

Managing costs for Iraq's Reconstruction and Recovery

ABSTRACT

Aims: To analyze the current situation in Iraq in terms of government expenditure, allotment of funds to different sectors and cooperation with international organizations, **in the light of its urgent need of reconstruction and recovery.**

Methodology: **The patterns for managing costs during the past years were examined** in order to assess the efficiency of the new government, estimated budget and development plans, as well as the results of the past involvement of international organizations in the stabilization of the Middle East stage.

Results: **It appears that the limited credibility of the government of Iraq** has its roots in years of poor governance, inconsistent regulations, corruption and security issues, in spite of the numerous foreign investments; the aforementioned problems have been causing structural weakness and extensive damage to the economy as a whole and **thus, we find imperative that the international institutions intervene actively** and set strict standards for proceeding in the reconstruction of Iraq as a high-potential country.

Conclusion: Relying on significant achievements in the global fight against terrorism and in high hopes of the declaration of the Middle East as a peace zone, Iraq will be able to fully recover over an extended period of time with the aid of international authorities, by developing its non-oil industries, **introducing far-reaching reforms**, properly managing investments and shrinking costs.

Keywords: reconstruction, investments, expenditure, development

1. INTRODUCTION

In the actual global context, the lack of political and administrative leadership, the ethnic and religious division and the rapidly growing level of corruption of impromptu regimes have created an unprecedented opportunity for destabilizing economies, political pluralism and dominance of terrorist groups. This destructive mix has been posing a threat to the well-being of the overall society for a prolonged period of time, affecting mainly the countries in the Middle East and Northern Africa [1]. The current crisis in Iraq represents a tangible example in this regard, reflecting the consequences of the unresolved civil war in Syria, the tension between Saudi Arabia and Iran religious beliefs, all of them being bordering countries of Iraq.

This background of instability and vulnerability has been serving as a source of inspiration for numerous publications emerging after the invasion of Iraq in 2003, aiming to reveal the real implications of preserving regional security, while assessing the position of the army and the policy makers in stabilizing the system. Following this pattern, Mokhtar Lamani and Bessma Momani presents the route that Iraq should follow from desolation to reconstruction, putting emphasis on the pluralism and longstanding governance problems of the country [2]. Nonetheless, reinventing a country in Iraq position is usually perceived in connection with the involvement and engagement of the international community, but the roots of change lie within the country itself and its willingness to cooperate for overcoming its tragic position. The significant work of Zaid al-Ali has successfully underlined the manner in which corruption, sectarianism and incompetence have undermined democracy in Iraq. Hence, it is

29 depicted the great extent of violence and poor quality of life of Iraqi citizens caused by the
30 successive failures to fight against corruption at governmental level [3].

31 Surprisingly, the assessment of Iraq made by Philip Ireland in 1937 has remained valid,
32 pointing out problems that have been posing threats to the stability of the Arab country for
33 decades and unfortunately, have not found their solution yet. Ireland sustained that “within
34 the country still lie the problems of the creation of a social class of citizens, now beginning to
35 appear, capable and willing to assume political duties from a sense of public duty and not of
36 personal aggrandizement, the evolution of a free press motivated by public spirit rather than
37 by individual or party grievances, the assurance of free elections, and the elimination of
38 sectarian and sectional animosities which will eradicate the antipathies between tribesmen
39 and townsmen [4]”. Furthermore, the hypothesis of Philip Ireland, which has actually
40 materialized in the failure of the Iraqi state to attain overall stability and peace, can be
41 related to the theory of protracted social conflict of Edward Azar. The aforementioned theory
42 is rooted in the assumption that when the identity of a group is threatened, conflict is
43 unavoidable and is usually expressed through hostile identity-driven interactions between
44 the groups, as a result of deep-seated ethnic, racial and religious hatred. Unfortunately, Iraq
45 has witnessed this type of conflict for decades and even at the moment there are vulnerable
46 groups who live with the memories or fear of persecution and massacre, while the Iraqi
47 government has not managed to fight against this issue.

