CHAPTER II

ECONOMIC DEVELOPMENT AND HEALTH DEVELOPMENT IN IRAQ

2.1 Economic Development in Iraq

2.1.1 Iraq Economy

It is dominated by the oil sector, which has traditionally provided about 95% of foreign exchange earnings. Three decades of inappropriate policies, Iraq's seizure of Kuwait in August 1990 and subsequent Gulf war and economic sanctions have reduced Iraq economy.

In the 1980's Iraq had per capita income levels comparable to South Korea, one of the best education systems in the Arab world and generally good standards of medical care. Per capita GDP for 2003 is likely to be around $500, which means that Iraq is currently a low-income country. The economy shrank by an estimated 31% in 2003 and Iraq's current debt of about $120 billion is unsustainable. Diversion of resources into unproductive military expenditure, underinvestment and isolation, an ailing power sector, weak communications and infrastructure have all contributed to poor economic performance. Unemployment and underemployment are currently estimated at up to 50%, and most Iraqis earn their income in the informal economy. A major boost in investment is needed across a wide range of sectors to rehabilitate infrastructure and create employment.

Iraq's human capital and oil reserves of about $2,500 billion at current prices mean that its economy should recover quickly. But the economy will require major reform. At present fuel is heavily subsidized, power bills and most water bills are unpaid, the producer price of wheat is half the international price, virtually all large scale enterprises are state owned, and 60% of the population is dependent on free food under the Public Distribution System. Reform has begun with the introduction of a single currency, the creation of an independent Central Bank and agreement on a budget. But the new Iraqi Government will have to tackle energy pricing, commercialize the food distribution system, and reform the State Owned Enterprises sector if it wants to create a market economy. These reforms are politically sensitive. They will need to be carefully planned and staged to minimize adverse social and political consequences. Social safety nets will be needed for those who lose their jobs or cannot afford to purchase what has previously been free. The effects of all reforms will need to be monitored closely.

Income poverty varies according to the definition of the poverty line and reliable data is very scarce. United Nations Economics and Social Commissions for Western Asia (ESCWA) reported in a study prepared in 1996 that absolute poverty affected 3.2% of urban populations and 8.3% in rural areas in 1988 and that the rates increased sharply to 21% in urban and 22% in rural populations in 1993 (ESCWA: Poverty in Iraq before and After the Gulf War). Recent data is lacking but the rates are expected to be considerably higher now. Absolute poverty increased from 25% in urban areas and 33% in rural areas in 1988 to 72% and 66% in urban and rural areas respectively in 1993. This means that almost three quarters of the Iraqi population became poor despite the food rationing system which was established in 1991.

Public food distribution system, which provides monthly food rations to the entire Population at a heavily subsided price, was put in place in 1991 to provide a form of a blanket budgetary assistance to Iraqi households. It however represents a considerable burden on Iraqi finances; consuming 26% of planned public expenditure in 2004 Child labor is a problem. Regional sample surveys indicate rising numbers of working Children and those who live or work on the streets. There is concern about the rising Incidence of substance abuse and violence. Household poverty has prompted children to leave schools and seek jobs to support their families.

Expenditure on food was about 62% of total expenditure in 1993. It declined to 44% in 2002 (Family Expenditure Survey 2002). According to the Human development report 2000, the per capita calorie availability was 1178, 1120, and 2030 in 1990, 1995, and 1997. The per capital protein availability decreased from 25.5 g. in 1990 to 24 g. in 1997, the per capita food availability was 70.7 g. in 1990 and 74.3 g. in 1997.

Household health expenditure. Most of the household expenditure goes to private sector due to low prices of subsidies government services. The monthly average expenditure on health services increased, mainly due to increase in prices of health services, where the price index for these prices increased from (100) in 1993 to (25095,4) The total household expenditure increased between 1993-2002 by (73,8%) but after removing the price effect this percentages comes down to (42,5%) only. This implies to the household expenditure on health where the percentage decreases from (27713%) to (42%) respectively. Therefore the change of the structure household expenditure was ruled by price exchange rather than quantities change .The Iraqi economy was previously a state

enterprise and little encouragement for private enterprises to flourish. Iraq's economic situation is currently difficult after two wars, more than 13 years of severe sanctions and three decades of inappropriate policies. The invasion of Kuwait had its known devastating effects on the economy and society in Iraq.

