Investment Allocations and Implementation of Development Plan Objectives: Iraq's Absorptive Capacity 1951-1980 *

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1. Introduction:

There is little doubt that the main objective of economic planning is the efficient allocation of economic resources, which are often quantitatively and / or qualitatively limited. A part from its oil resources, Iraq is favoured with other resources such as fertile land, water, and mineral deposits.

Ever since the early 1950's, rising oil resources, especially after 1973, have stimulated Iraq's economic development. Over the 1954-73 period, the gross domestic product (GDP) increased in real terms at an average rate of 6% per annum and increased by 10% and 18% in 1974 and 1975 respectively. The 1976-80 plan expects Iraq's GDP to increase by an annual growth rate of 16.6%.

Oil is the most important sector in the economy. Its contribution to GDP increased from about 40% in 1953 to 53.4% in 1976, whereas it employs less than 1% of the total labour force (estimated at about 2.96 million by 1976).

In contrast to the rising share of the oil sector in the Iraqi economy, that of agriculture has declined sharply since the early 1950's. Its share of the GDP declined from 22% in 1953 to 7.6% in 1976, and it is expected to decline further to 5% during the 1976-80 plan, whereas its contribution to the labour force is expected to fall from 53% to 44% during the plan period.

Cultivable land in Iraq is estimated at 12 million hectares or a little more than one-fourth of the total area of the country. However, due to the widespread practice of the fallow system, only about a fourth of the cultivable land is actually cropped in any given year. This and other problems, such as soil salinity, water-logging, shortage of trained personnel, poor maintenance, lack of incentives, etc., have led to the decline in agricultural productivity.

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According to the 1970-74 plan and the 1976-80 plan, Iraq's economic development strategy is based on industrial diversification, agricultural self-sufficiency and infrastructural development, improvement of social services and education, reduction of regional differences and standard of living discrepancies between rural and urban areas. However, these objectives have not been fully realized, mainly due to the fact that the process of development has been restrained by a number of factors, including those limiting the absorptive capacity of the Iraqi economy.

The purpose of this study is to examine the main factors that have limited the absorptive capacity of the Iraqi economy during the last three decades. This necessitates a review of the structure and functions of the planning machinery throughout the period under study. The general features of the various development programmes and plans will be examined in terms of their sectoral allocations and actual investment expenditures. Finally, the absorptive capacity of the Iraqi economy will be discussed vis-a-vis analysing the shortcomings in plan implementation.

2. The Planning Machinery:

Ever since the establishment of the Development Board in May 1950, the planning machinery of Iraq has undergone frequent changes, particularly so during the period immediately following the 1958 Revolution.

It is not intended here to discuss in detail all the changes that have taken place in the planning machinery but rather to point out very briefly some of the main changes and the rationale behind them.([1])

(1) The Period 1950-1958

The Development Board, which started operations towards the end of 1950, was entrusted with setting up a development plan for the country. Five technical departments were set up: (1)irrigation, (2) transport (3) industry (4) agriculture and (5) housing. The Board had a separate budget and its revenues consisted of the entire oil revenues. Due to the increase in oil revenues as a result of the new agreement concluded with the oil companies in 1952, the government decided to reduce oil revenues allocated to the Development Board to 70 percent of the total. This was attributed to the increase of government current expenditures.

The Board was accused of having too much power and independence, and the government decided in 1953 to set up a Ministry of Development.

Perhaps one of the major shortcomings of that decision was the introduction of political instability (which characterized the political life of the country) into development programmes.

It should be noted, however, that the development strategy designed by the Development Board did not change as a result of setting up the Ministry of Development.

(2) The Period 1958-1968

Following the July 1958 Revolution, important changes were introduced into the planning machinery of Iraq. In 1959, the Ministry of Development was replaced by a Ministry of Planning and the Development Board was replaced by a Planning Board. The Planning Board was confined to plan formulation and to the follow-up of plan implementation.

Centralized planning and execution thus were replaced by centralized planning and decentralized execution, with planning becoming the responsibility of the Planning Board and the Ministry of Planning and execution becoming the responsibility of the ministries concerned depending on the nature of each project. The technical departments, which originally formed the main part of the Ministry of Development were transferred to the sectoral ministries. Moreover, the share of the Development Budget from oil revenues was reduced from 70 percent to 50 percent, due to increasing expansion of government current expenditure.

The planning machinery continued to undergo changes after 1963, the purpose of which was mainly to ensure that the Planning Board would have more independence and continuity and would be less vulnerable to political changes.

