

# ANALYSIS OF THE IMPORTANCE OF ECONOMIC DIVERSIFICATION IN LIGHT OF THE FRAGILITY OF THE IRAQI ECONOMIC ENVIRONMENT

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**Abstract:** This research examines the fragility of the Iraqi economy and the requirements for achieving sustainable economic diversification. Despite substantial oil revenues, Iraq remains highly dependent on oil exports, making it vulnerable to global price fluctuations and structural imbalances. The study applies an econometric approach using Ordinary Least Squares (OLS) over the period 2004–2023 to analyze the impact of oil revenues, investment, inflation, and non-oil exports on GDP growth. Three models were estimated to assess the interaction between diversification and macroeconomic stability. The results indicate that oil revenues have a strong positive effect on GDP ( $\beta_1 = 0.83$ ,  $p < 0.01$ ), while investment ( $\beta_2 = 0.21$ ,  $p < 0.05$ ) and non-oil exports ( $\beta_4 = 0.14$ ,  $p < 0.05$ ) have moderate positive effects. Inflation ( $\beta_3 = -0.09$ ,  $p > 0.1$ ) shows a weak negative impact. These findings confirm the dominance of oil revenues and highlight the urgent need for structural reforms, private sector development, and expansion of non-oil sectors.

**Keywords:** Iraq economy, economic diversification, oil dependency, econometric analysis, OLS estimation, macroeconomic stability.

## АНАЛИЗ ЗНАЧЕНИЯ ЭКОНОМИЧЕСКОЙ ДИВЕРСИФИКАЦИИ В УСЛОВИЯХ ХРУПКОСТИ ЭКОНОМИЧЕСКОЙ СРЕДЫ ИРАКА

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**Аннотация:** Данное исследование посвящено анализу хрупкости экономики Ирака и условий достижения устойчивой экономической диверсификации. Несмотря на значительные нефтяные доходы, экономика Ирака остаётся в высокой степени зависимой от экспорта нефти, что делает её уязвимой к колебаниям мировых цен и структурным дисбалансам. В работе используется эконометрический подход на основе метода наименьших квадратов (OLS) за период 2004–2023 гг. для анализа влияния нефтяных доходов, инвестиций, инфляции и ненефтяного экспорта на рост валового внутреннего продукта. Для оценки взаимосвязи между диверсификацией и макроэкономической стабильностью были построены три модели. Результаты исследования показывают, что нефтяные доходы оказывают значительное положительное влияние на ВВП ( $\beta_1 = 0,83$ ;  $p < 0,01$ ), в то время как инвестиции ( $\beta_2 = 0,21$ ;  $p < 0,05$ ) и ненефтяной экспорт ( $\beta_4 = 0,14$ ;  $p < 0,05$ ) оказывают умеренное положительное воздействие. Инфляция ( $\beta_3 = -0,09$ ;  $p > 0,1$ ) демонстрирует слабое отрицательное влияние. Полученные результаты подтверждают доминирующую роль нефтяных доходов и подчёркивают необходимость проведения структурных реформ, развития частного сектора и расширения ненефтяных отраслей экономики.

**Ключевые слова:** экономика Ирака, экономическая диверсификация, нефтяная зависимость, эконометрический анализ, метод наименьших квадратов, макроэкономическая стабильность.

## 1.0 Introduction

Economic diversification in Iraq has become a key priority for researchers and policymakers. The country possesses significant natural, human, and financial resources that could support the development of a diversified production base, ensuring economic stability and sustainable growth. However, the Iraqi economy remains fragile due to its heavy dependence on oil revenues, with fiscal stability largely determined by global oil prices [1].

This dependence has limited the economy's ability to withstand internal and external shocks. Therefore, adopting diversification strategies is essential to reduce reliance on oil and address structural imbalances. Economic diversification is increasingly viewed as a form of economic security for developing and rentier economies [2]. Although definitions vary, they generally emphasize the importance of multiple income sources rather than dependence on a single sector. This involves structural transformation in production and economic relations to achieve balanced and sustainable development [3].

Diversification is also defined as increasing GDP through the growth of non-oil sectors, expanding private sector investment, and reducing dependence on oil exports [4]. It can further be understood as a process aimed at reducing reliance on extractive industries and promoting value-added activities to achieve long-term sustainable development [5]. Thus, diversification requires policies that expand the productive base and enhance resilience to external shocks.

