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Literature review

Hadi Jaber*

The role of foreign aid in the transformation of Iraq's society and economy

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Abstract: Foreign aid helps in transforming nations and ensuring that they attain economic development. Foreign aid levels in Iraq are higher than those of its oil-producing neighbors due to numerous factors that are discussed in the present study. Iraq is the second largest oil producer in the Middle East after Saudi Arabia, but some activities within the country have curtailed development, leaving it at the mercy of foreign nations and investors. The present study aims to evaluate the level of foreign aid in Iraq, comparing it to its oil-rich neighbors. It highlights various factors that have increased Iraq's dependence on foreign aid and the role and management of this assistance. The article shows how negative factors like war, poor governance, and corruption have contributed to the over-reliance on foreign aid, in spite of Iraqbeing endowed with natural resources. The qualitative evaluation of the development of Iraq's oil aid reveals that continued reliance on foreign aid will jeopardizes the country's economic development.

Keywords: foreign aid, Iraq, MENA, neighbors, OECD
JEL Classification: F35, O19

1 Introduction

Iraq and its neighboring oil-producing nations have different foreign aid experiences. Since the 1950s, Iraq has received vast amounts of foreign aid from organizations like the United Nations to further their reconstruction and promote external trade. Conflicts have always countered the economic development of Iraq, in spite of the country being rich in natural resources. Iraq is the fourth largest oil-producing nation globally and the fifth country with the most discovered oil reserves. Despite this fact, the country does not exploit its oil wealth and use it for development. It is suspected that developed countries offer aid to Iraq for their benefit. Iraq totally depends on exporting oil as its hydrocarbon industry contributes to 58% of the nation's GDP, 99% of its exports, and about 91% of its overall revenue. Unlike its oil-producing neighbors, Iraq's dependence on oil does not mean that the country is financially stable. The ever-growing population highlights that even if Iraq produces oil continuously, the focus on foreign aid will not provide enough revenue to cater to all its citizens' needs.

Therefore, as long as Iraq continues neglecting other economic development factors, foreign aid will be necessary to ensure that all Iraqis have their rights taken care of. During the numerous conflicts and dysfunctional government, Iraq depended on foreign support for economic development. Such critical moments in the country's history allowed foreign assistance to help in financial advancements and aided policymakers to maneuver their policies into action. As an oil-rich country, Iraq receives foreign aid more than its oil-producing neighbors. Some of its neighboring oil-producing countries like Saudi Arabia and the United Arab Emirates (UAE) offer their assistance to developing countries like Iraq since they are financially stable.

***Corresponding author: Hadi Jaber,** SGH Warsaw School of Economics, Warsaw, Poland. E-mail: hj75967@doktorant.sgh.waw.pl.

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In the study, the research method of comparative analysis and the statistical method are used. This study aims to evaluate foreign aid levels in Iraq, and compare it to its oil-rich neighbors. It discusses why Iraq continues its dependence on foreign aid despite having rich oil and gas reserves and being one of the largest oil producers in the Middle East. The study also investigates a number of factors contributing to Iraq's dependence on foreign assistance, despite having one of the largest oil-reserves. Additionally, the article presents the contribution of foreign aid in different industries in Iraq, including the oil industry. It is hypothesized that Iraq's overdependence on foreign aid contributes to some of its problems, such as economic and political instability. Additionally, the dependence on foreign aid is due to issues such as poor governance, instability, and many others.

2 Methodology

This study used qualitative research to develop numerical data. An online search was conducted to find data from credible sources, such as the Word Bank, the World Bank Indicator, and Statistical Performance Indicators. The data provided on these sites from different years were used to generate the figures and graphs provided in this article. The oldest source is from 1962, and the latest is from 2021. The online search included words such as "Iraq," "foreign aid," "MENA," "OECD," "displacement in Iraq," "corruption," "and mortality rates". The online search generated a number of results, some of which were insufficient while others were considered unsuitable since they seemed to have been compiled based on people's subjective estimates. This article's author selected data from governmental research departments. This research method is valuable since it highlights other authors' views on this topic; and provides insights into the complex phenomena of an oil-rich country depending on foreign assistance.

3 Foreign aid: definition and nature

According to Hans Morgenthau [1962], foreign aid or assistance has been the most challenging concept in foreign policy to understand and implement [Markovits et al., 2019, p. 2]. Studies on foreign aid indicate that the $100 billion European financial reconstruction project known as the Marshall Plan,[1] after World War II, was the first instance of foreign assistance globally [Markovits et al., 2019, p. 2]. Despite the existence of foreign aid before 1945, scholars agree that the Marshall Plan was the origin point of international assistance. Some countries conduct foreign aid to further their national interests and security. They support less fortunate countries to achieve economic development and sustainability. For instance, the United States aids other countries with one goal, which is to "subsidize allies to ensure allegiance, fostering international influence, and finally serving the United States interests and national security" [Peralta, 2018, p. 6]. This statement means that the United States offers foreign assistance with the aims of securing their interests and security. Therefore, foreign aid is the global transfer of services and products from one country to another or international organizations to help a nation in need. Foreign aid encompasses military action, economic help, and humanitarian acts in case of natural disasters.

Foreign aid entails granting financial resources or important goods like food, military equipment, and training. Financial resources encompass grants; and export credits, commonly known as concessional credits. The most known form of foreign assistance is official development assistance (ODA), the aid granted to enhance development and counter poverty. The main source of official development assistance is the bilateral grant, which us provided by a developed country to a poor one. Some foreign aid comes as loans granted through international organizations or non-governmental organizations. For instance, the International Monetary Fund, the United Nations Children's Fund, and other non-governmental organizations offer international assistance. Nations often give international aid for security purposes

1 The Marshall Plan was introduced by the United States after WWII to help Western Europe in reconstruction. It is believed that the United States granted Western Europe about $13 billion after the war for reconstruction. Scholars believe that this was the first foreign aid initiative in the world.

[Qian, 2015, p. 8], which means economic aid can be used as a means to hinder allying governments from falling into an unfriendly rule or to pay for the ability to maintain military bases in a friendly nation.

Foreign aid is used to enhance a nation's diplomatic objectives, helping it to be recognized diplomatically and gain support from relevant international organizations. Countries seeking to promote their foreign exports may offer aid through projects that allow the receiving country to utilize assistance to buy the donor nation's products, spreading its culture and language. Wealthy countries like the United States and China offer aid to countries affected by natural disasters or war[2]. They implement this to enhance economic development and strengthen governments to deal with terrorism and issues that jeopardize international security. In this study, the research method of comparative analysis and the statistical method are used.