In April 1964, the government enacted Law No. 44 of the Planning Board, according to which the "Board was entrusted with the formulation (subject to the approval of the Council of Ministers) of the economic, fiscal, monetary and commercial policies needed for the implementation of the plan. The Board was empowered also to supervise the preparation of the annual Ordinary Budget in conformity with the requirements of the plan. Moreover, the Board was authorized to orient the economic activities of the private sector within the general framework of the plan. Except for formulating the plan and performing some follow-up functions, however, the Board made little use of its prerogatives."[2]

The 1964 Law of the Planning Board was amended according to Law No. 193 of 1964 whereby a Steering Committee (composed of the Minister of Planning and four full-time members) was established. The Board delegated some of its authority to the Steering Committee. According to the Law No. 18 of 1966, the composition of the Steering Committee was amended to include the Minister of Planning (as its chairman), four non full-time members and heads of the six technical departments: (1) Economic (2) Industrial (3) Agricultural (4) Transport and Communication, (5) Buildings and Services and (6) Educational and Social departments of the Planning Ministry.

(3) The Post-1968 Period

After 1968, the government embarked upon a new stage of elaborated and articulated economic planning. On April 1, 1970, the government enacted the Law No. 70, whereby the National Development Plan for fiscal years 1970-74 was put into effect.

According to this law, the Steering Committee was empowered with extensive authorities. These can be summed up in three main categories: firstly, to decide on all matters relating to the execution of the Five-year Plan and its annual investment programmes, the projects of which not exceeding ID 3 million, secondly, to decide on all matters relating to the self-financed projects, and thirdly, the Steering Committee can (subject to the approval of the Planning Board) terminate or limit some of the authorities of the executing ministries as deemed necessary.

It can be seen from the previous brief survey that the responsabilities of planning and execution were distributed at three levels: higher level (i.e., the Planning Board), middle level (i.e., the Steering Committee) and lower level (i.e., the executing ministries).

It should be noted, however, that this system of distribution of responsibilities was criticized on the ground that the Planning Board and the Steering Committee were practically in charge of functions of both planning and execution, and thus, the system was partly blamed for the delay in the implementation of the plan's projects.

During the second year of the National Development Plan (1970-1974), the higher authority showed interest in both regional and long-term planning. Therefore, two new departments in the Ministry of Planning were set up in 1971.

The dramatic increase of oil revenues after 1973 encouraged the higher authority to step up development. This led the Planning Board to delegate some of its responsibilities to the executing ministries and agencies, empowering them to execute projects not exceeding ID 3 million, without having to refer to the Planning Board, except for the approval of the preliminary reports on these projects.

Since the beginning of the Five-year Plan (1976-1980) no major changes in the planning machinerv have taken place. However, participation in the sessions of the Planning Board was greatly enlarged to include not only cabinet members of sectoral ministries, the governor of the Central Bank, four non-full time members and heads of the technical departments (renamed lately as Commissions) but also some high-ranking Baath Party members.

3. Development Programmes and Economic Plans:

(1) The First Programme (1951-1954)

Before the Development Board was established in May 1950, the Investment Budget had been a part of the general budget. The last investment budget was for the period 1949-1953 with annual allocations of ID 11 million.

Investment allocations for the First Programme (1951-54) amounted to ID 87.4 million. Although the industrial sector received ID 14 million or 16% of total allocations, the actual expenditure on industrial projects did not exceed ID 2.6 million or 18%. Allocations for the agricultural sector were ID 39 million, whereas actual expenditures did not exceed 50%. Transport and communication projects received ID 18.7 million whereas actual expenditures were about 55%. Buildings and services projects received ID 15.4 million, and actual expenditures were 68% (see table 1).

(2) The Second Programme (1955-1959)

Investment allocations for this programme amounted to ID 410 million, distributed as follows: ID 138.5 million (or 33.7% of the total) for the agricultural sector, ID 57 million (14%) for the industrial sector, ID 122 million (29%) for transport and communications, and about ID 93 million (22%) for buildings and services.

It should be noted, however, that actual expenditures in all sectors amounted to ID 222 million or 54% of the total allocations. (see table 1)

(3) The Provisional Economic Plan (1959-1961)

Total allocations for this plan amounted to ID 313.6 million. Top priority was given to the buildings and services sector which received ID 152 million or about 48% of the total. The transport and communications sector was second in importance, receiving ID 85 million (or 27%). The share of agriculture was ID 44 million (or 14%), and that of the industrial sector was ID 33 million (or 10.5%) of total allocations.

Actual expenditures were less than planned allocations in all sectors: agriculture (51%), industry (36.4%), transport and communications (25.2%) and buildings and services (34.5%) as shown in table (1).

