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## The Role of the International Monetary Fund and the World Bank in Financing small and Medium Enterprises in Iraq

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### Abstract

Monetary studies are currently being attended with interest by the various researchers' economists, especially after the importance of monetary policies and their effective impact on economic activity and its growth rate have been confirmed. (Through affecting on the level of production, prices, labor, exchange rates, balance of payments conditions, distribution and redistribution of income and wealth in society and at the international level). Small and medium Enterprises (SMEs) Constitute the Backbone of an Economy. They not only provide employment and there for income opportunities to a large number of people, but they are also at the forefront of technological in innovation and export diversification. the international monetary fund have several ways to get involved in SMEs finance, ranging from the creation or participation SMEs finance investment funds, to the creation of special unit for financing SMEs within institutions for this purpose.

**Key words:** World Bank, International monetary fund, reform programs, Iraqi economy

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### Introduction

Also, its close and reciprocal relationship with all parts of the general economic plan, which increases the importance of these studies is the results of monetary policies and the activity of monetary and financial institutions for some countries, it is no longer confined to their geographical borders, as this extends to the economies of countries through international monetary relations (which It is characterized by a large degree of turbulence and instability at the present time). In the context of globalization trends, especially after the end of the cold war between East and West, the disintegration of the Soviet Union and political transformations in Eastern Europe, Asia, and Africa and signing the general agreement GATT - tariff expansion, World Bank membership, International Monetary Fund (IMF), etc. The modern economic thought that dominated the mutual impact that proved the experiences of countries in the field of dealing with the economic problems they faced and the interdependence of their solutions, and strong trends to reconsider the nature of the current international economic relations and its North-South practice. (*Shaqir, 2011*) The industrialized countries have given the issue of developing small and medium enterprises a special importance since the sixties of the last century, and this expansion extended to the rapidly developing countries and in Southeast Asia, as well as India, Pakistan and others. In Iraq, the national development strategy adopted by the Iraqi government in 2018 drew attention to the result of the observed acceleration of technology as well as economic globalization at the international level from the transformation of giant

industries into small production industries and that the distribution that occurred in some countries of the world according to the comparative advantage and production efficiency, recommended the necessity Encouraging low and medium industries and finding suitable financing mechanisms for them in the coming future. (*Duraïd, 2011*)

## Methodology

*The research hypothesis:* The research is based on the hypothesis that there is a strong relationship between the policies adopted by the international financial institutions and the growth of small and medium enterprises in Iraq.

*Research problem:* The Iraqi economy suffered during the economic blockade from poor services provided by the sectors due to the widespread financial and administrative corruption in small and medium enterprises.

*Research Objectives:* The objectives that this research will seek to achieve can be summarized in: Knowing the concept of financial institutions and their roles, knowing the International Monetary Fund and the World Bank, the current state of the contribution of international institutions in small and medium enterprises in Iraq.

*Research Structure:* The descriptive approach was adopted to analyze some sectors, especially for small and medium enterprises. The research was divided into four requirements: The first requirement of the international financial institutions and their roles, and was divided into the concept of international financial institutions and their roles, and the classification of financial institutions, their types and positions, as for the second requirement on the International Monetary Fund and the World Bank included the assets and objectives of the fund, concept The goals of the bank and the types of loans provided by the World Bank. The third requirement addressed small and medium projects and included the concept and importance of financing small and medium projects. As for the fourth requirement it addressed the reality of financing small and medium projects in Iraq and the impact of the fund and bank reform programs on them.

## Literature review

### 1. Concept of international financial institutions and their goals

They are permanent, independent, inter-governmental and autonomous inter-governmental companies. The origin of these institutions is to achieve common goals. It shows how to get there, which most of which were established after the Second World War, financing governmental and private projects, managing the flow of capital and ensuring freedom of movement, stabilizing the exchange rate, and achieving a balance in the balance of payments. These institutions control monetary and financial policies, and they achieve a long-term harmony in the rules and standards in different countries of the world, as well as removing restrictions and obstacles impeding economic activity between different countries, these institutions are a tool for achieving and confirming the universality of the economy. (*Abd al-Hamid, 2003*) International institutions play a distinct role in the influence and guidance of the international economy to maintain stability and international balance. Among the most important institutions are the International Monetary Fund and the World Bank, each of them provide facilitates the support of a certain side, the first focuses on supporting financial and economic

stability and the other focuses on supporting member states through development programs, medium and long-term development loans. (*Maher, 2004*)