48 On the other hand, despite the continuous efforts to instill an authoritative Iraqi and Arab
49 nationalism, large amounts of money invested and complex projects of managing costs and
50 resources incurred by the Western countries, the extended Middle East is far from achieving
51 peace and balance. Hence, Iraq is now facing a new episode of this tragic process of
52 regional deconstruction, jeopardizing the lives of its citizens and sabotaging the recovery
53 and reconstruction project of a systemic, sustainable and mutually beneficial relationship
54 with the Western civilization. Notwithstanding, forging alliances and properly managing the
55 foreign investments and government spending in order to secure and pave the country road
56 to development is a matter of the utmost importance. Accordingly, the aim of this study is to
57 reflect on this issues and concerns of rebuilding a viable Iraqi state, encompassing the
58 patterns of government expenditure, previous actions undergone such as the new National
59 Development Plan and involvement of the international community, compared to their
60 tangible results.

61 Bearing in mind the structural weakness of Iraq's economy and its uncertain future, the
62 present paper also outlines the strategies that we have perceived as imperative in order to
63 stabilize the situation. As it is widely known, the expansion of the Islamic State of Iraq and
64 Levant is posing a major threat to the restoration of Iraq, since it controls almost one third of
65 its territory, causing the displacement of millions of people and the death of thousands
66 civilians due to the alarming frequency of armed conflicts the escalating number of violent
67 manifestations. The massive flow of refugees and armed groups inside and outside Iraq has
68 also stretched the private sector to an extremely damaging degree, while jeopardizing the
69 progress of non-oil economic activities.

70 Likewise, the Kurdistan region requires special attention and separate funding due to its
71 delicate situation and the high influx of Syrian refugees, increasing the region's population
72 with 28% in the background of a doubled rate of poverty. Even though the government of
73 Iraq has shown responsiveness in aiding the displaced population, the adversely affected
74 resources available at the moment are not sufficient for overcoming this humanitarian crisis
75 [5]. Hence, the study hereby analyzes and complements the strategies proposed for
76 securing, stabilizing, and rebuilding Iraq, in the light of the results of previous implemented
77 tactics.

78 2. METHODOLOGY

79 The methodology adopted in the present paper is contingent on gathering researchers'
80 opinions regarding the current situation in Iraq as a direct result of long-term
81 mismanagement, as well as analyzing the patterns of government expenditure and the stage
82 of evolution of the previous reconstruction plan.

83 Throughout time, numerous researchers have argued that the corrupt and sectarian Iraq that
84 emerged from the years of occupation and civil war would not be able to manage its
85 reconstruction in spite of both the support and pressure of the international community. For
86 instance, "Iraq's Dysfunctional Democracy", the book by David Ghanim, was used in
87 assessing Iraq's position; the author doubts the possibility of Iraq's reborn as a new
88 democratic state from the ashes of war, since it is still grounded on destructive politics of
89 victimization, narrow nationalism, sectarian confessionism and a consensual, power-
90 sharing political arrangement [6]. On the other hand, even though he had an active role in
91 the attempt to create the foundation for a secure and stable state, Al-Bayati put the burden
92 of failure on the scars left Saddam's harsh and bloody repression, but also an unresponsive
93 and unmotivated international community, approach outlined in his book "From Dictatorship
94 to Democracy: An Insider's Account of the Iraqi Opposition to Saddam" [7].

95 Consequently, the information obtained was used to evaluate the credibility of Iraq, which,
96 regardless of the reasoning, has been dramatically diminishing. Notwithstanding, the study
97 hereby puts emphasis on the small steps of improvement of the Arab country that have not
98 received their due consideration, examining the effect of the attempts for change, while
99 contouring the path that should be followed in order to achieve tangible progress.

100 Therefore, the Iraqi government expenditure patterns and its reconstruction and recovery
101 plans for the future years will be thoroughly examined further on in the present paper in
102 order to assess their chances of success, respectively failure, as well as the consequences
103 reverberating on the international economic scene as a result of their implementation. For
104 instance, the New Development Plan and the Iraq Development Management Systems may
105 have set ambitious standards for the evolution of Iraq as a state, in terms of attracting
106 investments and covering the budget deficit, but their viability and consistency are yet to be
107 proven, since their previous success have not meet the expectations of the investors. The
108 evolution of the aforementioned strategies will be subsequently explained in the light of the
109 need to diversify the economy, weak accountability mechanisms and residual conflict.