(4) The Detailed Economic Plan (1961-1964)

Total allocations for this plan amounted to ID 442 million. Top priority was given to the industrial sector which received ID 122 million (or 27% of the total). The buildings and services sector was second in importance. receiving ID 118 million (or 26%). The transport and communications share, ID 115 million (or 26%). And that of agriculture was ID 87 million (or 20%) of total allocations.

Actual expenditures were less than planned allocations in all sectors: buildings and services (73.7%), transport and communications (48%), industry (31%) and agriculture (23%) as shown in table (1).

(5) The Five-year Economic Plan (1965-1969)

Total allocations for this plan amounted to ID 605.6 million. As in the case of the previous plan, this plan also emphasized industry and its share was ID 187 million (or 31% of the total), while that of agriculture ID 173 million (or 28.6%). The share of buildings and services was ID 135 (or 22%) and that of transport and communications was ID 110 million (or 18%) of total allocations.

Actual expenditures were 31% in industry, 48% in transport and communications, 49% in the buildings and services sector and 32% in the agricultural sector, as shown in table 1.

(6) The National Development Plan (1970-1974)

This plan includes projects of both the public and private sectors. Projects of the public sector are divided into two categories, according to the nature of finance. The first category includes projects of the central government sector which are primarily financed by oil revenues in addition to the contribution of governmental agencies and local and foreign loans.

The second category includes projects of the self-financed public sector, such as those of the National Oil Company, ports and electricity agencies.

The plan had been revised and its central allocations increased from about ID 537 million as originally estimated to ID 1259 million. This considerable increase was attributed to the increase in oil revenues following the Tehran Agreement on oil prices in 1971 and in 1974. The sectoral distribution of allocations was as follows: ID 366 million (or 29% of the total) for agriculture, ID 391 M. (or 31%) for industry, ID 219 M. (or 17.5%) for transport and communication, ID 283 M. (or 22.570%) for buildings and services. (see table 1).

It should be noted, however, that a shift in planned allocations for 1974 which amounted to ID 1,169 million, has resulted in a change of emphasis, whereas industry emerged as the top priority sector. The increase in the industrial sector's allocations seems to have been accomplished at the expense of agriculture, whose final share declined to 19% (see table 2). This should not necessarily imply, however, a change in plan strategy. Rather, it is attributed to the fact that absorptive capacity tends to be greater in industry than in agriculture.

By the end of the plan period actual sectoral expenditures amounted to ID 886 million, distributed as follows: ID 208 million in agriculture, ID 330 million in industry, ID 177 million in transport and communications, and ID 171 million in buildings and services.

The lowest rate of implementation was in agriculture (56.8%) and the highest in industry (84.4%) as shown in table (1).

(7) Investment Allocations For the Period: April-December 1975

According to the old fiscal year, the 1970-74 Plan ended on March 31, 1975. Iraq adopted a new fiscal year (January - December 31) which became effective in 1976. Therefore, the transitional period prior to the 1976-1980 Plan covered only nine months, from April 1 to December 31, 1975. The investment allocations for this period amounted to ID 1,076 million, distributed as follows: ID 207 million (or 19.3% of total) for agriculture, ID 448 million (or 41.6%) for industry, ID 166 million (or

Table (1)

Sectoral Investment Allocations and Actual Expenditures of Development Programmes and Economic Plans, 1951 - 1974

(millions of Iraqi dinars)

Period	Agriculture		Industry		Transport & Communication		Buildings & Services		Total		%
	Alloc.	Expen.	Alloc.	Expen.	Alloc.	Expen.	Alloc.	Expen.	(1) Alloc.	(2) Expen.	(2) / (1)
1951-1954	39.3	19.7	14.0	2.6	18.7	10.4	15.4	10.4	87.4	43.1	49.3
1955-1959	138.5	61.5	57.1	32.3	121.9	57.2	92.7	71.2	410.2	222.2	54.1
1959-1961	43.9	22.5	32.8	11.9	84.8	21.4	152.1	52.5	313.6	108.3	34.5
1961-1964	87.4	19.9	121.7	38.3	114.9	55.1	118.3	87.0	442.3	200.3	45.3
1965-1969	173.5	56.3	187.2	103.9	110.1	61.1	134.8	66.3	605.6	287.6	47.5
1970-1974	366.0	208.0	391.0	330.0	219.0	177.0	283.0	171.0	1,259.0	886.0	70.4
Total	848.6	387.9	803.8	519.0	669.4	382.2	796.3	458.4	3,118.1	1,747.5	56
%	100.0	45.7	100.0	64.5	100.0	57.1	100.0	57.5			

Sources: Compiled by the author from:

(1) **Development of Investment Expenditures In Iraq 1951-1969,** Economic Department, Ministry of Planning, Baghdad, April 1972.