The imposition of UN sanctions, has had serious consequences, not only by limiting Iraq's oil exports to quantities specified by the UN and allocating the revenue to the purchase of essentials such as food and medicines in accordance with the oil for food UN Resolution, but created very serious economic and environmental problems.

Iraq assumed a heavy debt burden during the Saddam Hussein years, around $100 billion of debts to Gulf States and Russia are counted, and even more if $250 billion in reparations payment claims stemming from Iraq's 1990 invasion of Kuwait are included.

Discussions among negotiators from the 19-strong Paris Club group took place in Berlin on the sidelines of the G20 summit of rich and developing nations. Iraq's debts will be cancelled in three stages 30% immediately, another 30% in 2005 and 20% in 2008. The deal, however, depends on Baghdad's successful completion of an International Monetary Fund economic program. Iraq's debts to the Paris Club countries fall to $7.8bn but it is still left with foreign debts of about $80bn to other nations, including Saudi Arabia and Kuwait.

Under optimal conditions, Iraq's oil export infrastructure could handle throughput of more than 6 million bbl/d. However, Iraq's export facilities (pipelines, ports, pumping stations, etc.) were seriously disrupted by the Iran-Iraq War (1980-1988), the 1990/1991 Gulf War, the most recent war in march/April 2003, and periodic looting and sabotage since then. Currently, Iraq has export capacity as high as 2.5 million bbl/d.

2.1.2 Human Development Index.

In 1990 the time had come for a broad approach to improving human well-being that would cover all aspects of human life, for all people, in both high-income and developing countries, both now and in the future. It went far beyond narrowly defined economic development to cover the full flourishing of all human choices. It emphasized the need to put people their needs, their aspirations and their capabilities at the center of the development effort.

Table 2.1 major Iraqi export and import

Major Exports:	Crude oil, refined petroleum products, natural gas, Chemical fertilizers and dates were major commodities.
Major Imports	Food, medicine, consumer goods, machinery

And the need to assert the unacceptability of any biases or discrimination, whether by class, gender, race, nationality, religion, community or generation. Human development had arrived. The first Human Development Report of UNDP, published in 1990 under the inspiration and leadership of its architect, Mahbub ul Haq, came after a period of crisis and retrenchment, in which concern for people had given way to concern for balancing budgets and payments. It met a felt need and was widely welcomed. Since then it has caused considerable academic discussion in journals and seminars. It has caught the world's imagination, stimulating criticisms and debate, ingenious elaborations, improvements and additions.

Human development is the process of enlarging people's choices not just choices among different detergents, television channels or car models but the choices that are created by expanding human capabilities and functioning are what people do and can do in their lives. At all levels of development a few Capabilities are essential for human development, without which many choices in life would not be available.

These capabilities are to lead long and healthy lives, to be knowledgeable and to have access to the resources needed for a decent standard of living and these are reflected in the human development index. But many additional choices are valued by people. These include political, social, economic and cultural freedom, a sense of community,

opportunities for being creative and productive, and self-respect and human rights. Yet human development is more than just achieving these capabilities; it is also the process of pursuing them in a way that is equitable, participatory, productive and sustainable.

Choices will change over time and can, in principle, be infinite. Yet infinite choices without limits and constraints can become pointless and endless. Choices have to be combined with allegiances, rights with duties, options with bonds, liberties with ligatures.

Today we see a reaction against the extreme individualism of the free market approach towards what has come to be called communitarianism. The exact combination of individual and public action, of personal agency and social institutions, will vary from time to time and from problem to problem. Institutional arrangements will be more important for achieving environmental sustainability, personal agency more important when it comes to the choice of household articles or marriage partners. But some complementarities will always be necessary.

Getting income is one of the options people would like to have. It is important but not an all-important option. Human development includes the expansion of income and wealth, but it includes many other valued and valuable things as well. For example, in investigating the priorities of poor people, one discovers that what matters most to them often differs from what outsiders assume. More income is only one of the things poor people desire. Adequate nutrition, safe water at hand, better medical services, more and better schooling for their children, cheap transport, adequate shelter, continuing employment and secure livelihoods and productive, remunerating, satisfying jobs do not show up in higher income per head, at least not for some time. There are other non-material benefits that are often more highly valued by poor people than material improvements. Some of these partake in the characteristics of rights, others in those of states of mind.