**The apparent goals:** - They fall under the policy of the bank and the Monetary Fund and the most important of these goals are:

- a. International cooperation in the monetary field in relation to contributing to solving monetary problems.
- b. Contributing to achieving and maintaining high levels of employment and real income.
- c. Abolishing the restrictions imposed on the exchange process and converting currencies that hinder the growth of international trade.
- d. Member states cooperate in correcting the imbalance in the balance of payments without referring to measures obstructing national and international prosperity, as well as shortening the period of the imbalance in the balance of payments of member states.
- e. The widening levels of economic development, increasing growth rates and addressing structural imbalances in developing countries.
- f. Raising the standard of living conditions of peoples, and inequality between individuals. (*Duraïd, 2011*)

**Implicit goals:** - It includes

- a) The loans and facilities granted by the Fund are mostly directed to developed countries.
- b) Increasing foreign debts and their burdens on developing countries.
- c) Reducing the value of the national currency of the countries following the policy of this institution.
- d) Exploiting the wealth of the people, especially the oil exporters, to increase the profits of foreign companies.
- e) Non-equitable distribution of loans at the international level.
- f) Imposing the difficult conditions on countries unable to pay debts and their interest by increasing the prices that do not support them and not providing funds for the labor force. (*Abd al-Hamid, 2003*)

## 2. Classification of financial institutions

**Depository institutions:** They are private and public intermediary institutions that accept deposits in their various forms of economic units, and provide credit facilities to other economic units, and these institutions contribute through the mechanism of creating deposits and deriving them to influence the money supply in the economy and include commercial banks, savings and lending institutions, savings banks, credit unions.

**Contractual institutions:** They are fundamentally non-depository financial institutions in their resources contractually and within a specific time and relatively knowledge compared to deposits, which provides these companies an opportunity for long-term investments, so their assets are for a long period of time.

**Investment companies:** They are financial companies that work in investing the accumulated capital of investors in the stock market, and investing in stocks and bonds, for example, mutual funds, money market, real estate investment and mortgage companies. (*Mahmoud, 2007*)

### **3. International Monetary Fund and Bank**

The idea of establishing the International Monetary Fund dates back to the severe economic crisis that many countries faced in the year 1930, and these countries worked to preserve their national income in the face of declining markets by reducing their exchange rates to counter trade restrictions and fluctuations in currency exchange rates as it started to cause chaos in commercial transactions. The result was that the countries' contributions to foreign trade and employment, and the use of resources at the international level decreased, and the importance of concluding agreements to regulate international trade business and related matters was highlighted. Much was done in the years of World War II by countries in order to create a stable monetary system and have agreed to this system (44) countries, where representatives met in the financial and monetary conference held in Britton Woods between 31-22 July 1944, and signed the Britton Woods Agreement that established the rules for the establishment of the International Monetary Fund, which was established on 12/27/1945, to create an economic system An international who works to facilitate expansion and balanced growth in international trade, contribute to encouraging and maintaining a high level of employment and real income, and develop Productive resources for member states. (*Shaqir, 2011*) members in it, and shareholders are represented through the Board of Governors, who are senior policy makers in the World Bank, and governors are finance ministers or development ministers in member countries and meet once a year, and they delegate specific duties to 24 An executive director working in the World Bank, and each of the five largest shareholders, namely Japan, France, the United Kingdom, Germany and the United States, is appointed. The other member states represent (19) managers. The president of the bank should be a citizen of the largest shareholders in the World Bank, which is the United States. The bank does day-to-day activities under the leadership and direction of the president, management, and employees with the expertise, the executive manager supervises on the work of the bank, dependence on loans, procedures, guarantees, new policies, administrative budgets, lending and financing strategies. (*Duraïd, 2011*)

### **4. The strategic pillars of the International Monetary Fund and the World Bank in Iraq between (2003 - 2016)**

The Poverty Reduction Strategy Report is provided to the International Monetary Fund and the World Bank a framework for concessional lending and facilitate for the debt burdens, this strategy is extremely important to the work of the two institutions, and the participating countries send the final strategy to the executive boards of the fund and the bank for approval, and the two executive boards receive a joint evaluation prepared by the experts of the two institutions, with an analysis of the strategy and a recommendation for approval. The poverty reduction strategy aims to reinforce the basic principles of countries' sense of ownership of programs supported by the Fund's resources, comprehensive development and public participation wide range, although there is no standard model for this report, there are a number of key elements that all strategies are likely to share. After 2003 to 2016, the World Bank developed four strategies for working in Iraq

*Strategy Work for period (2004-2005):* The relations between the World Bank and Iraq returned in 2003. The first prepared an assessment of the emergency needs of Iraq in cooperation with the United Nations. In 2004, the World Bank established the International Reconstruction Fund for Iraq to help Countries and donors channel their resources, the World Bank managed the Iraq Trust Fund (ITF) until 2014, as this year, the Iraq Trust Fund was closed.