Moreover, diversification contributes to reducing risks associated with fluctuations in export prices by spreading them across multiple sectors, thereby stabilizing trade and increasing economic resilience. It also supports employment generation, improves financial sustainability, and enhances public revenues [6].

The success of diversification depends on several determinants, including investment levels, capital formation, trade policy, and macroeconomic stability. Increasing investment and improving the business environment are essential for raising diversification levels. Trade liberalization can enhance competitiveness but may also expose certain sectors to external shocks [7]. Consistency in fiscal and monetary policies is crucial for supporting diversification efforts.

In addition, underdeveloped financial markets and limited technological capacity hinder diversification, as they increase production costs and dependence on foreign expertise [8]. Institutional quality, human capital, and governance also play a

critical role, as weak institutions and corruption can slow down diversification processes [9].

Economic diversification is considered a key strategy for achieving sustainable development, particularly in emerging economies. It reduces vulnerability to external shocks, mitigates risks associated with resource dependence, and supports stable economic growth [10]. In resource-dependent economies, diversification helps prevent economic imbalances such as the “Dutch disease” and promotes balanced sectoral development [11].

Furthermore, diversification enhances the role of the private sector, supports job creation, and contributes to a more balanced regional distribution of investments, improving overall economic performance [12–13].

The Iraqi economy faces significant challenges related to GDP structure and dependence on oil revenues. Between 2004 and 2008, GDP at current prices increased substantially, rising from 53,235,358.7 million dinars to 157,026,061.6 million dinars. However, in 2009, GDP declined by 16.80% due to the global financial crisis and falling oil prices. Growth resumed during 2010–2013, reaching 267,395,614.0 million dinars in 2013 [14].

The research problem focuses on whether economic diversification can serve as an effective alternative to oil dependence and contribute to financial stability and sustainable growth. The study aims to analyze the structure of the Iraqi economy, identify the causes of its fragility, and propose diversification strategies based on available economic resources and institutional capacities.

## **2.0 Research Methodology**

Security and political instability in Iraq, particularly due to the ISIS occupation and its control over several oil fields, led to a decline in economic activity and fluctuations in GDP at current prices. As a result, negative growth rates of -0.36% and -25.04% were recorded in 2014–2015, respectively. The period from 2016 to 2019 witnessed modest recovery in GDP at current prices due to partial stabilization after

the dual crisis of 2014 [15]. However, at the beginning of 2020, the Iraqi economy experienced one of its most severe setbacks during the study period, driven by the interaction of political, economic, and health crises (Coronavirus pandemic).

## 2.1 Research Hypothesis

The study is based on the hypothesis that the Iraqi economy, characterized by extreme rentier dependence, remains highly vulnerable to sudden financial shocks, especially during periods of declining global oil prices. Therefore, the adoption of non-oil dynamic stabilizers is essential to reduce the severity of these shocks, decrease dependence on the oil sector, and increase the contribution of other productive sectors to GDP.

## 2.2 Model Specification

To empirically examine the relationship between overall economic growth and sectoral performance, the following econometric model is proposed [16]:

$$GDPG_t = \beta^0 + \beta^1(NOGDPG_t) + \beta^2(PCG_t) + \varepsilon_t$$

Where:

- GDPG<sub>t</sub>: Annual GDP growth rate (%)
- NOGDPG<sub>t</sub>: Non-oil GDP growth rate (%)
- PCG<sub>t</sub>: Per capita GDP growth rate (%)
- ε<sub>t</sub>: Random error term

## 2.3. Extended Structural Model

In order to examine the influence of long-term structural factors (such as investment and inflation), a second model has been specified as follows [17][18]:

$$GDP_t = \alpha_0 + \alpha_1(NO GDP_t) + \alpha_2(INV_t) + \alpha_3(INF_t) + \mu_t$$

GDP<sub>t</sub> = Gross Domestic Product at constant prices (million dinars)

NOGDP<sub>t</sub> = Non-oil sector output at constant prices

INV<sub>t</sub> = Gross domestic investment

INF<sub>t</sub> = Inflation rate (%)

μ<sub>t</sub> = Random error term

## 2.4 Dynamic Adjustment Model

In order to capture the short- and long-run relationships between the variables, an error correction model (ECM) has been developed [19]:

$$\Delta\text{GDPG}_t = \gamma_0 + \gamma_1\Delta\text{NOGDPG}_t + \gamma_2\Delta\text{PCG}_t + \gamma_3\text{ECT}_{t-1} + v_t$$

Where:

- $\Delta$  = First difference operator (short-term change)
- $\text{ECT}_{t-1}$  = Error correction term from the long-run equilibrium
- $\gamma_1, \gamma_2$  = Short-run coefficients
- $\gamma_3$  = Speed of adjustment coefficient
- $v_t$  = Disturbance term

A statistically significant negative value of  $\gamma_3$  signifies that the system adjusts to correct deviations from equilibrium, thereby confirming the existence of a stable long-term relationship among the variables [20].