4 The role of foreign aid in Iraq

Iraq's economic growth is often countered by a series of misunderstandings, sanctions, and war. This situation also happened during the 1970 oil development, when there was fast and effective economic advancement throughout the world. Although the country is vast, its government has failed to protect its citizens, foster economic growth, and provide basic needs. Poor leadership in Iraq has constantly undermined the nation's legitimacy, raising many other groups seeking to seize power and available resources. These groups range from ethnic extremist groups, secretarian forces, and the Daesh.[3] Close connections between the extremist and political groups have increased the political differences and influenced poor governance. Intervention from external forces has also contributed to sanctions, wars, and increased humanitarian and growth assistance [Ali and Shah, 2000].

The country has made mediocre efforts to reduce poverty and increase income for its citizens since 2007. Studies evaluating poverty in 2014 highlighted that poverty levels have not changed by 22.5%. The successful poverty reduction efforts up to 2012 had reduced over the subsequent 2 years due to increased violence and the decline in economic development attributed to the decline in oil costs. About 5 million Iraqi citizens were internally displaced by 2014 due to the numerous political and religious conflicts. Although the medical and academic systems were considered the best in the Middle East and Northern Africa (MENA) region during the 1970s, their levels have reduced considerably over the years. Most leaders and citizens have ignored attempts to increase literacy levels and implement gender equality. Much efforts are neededto reduce gender inequality and increase school enrollment. Solving these issues will enable the country to develop economically and reduce poverty in the region.

The large and vulnerable population in Iraq pressurizes the flawed system and increases the disparities of accessing resources, education, and healthcare between the different regions. The Iraqi government requires help in enhancing the rapid growth of the oil industry to improve the public sector and cater to the citizens' needs, including increased wages as a form of a long-term development strategy. The primary problem in Iraq is that its financial institutions are poor and ill-equipped to manage the difficulties of the oil-rich strategies, which has made Iraq very vulnerable to the rapid decrease in oil prices since 2014 [Rimmer, 2013]. Although the public sector has been insufficient in protecting the country's basic services and security, it still governs the economy.

The country's public sector is the largest employer in the formal sector and the rapidly growing expenditure factor in the country's budget. Enterprises that the state owns are prominent in its financial and non- financial sectors; hence, they enjoy numerous privileges while hindering factor reallocation. Despite this fact, a large portion of the state-owned enterprises are non-profitable. The weak private sector is unable to enhance development and increase employment for thousands of unemployed Iraqis [Rimmer, 2013].

2 In response to threats derivation from catastrophes and natural disasters, as well as social demands directed to states to more effectively prevent and conduct rescue operations in such crises, states have created International Disaster Response Laws (IDRL) norms and institutions to implement them, see more: J. Menkes, M. Suska, International Disaster Response Laws (IDRL) in Poland [in] The economic and legal impact of Covid 19; The case of Poland, J. Menkes, M. Suska (eds.), Routledge 2021.

3 This is a militant group famously known as the Islamic State of Iraq and Syria (ISIS). The group has been termed by the United Nations as a terrorist organization because of its human rights violations, ethnic cleansing, and genocide. It participated in the 2003 war, attempting to drive western forces from Iraq.

Iraq has also neglected its infrastructure not based on oil production, increasing the poor infrastructure and limited public investment opportunities. The country's private sector is still incapable of elevating the non-oil economy, increasing the need for foreign investments. Figure 1 shows the amount of money Iraq received in foreign aid from 2016 to 2019.

External interventions have participated in Iraq's activities and continue to do so in the modern era. These influences include coalitions led by international organizations aiming at boosting Iraq's development. Since Iraq is rich in oil, other nations gain particular interest in the oil reserves. Moreover, its geographical location increases the desire to exploit it; thus, increasing the power struggle among potential investors. Wealthy countries in the Middle East often conduct the geopolitical power struggles in Iraq. Iraqi Kurdistan also furthered political revolution in the region. The battle ended in 2018 after Quban Talabani became the leader of the Iraqi Kurdistan region [Zaman, 2021]. Daesh in Iraq engaged in the power struggle over Iraq's territory and participated in the Syrian civil war that started in March, 2011, causing increased conflict and violence in Iraq [Tarnoff, 2011]. These wars motivated regional and international actors to venture into Iraq. The numerous conflicts and wars in the country made it difficult for political stability to flourish, affecting its development. This factor means that invariable reconstruction efforts by foreign nations have been directed towards Iraq's nation-building.

International aid in Iraq has been implemented to further urgent humanitarian needs. According to the United Nations, about 1.5 million Iraqi citizens fled, and 2 million have been internally displaced. Ten million Iraqi citizens need food, water, medical aid, and education assistance. Foreign institutions have already spent about USD 82 million on humanitarian assistance in Iraq, including reconstruction efforts [World Bank Group, 2017]. The World Food Program is known for exchanging Iraqi oil for food distribution. Efforts to further democracy development in Iraq have received substantial attention from the rest of the world. The primary goal of the foreign actors in Iraq is not to impose a particular style on the country, but to enhance the environment, where Iraqis have a unique and democratic government. International organizations, in their assistance efforts, removed the pro-Saddam sentiments in the government. They motivated the Iraqi administration to follow the rule of law through an independent judiciary and a constitution. Foreign aid in Iraq aims to restructure the election process, institute independent media channels, and improve the conditions of the civil society, including protecting minority rights.

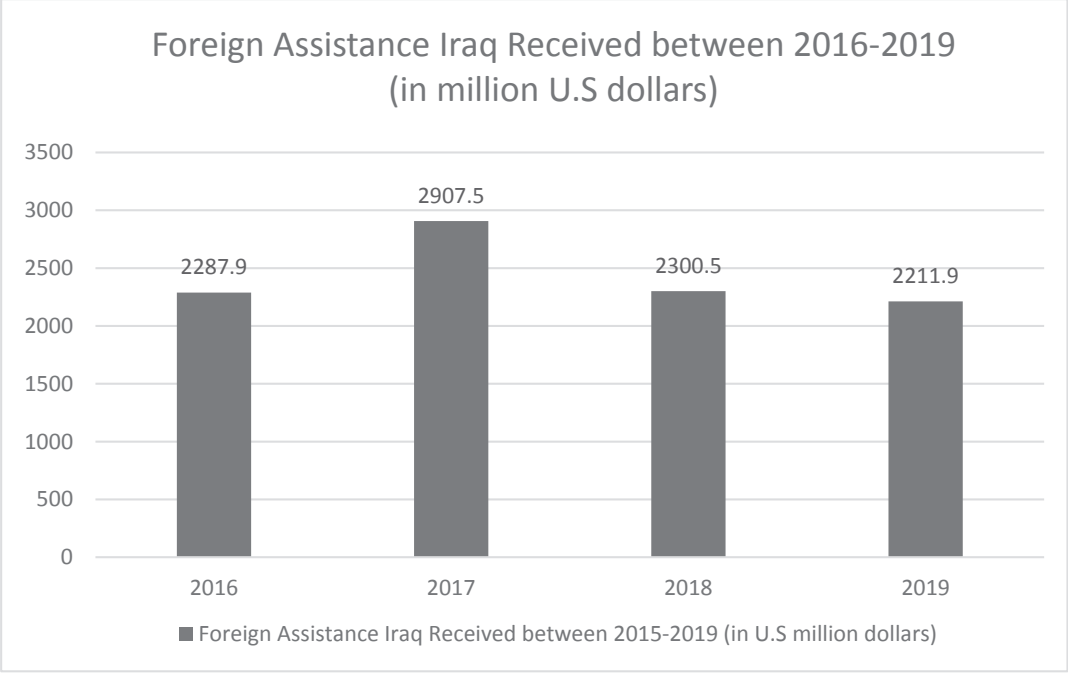


Figure 1. Foreign assistance to Iraq in (million USD), 2016-2019.
Source: Own analysis based on the Global Economy website (https://www.theglobaleconomy.com/Iraq/foreign_aid/) accessed in October 2021.