*Strategy Work for period (2006-2007):* The activities of the World Bank for this period in Iraq were going according to a phased strategic plan (ICN) that was based on the following: - Reforming the mechanisms for providing basic public services, finding possibilities for developing the private sector, strengthening social protection networks, improving mechanisms rational governance for the public sector. The World Bank has worked to provide assistance to the social protection network and reform the pension system and that this support was in the form of developing the pension system policy and working to build the possibility and administrative eligibility

*Strategy Work for period (2009-2011):* The bank's strategy during this period works to help Iraq use and employ its resources more effectively to achieve growth in which the sector plays, the private sector plays the leading role, securing the provision and provision of basic services, building the institutional capacity of the state and enhancing it and exchanging knowledge in 2012, the Bank described Iraq as a country largely affected by disputes and disputes, and consequently status from instability. (*Abdel Khaleq, 2018*)

*Strategy Work for period (2013-2016):* In 2013, the Bank signed the first framework of partnership with Iraq to manage its activities in the country from 2013-2016, and that one of the Bank's goals in Iraq is support Iraq's endeavors efforts to build more effective government institutions and a diversified and more integrated regional economy so that it can provide services and create jobs. (*Duraid, 2011*)

## 5. The concept of small and medium enterprises

The United Nations Industrial Development Organization (small and medium industries) is defined as those projects that are managed by one owner, and fully responsible for their long-term and short-term dimensions, and the number of employees in them ranges between 10-15 workers, while the American Development Committee believes that these institutions are distinguished by covering the capital Through one or several people counted, and that the administration is usually done by the owner of the capital and that the work location of these institutions takes place in one local area, and aims on two criteria: -

*Employment Standard:* The concept of the size of employment has differed from one country to another. In Iraq, a number of 1-9 workers were considered within small projects and 10-29 workers for medium projects whereas in Egypt, the number of workers in medium enterprises ranges between 10-100 workers. (*Ahmed, 2008*)

*The standard of invested capital in the project:* The World Bank has set the capital of the project at about (220) thousand Dollars for small projects, as for Iraq, the determination, set in 1982, of less than (100) thousand IQ D for small projects, remains.

*The importance of financing small and medium projects:* The International Organization for Lending and Finance indicated that there are seven banks that started financing small projects in Latin America first and then spread in each of Africa and Asia, as interest increased in financing small projects in most developing countries in response to a strategy to reduce the role of the state in economic activities and the shift towards developing the private sector on the one hand On the other hand, to the fact that these projects have become the most effective management in tackling unemployment, providing job opportunities, raising living standards, and increasing economic growth on a large scale. Despite the multiplicity and diversity of the available sources of financing in most countries of the world, obtaining the appropriate funds faces a difficult, because it is related to creating requirements to persuade the

financiers to provide the necessary loans to set up small projects. (*Ahmad, 2011*) Note that credit and loan donors have a range of considerations when granting loans:

- The loan is granted to entities that are able to pay the agreed terms
- Capital, which is a function of the investor's financial ability and strength, as banks want to know what the project owner owns as a source of repayment.
- The guarantees include the assets owned by the project owner whether it is the project assets or his real estate.
- The reputation, characteristics, and behaviors of the loan applicant. (*Ahmad, 2011*)

The importance of projects and their role in the national economic development is highlighted, as they are the basis of the national economy and an essential engine in development and help to increase output and improve the balance of payments as well as provide economic prosperity, and generate income for entrepreneurs, as they work to increase employment of the workforce and produce goods and services with export opportunities, which It leads to obtaining foreign currency, and creating other financing opportunities that benefit from these projects, as well as the national economy in the formation of solid ground in the face of negative influences and setbacks such as recession and inflation where the mentioned projects are affected (Small and Medium) at a lower level than large companies with economic fluctuations, and the role of small projects in some economies of countries convert them into a market economy. The role of small and medium enterprises in social development through economic development is highlighted as follows:

- Working to reduce unemployment and poverty rates.
- To provide economic stability, not what giant enterprises which do not know about the geographical location.
- Increasing people's chances of earning an income, which helps them to obtain a living in health and education services, providing the possibilities for a good life, re-establishing community formation committees to eliminate the poor, and creating a more secure and stable society. (*Asar, 2018*)

## **6. The reality of financing small and medium enterprises in Iraq**

After the year (2003) the economy shifted through the new vision from the planned economy directed to the adoption of the free economy mechanism, the Iraqi government has put forward programs that are compatible with the adaptive programs of the international financial institutions represented by (the International Monetary Fund and the World Bank), and this was translated by finding solutions Realistic economic imbalances in Iraq, as the Iraqi economy suffered from policies and problems; The result of the country's previous administration. (*Asar, 2018*) As for the policy of the Central Bank of Iraq after the year (2003), it has adopted general policies regarding the stability of inflation rates through its monetary tools, as capitalist ideas intent on the government not interfering with the economy and the central bank and supporting its freedom, i.e. it remains independent after the lifting of the direct economic blockade and the liberation of frozen Iraqi stocks to start to return the reserve to the Central Bank of Iraq from the foreign currency, which is an external cover for the Iraqi dinar, and through the foregoing, the text of the law (56 of 2004) was established, through which the bank was able to manage the country's oil affairs, and other foreign currency sources through its management of the (Development Iraq Fund ), which was established by Security Council Resolution (1483) in May/2003, especially after Iraq assumed sovereignty in (28 June 2004), and that the country's inflows of foreign currency were through that fund, which took another phase After the end of the

international protection for the funds of the Iraq Development Fund on (30/6/2011) that is, after the Security Council resolution (1956 of 2010) has been depleted, the fund's resources are therefore linked to the balance sheet of the Central Bank of Iraq, and to monetary policy. (*Mather, 2010*) Therefore, Iraq was one of the developing countries most facing deficits in the state's general budget; This is due to the large government spending on the one hand, and the decrease in foreign aid and revenues on the other hand, as we can observe the emergence of high rates of unemployment, inflation, high external debt, and increased debt service burdens due to the accumulated interest of loans. (*Youssef, 2013*) The international financial institutions are the most important in intervening and resolving the crises experienced by peoples, as Iraq was one of those countries due to what it suffered from imbalances and deficits in the balance of payments. Made in settling the debts that Iraq suffers before the year (2003), it was agreed to schedule the remaining debts, as well as it was agreed to pay them in annual installments to reach more than (70) billion dollars until the year (2010), including (Paris Club debts, And the debts of the Gulf states). (*Ahmad, 2017*) In the year (2011), it reached (10,173) billion dollars. The restructuring of the Iraqi state institutions was not based on the requirements of the executive work, because the emergence of the principle of (quota), which worked on inflation the administrative and executive apparatus, to the extent these institution have lost the control of the state and its boards, in addition to widespread administrative and financial corruption is widespread, and this requires awareness and real action to reconsider state institutions, and government control over the reins of government and its apparatus by reducing spending and increasing state revenues. (*Faleh, 2017*) As we can observe the increase in the ratio of local debt, with respect to (GDP) since the year (2014), and as a result of this, Iraq has suffered a deficit of (21) billion dollars in the year (2016), so the government worked to stop about (9) thousand projects Investment because of a few finance, this made Iraq resort to requesting borrowing from international financial institutions: (the International Monetary Fund and the World Bank) and addressing its financial position within the programs of economic stabilization and structural adjustment. In return, it is necessary for Iraq to demonstrate its commitment to the reform that is carried out with debt management, called (Financial Engineering) And also (treatment by Shock), and of course the loan disbursement can be stopped if the government refuses to adapt its economy, thereby exposing itself to risk, and it is placed on the black list, and retaliatory sanctions in the field of trade. The goal of (international financial institutions) lies in expanding private sector activities and privatizing the Iraqi economy, (*Tayeb, 2008*) The expansion of technology, and the encouragement of factory production across continents through foreign direct investment according to strict management to restrict wages, increase unemployment, and tighten monetary and financial policies in order to reduce its budget deficit, without looking at the stages of its economic development and the development of its economic policy. (*Ali Bashar, 2013*) The United States of America is working to impose its hegemony through its large share in those institutions, as debtor countries have assumed that loans will bring them great benefits, which is what happened with Iraq; Because of his request for loans from the international financial institutions: (the International Monetary Fund, and the World Bank), as Iraq requested a loan worth (5,34) billion dollars, through the international conditionality imposed by (the international financial institutions) in terms of the International Monetary Fund. (*Ahmad, 2017*) As for the World Bank, it provided a loan for the reconstruction of Iraq. Because of what was destroyed by the war with the (ISIS) terrorist and its defeat at the end of the year (2017), as the loan rate from the World Bank is estimated at (88) billion dollars, as pledged by