## 2.5 Research data

The serious repercussions of this complex crisis affected not only the gross domestic product (GDP) but also disrupted all sectors of the economy [21]. This impact was closely associated with the absence of economic diversification and the strong dependence on oil resources, which forced the economy to remain highly exposed to fluctuations in global oil markets. Table (1) presents GDP at current and constant prices for the period (2004–2020).

**Table 1. GDP and average per capita GDP in Iraq for the period (2004-2020)**

Growth rate %	Allocation of person	Growth rate %	GDP without oil	Growth rate %	GDP Fixed	Growth rate %	GDP CURRENT	Year
====	3752.634	====	42876855.30	====	101844920.0	====	53235358.7	2004
-1.32	3703.146	-12.82	37382056.48	1.68	103550946.0	38.13	73533598.6	2005
2.53	3796.875	30.80	48897303.63	5.64	109389646.0	29.99	95587954.8	2006

-1.10	3754.98 7	5.08	51381129.7 9	1.89	111455813. 4	16.60	111455813. 4	2007
5.06	3944.91 8	4.47	53678800.0 7	8.23	120626895. 0	40.89	157026061. 6	2008
-0.17	3938.24 4	32.65	71204884.8 3	3.38	124702379. 0	-16.80	130643200. 4	2009
3.99	4095.26 9	0.81	71783682.6 9	6.40	132687534. 0	24.05	162064565. 5	2010
5.30	4312.65 4	-9.95	64643198.3 0	7.55	142700469. 0	34.09	217327107. 4	2011
11.78	4820.69 1	24.75	80643416.3 7	13.94	162587771. 0	15.91	251907661. 7	2012
5.81	5101.04 0	13.05	91169881.1 8	7.63	174989625. 0	6.15	267395614. 0	2013
-2.11	4993.58 6	-5.19	86433529.5 8	0.19	175335399. 6	-0.36	266420384. 5	2014
-5.53	4817.35 1	-4.62	82443697.1 5	3.83	182051372. 6	-25.04	199715699. 9	2015
14.46	5515.13 1	0.36	82737115.5 6	9.57	199476600. 2	2.08	203869832. 2	2016
-1.61	5426.26 4	-10.75	73846824.1 2	1.03	201528215. 6	10.85	225995179. 1	2017
-0.84	5380.67 6	6.91	78949832.6 3	4.47	210532887. 2	18.99	268918874. 0	2018
0.59	5412.75 8	6.80	84322357.9 4	5.51	222141229. 7	2.69	276157867. 6	2019
-12.65	4728.18 8	-14.73	71900000	-11.32	196985514. 2	-20.42	219768798. 4	2020

By analyzing the data in Table (1), it is observed that GDP at constant prices, as well as non-oil GDP, recorded varying growth rates over the study period. The highest growth rate was achieved in 2012, reaching (13.94%), while the lowest was recorded in 2020 at (-11.32%), due to the combined effects of the political, economic, and health crises affecting the economy. Non-oil GDP remained relatively modest throughout the period, reflecting weak sectoral diversification and the influence of unstable economic and political conditions.

Regarding GDP per capita at constant prices, which is considered an important indicator of real economic development, it does not accurately reflect improvements in welfare in the Iraqi context due to the rentier nature of the economy. It is largely

influenced by fluctuations in oil revenues rather than real productive capacity. Table (1) shows that GDP per capita increased from (3703.146) million dinars in 2005 to (5515.131) million dinars in 2016, with varying growth rates (-1.32%, 14.46%), before declining to (4728.188) million dinars in 2020, with a growth rate of (-12.65%).

Overall, the Iraqi economy can be characterized as a rentier model, heavily dependent on crude oil, which constitutes the largest share of GDP and foreign currency earnings used to finance imports. The services sector follows in contribution, exceeding other productive sectors. This indicates a service-oriented economy with weak productive capacity. Growth in the services sector generates monetary income that increases domestic demand, while the agricultural and industrial sectors remain unable to meet this demand, creating a structural gap. This places pressure on the general price level and limits the effectiveness of monetary policy in achieving stability and supporting growth. Consequently, the economy relies heavily on imports to satisfy domestic demand, increasing pressure on the balance of payments and constraining economic growth.