Among these are good and safe working conditions, freedom to choose jobs and livelihoods, freedom of movement and speech, liberation from oppression, violence and exploitation, security from persecution and arbitrary arrest, a satisfying family life, the assertion of cultural and religious values, adequate leisure time and satisfying forms of its use, a sense of purpose in life and work, the opportunity to join and actively participate in the activities of civil society and a sense of belonging to a community. These are often more highly valued than income, both in their own right and as a means to satisfying and productive work. They do not show up in higher income figures. No policy-maker can guarantee the achievement of all, or even the majority, of these aspirations, but policies can create the opportunities for their fulfillment.

Iraq's position on the Human Development Index (ranking) dropped from 76 in 1991 to 127in 2001. Human Development Index, a composite scale that has three dimensions: life expectancy at birth, adult literacy rate and mean years of schooling, and income as measured by real gross domestic product per capita. Like all one-dimensional scales that attempt to measure multiple complex variables. It is used by many people to distinguish whether the country is a developed, developing, or under developed. and also to measure the impact of economic policies on quality of life.The HDI measures the average achievements in a country in three basic dimensions of human development:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary, and tertiary gross enrolment ratio (with one-third weight).
- A decent standard of living, as measured by gross domestic product (GDP) per capita at purchasing power parity (PPP) in USD.

Each year, UN member states are listed and ranked according to these measures. Those high on the list often advertise it (e.g., Jean Chrétien, Former Prime Minister of Canada as a means of attracting talented immigrants (economically, individual capital) or discouraging emigration.

An alternative measure, focusing on the amount of poverty in a country, is the Human Poverty Index. Countries are often labeled "rich" or "poor." But how can one objectively measure a country's well-being beyond the size of its economy? Enter the Human Development Index, one of the broadest measures of how any country and its citizens are doing glob list Chart and analysis highlight the key findings from the UN's 2004 Human Development Index.

On July 15, 2004, the UNDP published its Human Development Report the report measures a variety of factors that all have an impact on the development and productivity of its citizens.

The human development index (HDI) is a composite index that measures the average achievements in a country in three basic dimensions of human development. Along healthy life as measured by life expectancy at birth. Knowledge as measured by the adult literacy rate and the combined gross enrollment ratio for p A decent standard of living as measured by GDP per capita in purchasing power parity (PPP) U.S. dollars primary, secondary and tertiary schools.

Methodology .In general to transform a raw variable, say x, into a unit-free index between 0 and 1 (which allows different indices to be added together), the following formula is used:

$$x \text{ Index} = \{x - \min(x)\} / \{\max(x) - \min(x)\}.$$

where $\min(x)$ and $\max(x)$ are the lowest and highest values the variable x can attain, respectively.

The Human Development Index (HDI) then represents the average of the following three general indices:

$$\text{Life Expectancy Index} = \{LE - 25\} / \{85 - 25\}.$$

$$\text{Education Index} = \{2/3 \times ALI\} + \{1/3\ GEI\}.$$

$$\text{Adult Literacy Index (ALI)} = \{ALR - 0\} / \{100 - 0\}.$$

$$\text{Gross Enrollment Ratio (GER)} = \{CGER - 0\} / \{100 - 0\}.$$

$$\text{GDP Index} = \{LOG(GDP\ pc) - LOG(100)\} / \{LOG(4000) - LOG(100)\}.$$

Table 2.2 Socio-Cultural Factors in Iraq

indicators	1990	1995	2000	2002	2004
Human Development Index:	0.577	0.608	-	0.653	
Literacy Total:	71/54			53.7	75%
Female Literacy:	54%		46%		66%
Women % of Workforce	18%	19.7%	20.1%	18%	16.6%
Primary School enrollment (Gross)	111%	85%		91%	102%
Primary education, pupils (% female)	44%	45%			48%
Urban Population (%)	69.72	68.82	67.86	67.45	65%