(2) **Annual Abstract of Statistics 1976,** Ministry of Planning

Table (2)
National Development Plan (1971-1974)
Central Government - Annual Investment Programmes
(millions of Iraqi dinars)

Sector	1970	1971	1972	1973	1974	Total	% of Total
Agriculture	28	60	23	65	190	366	19.0
Industry	28	50	28	60	225	391	20.2
Transport & Comm.	15	28	16	40	120	219	11.3
Buildings & Services	13	28	22	45	175	283	14.7
Other *	32	36	46	100	459*	673	34.8
Total	116	202	135	310	1,169	1,932	100.0

* Includes international obligations and loans to government agencies. For 1974 this item also includes allocations for the development of the northern region and major development projects (principally petrochemical projects).

Source: **Annual Abstract of Statistics 1976**
Ministry of Planning, Baghdad.

15.4%) for transport and communication, ID 188 million (or 17.5%) for buildings and services, as shown in the following table (3).

Table (3)

Central Government Investment Allocations
April-December 31, 1975
(millions of Iraqi dinars)

Section	Allocations	Percent
Agriculture	207.5	19.3
Industry	448.0	41.6
Transport & Comm.	166.0	15.5
Buildings & Services	188.0	17.4
Others	66.5	6.2
Total	1,076.0	100.0

Source: **Annual Abstract of Statistics 1978.**
Ministry of Planning, P. 144.

(8) The National Development Plan (1976-1980)

This plan calls for investments totalling ID 13.6 billion, of which ID 12 billion is earmarked for the public sector and ID 1.6 billion for the private sector. The sectoral distribution of these investments is as follows: ID 2.5 billion (18.7% of the total) for agriculture, ID 4.3 billion (32%) for industry, ID 2.4 billion (17.5%) for transport and communications, ID 2.3 billion (16.9%) for buildings and services, and ID 2 billion (14.9%) for other sectors (see table (4).

In 1974, the time of the oil price boom, the 1976-1980 Plan initially called for investment of ID 5 billion. This amount was raised to ID 10 billion in 1975, and the plan was approved in its final form in June 1977. Nevertheless, it is reviewed each year, final allocations being made within the framework of the overall national budget. Thus, total investment for 1976, projected at ID 1,493 million a year, had risen to ID 1,573 million by year-end. The amounts allocated for the plan for the next four years were ID 2,375 million for 1977, ID 2,800 million for 1978, ID 3,283 million for 1979, and ID 5,240 million for 1980, the last year of the plan (see table 5).

Table (4)
National Development Plan (1976-1980)
Investment Allocations
(millions of Iraqi dinars)

Sector	1976	1977	1976—1980 Public	Private	Total	% of Total
Agriculture	268.0	389.9	2,374	180	2,555	18.7
Industry	709.0	966.0	4,000	360	4,360	32
Transport & Comm.	242.5	351.6	2,200	180	2,380	17.5
Buildings & Services	213.2	348.0	1,400	910	2,310	16.9
Other	60.8	301.6	2,026	-	2,026	14.9
Total	1,493.5	2,357.1	12,000	1,630	13,630	100

Source: Ministry of Planning.

Table (5)
Ordinary and Development Budgets
(millions of Iraqi dinars)

	1976	1977	+%	1978	+%	1979	+%	1980	+%
Ordinary Budget	1,476	1,653	12	1,850	12	2,616	41	3,650	39
Auto. Govt. Agencies	2,075	2,326	12	2,812	21	3,569	27	5,213	46
Development Plan	1,573	2,377	55	2,800	19	3,283	17	5,240	60
Total	5,124	6,356	25	7,462	18	9,468	27	14,103	49

Source : Official Gazette, 14 January 1980
ID 1 = $ 3.407

It is to be noted, however, that although no specific government revenues are earmarked for the plan, most of the funds allocated are derived from oil revenues. In the 1970-1974 Plan, these revenues financed more than 80% of the investment expenditures. With the unanticipated oil price hike in 1979 and revenues for the year estimated at ID 6 billion, it is likely that investment allocations for 1979 and 1980 will be revised upward.

According to the plan's objectives, national income should increase from ID 4 billion in 1976 to ID 7.5 billion in 1980 (at 1975 constant prices), for an annual average growth rate of 16.8%. Income per capita should therefore also rise, from ID 349 in 1976 to ID 575 in 1980 (against ID 100 in 1969), for an average growth rate of 13.3%.