110 By examining their high dependency on government spending and therefore on oil revenues,
111 it appears that all the other Iraqi industrial sectors, accounting for 46% of the economy, have
112 been suffering utter devastation due to the disruption in trade, depraved infrastructure and
113 lack of capital as a result of the decline in oil prices. Now, it is needless to mention that the
114 challenge for the Iraqi authorities in the years ahead will be both the economic diversification
115 and turning current oil revenues into sustained welfare improvements. In this regard, we will
116 evaluate the plans of the Iraqi government for addressing social and economic development
117 issues and avoiding a resource curse, while aspiring to macroeconomic stability.

118 Further on, we came to the conclusion that the demographic pressure, obstructed access to
119 electricity and increasingly high unemployment rate have weakened the business
120 environment in Iraq, already strained by the ongoing security issues [8]. Since the oil wealth
121 alone cannot generate sustainably high living standards for the majority of its population, an
122 investigation of the government's actions for promoting income-generating opportunities for
123 the Iraqi population will be further on presented.

124 On the other hand, the results of the involvement of international institutions will also be
125 determined in the study hereby in order to estimate the future necessary funding for
126 stabilizing the situation in the Middle East. Currently, Iraq is a member of the United Nations
127 and its affiliated agencies, the International Monetary Fund, the International Labor
128 Organization and the World Health Organization, collaborating with all of them for preserving
129 world peace and security and promoting human rights. Additionally, Iraq belongs to diverse
130 pan-Arab organizations such as the Arab League. The affiliation to the latter mentioned
131 organizations has left its mark on the transformation of Iraq through the conditions afferent to
132 the amount of aid. The impact of these commitments of Iraq in its attempt to take concrete
133 steps will also be examined in the following subchapters, aiming to assess the future need of
134 the involvement of international bodies.

135 2.1. Government expenditure patterns

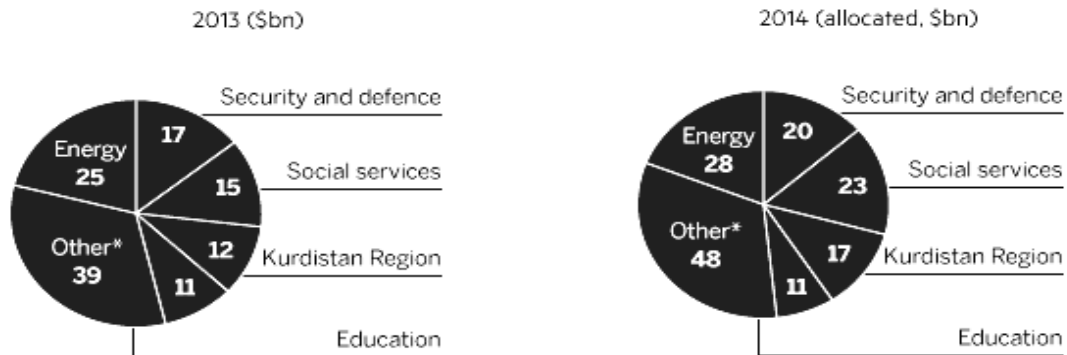
136 The Iraqi government expenditure from the previous years was used for establishing a
137 pattern into how the country sets its priorities, manages the costs and allocates funds. Per
138 contra, it can be observed that the actions undergone in this regard have diminished the
139 credibility of the management of Iraq on the international scene.

