.8                               | 90.1                          | 68.4                                    | 31.6                                       | 6.792             |
| 2015 | 4.8                               | 95.2                          | 62.6                                    | 37.4                                       | 8.628             |
| 2016 | 18.6                              | 81.3                          | 75                                      | 25   | 10.637            |
| 2017 | 15.9                              | 84.1                          | 78.2                                    | 21.8                                       | 1.551             |
| 2018 | 11.2                              | 88.8                          | 76.8                                    | 23.2                                       | 11                |
| 2019 | 10.9                              | 89                            | 75.3                                    | 24.7                                       | 23.77             |
| 2020 | 21.6                              | 76                            | 79.6                                    | 27.1                                       | 25.78             |

Source: The Iraqi Ministry of Finance, (2004-2020), General Budget Department.

## Fourth: Conclusions

- 1- Rent of the Iraqi economy in favor of oil sector, which led to dependence of economic activities on financial resource of crude oil, which caused the sustainability of GDP imbalance and weak production relations.
- 2- Exceeding current expenditures for investment expenditures, with neglect of investment activity and weak financing channels in the economy. And interest of public budget in financing government institutions without private ones, which caused a decline in the role of the private sector in the economy.
- 3- Bad resource management and high indicators of the fragile state caused wastage of economic, financial and even human resources in Iraq during research period.
- 4- Corona pandemic led to a dangerous rise in the indicators of the fragile state and weakness of macroeconomic indicators, which caused a rise in poverty, unemployment, inequality and high financial and administrative corruption.

## Fivith: Recommendations

- 1- Respecting and obligating the application of the law is only solution to reforming economy, regulating economic relations and improving all indicators of the fragile state in Iraq.
- 2- Improving the management of economic resources in a way that secures the reform of the real economy, improving the structure of the public budget by giving a greater role to



taxes on the side of public revenues, and developing investment projects by allocating investment expenditures against consumer expenditures. Reducing the budget deficit and public debt.

- 3- Economic stability ensures the flow of investments into the local economy, as well as the inward flow of capital, which strengthens production relations and treating distortions in output structure.
- 4- Eliminating weakness of the state and rule of law supports the business environment and improves the performance of national economy, thus multiplying the channels of financing sustainable development plans.

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