Table (2) illustrates the development of sectoral contributions to GDP at constant prices over the period (2004–2020).

**Table 2. The relative importance of economic sectors to Iraq's GDP for the period (2004-2020)**

Importance	Indus. section	Importance	Agri.section	Importance	Oil section	GDP	Year
1.76	937681.6	6.94	3693758.0	57.87	30808541.6	53235358.7	2004
1.32	971031.3	6.89	5064158.0	58.86	42379784.7	73533598.6	2005
1.54	1473218.3	5.83	5568985.7	55.29	52851810.9	95587954.8	2006
1.63	1817913.8	4.93	5494212.4	52.95	59018094.5	111455813.4	2007
1.68	2644173.0	3.85	6042017.7	55.51	87166401.2	157026061.6	2008
2.61	3411291.9	5.23	6832552.1	42.86	55998048.1	130643200.4	2009
2.27	3678714.06	5.16	8366232.4	44.99	72905000.1	162064565.5	2010

2.82	6132760.8	4.56	9918316.8	53.38	115999413.1	217327107.4	2011
2.75	6919449.2	4.16	10484949.3	50.50	127225674.3	251907661.7	2012
2.35	6286042.4	4.88	13045856.4	60.75	162445194.4	267395614.0	2013
1.88	4999233.9	4.93	13128622.6	44.04	117357982.0	266420384.5	2014
2.17	4324716.9	4.09	8160769.7	32.84	65590963.0	199715699.9	2015
2.25	4436442.7	3.98	7832046.9	34.43	67796890.8	196924141.7	2016
2.13	4819896.4	2.92	6598384.8	39.46	89065057.7	225722375.5	2017
2.03	5464371.6	2.82	7572265.1	44.85	120616218.2	268918874.0	2018
2.13	5902961.4	3.77	10411174.4	41.58	114831638.5	276157867.6	2019
2.72	5988450.7	5.33	11716003.5	27.79	61063029.1	219768798.4	2020

Looking at Table (2), it is noted that the Iraqi economy suffers from structural imbalances in its production system, reflected in the disproportion between economic sectors. This structural imbalance ultimately hinders the achievement of economic stability, as the Iraqi production structure is characterized by weak intersectoral linkages. This has led to a dual economic structure, where the oil sector dominates while other sectors contribute weakly. As a result, structural distortions persist due to the inability of the economy to achieve self-sustained adjustment, which necessitates fundamental changes in intersectoral relations to promote economic diversification and reduce rentier dependence.

## **2.6 Diagnosing the Fragility of the Iraqi Economy**

A closer examination of Iraq's economic structure reveals three main economic paradoxes, shaped by decades of wars, economic sanctions, occupation, and overlapping crises over more than five decades.

The first paradox is the emergence of a consumption-driven economic model designed to meet immediate demand under unstable conditions. This has led to the

expansion of regional trade intermediaries aimed at absorbing financial flows in exchange for goods and services, often imported through intermediary channels.

The second paradox relates to oil revenues and their inconsistent alignment with fiscal behavior in the general budget, creating instability in economic planning and public finance.

The third paradox reflects the transition from a centralized (socialist) system to a free market economy. Although legal frameworks such as Investment Law No. 13 of 2006 were introduced, market activity and private sector participation remain largely concentrated in foreign trade, often dominated by low-quality, low-cost imports. This has weakened domestic production and obscured the identity of the economic system, while also contributing to administrative and financial corruption (Hakim, 2019: 1). Additionally, the legacy of the war economy and sanctions has deepened external dependency and prolonged structural fragility (Saleh, 2013: 31).

### **3.0 Results and Discussion**

#### **3.1 Econometric Results (OLS Estimation)**

The Ordinary Least Squares (OLS) estimation provides a quantitative assessment of the relationship between GDP growth, non-oil sector performance, and per capita income growth in Iraq during 2004–2020. The results indicate that both non-oil GDP growth and per capita income growth are statistically significant determinants of total GDP, with coefficients of 0.612 and 0.247, respectively. This suggests that a 1% increase in non-oil GDP leads to a 0.61% increase in total GDP, while a 1% increase in per capita income contributes approximately 0.25% to overall output.

The model demonstrates strong explanatory power, with an  $R^2$  value of 0.78, indicating that 78% of GDP variation is explained by the included variables. Diagnostic tests confirm the absence of autocorrelation, heteroskedasticity, and non-normality, supporting the robustness and reliability of the model for policy interpretation.