140 Analyzing the actions of the Iraqi government in 2013, the average expenditure totaled more
141 than \$118 billion, an increased value compared to the previous year, which further exceeds
142 70% of the Iraqi gross domestic product. The prioritized sectors for receiving significant
143 funding used to be the Energy sector, accounting for 21%, Security and Defense, standing
144 up to 14% and Social Services, amounting to 13% of total budget investment expenditure.
145 Being one of the major oil producers, it seems that Iraq also used to allocate a high
146 percentage of the investment expenditure in the oil field, strategy which allowed the
147 government of Iraq to cover its operating expenditure in the past. The information obtained
148 was needed in order to evaluate Iraq's considerable reliance on oil, which has made its
149 budget vulnerable to oil shocks and the recent destabilization of the market prices has put
150 pressure on the authorities to go through complementary budgeting and delay investment
151 projects implementation. Notwithstanding, time has proven that the oil industry alone proved
152 itself to be unable to cover the existing budget deficit. For improving Iraq financial resilience
153 and reserves, the Arab country found itself in the inconvenient position of diminishing its
154 dependence from the oil Iraq needs, by attempting to increase non-oil revenues.

155 Further on, the government expenditure has skyrocketed in the following year, almost 70%
156 of the public budget being allocated for public payroll, food and energy sector, besides
157 financing the armed forces struggle to combat the Islamic State of Iraq and Levant and train
158 the volunteers in this regard. The refugee crisis has also stretched the budget limits in spite
159 of the billions of dollars invested, together with the mismanagement and corruption of a
160 fragile public financial system. Unfortunately, after undergoing this brief analysis, it appears
161 that the budget assumption have not matched the tragic reality of both lower than planned oil
162 production and descending oil prices, posing the risk of rampant inflation and currency
163 weakening.

164 By comparing 2013 and 2014 in terms of budget expenditure, it was discovered that the
165 energy sector, security and defense have remained among the priorities of the government
166 of Iraq. Moreover, an increase in the available budget in 2014 permitted sizeable
167 investments to be directed to the social services advancements. The crisis situation in the
168 Kurdistan region was not neglected, receiving a higher amount of money in order to
169 ameliorate the pressing problem. The Iraq budget expenditure for the aforementioned years
170 and the main fields receiving considerable financing are depicted in Figure 1.

Figure 1 - Iraq Budget Expenditure for 2013 and 2014



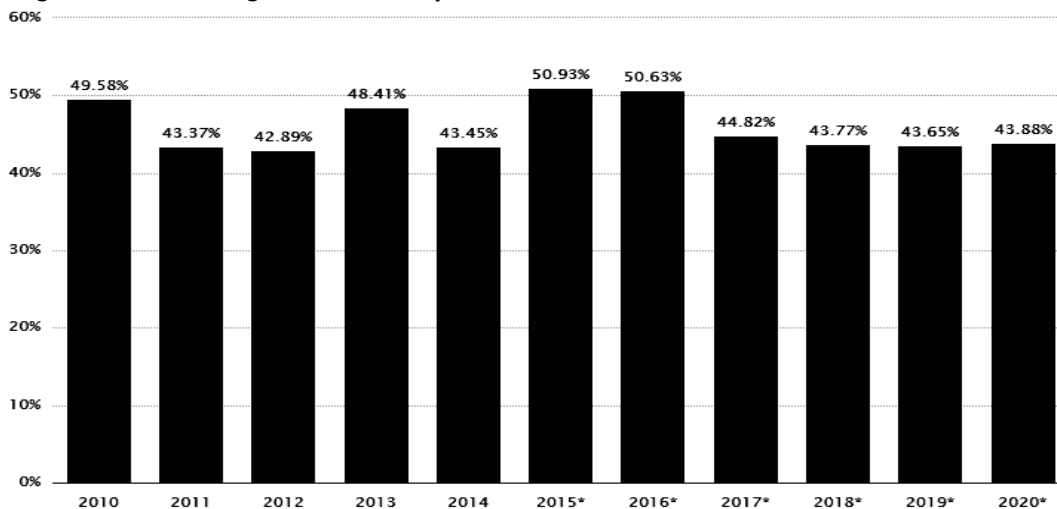
* Other expenses include local and central administration, health, environment, water, sewage and sanitation, agriculture, culture and youth, transport and communications, construction and housing, debts.