The GDP is stated to rise from ID 4.3 billion in 1976 (at 1975 constant prices) to ID 7.9 billion in 1980, an average annual rate of 16.6%. The structure of GDP: the production sector's share of GDP will go from about 73% in 1976 to 76% in 1980 to the detriment of the services sector (whose share will decrease from 16.2% in 1976 to 13% in 1980), the distribution sector's share will remain practically unchanged (from 10.9% to 11%) as shown in table (6).

Realization of the plan will necessitate the creation of 548,000 new jobs. This will increase the active population from about 3 million in 1976 to 3.5 million in 1980. The percentage of active to total population should increase from 25.7% in 1976 to 27% in 1980.

The sectoral distribution of the labour force reflects the plan's relative priorities. 68.8% of the total labour force (2.3 million) to be employed in the production sector in 1980 (against 66.3% in 1976), 13.4% in the services sector (against 12.2% in 1976) and about 21% in the services sector (against 21.5% in 1976). The largest employment increase will be registered by manufacturing industries and by building and construction, whose respective shares of the labour force will increase from 7.9% and 4% in 1976 to 12.8% and 6.4% in 1980. This growth will take place at the expense of agriculture, whose share of the labour force will fall from 53% to 44% as illustrated in table 7.

4. Absorptive Capacity and Plan Implementation

(1) The Concept of Absorptive Capacity:

Many different definitions have been used,[3] but perhaps the most widely quoted definition of absorptive capacity is that suggested by Adler. He defined this concept as "that amount of investment or that rate of gross

Table (6)
Growth and Distribution of the GDP
(millions of Iraqi dinars)

Sector	1976	1980	Annual Growth Rate %	% of Total 1976	% of Total 1980
Production sector	3,108.2	5,988.5	17.8	72.9	76
Distribution sector	465.0	866.0	16.9	10.9	11
Services sector	689.4	1,027.0	10.4	16.2	13
Total GDP	4,262.6	7,881.5	16.6	100.0	100

Source: Ministry of Planning, **The National Development Plan For 1976-1980.**Dar Al-Jamaheer Lilsahafa Press, 1977. Table No. (20), p. 101.

Table(7)
Sectoral Distribution of the Active Labour Force in Iraq: 1976-1980
(Thousands of workers)

Sector	1976	% of total	1980	% of total	Annual change %
Production Sector:	1,965.4	66.3	2,308.2	65.8	+ 4.1
Agriculture	1,571	53	1,571	44.8	0
Metals & Quarries	21.4	0.7	28.1	0.8	+ 7
Manufacturing Industries	232.8	7.9	450	12.8	+ 17.9
Construction & Buildings	119.2	4	113	6.4	+ 17
Electricity, Gas, Water	21	0.7	36.1	1	+ 14.5
Distribution Sector:	359.8	12.2	469.8	13.4	+ 6.9
Transport & Comm.	146.5	4.9	184.6	5.3	+ 6
Trade & Hostels	201.5	6.8	269.3	7.7	+ 7.5
Banking & Insurance	11.8	0.4	15.7	0.4	+ 7.4
Services sector	637.2	21.5	732	20.8	+ 3.5
Total	2,962.4	100	3,510	100	+ 4.3

Source: Ministry of Planning, **The National Development Plan for 1976-1980, Ibid,** Table No. (3), p. 13.

domestic investment expressed as a proportion of GNP, that can be made at an acceptable rate of return, with the supply of co-operant factors considered as given".[4]

To put it differently, absorptive capacity simply refers to the ability of an economy to absorb capital that will yield a minimum acceptable rate of return within a given period of time. However, the term is a very broad and ambiguous concept. Like the concept "economic development", it deals with quantative and qualitative aspects of investment. Perhaps more so of the latter than the former aspects. Thus, when one studies the absorptive capacity constraints, one is often confronted with the features of economic under-development.

According to a recent and excellent study by Ragaei El Mallakh and Jacob Atta, the absorptive capacity constraints may be grouped under five categories:[5] (a) limitations relating to the physical characteristics of the country, (b) lack of sufficient natural resources other than oil and gas, (c) manpower problems, (d) failure to formulate and implement long-term development planning and (e) political and socio-cultural factors which tend to inhibit productivity.

One might add to the previous list another constraint, i.e., external factors such as the destruction of infrastructure of an economy caused by a war[6].

It should also be emphasized, however, that the absorptive capacity of an economy depends upon the present and future government economic policies. In other words, the absorptive capacity of an economy is not independent of but is a product of economic development strategies and policies.

Absorptive capacity can be looked at from a sectoral approach. The absorptive capacity of each sector of the economy may be constrained or hindered by the performance or absorptive capacity of another sector. For example, the transport sector of the economy may be a possible constraint on the absorptive capacity of other sectors. This is exactly the case that Iraq experienced in 1974.