Sources: § HDR 2004, World Development Indicators Online, and World Bank

Table 2.3 Current and Investment expenditure on Health services (Ministry of Health) for the Years 2000-2003 (M.ID)

Years	Current expenditure on Health	Total current expenditure	%	Inv. expenditure on Health	Total Inv. expenditure	%
2000	13197.5	1151662.7	1.1	1948.6	347037.0	0.5
2001	13234.0	1490866.1	0.8	4105.0	578861.0	0.7
2002	7780.8	1260477.8	0.6	3586.0	478932.0	0.7
2003	405147.7	9170800.0	4.4	1500	2901550.0	0.05
2004	1562534.0	33661641.0	4.6			

Source ministry of planning Iraq

2.1.3Education

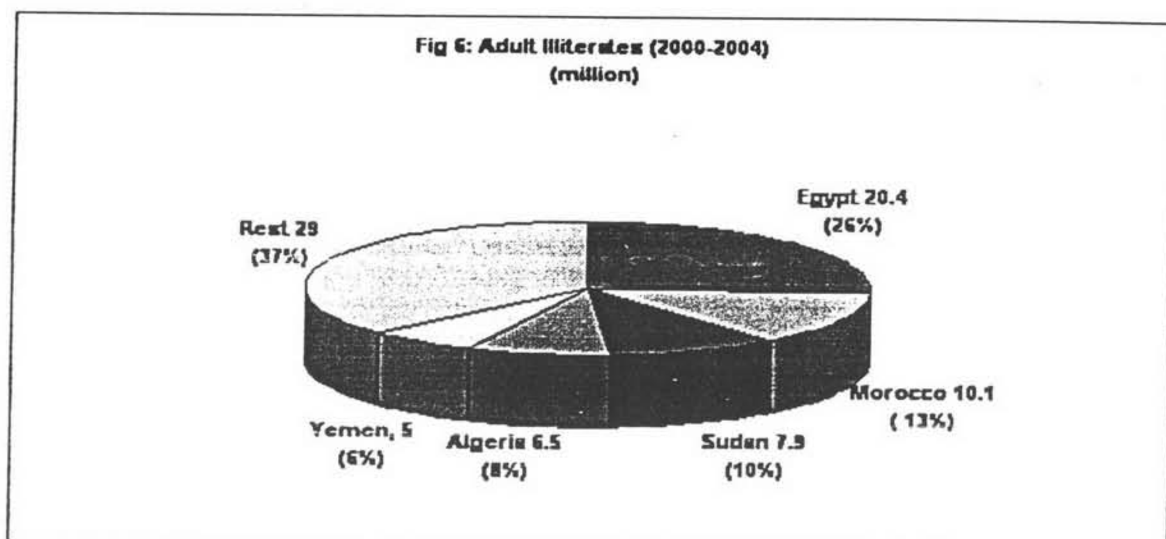
At the time when the 1990 Jomtien Declaration became a reality and inspire the world .There were an estimated 948 million adult illiterates (15 years and above) in the world. Most estimates of the time conjectures that at current rates of progress there would be only a marginal reduction in the absolute numbers which would drop to about 935 million by the turn of the century.

Educational planners and administrators throughout the developing world are, today, encouraged by the fact that the world has in fact surpassed these estimates. The total number of illiterates had declined to almost 800 million. However, this is not the case for the Arab Region. In fact, the number of illiterates in this region is estimated to have increased from 63 million in 1990 to 69.3 million in 2004 of which more than two-thirds are women.

Of the total illiterates of 69.3 million in the region (2000-2004), Egypt, Morocco and Saudi Arabia account for 30, 15 and 12 per cent mainly in rural areas. If Education for All is to be achieved, breakthroughs must take place in these key countries of the region. Do they have anything in common? They share a number of challenges because of their physical size, large populations, and vast rural and remote arid and desert areas – with extreme local ethnic diversities. Yet, developments in science and technology as well as communications

coupled with the inherent economic potential of these countries present dramatic opportunities to meet these challenges.

Figure 2.1 Adult Illiterate (2000-2004) Arabic Country (Million)



Source Unesco.organization available at www.iraq.unesco.org

At Iraq Primary education attendance was universal but is now 73% overall and 49% for rural girls. According to the UN.Adult literacy rates in 1987 were 80% but are now estimated to have dropped to 40%. Access to potable water fell from 95% in urban areas and 75% in rural areas in 1990 to 60% and 30% in 2003.