Source: UN Iraq Joint Analysis Unit

Even though the struggle of the Iraqi government to allocate proper funding to the most demanding sectors was taken into account, it is not surprisingly that the lack of administrative capacity has deterred potential helpers, whose unwillingness to continue funding Iraq's cause in the absence of an approved budget has put the Arab country in a sensitive position towards the international stage. As a result, after the instauration of a new government at the end of 2014, the Iraqi parliament approved the 2015 budget of \$105 billion, supported by the lawmakers in the context of an unprecedented crisis. Severe austerity measures were also implemented at the same time, since the accessible funds in 2015 are estimated to be limited, thus causing a considerable deficit in the budget, which stands for 11% of the gross domestic product.

The past ratios of government expenditure to gross domestic product as well as future estimations are depicted in the Figure 2. Based on these figures, it can be estimated that, if aware of the lack of budget execution rate to administer performance at governmental level, the government of Iraq has now the opportunity to strategically rationalize its expenditures in a variety of manners such as diminishing the number of subsidies and increasing speed and ease of movement in public employment.

Figure 2 - Ratio of government expenditure to Gross Domestic Product



Source: International Monetary Fund

194 2.2. Reconstruction through thorough planning

195 Throughout time, it came into sight that the investments made following the Arab Spring
196 directed to Iraq, taking into consideration the military and diplomatic costs, had raised to
197 more than \$800 billion, as declared by the Congressional Budget Office of the United States
198 of America. The present study aims to gather information in this regard in order to outline if
199 these funds were allotted properly and efficiently by the government in accordance to the
200 needs of Iraq. Nonetheless, decades of wars, dictatorships and corruption had left their mark
201 upon the Iraqi society and despite the coherent strategies of international bodies for
202 recovering the Middle East, the majority of the funds received are still pumped into the army.
203 Security and defense of the citizens remains a priority on the government's agenda, as the
204 streets of the major cities from Iraq are still cowed by deadly bombings, along with the health
205 sector stabilization, more than a quarter of the country's population living below the poverty
206 line and the lack of reliable electricity and clean water being intolerable.

207 Yet, the urgent need for taking radical action had already been assessed starting with 2013,
208 when the Iraq's new National Investment Plan proposed by the Ministry of Planning was
209 ratified by the Council of Ministers. By examining this shift plan extending until 2017, it
210 appears that the United States of America have been playing an important advisory role on
211 Iraqi business and investment policies. Moreover, it has its roots in a prior national plan and
212 aims to overcome the previous inefficiencies encountered and acknowledged. [9]

213 Gas and oil production have still remained one of the best assets of Iraq for decades, but the
214 damage of the other industrial sectors, i.e. electricity sector, has rendered the infrastructure
215 obsolete, directly damaging the economy through an excruciatingly high level of
216 unemployment. However, based on the information previously detailed, it would be advisable
217 for a country in Iraq's position to lower its dependence on oil and widen its range of
218 production sectors for strengthening the national economy. Furthermore, it is worth tackling
219 the issue of the cooperation between the public and the private sector if the recovery of
220 Iraq's economy is in question.

221 Ultimately, with the purpose of monitoring the progress of the National Development Plan,
222 the government of Iraq has launched few years ago a bilingual publicly accessible web-
223 based application, formerly known as the Iraq Development Management System. It is
224 designed specially to monitor the ongoing progress of donor-funded projects, while ensuring
225 accountability and transparency. As far as the United Nations are concerned, the Iraq
226 Development Management System represented a milestone in the introduction of a far-
227 reaching reform of the public sector by allowing the monitorization of capital investment
228 projects and avoiding the misuse of public funds. [10]

229 Devoting as high as \$357 billion solely on rebuilding the infrastructure, the ambitious new
230 National Investment Plan of Iraq still struggles with aligning its interests with the political
231 system, although a base of cooperation and continuous feedback with the international
232 institutions and foreign investors has already been established. Under those circumstances,
233 the main focus areas of this comprehensive plan, which were used for assessing Iraq's
234 ability to manage its own recovery, encompass the following:

235 2.2.1 Living conditions

236 Despite the continuous efforts of the whole community, there is a stark contrast between the
237 huge potential of Iraq as a country having plenty of natural and human resources and the
238 actual sorrowful situation caused by the lack of quality of life and development. Statistically,
239 the Quality of life index is incredibly low, namely below 35, while the Pollution index has

240 been skyrocketing in the past years, reaching 96.63. Regarding the overall level of prices,
241 the Consumer price index is low compared it its desirable normal value, alike the Purchasing
242 power index, which barely reaches 61.