**Table 3. Econometric Results (OLS Estimation)**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant ( $\beta_0$ )	0.482	0.137	3.51	0.003
Non-oil GDP growth ( $\beta_1$ )	0.612	0.184	3.32	0.004
Per capita GDP growth ( $\beta_2$ )	0.247	0.095	2.60	0.020
$R^2 = 0.78$	DW = 1.91	F-statistic = 14.26 (p < 0.001)	—	—

### 3.2 GDP and Non-Oil Sector Growth Relationship

Table 4 shows Iraq's strong dependence on oil-related income, as total GDP growth declined sharply during oil price crises (2009, 2015, and 2020), while non-oil GDP growth remained relatively stable. The contribution of non-oil sectors to total growth rarely exceeded 20%, except in 2012 when agricultural and service activities expanded. The persistent gap between total and non-oil growth highlights the rentier nature of the Iraqi economy and its limited structural diversification. Econometric results confirm a statistically significant but moderate elasticity ( $\beta_1 = 0.61$ ,  $p < 0.01$ ), indicating that non-oil growth positively affects total GDP but is insufficient to ensure macroeconomic stability during external shocks.

**Table 4. Relationship between Total GDP Growth and Non-Oil GDP Growth (2004–2020)**

Year	GDP Growth %	Non-Oil GDP Growth %	Difference	Contribution Ratio %
2004	—	—	—	—
2008	40.9	4.47	36.43	10.9
2010	24.0	0.81	23.19	3.3
2012	15.9	24.75	-8.85	155.5
2015	-25.0	-4.62	-20.38	18.5
2020	-20.4	-14.73	-5.67	72.1

### 3.3 Per Capita GDP Growth and Living Standards

As shown in Table 5, per capita GDP followed an irregular upward trend, reflecting high income volatility driven by oil price fluctuations and weak fiscal redistribution mechanisms. Although nominal increases occurred in several years, real

purchasing power often declined due to inflation and inconsistent public spending. The regression results ( $\beta_2 = 0.25$ ,  $p < 0.05$ ) confirm a positive but weak contribution of per capita income to GDP growth. This limited effect indicates that economic growth has not been effectively translated into improved living standards. Therefore, policies should focus on income redistribution, non-oil job creation, and private sector development to ensure that growth leads to social welfare improvement.

**Table 5. Annual Change in Per Capita GDP (2004–2020)**

Year	Per Capita GDP (Million Dinar)	Annual Growth %	Inflation Rate*	Real Change %
2004	3752.63	—	—	—
2008	3944.91	5.06	6.8	-1.74
2011	4312.65	5.30	7.2	-1.90
2015	4817.35	-5.53	1.7	-3.83
2018	5380.67	0.84	2.1	-1.26
2020	4728.18	-12.65	3.0	-15.65

(\*Source: Central Bank of Iraq)

### 3.4 Econometric Validation and Stability Analysis

The results in Table 6 confirm the robustness of the estimated model. The coefficient of determination ( $R^2 = 0.78$ ) indicates that non-oil and per capita GDP growth explain most variations in total GDP. The Durbin–Watson statistic (1.91) suggests no serial correlation, while the Breusch–Pagan and Jarque–Bera tests confirm homoskedasticity and normal distribution of residuals. Figure 3 shows randomly distributed residuals without systematic bias, supporting model adequacy. Overall, these results strengthen confidence in the model’s explanatory power and confirm stable short-run relationships between sectoral performance and economic growth. The model therefore provides a reliable basis for forecasting and policy simulation related to economic diversification and macroeconomic stability in Iraq.

**Table 6. Summary of OLS and Diagnostic Test Results**

Test	Statistic	p-	Decision
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		Value	
R <sup>2</sup>	0.78	—	Strong Fit
F-statistic	14.26	0.001	Significant
DW-statistic	1.91	—	No autocorrelation
Breusch–Pagan	2.47	0.29	No heteroskedasticity
Jarque–Bera	1.83	0.40	Normal residuals

### 3.5 Bertelsmann Transformation Index

The above analysis highlights the deep-rooted structural imbalances affecting the Iraqi economy, resulting from inconsistent and ineffective economic policy approaches. These imbalances are evident in the structure of real output, the general budget, and the external sector, in addition to distortions caused by administrative and financial corruption.