Nearly half the population is under 15 years old and men were disproportionately victims of Saddam's repression and policy of militarization. Young men who grew up under the former regime have been left with low education levels and low employability Over 12% of women were economically active in 1977.This dropped to 9.7% by 1997. A number of studies have identified increased numbers of poor female-headed households.

2.1.4 Geography and Climate

Size Surface area as 438,446 square kilometers.

Topography: Country divided into four major regions: desert in west and southwest rolling upland between upper Euphrates and Tigris rivers;

highlands in north and northeast; and alluvial plain in central and southeast sections through which the Tigris and Euphrates flow.

2.2Health Development in Iraq.

Health status. The Health care system in Iraq was based on an extensive and expanding network of health facilities linked up by reliable modes of transport and communications. The country had a well-developed water and sanitation system and 90% of the population was estimated to have access to safe drinking water Registration of deaths is not universal and death certification by cause is not accurate. A major reduction in childhood mortality from 1960 to 1990 is well documented. Infant mortality declined from 71 deaths per 100 live births in 1965 to 29 in 1989. During the same period, under five mortality also declined from 111 deaths to 44 deaths per 100 live births. These gains however, were halted with the start of the gulf conflict. In the 8- month period following the 1991 war, mortality among children under five years of age, rose from around 52/1000 live birth to about 128.8/1000 live birth. The International Study Team (IST) survey conducted in 1991 estimated excess mortality rates at 1.8 deaths per 1000 during the first month of life, 4.3 deaths per 1000 for the 2-11 months of life, and 5.2 deaths per 1000 for 1-4 years age group.

The main causes of deaths were due to diarrhea and acute respiratory infections. The rise in male infant deaths exceeded females and the rural death rate rose about 30% higher than the urban. Geographical is attributions shows differences in rates, as based on the figures given for the 1999 ross-sectional household survey: childhood mortality was reported to be lower in the North of Iraq as compared to the Center and South The prevalence of Malnutrition has shown a sharp increase since 1991 and has remained at an unacceptably high level since 1996.

In 1994 the total life expectancy at birth was estimated to be 58 years for the total population. Communicable diseases are the leading causes of death in adult .and Mortality from communicable diseases has raised overlast 2 decades. Main cause of death among children is respiratory infections, measles and diarrhea diseases.

Over the last 25 years, Iraq has undergone profound social, economic and political changes. Iraq witnessed spectacular social and economic development, followed by a dramatic decline. Prior to 1991, much progress was made in building roads and infrastructure as well as improving human skills by expansion of education and advanced training.

Tabele 2.4 national health account expenditure in Iraq for 1998-2004

Iraq: National Expenditure on Health (Rails)