243 Since more than 1.45 million citizens having to deal with and protect themselves from
244 violence, armed conflicts and persecution on a regular basis, are displaced and obliged by
245 the circumstances to flee and settle in churches, roadsides and camps, housing is among
246 the first milestones to be achieved on the National Investment Plan agenda. The
247 construction of one million housing units is targeted until the end of the project, with
248 emphasis on the rural areas and strategic urban planning. Evaluating the direction
249 established by the Iraqi population, it is predicted that the demand for housing will be twice
250 as high and therefore a shortage will arise. However, given the need for structured
251 management of civilian and military costs, it is also expected that the level of crime and
252 terrorist attacks will be reduced until 2017. [11]

253 **2.2.2. Oil and gas**

254 Even though Iraq's gradual reconstruction should allow the country to extend among new
255 production areas, Iraq finds itself among the world's largest oil exporters and its potential
256 must be not be wasted. Nonetheless, we find imperative for the regulation to be adapted to
257 the new planned levels of production, since at this moment there are discrepancies in the
258 selling prices, the quantity exported and the amount of money received in exchange. The
259 crash in oil prices has affected dramatically the earnings of Iraq and widened the budget
260 shortfall.

261 However, according to the National Investment Plan, besides targeted production level, the
262 objectives for the oil and gas industry set standards for both export and warehousing, as
263 depicted in the Table 1, but whose viability and consistency is yet to be proven.

Table 1 - Planned levels in the Oil and Gas Sector

	Actual level	Planned level (2017)
Crude oil production	3.2 million barrels/day	9.5 million barrels/day
Exports of crude oil	2.6 million barrels/day	6 million barrels/day
Capacity of crude oil warehousing	10.987 million barrels	30.057 million barrels
Liquefied natural gas production	880 metric tons	2.600 metric tons

264

265 **2.2.3. Ports**

266 The strategic location as a bridge between Europe and Asia allows Iraq to further develop its
267 import and export capabilities and become a major hub in the area. Although there are
268 several port cities with potential to improve, the southern port Al Faw is the main one, having
269 deep water access and already handling large amounts of shipments due to the recent
270 exemption of taxes and customs clearance of foreign companies, established by the
271 government of Iraq. In this regard, it is estimated that the Al Faw port container capacity will
272 increase to 3 million tons/year and the general cargo capacity to 10 million tons/year by 2018
273 in order to ensure the availability of supplies and promote international trade.

274 **2.2.4. Power**

275 The raising demand for electricity has been challenging Iraq's power generation capacity
276 throughout time and until now the output of the electricity sector was not able to cover the
277 basic needs of Iraqi citizens. The average shortage was of 4.000 megawatts, arose due to
278 the economic instability and increase in consumer purchases of electronics.

279 Bearing in mind that the electricity is subsidized in Iraq, the plan envisions to rehabilitate
280 successfully the national grid by increasing production up to 25,000 megawatts per year and
281 minimizing disruptions. If this performance is to be achieved by 2017, the output will exceed
282 the estimated demand. Furthermore, the power consumption for each habitant will increase
283 with 1,900 kilowatts per year in 2017, fact which is expected to improve the living conditions
284 for the Iraqi population in the long term.

285 **2.2.5. Water**

286 A couple of decades ago, more than 75% of Iraqi households had access to clean water, but
287 the following years of war together with the limited environmental awareness have
288 jeopardized the whole water resources management system. Currently supplying with water
289 the majority of Iraq's surface, the Tigris and the Euphrates rivers are still vulnerable to water
290 diversions and various other risks. Hence, it is high time that the government provided the
291 Iraqi population with safe drinking water supplies by authorizing the construction of new
292 dams as well as the rehabilitation of the existing ones, which will increase the water reserve
293 capacity by 22 billion square meters and water reclamation by 6.25 billion square meters in
294 the next years.