The inadequacy of the transport system became painfully evident in 1974 when, due to the sharp increase in oil revenues, the volume of imported goods increased sharply to ID 773 million (compared to ID 270 million in 1973). The transport system was poorly prepared to handle the influx of cargo. The problem was complicated further by the limitation imposed by storage capacity, the failure of importers (most of whom are public enterprises) to remove their imported goods within a reasonable time from storage areas.

There is no doubt, that the rise in the volume of imports was a deciding factor in precipitating the transport crisis. Yet, the true cause always has been insufficient investment.[7]

Over the 1951-74 period this sector received ID 670 million or 21% of total investment allocations. However, actual expenditures during this period were only ID 366 million, or 54% (see table 1). Thus, the neglect of the transport sector was revealed in 1974 when the demand for its services reached its peak. However, since 1974, serious attention has been given to expanding transport facilities.

The oil sector has been the primary force in the Iraqi economy since the early 1950's. It accounted for more than one third of the country's GDP during the 1953-73 period. Following the rise in oil prices, the share of the oil sector in Iraq's GDP rose sharply to 53% in 1976 (see table 8).

"Iraq's oil production has been decreased for conservation purposes, but production capability is to be increased significantly. Iraq originally targeted oil production at 6.5 million barrels per day by 1980. However, the 1973-74 price increase made this unnecessary."[8]

Iraq exports about 95% of its crude oil production which had reached about 3.5 million barrels per day before the war broke out with Iran in September 1980. During 1950-74 period oil exports accounted, on the average, for about 80% of the country total exports. Its contribution grew markedly, from 47% in 1950 to 98% in 1974.

Over the 1951-74 period the agricultural sector received ID 848 million, or 27% of total investment allocations. Actual expenditures on agricultural projects during this period were only ID 388 million or 45% (see table 1).

The share of the agricultural sector in Iraq's GDP fell sharply from 22% in 1953 to 7.6% in 1976 (see table 8). According to the 1976-80 plan, a 7% annual growth rate is forecast for agriculture, but its share of the GDP is estimated to be about 5% during the plan period.

It should be noted, however, that the agricultural sector in Iraq had undergone many organizational changes ever since the July 1958 Revolution. I am inclined to agree with the conclusion reached by some well known economists that "the organization of agriculture has been such as to minimize the commitment of the cultivation of the soil to the maintenance of its long-run productivity."[9]

It should also be emphasized, in the words of the most experienced economist of land reform, ".... that though tractors and combines can

Table (8)
Iraq: Gross Domestic Product by Economic Sector
at Current Prices, 1953-76
(millions of Iraqi dinars)

Sector	1953	%	1963	%	1973	%	1976	%
Agriculture, forestry, and fishing	71.5	22.1	109.3	16.3	225.9	14.2	348.7	7.6
Oil extraction	128.9	39.9	242.5	36.2	563.4	35.5	2,446.0	53.4
Other mining and quarrying	0.9	0.3	1.9	0.3	10.9	0.7	29.1	0.6
Manufacturing	19.7	6.1	64.2	9.6	157.6	9.9	324.5	7.1
Construction	11.3	3.5	20.3	3.0	57.6	3.6	355.1	7.7
Electricity, water, and gas	1.5	0.5	5.2	0.8	16.0	1.0	22.5	0.5
Transport, communication and storage	21.4	6.6	48.8	7.3	88.5	5.6	217.7	4.8
Wholesale and retail trade	17.8	5.5	35.9	5.4	115.2	7.3	197.8	4.3
Banking, insurance, and real estate	3.2	1.0	12.8	1.9	20.5	1.3	89.0	1.9
Ownership of dwellings	11.6	3.6	12.4	1.8	58.8	3.7	75.9	1.7
Public administration and defense	18.3	5.7	67.4	10.0	154.5	9.7	432.8	9.4
Other services	16.8	5.2	49.9	7.4	118.6	7.5	43.7	1.0
GDP at factor cost	322.9	100.0	670.6	100.0	1,587.5	100.0	4,582.8	100.0

Source: AL-EYD, K.A., **Oil Revenues and Accelerated Growth Absorptive Capacity In Iraq,** PRAEGER, complied from Tables: 2-3 and D. 2 PP. 29, 165.

increase the area cultivated, the advantages of large-scale farming will not offset lack of incentive. No farming system is efficient if people will not work under it; this is a principle worth remembering."[10]

Low level productivity in public industrial enterprises was the center of concern of top political leadership in the country and was extensively debated during the autumn of 1976. Many reasons were given to explain the fall in productivity. Some of the main reasons were: firstly, the labour laws, which made it difficult for management to control and supervise inefficient workers; secondly, low standard and lack of specialization of managers and administrators; and thirdly, inappropriate wage policies.[11]

Actual expenditures in all sectors fell short of investment allocations throughout the period 1951-74. Total investment allocations amounted to ID 3.1 billion, of which ID 1.7 billion (or 56%) was actually spent. The ratio of actual expenditures to actual revenues was 72% for the said period (see table 9).