companies, as well as to donors during the conference held in (February 2018), During the war, there was a decrease in oil prices. This is because of increased spending, weak oversight, tense security conditions, and the expectations of the World Bank, that there is an increase in the level of oil prices, a large fiscal space in the general budget for financing and reconstruction, and controlling general fiscal and monetary policy. The work of (international financial institutions) in Iraq is to lay the foundations and basic foundations for finding solutions to the problem of external debt in Iraq, and to deal with international financial institutions after the occupation of Iraq in (2003), as they were given the opportunity to deal with Iraq after a long interruption with those (international financial institutions) of the United Nations, as Iraq presented a message of intent, including the general framework of economic, monetary and financial policies, and reform programs after the war, and approval to give Iraq a loan of about (40%) of Iraq's share with the International Monetary Fund, and the World Bank also worked to give loans, provide aid and investments, build companies, and develop the private sector for a long-term period and energize the process of economic, social and political development in Iraq, as international financing is defined as providing the necessary funds to carry out economic projects and developing them, in times of need for them, which concerns cash, not goods and services, and that it is at the required value at the required time, the goal of which is to develop projects Public and private at the appropriate time. Therefore, international financial institutions are working to privatize the government sector, privatization has a major role in reducing the size of the debt, if the institutions operate in a positive manner and for the benefit of Iraq, so mismanagement of the funded institutions in Iraq is often the main reason for the accumulation of public debt, and that privatization It can solve this, and in return it creates unintended problems, as it contributes to the loss of citizens' jobs, and layoffs of their jobs, because of the inability to pay wages to them, and the World Bank Group showed that the privatization process decreased in developing countries by (70%), due to the cause of the global financial crisis in (2008), as UNCTAD defined privatization as "part of the process of structural reforms of the public sector in. economic construction, including: redefining the role of the state, and abandoning the activities that the private sector can undertake, aiming in general to raise economic efficiency. The privatization of the energy sector, which is one of the main sectors in terms of development perspective, especially that the Iraqi economy has gone through a transitional stage, and therefore can benefit from reaping the benefits of that privatization in those strategic sectors, especially in the countries of the (OECD Organization For Economic Cooperation and Development), which has taken real steps in the matter of privatizing electricity, and that the process of liberalizing the economy in the world, especially in Iraq, is broad in its degree of excellence in complexity, and there are important points that can be taken when privatizing the economy, as follows: (*Ahmad, 2014*): Spurious symmetry between the private sector and the public sector. To liberalize the economy, there are political implications in the form of liberalization. Economic and financial restrictions are imposed. And because Iraq is characterized by: (parental organization), the public sector is the dominant in the state, and also the dominant capabilities and accumulation of wealth in the hands of rulers, while the public state budget is considered as a treasury from which rulers are forgiven for their benefit, and therefore the Iraqi government is forced to borrow from (international financial institutions), and subject to the conditions set by those institutions. The World Bank has long been based on the separation of "programs" and "projects". The programs task is to define loan strategies for different countries when the project mission is to return the same projects. (*Ahmad, 2014*) As for the