A. RATIOS AND LEVELS	1998	1999	2000	2001	2002	2003	2004
I. Expenditure ratios							
Total expenditure on health (THE) % GDP	2.3	1.9	1.7	1.6	1.6	2.7	3.1
General government expenditure on health (GGHE) % THE	51.0	39.6	29.1	27.1	16.8	51.8	79.6
Private expenditure on health (PvtHE) % THE	49.0	60.4	70.9	72.9	83.2	48.2	20.4
GGHE % General government expenditure	1.9	1.2	1.3	1.2	0.7	4.2	4.6
Social security expenditure on health % GGHE	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net out-of-pocket spending on health (OOPs) % PvtHE	100	100	100	100	100	100	100
Private prepaid plans expenditure on health % PvtHE	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Externally funded expenditure on health % THE	0.3	1.0	0.9	1.5	0.6	3.8	3.4
II. Per capita levels							
THE per capita at exchange rate (US$)	11	14	17	12	11	23	28
GGHE per capita at exchange rate (US$)	6	6	5	3	2	12	22
THE per capita at international dollar rate	59	50	49	54	48	64	108
GGHE per capita at international dollar rate	30	20	14	15	8	33	86
B. VALUES UNDERLYING RATIOS AND LEVELS	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Health System Expenditure & Financing (million NCU)							
I. Measured Financing Agents							
Total expenditure on health (THE)	356 893	579 014	670 177	494 028	482 640	785 122	1 935 235
.General government expenditure on health (GGHE)	181 893	229 014	195 177	134 028	80 990	406 648	1 540 658
...of which Social security expenditure on health	n/a	n/a	n/a	n/a	n/a	n/a	n/a
.Private expenditure on health (PvtHE)	175 000	350 000	475 000	360 000	401 650	378 475	394 577
... of which Net out-of-pocket spending on health	175 000	350 000	475 000	360 000	401 650	378 475	394 577
... of which Private prepaid plans expenditure on health	n/a	n/a	n/a	n/a	n/a	n/a	n/a
II. Measured Financing Sources							
Externally funded expenditure on health	1 000	6 000	6 000	7 426	2 782	29 835	65 000
IV. Macro Variables							
Gross domestic product (GDP) (million NCU)	15 207 964	30 852 801	40 005 213	30 572 005	31 003 804	29 547 475	63 396 000
General government expenditure (million NCU)	9 363 276	18 995 527	15 201 981	11 617 362	11 867 631	9 714 286	33 657 511
Exchange rate (NCU per US$)	1620.00	1972.00	1930.00	1928.75	1956.50	1500.00	3000.00
International dollar rate (NCU per international dollar)	306.21	567.07	648.34	420.87	449.16	537.75	761.47
Total population (in thousands)	19 756	20 339	20 936	21 547	22 168	22 797	23 426

Source who available http://www.emro.who.int nha./iraq.

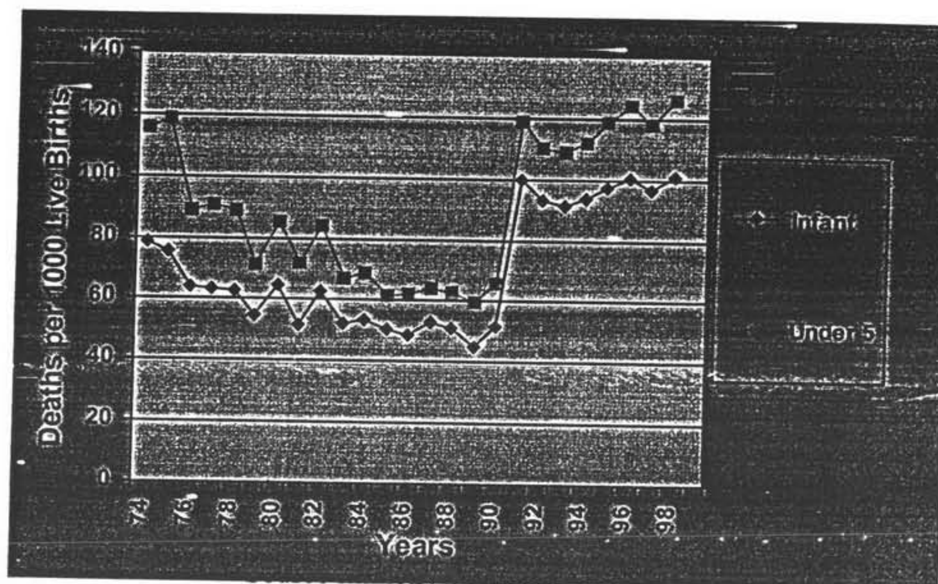
During the same period, health care reached approximately 97% of the urban and 79% of rural population. The Health care system in Iraq was based on an extensive and expanding network of health facilities linked. Major reduction in childhood mortality from 1960 to 1990 is well documented. Infant mortality declined from 71 deaths per 100 live births in 1965 to 29 in 1989. During the same period, under five mortality also declined from 111 deaths to 44 deaths per 1000 live births.

These gains however, were halted with the start of the gulf conflict. In the month period following the 1991 war, mortality among children under five years of age, rose from around 52/1000 live birth to about 128.8/1000 live birth. The International Study Team (IST) survey conducted in 1991 estimated excess mortality rates at 1.8 deaths per 1000 during the first month of life, 4.3 deaths per 1000 for the 2-11 months of life, and 5.2 deaths per 1000 for 1-4 years age group. The main causes of deaths were due to diarrhea and acute respiratory infections. The rise in male infant deaths exceeded females and the rural death rate rose about 30% higher than the urban.