It should be noted, however, that the difference between planned allocations or actual revenues (which is more meaningful) and actual expenditures cannot be taken as a reliable indicator of plan implementation. This is because such an indicator is merely a financial one and does not necessarily reflect that the plans' objectives (in physical instead of in financial terms) have been realized at the end of each plan.

It follows from the above discussion that shortcomings in plan implementation cannot be attributed to scarcity of capital, but rather to the limited absorptive capacity of the Iraqi economy which is attributed, in turn, to a large extent to various bottlenecks confronting the implementation of development projects. These are discussed in the following section.

(2) Bottlenecks of Plan Implementation:

Many bottlenecks have been directly or indirectly responsible for the delay in the implementation of development projects in Iraq. These bottlenecks may be divided into three main categories: (A) organizational, (B) technical and economic, and (C) strategic.

A. Organizational Bottlenecks

The most important are the following:

(1) Lack of competent administration in the executing ministries and hesitation in decision making processes.

Table (9)
Sectoral Investment Allocations and Actual Revenues and Expenditures of Development Programmes and Economic Plans, 1951-74
(millions of Iraqi dinars)

Period	(1) Allocations	(2) Actual Revenues	(3) Actual Expenditures	(4) Surplus (+) Deficit (-)	(5) % of Act. Exp. to Act. Rev. (3) to (2)	(6) % of Act. Exp. to Allocations (3) to (1)
(1951-1954)	87.4	107.5	43.1	(+) 64.4	40.1	49.0
(1955-1959)	410.2	241.4	222.2	(+) 19.2	92.0	54.1
(1959-1961)	313.16	100.9	108.3	(-) 7.5	107.3	34.5
(1961-1964)	442.3	239.0	200.3	(+) 38.7	83.8	45.3
(1965-1969)	605.6	407.0	287.6	(+) 119.4	70.6	47.5
(1970-1974)	1,259.0[1]	1,259.0[2]	886.0	(+) 373.0	70.4	70.4
Total	3,118.1	2,354.8	1,747.5	(+) 606.8	72.2	56.0

(1) Total allocations amounted to ID 1,932 million but this figure includes other expenditures totaling ID 673 million of which ID 459 million allocated in 1974.

(2) Due to the increase in oil revenues, we assume these revenues were actually realized.

Source: Complied by the author.

(2) Lack of executive powers and their concentration at the ministerial levels.

(3) Delay in handing over project sites to contractors by the executing ministries due to government red-tape.

(4) Delay in the civil engineering works.

(5) Political instability and frequent changes among cabinet members, especially in the case of the Planning Ministry which had six ministers during the period 1964-1968, and six more since 1968. The changes were even more frequent in the case of the main sectoral ministries.[12] During the period 1964-68, there were eight ministers of Industry and Transport and seven ministers of Public Works and six ministers of Agrarian Reform. These changes, however, have become less frequent after 1970.

B. Technical and Economic Bottlenecks

Among these are the following:

(1) Lack of reliable feasibility studies, frequent changes in cost estimates and designs of some projects. This has led in many instances to the reopening of discussions in both the Planning Board Steering Committee and the Planning Board as to the rationale of these changes and thus, leading not only to delays in implementation, but also to a great increase in the cost of the projects.

(2) Misjudgment in selecting project sites. This has made it more difficult to overcome problems of logistic and otherwise as to the operation of projects at their full capacity.

(3) Shortages of local contractors.

(4) Lack of banking credit facilities granted to local contractors.

(5) Lack of technical staff in the government agencies which are directly implementing plan projects has made it difficult to make them committed to a time schedule.

(6) Lack of economic incentives to engineers, technicians and administrators at project sites.

C. Strategic Bottlenecks

The development experience in Iraq has shown that by not adopting a strategy of integrated projects, great damage had been incurred by the Iraqi economy, especially in the agricultural sector. Although closely related, water control, drainage, desalination, and irrigation projects were included in the programmes and plans as separate projects instead of being considered as an integral part of a single complex.

Thus, inadequacies and lack of coordination and follow up have adversely affected plan implementation. However, some serious attempts were made in this respect to ameliorate the processes of implementation during the 1970-74 Plan.