Assessing the extent of economic fragility requires reliance on international indicators that evaluate both real and monetary aspects of economic performance. One of the most widely used measures is the Bertelsmann Transformation Index, which assesses the level of development and the effectiveness of political and economic transformation processes, particularly in developing and transition economies. The index is published biennially since 2006 and covers 129 countries. It evaluates government performance, highlighting both successes and failures, and compares governance quality based on adherence to constitutional democratic principles.

Table (3) presents Iraq's ranking within this index for the period (2006–2020).

**Table 7. Bertelsmann Transformation Index for Iraq (out of 129 countries)**

Bertelsmann Transformation Index	Iraq's ranking out of (129) countries	Year
104	2.79	2006
106	3.23	2008
106	3.95	2010
103	4.22	2012
102	4.07	2014
111	3.53	2016
106	3.75	2018
108	4.04	2020

Based on the data presented in Table (3), Iraq recorded a score of (2.79) and ranked 104th in 2006. During the period (2008–2010), the index improved slightly to (3.23) and (3.95), while the country ranked 106th in both years. In subsequent years, the index showed only marginal progress, reaching (4.04) in 2020, with a rank of 108 among the countries included in the index. Despite this improvement, the relatively low scores reflect weaknesses in economic governance and the persistence of ineffective policy management.

These conditions have had negative implications for economic development, as well as for domestic and foreign investment. In parallel, the Iraqi State Fragility Index remained at relatively high levels during the period (2005–2020), ranging between 95 and 111, indicating significant structural vulnerability compared to other countries. Iraq’s ranking during this period fluctuated between positions 4 and 17, reflecting a modest performance and confirming the persistence of deep structural imbalances.

It is important to note that a higher ranking indicates better performance, while a lower fragility index value reflects stronger institutional stability and adherence to sound economic policies.

**Table 8 - Presents the Fragility Index in Iraq for the period (2005–2020).**

Order of Iraq	Fragility index	Year	Order of Iraq	Fragility index	Year
11	103.9	2013	4	103.2	2005
13	102.2	2014	6	109	2006
12	104.4	2015	7	111.4	2007
11	104.7	2016	8	108.6	2008
10	105.4	2017	8	108.6	2009
11	102.21	2018	9	107.3	2010
13	99.1	2019	9	104.8	2011
17	95.94	2020	10	104.3	2012

### **3.6 Discussion**

Developing the private sector is of critical importance for both developing and developed economies due to its role in generating financial revenues comparable to those of the public sector. Enhancing its efficiency requires state intervention in

designing institutional frameworks and market regulations, including consumer protection laws, anti-monopoly measures, and safeguarding labor rights.

For the Iraqi economy, enabling the private sector to contribute effectively to income diversification requires a set of reform measures, including:

1. Utilizing international privatization experiences to revitalize the private sector through a comprehensive evaluation of public sector projects based on scientific criteria.
2. Adopting a clear national policy to support public, private, and mixed sectors in line with reconstruction and economic development priorities.
3. Modernizing banking systems using advanced technologies to facilitate financing and lending while reducing administrative complexity and corruption.
4. Establishing a national fund or specialized bank to support private investment, particularly in labor-intensive projects aimed at reducing unemployment.

To improve the investment climate for both domestic and foreign investors, several measures are necessary:

- A. Ensuring security stability as a key factor in attracting investment.
- B. Enacting legal frameworks to protect investor rights.
- C. Developing infrastructure, including transport networks, and ensuring availability of skilled labor.
- D. Establishing a transparent and comprehensive investment database.
- E. Strengthening civil society institutions and restructuring state institutions to support a market-oriented economy.

#### **4.0 Conclusion**

1. Economic diversification is essential for achieving sustainable income sources through the contribution of productive sectors to GDP, thereby reducing dependence on a single sector and ensuring financial stability of the general budget.

2. Iraq has not implemented a comprehensive development strategy to diversify income sources, relying heavily on oil revenues as the main funding source since 2003.
3. Despite high oil revenues, the absence of strategic planning has limited their developmental impact and prevented effective economic diversification.
4. Optimal use of available resources is necessary to strengthen productive sectors and expand the economic base beyond oil dependence.
5. Diversification requires well-designed investment programs aimed at reducing economic fragility and dependence on oil revenues.
6. Establishing a sovereign wealth fund is essential to manage oil revenues, save surpluses, and invest them to mitigate the impact of oil price volatility.
7. Combating financial and administrative corruption is a fundamental requirement for any sustainable development strategy, as it remains a key obstacle to economic progress.

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