International Monetary Fund, whose role is to finance and support the general budget and not development projects, to work to bridge the gaps in the state's budget deficit, and in fact it is interfering in economic policies, and that harm will accrue to the poor groups of society, (*United - Nations, 1995*) and also its effect in restricting state sovereignty, (*Greta, 2018*) and that there is a type of funding that lies in the aid that enters into the country from abroad, which is called "private and international aid," are the amounts that enter as gratis gratuities from international institutions and individuals who work abroad, such as religious and scientific aid, (*Zaki, 1992*) United Nations aid, and government assistance, are aid that foreign governments pay to another government, to support their budget or implement some development projects and that aid enters the country to help the poor classes, because when the international financial institutions implement the "austerity policy" on a country, (*Ramzi, 2019*) there is a disparity in the social classes, the effect of which may not actually happen at the beginning. But it may appear positive later. The International Finance Corporation gives loans to its members on condition they are also members of the World Bank, as the number of its members reached (175) and it gives loans when it is sure of its success and profit, as the project can be from the government (the public sector). But it is necessary to have a partner from the private sector, and by this the project becomes between foreign and local shareholders, as it helps in developing local capital markets, and provides assistance in areas such as restructuring and privatization of state-owned enterprises, "as happened in Iraq after the year (2003). (*Maher, 2004*): The agricultural sector, which is broad in scope. But there is primitive in progress and technology and emerging but dynamic sectors dealing with advanced and modern technology in terms of organization and production. In Iraq, there is a regulation of the wage movement according to the path of change and technological and organizational development of the public sector that depends on oil to finance its budget in a large way, and the private sector that depends on soft loans, cheap energy, low fees, or symbolic fees in general. As we can observe the intervention of the work of these two institutions, with the aim of improving the balance of payments situation and the structure of the production apparatus, which is reflected at the level of economic activity in Iraq, and that Iraq takes the reformist approach after (2003), under the guidance of (international financial institutions) as it provides him with financial stability To reach development and to find solutions to economic problems, due to the widespread administrative and financial corruption in Iraq. (*Khalil, 2007*)

#### **7. The Iraqi reality and the reform policies of the international financial institutions: (Reflections Political)**

There are many problems that Iraq suffers from, which need to be reformed, including the political reflections that contribute to the reform process, that the reform lies in: the exploitation of financial and human resources to achieve the greatest achievement at the lowest cost, and that the reform process is the responsibility of all, and the goal of everyone and to avoid a problem Reform, it is necessary for people to be eligible for the responsibility centers entrusted to them when dividing the organizational structure of any institution, and also it is necessary to support the financial balance, and achieve success in implementing the programs of international financial institutions, and that their reform needs economic stability, by reducing poverty and unemployment, and supporting Local public goods and that the reform process starts from political reform to administrative and economic reform. (*Jaafar, 2018*)

## 8. Weak public policy-making mechanisms in light of political instability

The political stability does not come through the security and military forces, but there are laws that the political system enjoys, including legitimacy and the people's consent to public policy approved by the government, and that political stability includes all societal aspects, including: economic, political, and social, so Iraqi society suffers from The phenomenon of political instability since many years ago, and instability is not a phenomenon of the moment, but rather increased after the year (2003), and it threatens society in all respects. (*Jaafar, 2018*)

*Political instability in Iraq:* Wide concept and contradict the (political stability), which is meant: "the lack of structures the political institutions that are empowered to run the state, and to lead it in an organized, organized manner, and to distance the state from any divisive form that may sometimes threaten its existence. That is, there is no stable system in Iraq, which is tainted by a state of political chaos, and exposes the state to disturbances and obstacles in reform and development, and that one of the most important phenomena of political instability is the spread of the phenomenon of violence for economic reasons, and weak state institutions, and this is what happened in Iraq due to political instability. The absence of economic plans and public sector development programs; This is due to the political system's tendency to political quotas that have hindered progress and development, and the use of public funds for the purpose of wars and conflicts, which impedes the work of the government's general policy, as well as the instability of Iraqi economic policy, and since Iraq's economy is a rented out economy it depends on oil revenues the characteristic of political instability and persistence is considered an attribute inherent in the Iraqi economy, therefore we note in the last period that Iraq witnessed instability in the aspects of life as well as the occurrence of political tensions, which forced it to resort to international financial institutions (the International Monetary Fund and the World Bank), in order to resolve the financial distress crisis that occurred as a result of the events (2014), but in The year (2010), the macroeconomic stability program was supported by the (International Monetary Fund) and through the Standby Arrangements Agreement (SBA), and the World Bank also agreed to give Iraq a loan to achieve a sustainable financial development policy backed by structural reforms in budget management and the social protection system And the financial sector, there is a significant and clear impact on political instability, the explanation of which can be found in the following: Capital flight abroad, Weak national capital and development participation, The absence of foreign investment, administrative and financial corruption and the migration of scientific minds. (*Fawzia, 2013*) Among the most important economic reasons that terrorism root is embodied in poverty and unemployment, which generates that feeling of deprivation, and that the low level of education affects the social classes, and global studies have shown that the crime rate reached (21%) among the unemployed, and that the level of unemployment in The world reached (20%) after the escalation of terrorist waves. (*Kouman, 2007*) Administrative and financial corruption in Iraq after (2003): corruption is defined as damage, corruption, taking money, turmoil, defect, and drought. As for the term corruption is defined as "the use of public office, for private gain, and it includes bribery and extortion, and they necessarily involve the participation of the parties at least, Corruption also includes other types of prohibited acts committed by the public official alone, including fraud and embezzlement, at which time politicians and senior officials allocate public funds for private use, and misappropriation of public funds. While the World Bank defines