It should also be noted that planning policy in Iraq until the end of 1970-74 Plan was based on investment planning instead of production planning. However, the current 1976-80 Plan is supposed to have shifted planning policy towards realizing certain production objectives, but no concrete results have come out yet.

In conclusion, the Iraqi development experience has shown that shortage of capital has not been the limiting factor in its development, but rather the limited absorptive capacity of its economy, which, in turn, is affected by various factors.

FOOTNOTES

(1) For a good and precise discussion, see: Haseeb, K., "Plan Implementation In Iraq, 1951-1967" in **Studies on Selected Development Problems in Various Countries in the Middle East, 1969** (United Nations, 1969) pp. 2-3.

(2) See Haseeb, **Ibid.,** P. 3

(3) For a detailed discussion of this concept from several related perspectives, see: **Medium Term Ability of Oil Productivity Countries to Absorb Real Goods and Services,** A Study prepared by CACI, INC.-Federal, for the Department of State, March, 1976, Vol. II, Chapter 2.

(4) Adler, J.H., **Absorptive Capacity: The Concept and Its Determinants** (Washington D.C.: The Brookings Institute, 1965), p. 1

(5) See their forthcoming book: **The Absorptive Capacity of Kuwait: Domestic and International Perspectives,** PP. 8-9

(6) The present war between Iraq and Iran which broke out on 4 of September 1980, will, no doubt, have adverse effects on the absorptive capacities of both countries.

(7) Al-Eyd, K.A., **Oil Revenues And Accelerated Growth: Absorptive Capacity In Iraq,** Praeger, 1979, P. 76.

(8) Seymour, I., "Iraqi Oil Policy in Focus", **Middle East Economic Survey,** XVIII, 35, June 1975, pp. 1-6

(9) Penrose E., and E.F., **Iraq: International Relations and National Development,** London, Ernest Benn, 1978, p. 453.

(10) Warriner, D., **Land Reform in Principle and Practice,** Oxford, 1969, P. 43.

(11) For a more detailed discussion see: Penrose, **op. cit.,** pp. 471-76

(12) See Haseeb, **op. cit.,** p. 10.

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تخصيصات الاستثمار وتنفيذ أهداف خطط التنمية:
طاقة العراق الاستيعابية ١٩٥١ ـ ١٩٨٠

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يعالج هذا البحث ربط زيادة موارد العراق النفطية منذ اوائل الخمسينات، وخاصة بعد عام ١٩٧٣، بالجهود الانمائية الرامية الى اقامة البنية الارتكازية اللازمة لتنمية الاقتصاد العراقي ومعالجة خلله الهيكلي المتمثل بهيمنة القطاع النفطي على مجمل نشاطاته الاقتصادية، بتوزيع مصادر الدخل وتنمية القطاعات الاقتصادية الأخرى، وخاصة القطاع الزراعي الذى تتوفر فيه القدرات الكافية لانطلاقة انمائية حقيقية تتسم ليس فقط بامكانية توفير مقومات الاعتماد على الذات، بل كذلك بالاستمرارية. الا ان هذه القدرات الذاتية قد يتعذر تحقيقها وتطويرها اذا لم تؤدى الخطط الانمائية الى تنمية الموارد البشرية وتطويرها والمحافظة عليها، لأنها تعتبر من اكثر العوامل المحددة للطاقة الاستيعابية. لهذا، يحاول البحث تسليط الأضواء على العوامل الرئيسية التى تحدد طاقة الاقتصاد العراقى الاستيعابية طيلة العقود الثلاثة الماضية بالتعرف على السمات العامة لبرامج وخطط التنمية المختلفة، خاصة فيما يتعلق بالتخصيصات القطاعية والمصروفات الاستثمارية الفعلية، التى عكست انخفاض نسبة التنفيذ فى جميع القطاعات الاقتصادية (ولا سيما فى القطاع الزراعى)، وتحديد معوقات تنفيذ الخطط الانمائية وتحليلها اذ ان الخاصية الأساس التى اتسمت بها تجربة التخطيط الانمائي في العراق قد عكست ان معوقات التنفيذ لا تعزى الى نقص فى الموارد المتاحة وانما الى محدودية الطاقة الاستيعابية للاقتصاد والتى تتأثر بدورها بمدى القدرة على احداث تحولات نوعية في بنية الاقتصاد العراقى وفي مقدمتها الاستثمار في رأس المال البشري الذي ثبتت جدواه الاقتصادية من تجارب الأقطار الأخرى باعتباره أشد العوامل حسما فى كسر القيد المتمثل بمحدودية الطاقة الاستيعابية ولأنه هو هدف التنمية الاقتصادية والاجتماعية.