Table 1: Bilateral assistance to Iraq (in billion USD), 2016 – 2019.

	2016 Actual	2017 Actual	2018 Actual	2019 Actual
ESF/ESDF	122.50	553.50	100	150
FMF	250	250	250	250
IMET	0.99	0.70	0.82	0.91
INCLE	11	0.20	5.60	5.60
NADR	20.86	56.92	46.86	45
Total	405.35	861.33	403.28	451.51

Source: Organisation for Economic Co-operation and Development; https://doi.org/10.1787/b2156c99-en.

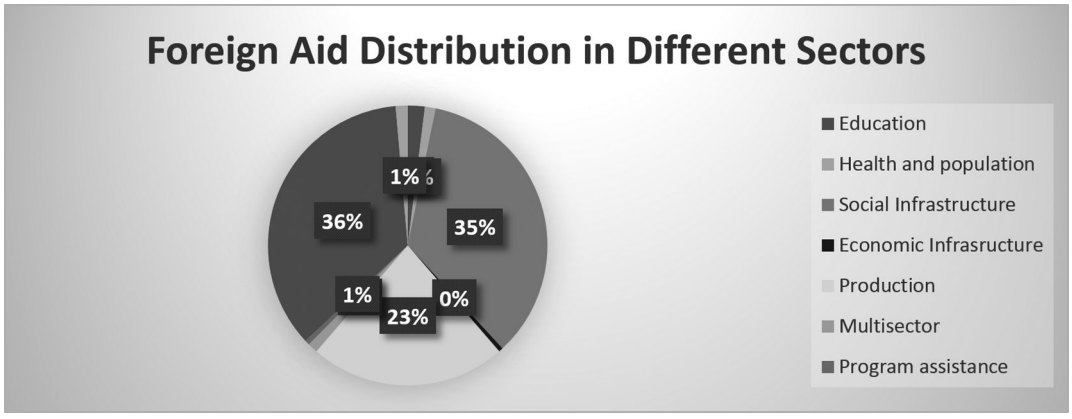


Figure 2. Iraq's foreign aid across sectors in (percentage), 2018 – 2019.
Source: Organisation for Economic Co-operation and Development; https://www.oecd.org/countries/iraq/aid-at-a-glance.html

Foreign agencies aid Iraq in the economy, military, stabilization, and security. For instance, the United States engages in wars against extremist groups and terrorists via the Defense Department Counter-ISIS Train and Equip Fund (CTEF) [World Bank Group, 2017]. In attempts to control the region, the United States Congress allocated about USD 6.5 billion to fight terrorist groups. Iraq started buying original weapons from the United States in exchange for the Foreign Military Funding (FMF) to the middle-eastern nation in 2012 for Iraq to adopt and maintain indigenous American systems [Tarnoff, 2011]. The FMF funds directed to Iraq from the United States were mainly used to counter terrorism and purchase military equipment and ammunition. In the financial year 2016-2017, loans amounting to more than USD 2.7 were awarded to Iraq to train and sustain the country's defense. Economic aid to Iraq has supported the public economic management reform and some loan guarantees. The Kurdistan region of Iraq received direct funds to address the economy, security, and humanitarian issues. Table 1 shows the amount of money (in billion U.S dollars) granted to Iraq by various channels from 2016 to 2021. Figure 2 shows the distribution of Iraqi foreign aid in different sectors.

5 Foreign aid in Iraq vs. other foreign countries

Middle Eastern countries near Iraq are well-endowed with oil reserves, each exporting to other nations like China and Japan. The largest oil-producing country is Saudi Arabia, which produces about 12 million gallons of oil every year [Werker et al., 2009)]. Figure 3 presents the distribution of oil reserves in the Middle East between 2016 and 2019, which shows that Iraq is among the leading oil-producers in the region.

Despite this wealth in oil, some of these countries receive foreign aid, while some assist others in developing economically. It is estimated that oil-producing MENA countries obtained aid amounting to about USD 6.6 billion in the 2020 - 2021 financial year from the United States [Sharp et al., 2021].

Saudi Arabia, the United Arab Emirates, Libya, and Kuwait are some oil-producing nations near Iraq that do not receive foreign aid but donate to other nations [Werker et al., 2009, P.5]. These countries grant assistance as loans, with a vast percentage being sanctioned to Arab nations. Saudi Arabia and Kuwait rely on loans as their way of offering financial assistance, having lent out over USD 13.2 billion by 2007 [Villanger, 2007, p. 7]. Saudi Arabia is considered the largest Middle-Eastern donor, giving about 70% of the total global aid from 1995 to 2004. The country notably participated in the fight against the Iraqi invasion in Kuwait by offering financial assistance. Between 1992 and 1993, donations from Saudi Arabia were reduced because the country was involved in Kuwait's reconstruction, and the economic decline was due to their support to the allies [Villanger, 2007, p. 6] However, this factor did not stop Saudi Arabia from being one of the largest Middle-Eastern donors in history. Saudi Arabia has also agreed to contribute about USD 3 billion for investment in Iraq since 2016 Moreover, between 2016 and 2019, Saudi Arabia issued a grant of USD 500 million to the United Nations to provide humanitarian aid to Iraqis [International Crisis Group, 2018]. The chart in Figure 4 shows Saudi Arabia's international humanitarian assistance to multilaterals funds between 2016 and 2019, making it the largest donors in the world.