295 **2. RESULTS AND DISCUSSIONS**

296
297 Considering all of the above, the efforts undergone by the government of Iraq for diminishing
298 the impact of the constant terrorist attacks and persecution, which have been straining the
299 country resources along with the instability of the oil market, have proved themselves to be
300 necessary, but not sufficient for stabilizing the Arab country as a whole. Through planning
301 and strategic allocation of the existing resources and foreign aid, it seems that the situation
302 in Southern Iraq has improved, while the Northern region of the country still struggles to
303 combat the damages of the phenomenon to be assessed as a humanitarian tragedy.

304 The aforementioned Iraq National Development Plan aims to rehabilitate the infrastructure
305 and private sector assets by managing costs and allocating funds to each sector and
306 industry in order to be able to provide decent living condition to all the citizens, while
307 cooperating with other countries for eradicating the Islamic State insurgency through military
308 funds administered by the army. However, the unfortunate current situation depicting millions
309 of internally displaced people and constantly high crime rates has attracted the involvement
310 of international bodies. The United Nations charter puts special emphasis on the
311 responsibility to protect and following this pattern, several international bodies, institutions
312 and non-governmental organizations have mobilized for fighting against the repression of
313 Iraqi citizens, human rights violations and overall regional instability.

314 Military interventions have always been a sensitive subject in the United Nations sessions in
315 spite of the expansion of the Islamic State as a de facto state. Expressing the concern about
316 the production and illicit trade of weapons of mass destruction, the Security Council of the
317 United Nations has focused on enforcing foreign policy commitments and international
318 treaties. Initially, trade sanctions and arms and related materials (i.e. military ammunition,
319 weapons) embargoes were imposed on Iraq, but following the chaos resulted by the inability

of the government to protect the civilians, the resolution of the Security Council has exempted supplies to the Iraqi government and the multinational forces, but not for end-users in Iraq, by regulating the process of applying for licenses.

Moving further to single countries efforts, the United States of America have been involved actively for more than 10 years in rebuilding the war-torn Iraq. 60\$ billion in American taxpayer funds were invested by the P5 country, together with troops for keeping the situation under control, and the Arab country is still unstable, longing for the actual results of the foreign funds expended, which have left Iraq highly indebted. Furthermore, given the Western nations skepticism regarding military intervention in the Middle East, the latter countries, i.e. United Kingdom of Northern Ireland and Great Britain, Germany, have dramatically increased the intensive training of Kurdish forces in Iraq.

3.1. The importance of international financial aid

Due to the precarious condition of the market, affected by the recent crash in oil prices, the Iraq's consistent attempts of managing government expenditure were not able to attain their objectives. The lack of funds for both reconstruction and recovery of industrial sectors and security and defense purposes have put Iraq in the convenient position of receiving financial aid from international institutions. The World Bank Group, having as main purposes to end extreme poverty and boost shared prosperity, and the International Monetary Fund, aiming to foster global growth and macroeconomic stability, are two of the main bodies that agreed to help Iraq's efforts to tackle the economic impact of terrorism, high unemployment rates, refugee crisis and poverty.

Firstly, the International Monetary Fund reports outline that Iraq economy has contracted 2.1% of the available funds in 2014 on the ground of the increased level of violence, but the recovery of the investment in the current year has been rather shallow, being expected to reach only to 0.5%. On the account of the overall pressure of conflict-related spending, unexpectedly low oil revenues and decline of foreign assets, the budget deficit has raised tremendously, with more than 10%. Addressing these urgent challenges, the International Monetary Fund is prepared to allot as much as \$833 million as financial assistance to Iraq in the case of an emergency triggered by the Islamic State insurrection. The Rapid Financing Instrument was designed to provide prompt assistance to all member countries facing an urgent balance of payments need and the Iraqi authorities are currently negotiating with the International Monetary Fund officials for implementing the program [12]. So far, a staff-level agreement has been attained, which will be further subject to the International Monetary Fund management approval, but whose successful implementation is reckoned to bring substantial improvements to Iraq's current situation.