(corruption) as paying bribes or commission directly to government officials and officials, and in the private and public sectors to facilitate deals, if the concept of this definition shows that government officials are the first reason to allow the completion of the corruption process, because they know the capabilities and components of property, And how to manage it, and that corruption in the current reality of Iraq causes a major hindrance in the process of human development and integrity of individuals, and this is considered a disease of rampant era in society; Because of the lack of oversight and accountability of the officials themselves, and that they are considered to be the biggest reason impeding society because of the exploitation of political instability, and societal anarchy to implement their personal interests. After the United States entered Iraq, it called for reforming the Iraqi economy through the programs of the international financial institutions (the International Monetary Fund and the World Bank), where these institutions work side by side in the reform of Iraq. Non reliance on supporting international financial institutions: (the International Monetary Fund and the World Bank) in rebuilding, development and sustainable development, because that is closer to an illusion than the truth; This is due to the borrowing from those institutions represented in loans and interest, on the one hand, and on the other hand, it is indispensable to provide technical and advisory support programs, and rely on local programs, and in return, it is required to advance the economic field through investments and extinguish external debts on Iraq. (*Jaafar, 2018*) And that the most common type of corruption is (political, administrative, and financial): political corruption, which is represented in the performance of some political parties, the absence of legal accountability, through the acquisition of high positions, the referral of projects and contracting under their hands, huge salaries, protections and financial allocations, depleted protections of the state budget, and defense About administrative corrupt in return of negligence in the infrastructure of the Iraqi economy, such as infrastructure in industry, trade, agriculture, electricity, water pollution ... and others, (*Hamid, 2018*) while administrative and financial corruption can be defined as the exploitation of public office and its influence to achieve personal, material or moral gains in contravention of the laws Whether it is done individually or collectively, i.e. the emergence of the individual benefit at the expense of the public benefit, and its exploitation for personal purposes, which is represented by flabby administrative structures, and the administrative routine that the law does not relate to. (*Jaafar, 2018*) That is mean, the distribution of powers and powers granted by public bodies to the local areas of the state, because the federal constitution represents the cornerstone and legal basis in Iraq, and the distribution of powers and the authorities between local institutions. There is a general agreement that it is necessary for the local government to meet the requests of local citizens, which belongs to the powers of the central authority, and leave the major responsibilities on the central government for its care, such as: (defense and security, international treaties, and the federal budget .... etc.) (*Taha, 2010*) Article (4) of the Interim Iraqi State Administration Law states that the system of government in Iraq is a federal, republican, and democratic one, pluralistic, power is shared between the federal government, regional governments, governorates, municipalities, and local administrations, so the federal system is based on geographical and historical facts, and the separation of powers, and not on the basis of origin, race, ethnicity, nationality, or sect.]

## Conclusions

1. The international financial institutions are institutions that work in the field of public investment.
2. The role of international financial institutions in the area of finance and credit is stronger for aid-dependent countries.
3. Stock markets do not take the role of a broker in issuing direct obligations, because they take an important role in financial intermediation between units of deficit and surplus.
4. The International Monetary Fund organizes the international monetary and trade relationship, promotes cooperation and consultation, and provides short-term loans to countries to address the deficit in the balance of payments.
5. We conclude that there is a lack of health services and support for poor families through Iraqi government support, such as: social security or ration card support for needy families at a time when Iraq is witnessing fair distribution.
6. The role of small projects in the Iraqi economy has declined due to the new orientations of the economic policy based on the adoption of the market mechanism and openness to the financial economy in addition to military operations and the emigration of owners of money heads to abroad, but he invented a new role for the projects mentioned since 2007 in order to solve the problem of unemployment and secure Some of the basic needs of citizens, as government agencies have established programs to finance and lend small projects.

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