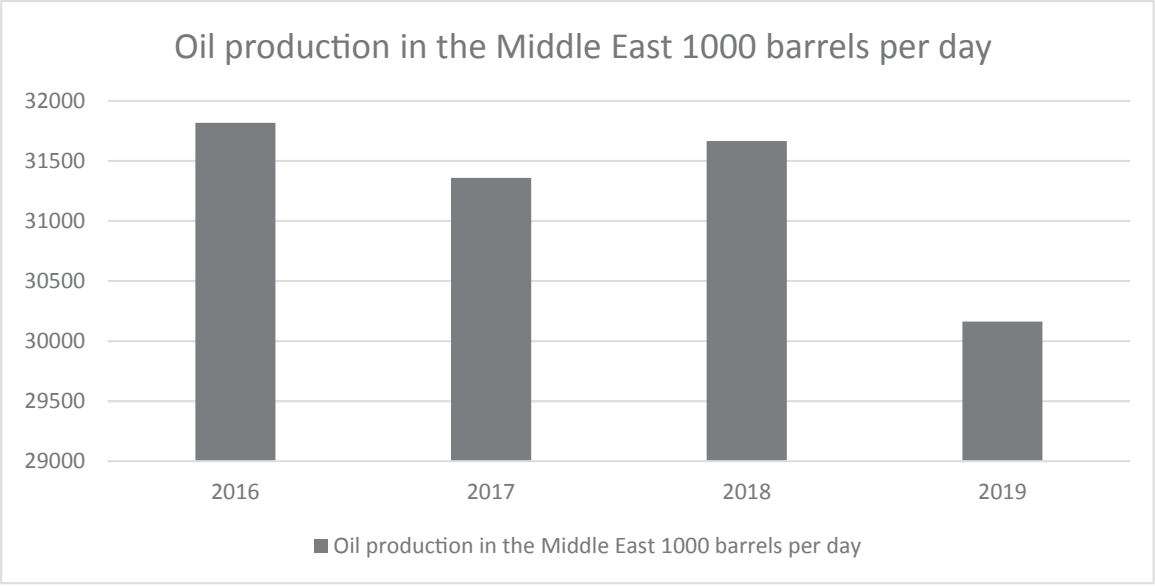


Figure 3. Daily oil production in the Middle Eastern region per 1000 barrels, 2016 – 2019.
Source: Own elaboration based on Statista Research Department; https://www.statista.com/statistics/265200/middle-eastern-oil-production-in-barrels-per-day

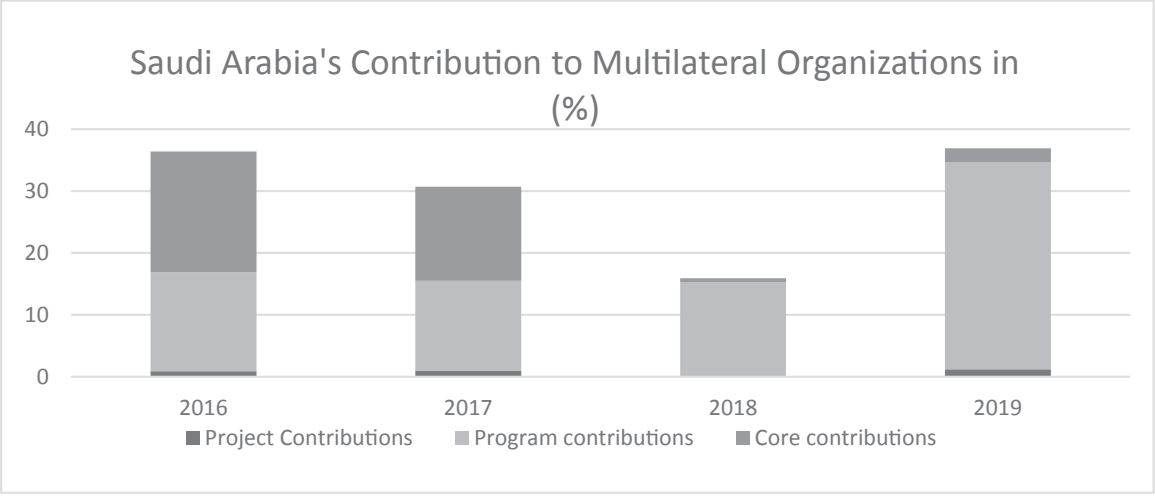


Figure 4. Saudi Arabia's contribution to multilateral organizations in percentage, 2016 – 2019.
Source: OECD; https://doi.org/10.1787/b2156c99-en

6 Evaluation of the effectiveness of foreign aid in Iraq

Iraq receives high amounts of foreign aid due to its long history in war and administrative failures. It has received increased foreign aid to rebuild the state institutions that have been weakened over the years due to increased sanctions. It is among the oil- producing nations with the poorest governance, especially in the Middle East. The effectiveness of the country's public sector is unstable and increasingly weak. A 2015 analysis using the Fragile States Index highlights that Iraq does not have numerous basic administrative effectiveness needed for appropriate governance. The most recent analysis using the Bertelsmann Transformation Index, Institutional Profile Database, and World Governance Indicators stipulates that Iraq is poor in terms of its institutional capacity and sufficiency as compared to the MENA and OECD countries in its neighborhood [Manama, 2016].

Violence and war have significantly affected the country's economy and decades of investment. Researchers stipulate that in 2016, Iraq's GDP per capita income was 23%, having reduced by 16% in the past year. Its GDP has increased to about USD 5,000 in the recent years due to the revenues from hydrocarbons and oil export [Manama, 2016]. Despite this progress, the country is still troubled by its history, calling for humanitarian assistance from external forces. The chart in Figure 5 shows the GDP per capita growth in Iraq from 2016 to 2019. The graph indicates that during the period when war prevailed and the country needed assistance, the GDP substantially decreased and increased steadily after that.

Estimates stipulate that about 9 million Iraqi citizens have lived in poverty since 2014 [World Bank Group, 2017]. The presence of human capital in the region is not as effective as it should be due to poverty generated by decades of war and insecurity. The sanctions and trauma after the invasion in the Kuwait region countered the Iraq's growth, reducing its GDP from that in the 1970s when oil trade was at its maximum [Ali and Shah, 2000]. For instance, the health sector has suffered a major blow since the 1980s. Iraq's male citizens and children had the most reduced life expectancy than any other country in the Middle East. Figure 6 indicates infant mortality rates in Iraq from 2016 to 2019. This has been a major challenge in Iraq that requires both government and international aid. Studies carried out from 1990 – 2019 show that infant mortality in the region was the second highest after Yemen, which is also an oil-rich nation in the Middle East [World Bank Group, 2017]. Education levels have also reduced in Iraq since the Kuwait invasion, resulting in having the least rates among the MENA nations. Foreign assistants have ventured into education since the levels are below the MENA and the UMIC requirements.