Geographical distribution shows differences in rates, as based on the figures given for the 1999 cross-sectional household survey: childhood mortality was reported to be lower in the North of Iraq as compared to the Center and South.

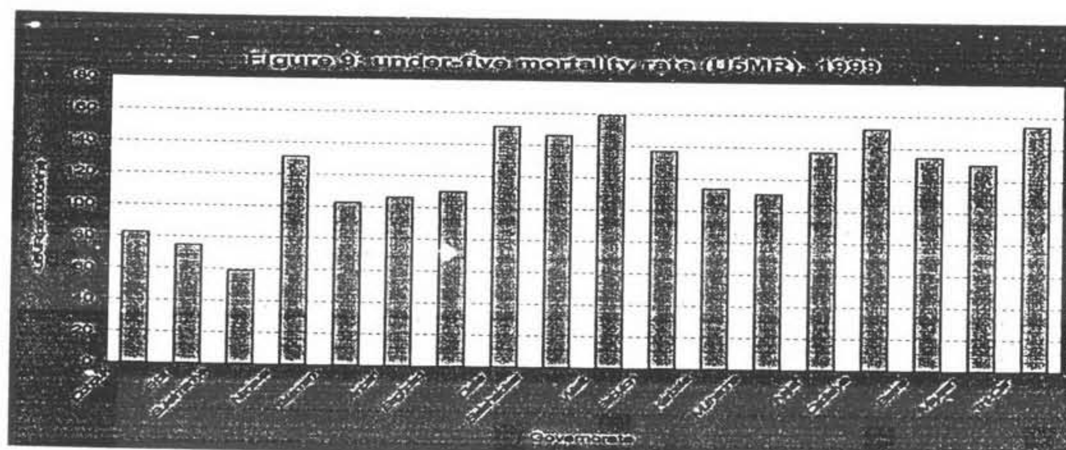
The maternal mortality is a critical measure of the adequacy of the health system and of people's ability to access these activities. The maternal mortality ratio was 249 per 100,000 live births for the south/center of Iraq . more than as twice as high as in the northern governorates during the last 10 years preceding the survey, which roughly correspond to the Gulf Conflict and the start of the UN sanctions. Therefore, the MOH supported by WHO planned for the in-depth analysis on childhood and maternal mortality data available from the 1999 Iraq Child and Maternal Mortality survey (ICMMS 1999) .

Figure2.2 Infant Mortality Rate and Under 5 Mortality Rate



Source Ministry of Health / Iraq

Figure 2.3 under –five mortality rate 1999 among different provinces in Iraq



Source ministry of health-Iraq

Tabele 2.4 Demographic indicators

Demographic indicators				
	1990	**1995**	**2000**	**2002**
Crude Birth Rate	38.44	34.74	30.82	29.30
Crude Death Rate	9.18	10.44	8.84	7.80
Population Growth Rate*	3.22	2.49	1.86	2.05
Dependency Ratio	0.89	0.84	0.75	0.71
%population ≤15 years*	44.21	42.82	41.63	40.22
Total Fertility Rate	5.88	5.10	4.31	4.05

Source: - World Development Indicators Online World Bank

Table2.5 Health Indicators

Health indicators				
	1990	**1995**	**2000**	**2002**
Life Expectancy at Birth	61.28	58.76	60.4	60.6
Infant Mortality Rate	40	100	102	102
Probability of dying before 5birthday/1000	50	122	125	125
Maternal Mortality Rate	160		291	
Percent Normal birth weight babies	5%		24%	

Source:

World Development Indicators online World Bank

World Health Organization country estimates

Table 2.6 Economic Indicators

Economic Indicators				
	1990	**1995**	**2000**	**2002**
GNI per Capita (Atlas method) current	2170			766-3035
US$ (estimate)	(WB)			
GNI per capita(PPP) Current				
International				
GDP per Capita		3197	1083	866
		year 1998		
GDP per Capita annual growth %		11%	4%	-6.5 %
Unemployment % (estimates)			8% 2000	10.4%
External debt as % of GDP Debt/ GDP				350%

Source:
World Development Indicators online World Bank