Secondly, the World Bank has also been analyzing the urge of Iraq for more financial resources in order to avert the current crisis and address the need of its citizens on the long-term. Genuinely, the World Bank had managed and administered numerous investment operations in Iraq in the past, accounting for \$588 million and including a loan from the International Bank for Reconstruction and Development, two credits from the International Development Association and other grants offered by the Japan Social Development Fund and the Extractive Industries Transparency Initiative. Regardless of the prior efforts and given the current underdeveloped infrastructure and alarming unemployment rates, the World Bank currently administers the Iraq Trust Fund, which has seventeen donors such as the European Union, Japan and the United States of America, working together through the Iraq Partnership Forum and succeeding to raise almost \$500 million. Additionally, special emphasis is put on the close cooperation and consultation of the World Bank with third parties (i.e. Swedish International Development Agency, Agence Francaise de

369 Developpement, Islamic Development Bank) over a variety of subject matters affecting Iraq,
370 encompassing management reform, augmentation of the private sector, transport through
371 lending operations and service delivery. [13]

372 In addition, qualified member institutions of the World Bank Group have shown their support
373 and solidarity for the Middle East, in particular for Iraq, through a series of assistance
374 activities and supplementary funds. Therefore, in the past 5 years, the investments of the
375 International Finance Corporation have reached \$654 million, assigned to different
376 problematic issues, such as managing freight in major Iraqi ports, building facilities for
377 processing household waste and produce refuse-derived fuel and developments of
378 agribusiness. On the other hand, the investments of the Multilateral Investment Guarantee
379 Agency, standing at \$11.8 million, have targeted the improvement of sewer services,
380 rehabilitation of water networks and pipes as well as the construction and restoration of
381 schools; the health sector, which has suffered extensive damages in the past years,
382 benefited from a new comprehensive emergency system, rehabilitated emergency units and
383 special training of staff.

384 Drawing a brief conclusion, it is conspicuous that the overall attempt to reconstruct Iraq has
385 taken longer and cost more than it was initially estimated after the invasion, regardless of the
386 unexpected impediments such as the tremendous expansion of the Islamic State of Iraq and
387 Levant. Although some results, i.e. oil production, have fallen short of early estimates, other
388 projects, i.e. sewage treatment, have exceeded initial goals. Indubitably there has been
389 some significant progress, but there is still a long way to go before Iraq can really be a
390 stable, secure country that is able to provide for its people's basic needs. Nonetheless, it
391 appears that the high expectations and burden on the international community has so far
392 paved the road for achieving tangible results, but it is still up to the government of Iraq to
393 fully comply with the international agreements in this regard.

394 4. CONCLUSION

395 Ultimately, the government of Iraq envisages ambitious tax measures together with a strict
396 expenditure control and investment prioritization through the New Development Plan and
397 responsiveness for international cooperation. In reality, we have proven that the best case
398 scenario of the present tragedy destabilizing the whole region cannot be achieved without
399 foreign intervention and international surveillance.

400 At the same time, an integrated and sustainable economy capable of providing decent living
401 conditions will remain only an ideal without a reform tackling the fiscal status, trade
402 regulations, social inclusion and poverty. As has been noted, the bond between citizens and
403 government was and still is tenuous due to the nascent stage of democracy and security
404 challenges, but supporting civil society and proving it with decent living conditions is
405 essential for fostering long-term stability. Even though the small victories and progress are
406 often overshadowed by violence and extremism, this study validates that these efforts are
407 helping Iraqi population lay the groundwork for a peaceful future. The government has now
408 the opportunity to lay the foundations of a true democratic state, based on the key principles
409 of popular control and political equality, and with a reasonable footprint that provides decent
410 public services and security while facilitating adequate economic freedom.

411 International institutions such as the International Monetary Fund and the World Bank have
412 shown their willingness to contribute in this regard to Iraq's reconstruction and recovery for
413 the common goal of overall shared prosperity. The previous involvement of international
414 organization in the controversial situation from Iraq has proved to be extremely beneficial,
415 but a more active implication and a wider pool of significant resources are demanded in

416 order to surpass the consequences of decades of corruption, mismanagement and
417 hostilities. Hereof, Iraq must guarantee a high degree of compliance and commitment to the
418 ongoing strategic plans and the established priorities, as well as openness to future projects
419 aiming to stabilize the country as a whole.

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