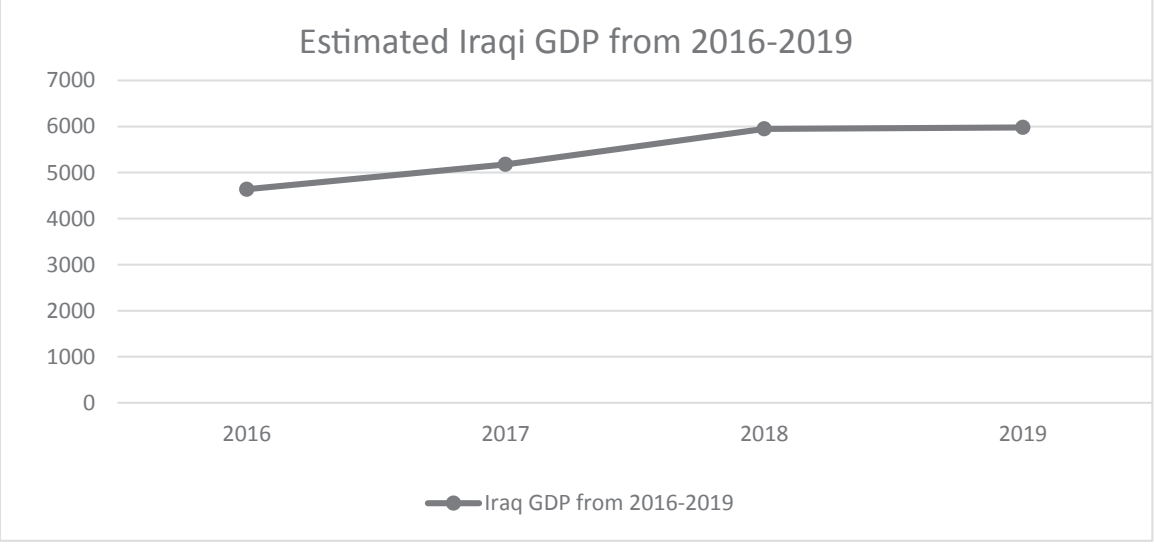


Figure 5. Estimated Iraqi GDP per capita in USD, 2016 – 2019.
Source: Own elaboration based on Statista; https://www.statista.com/statistics/326993/gross-domestic-product-gdp-per-capita-in-iraq

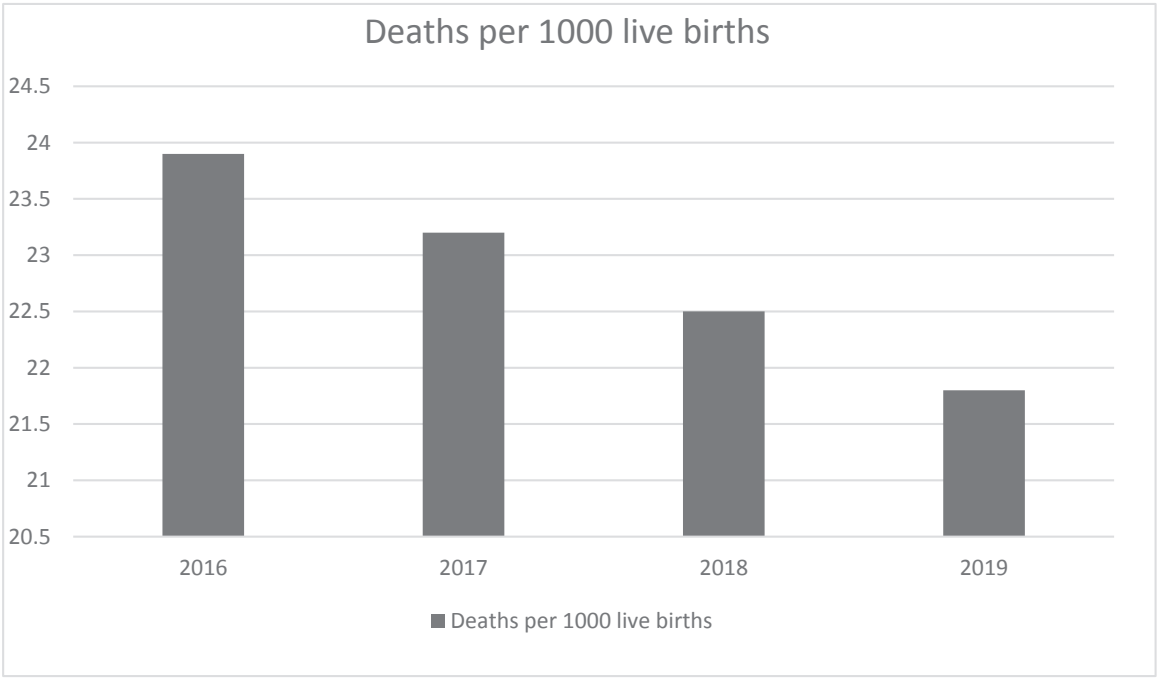


Figure 6. Infant mortality rates in Iraq in(percentage), 2016 – 2019.
Source: Own elaboration based on Statista; https://www.statista.com/statistics/806949/infant-mortality-in-iraq

The civil war in Iraq between 2006 and 2007 and the Daesh insurgency led to a humanitarian problem in Iraq, increasing the number of internally displaced persons (IDPs). However, the problem of refugees has existed throughout the years during the 90s when the Baath administration instituted some policies that led to uprisings in the northern and southern regions of the country. Estimates highlight that about 800,000 individuals were displaced from their homes, with a majority being the Kurds and the Shia opponents of the existing regime. A minority of the Turkmen and Christian individuals were also targeted during the Iraqi - Iranian war under Saddam Hussein. Kurdish villages and the homes of Marsh Arabs were destroyed, displacing many of the citizens. There have been numerous recorded violence cases which in turn have elevated the number of IDPs to 4 million [World Bank Group, 2017]. These demographics appear second after the displacement levels in Syria that require foreign intervention. Displacement in these war-torn regions mostly affects women and children, especially widows and orphans. Research shows that about 2 million children living in the IDP camps dropped out of school between 2015 and 2016 due to instability in the country. Figure 7 shows the displacement levels in Iraq between 2016 and 2019. The fact that women and children suffer under violence prompts other countries and international organizations to device mechanisms to help these individuals and ensure that a better future is guaranteed.

Corruption, bribery, and nepotism are the primary indicators of poor governance in Iraq. These factors have made the nation more eligible to foreign aid to restore the dignity of authoritative bodies. At the country's central government, the collaboration of a resource-wealthy but weak state has enabled competing groups to withhold the country's resources and, contracts, decimate entities, and counter the progress of Iraq's private sector. The numerous groups in power, like the militia groups, interpret the governance structure as a way to capture and control other citizens and all other institutions [World Bank Group, 2017]. When the state-level governance is weak, the authorities of the illegitimate power entities obtain approval from controlling Iraq's resources and direct them to their constituencies. One example of this system is the informal secretarian regime, which has controlled the distribution of power and administration and small government seats since 2003 [World Bank Group, 2017]. The system is an indication of the disadvantaged public sector that counters the effectiveness of the government and the delivery of services. The public has, since then, lost trust and confidence in the government. Increased corruption levels in Iraq hinder many people from accessing necessities. There are numerous studies, both quantitative and qualitative, that

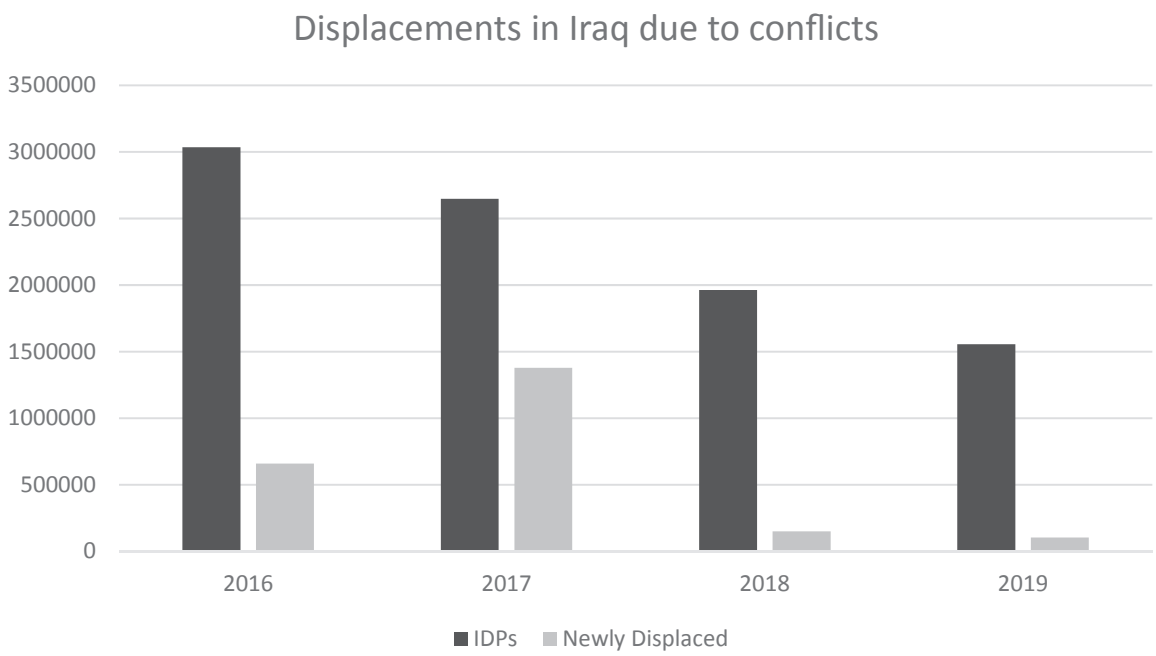


Figure 7. Displacement levels in Iraq due to conflicts (per 500,000), 2016 – 2019.
Source: Own elaboration based on IDMC; https://www.internal-displacement.org/countries/iraq

show how Iraq has been poorly ranked due to corruption. For instance, it is ranked 161 out of 168 nations in terms of corruption [Transparency International, 2015]. These scores undermine its relative income;thus, requiring foreign aid to control corruption levels and enhance equal opportunities for the masses.

The increased influx of Iraq's reconstruction programs that came after the 2003 scenario with the past decades of war and suffering countered overall expenditure, and monitoring, and shattered the country's main sector. In evaluating the levels of the issue, studies reveal that Iraqis indicate that corruption affects everyone in the country, and it increases security and economic concerns. Furthermore, corruption in Iraq results in violence and war that require foreign aid to maintain peace and counter corruption. The rampant corruption issues in the country have limited power separation across the different arms of government. Most of the country's power rests upon the executive branch, which hinders the operations of the judiciary and the parliament [World Bank Group, 2017]. Due to these differences, the country has been unable to address corruption, and this is likely to be the case in future, if no action is taken. The country's leaders are not willing to give up their majestic seats and personal gain. Although the country has institute agencies to fight against corruption like the Commission on Public Integrity, they are unable to address the issues due to intimidation by the executive and their supporters. Iraqi corruption levels are higher than those of its neighbors. The presence of oil reserves makes it easy for the executive to continue controlling this sector since it is the main income- generating economic activity in the country. Figure 8 shows corruption control levels in Iraq. The chart shows that controlling corruption in Iraq has been difficult compared to in its oil-producing neighbors. This trend can be used to explain why Iraq receives more international assistance that other nations.

The presence of oil in many of Iraq's neighboring has increased political and leadership issues. Many scholars highlight that the presence of oil reserves has increased political stagnation in the region [Cordesman, 2015]. The lack of government responsibility and accountability in the oil producing countries in the Middle East is rampant across the board. The problem persists in this region as well as Iraq because the leaders always want to institute new taxes upon the citizens. Iraq and most of its oil-rich neighbors incorporate the rentier state paradigm, which stipulates that citizens cannot be represented without taxation [World Bank Group, 2017]. This statement means that whenever rulers obtain sufficient revenue from oil and petroleum trade, they are likely to increase the taxes; hence, the citizens will be less motivated to demand accountability and effective representation. Some governments exempt their people from tax

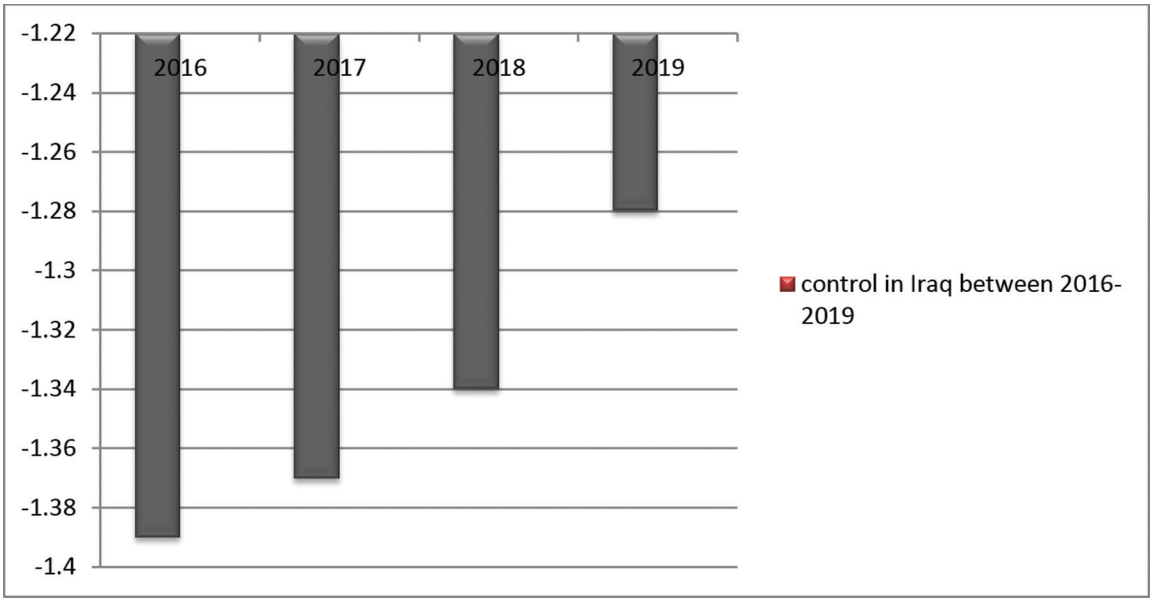


Figure 8. Corruption control in Iraq in points, 2016 – 2019.
Source: Own elaboration based on Global Economy https://www.theglobaleconomy.com/Iraq/wb_corruption/

payment, as long as they do not demand representation and accountability for any authoritative action. This activity means that nations can offer and redistribute the country's revenue as they please, and do not need to get legitimization from the citizens.

Wealthy oil-producing nations like Kuwait, the UAE and Saudi Arabia do not depend on foreign aid like Iraq and Iran, but provide their citizens with public necessities, education, employment, and national security. They often give their citizens the best so that they do not depend on foreign assistance or ask for accountability. Since these governments provide adequate employment opportunities and social conditions to the public, they become politically unconcerned and do not participate in many policies and legislations that affect them. These oil-rich countries that provide for their citizens are less likely to attract rebels against the administration [Cordesman, 2015]. The peace and prosperity that prevail in these nations reduce incidences of war that may call for foreign assistance, like what happens in Iraq. Citizens in the wealthy nations near Iraq recognize that any rebellious activity could jeopardize the country's welfare and limit what the government provides for them. Therefore, they choose to remain peaceful and unbothered about the political situation in the country. This is the reason, why the elite and those in government in these countries generate much personal wealth from oil trade. The rentier economy allows the leaders to keep citizens away from political matters by improving their living conditions and keeping foreign investors away [Cordesman, 2015].

Most oil-producing nations near Iraq have an intrinsic political strategy that focuses on personal ties and relationships. Patronage and cronyism systems that are prevalent in the Middle East make the countries' governors to institute models that benefit them as well as the people close to them [Cordesman, 2015]. As much as these strategies might be oppressive to a part of society, they ensure that the wealthy nations continue to harness more wealth and have minimum need for foreign aid. Similarly, most of these nations like Saudi Arabia have a strong system based on Islamic laws that do not allow the interaction of Westernized society with their culture. Since most potential donors are from the West, like the United States, these countries would rather avoid assistance by taking care of the material well-being of their citizens. Unlike these nations, Iraq's position and leadership position do not increase people's quality of life, thus calling for more intervention from the Western countries that are often frowned upon by the wealthy oil-rich countries.

Iraqi citizens lack the right and discretion to air their views and hold administrative bodies responsible for any occurrences. The rapid growth of Iraq after the collapse of Saddam Hussein's rule has led to

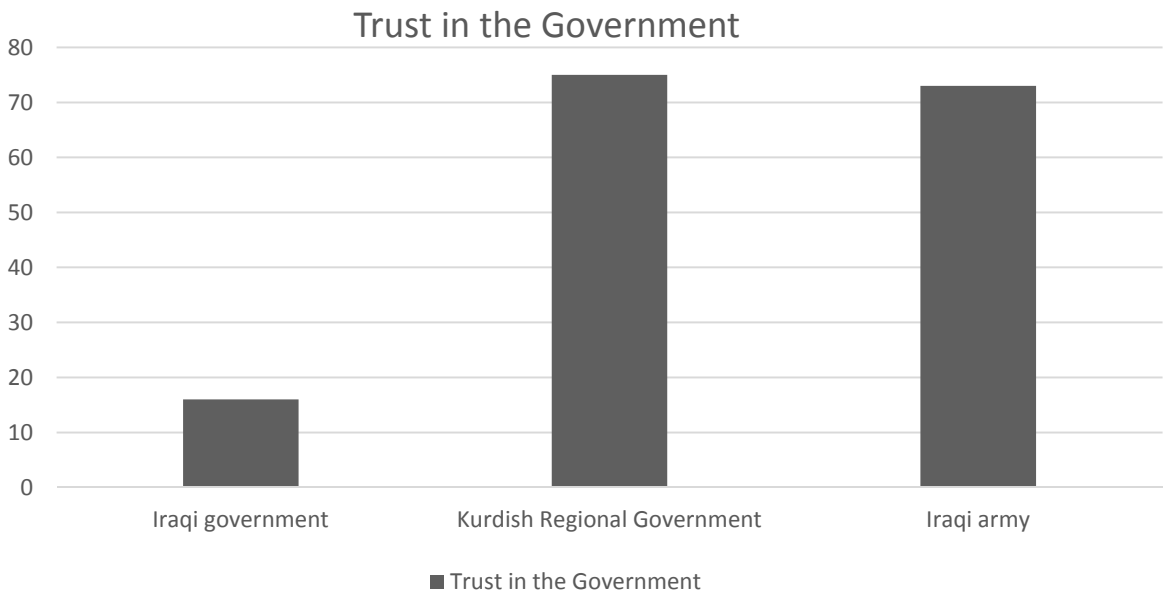


Figure 9. Levels of governmental trust in (percentage), 2019.
Source: Own elaboration based on the National website; https://www.thenationalnews.com/world/mena/disillusioned-iraq-trust-in-government-still-low-17-years-after-us-invasion-1.1116313

the development of militia groups and political parties that do not protect the interests of their citizens [Cordesman, 2015]. Due to the poor central institutions in Iraq, political entities manipulate the civil society organizations for legitimacy. The federal and provincial administration support the politically inclined civil society organizations (CSOs), but independent CSOs are supported by international aiders to continue their operations. Foreign assistants often depend on the independent CSOs to develop their audits and draft their goals and objectives [World Bank Group, 2017]. The almost inexistent transparency deludes all policy-making strategies and encourages corruption and impunity. Unlike its oil-producing neighbors, Iraq does not have a law that guarantees free information flow. For this reason, thecountry's citizens and the media cannot investigate or gather any information pertaining to their leadership or any developmental projects and policies. Due to the lack of information and involvement in government practices, most Iraqi citizens have lost trust in their governments. Figure 9 shows the level of trust Iraqi citizens have in their administration. It shows that citizens trust the Kurdish Regional Government and the Iraqi army more than Iraq's main government.

Unlike Saudi Arabia and other rich nations under the MENA that compensate for the lack of accountability by providing basic services to their populations, the Iraqi government forfeits both activities. Foreign investors always intend to venture into the nation to change such policies and ensure that important information like the budget is conveyed to the public. Studies show that the Iraqi government does not give adequate and sufficient information about the budget, and citizens do not get to participate in budget-making. The entire media fraternity in the country has limited rights to information, and some of the journalists are threatened if they try releasing any information involving key government figures. For this reason, civil society organizations in Iraq combine with international organizations to meet the citizens' humanitarian needs and improve public service [Iraq O. C. H. A., 2020]. They operate in the urban shanties and rural areas where the state's influence is minimal, or in war-stricken areas, where information and public service has been curtailed. Figure 10 indicates the levels of voice and accountability in the Iraqi region. Iraq curtails the information flow more than its oil-rich neighbors, necessitating international assistance to institute policies that increase access to information and independence of the media.

International institutions work with Iraq in attempts to enhance peace in the country, achieve economic stability and attain effective regional cooperation. The United Nation's Security Council made Iraq's security its obligation, forming a 5-year agreement in 2006 for this objective. Many of these partnerships



Figure 10. Voice and information in (percentage), 2016 – 2019.
Source: Own elaboration based on the World Bank. https://databank.worldbank.org/source/worldwide-governance-indicators

have arisen when Iraq has been affected by increased violence, terrorism, and political instability, which increase fear and tension all over. In the aforementioned sections, the article highlights that one of the main objectives of foreign investors and aiders is to restore peace by providing military assistance. These efforts have been rendered futile in the recent years since violence and chaos continue to exist, despite the presence of international military troops.

The international military has managed to control the situation in some regions but has failed in others. The main reason behind this is the presence of groups like the ISIS, who want to eliminate Western countries from their territories. These extremist groups highlight that international troops corrupt the country's culture and are only interested in the oil reserves. Many leaders from the United States have proven this fact by indicating that the war in Iraq was not to counter terrorism but to control the oil sector[4]. Researchers have established that Iraqi citizens want foreign forces to withdraw and allow the country to solve its issues [Bennett, 2012, p.25]. Although reconstruction efforts are ongoing, the frequent insurgencies in the country make it challenging for international organizations to improve infrastructure and the oil sector. The high insecurity levels hinder organizations like the Red Crescent from offering humanitarian aid from within the country, and instead operate from neighboring Jordan. The country continues to register internally displaced individuals, and poverty levels are still high.

Out of the 4 million estimated beneficiaries of humanitarian aid in Iraq, only 0.6 million have benefitted from these programs up to June 2021. Since ISIS activities in the nation have reduced, the primary reasons why the country continues depending on foreign aid are poor governance and political instability. A study conducted in the northern and central regions of the country, where much humanitarian assistance is needed, indicates that out of the 71% of individuals requiring humanitarian aid, only 18% received it [Stoddard et al., 2017].

Citizens highlight that the government hinders assistance from reaching those who need it through instituting restrictions. International aiders like the UN agencies maintain a low profile, fearing acts of violence against them. This fact contributes to the decline in humanitarian assistance in poor regions in

4 In 2007, John Abizaid, who was the head of military operations in Iraq at the time publicly declared that the war in Iraq was all about oil. See https://edition.cnn.com/2013/03/19/opinion/iraq-war-oil-juhasz/index.html (accessed: 25.10.2021).

Table 2. Number and percentage of Iraqis returning to their homes during the post-war period, 2016 – 2019.

Year	Number of returnees (in million)	(%)
2016	1.37	48
2017	3.22	48
2018	4.17	48
2019	4.45	49

Source: Own elaboration based on the New Humanitarian; https://www.thenewhumanitarian.org/news/2019/07/22/iraq-displacement-crisis-recovery, accessed in October 2021.

Iraq. Although humanitarian efforts in some regions are ineffective, the decline in war led by the ISIS has enabled about 4.5 million IDPs to return to their homes. Table 2 shows the profile of people returning to their homesfrom 2016 to 2019.

Organizations like USAID contribute to Iraq's foreign assistance by decreasing poverty and increasing economic operations in the private sector. The organization received about USD 21 million from the MENA Investment Initiative to build businesses, encourage capital investment and increase profitability. The initiative targets small and medium enterprises, providing them with opportunities to grow their business and obtain substantial revenue. Foreign investment in the private sector has been effective since livelihoods of people have improved, despite the ethnic and religious differences. Much work needs to be done in Iraq to ensure that it is stable on its own and that citizen's access the necessary amenities.

7 Findings and conclusions

Foreign aid is an important aspect for any country that has slow economic development or has met with unfortunate circumstances. Rich countries donate to poorer nations or those that have been affected by various factors like war, to facilitate them in rebuilding their economy and the military. Foreign assistance is important for Iraq for reconstruction purposes that further develop and improve infrastructure required in oil trade. Iraq is well-endowed with oil, being one of the largest oil-rich nations in the world. Despite this fact, the country has faced increased set-backs that prevent it from exercising its full potential. Extremist groups and conflicts led by secretarian groups have had a toll on the nation, destroying its infrastructure and increasing its citizens' poverty levels.

During the reconstruction era, large amounts of foreign aid were confiscated by the corrupt leaders of the Iraqi state, who divided it among themselves as an income source and to intensify their competition. The 2003 war led to a power shift in Iraq between the Sunni and Shia groups, and sectarian problems arose between the two groups. This tension led to an ethnic divide in the country which was subdued after the U.S agreed to pay Sunnis and their leaders in the Sunni Awakening program. MENA countries like Saudi Arabia and Kuwait offer bilateral aid to Iraq while being committed to their multilateral obligations. Saudi Arabia's political and economic interventions in Iraq have capitalized and reinforced social trends in Iraq, including the developing anti-Iran ideologies and balancing regional connections [International Crisis Group, 2018].

Numerous developing nations offer foreign aid to less stable countries to develop their social and economic statuses. This aid emanates from bilateral and multilateral sources and the conditions are distinct depending on the agreement between the recipient and the donors. Iraq has been one of the states that have received increased amounts of foreign aid. Foreign aid has been linked to ethnical wars in the country. Since the U.S - Iraq war in 2003, Iraq has been one of the largest recipients of foreign aid from the United States, providing the country with money for economic and social development. For instance, Iraq has received about $29 billion from the United States after the 2003 wars, and was still among the top beneficiaries in 2010 [Mousseau, 2021]

The effectiveness of foreign aid in any nation depends on how the assistance changes or improves people's living standards. It is vital to evaluate whether the lives of poor people have been transformed based on the socioeconomic and developmental indicators. In this case, it is clear that foreign aid in Iraq has

slightly improved the people's living standards. However, many people continue to live below the poverty line. Moreover, for a country to implement foreign aid, the donor nation has to provide resources to collect taxes from the nations' populations. The donor country must also transfer the funds to the beneficiary nations for specific projects via development agencies. The implication of transferring these funds to donor countries is that administrative costs and corruption may reduce the amount of money reaching the people for development. As highlighted in the Discussion, Iraq's leaders are corrupt; thus, they confiscate most of the money provided as foreign aid for personal use. Overdependence on foreign aid promotes civil wars as military groups struggle to gain control in their territories and of the economy. Additionally, countries become reluctant to improve their socioeconomic status themselves. The growing Iraqi population increases the overreliance on foreign aid in terms of healthcare, safety, food, sanitation, and water.

The devastating effects of war call for increased foreign assistance than any other country in the region. Iraq had leaders like Saddam Hussein who curtailed development by oppressing some society members. The presence of such leaders had led to increased conflicts between citizens and the government, affecting the country's growth levels. Corruption and mortality levels are among the factors that call for increased aid compared to MENA countries. One of the roles of foreign investors is to ensure that the country's policies change to allow for free flow of information. Iraq continues to lag behind in development due to the aforementioned factors. If the country does not develop initiatives to succeed by itself, it will continue relying heavily on foreign aid, which at times benefits the donor rather than the receiver.

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