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Estimation and Analysis of the Impact of Structural Imbalances on Poverty Rate in Iraq for (2004-2023) By Using the (ARDL) model

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abstract

Iraq faces several risks which are stemming from its over-reliance on crude oil to generate unilateral financial surpluses, upon which the macro-economy is based. This study aims to track the impact of the imbalance in the output structure on poverty rates in Iraq, the magnitude of the impact, and their trends, in order to propose practical recommendations that fix this relationship. The research problem lies in the following question: How much does the structural imbalance in the gross domestic product affect poverty rates in Iraq during the period (2004-2023), under the following hypothesis: Structural interdependence (weak structural imbalance) between the output sectors increases the welfare of the economy and reduces Poverty rates. The descriptive and quantitative approach was adopted to validate the research hypothesis. The research reached the validity of its assumption, as the lack of linkage between production sectors (structural imbalance) caused an exacerbation of poverty rates and a deterioration of local production in Iraq. The research recommended the importance of amending agricultural and industrial policies and employing oil resources in achieving a comprehensive economic plan that corrects the local economy.

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Introduction

Modern economies offer fertile and renewable ground for the mechanisms and pathways of allocating economic resources in general, and financial resources in particular, where rapid technological development is being mobilized to serve production and the development process in many countries around the world in general, and developing countries in particular.

Despite the international environmental challenges and the rapid pace of economic events, the Iraqi economy keeps pursuing its useless economic policies, which have entrenched the true meaning of the disintegration and dissolution between the components of the economy and the trend of macroeconomic variables. This has led to a complete disconnect between politics and reality, which has led to the waste of plans and efforts allocated in some successive governments to the desire for economic reform.

Today, the gross domestic product is witnessing a stark structural imbalance that represents neglect, waste of resources, and weak policies allocated to address and solve problems in light of very serious global and environmental challenges, which has contributed to high rates of poverty and deteriorating health and education among the population.

Research problem: The research problem lies in the following question: How much does the structural imbalance in GDP affect poverty rates in Iraq during the period (2004-2023).

The importance of research: Monitoring structural imbalance data between local production sectors is extremely important and has repercussions and a sharp impact on the trend of macroeconomic variables, including poverty rates.

Research objective: The research aims to follow up on the impact of the imbalance in the output structure on poverty rates in Iraq, and the extent of the impact and its trends, to put forward practical recommendations that work to fix this relationship.

Research hypothesis: This research is based on the following hypothesis: Structural interdependence (weak structural imbalance) between output sectors increases the well-being of the economy and reduces poverty rates.

1. STRUCTURAL IMBALANCE AND POVERTY RATE: A THEORETICAL APPROACH

1.1. STRUCTURAL IMBALANCE

Structural imbalance represents a state of chronic mismatch between the sectors that make up the national economy. (Justin Yifu Lin and Celestin Monga, 2022, 15) state that this imbalance is embodied in the dominance of one sector at the expense of other sectors, which leads to a distortion in the structure of production and deepens dependence on the outside.

Functionally, (Giorgio Liotti, 2020, p. 112) maintains that these imbalances are not limited to production alone, but extend to affect employment rates, as the distorted structure creates a gap between educational outcomes and labour market requirements, leading to intractable structural unemployment. While in the Arab context, (Michael Ross, 2015, p. 42) asserts that this situation is clearly evident in rentier economies that depend on oil as their main source of financing, which is making the general budget constantly vulnerable to global price fluctuations.

As for global balances, (Beatrice Weder di Mauro and Jeromin Zettelmeyer, 2026, p. 25) consider that Structural imbalances have today become a key driver of global financial instability, especially with the growing gaps in commercial balances between developed and developing countries. This proposition is supported by (Daron Acemoglu and Pascual Restrepo, 2024, p. 59) pointing out that commercial exposure resulting from a weak domestic production base prevents "self-growth" and makes the domestic economy merely an "echo" of external variables.

Regarding strategic solutions, the study emphasizes (Margaret McMillan, Dani Rodrik, and Íñigo Verduzco-Gallo, 2014, p. 45) However, positive structural change requires the transfer of resources from low-productivity sectors to high-productivity sectors (such as manufacturing industries), which is lacking in many developing countries that suffer from an "institutional failure" that prevents this transfer. (Ufuk Akcigit and Sina T. Ates, 2021, p. 29) concludes this framework by emphasizing that the absence of innovation and the weakness of the patent system represent a structural obstacle that prevents Arab economies from transforming towards a "knowledge economy," thus keeping them captive to traditional imbalances.

1.2. TYPES OF STRUCTURAL IMBALANCES

There are several types of structural imbalances, the most important of which are:

1.Imbalance in the structure of GDP: it is considered the most common type in developing countries, where economic activity is concentrated in one sector (often an extractive sector). (Todaro, M. P., & Smith, S. C., 2020, p. 72) point out that this imbalance leads to "unilateral production," which makes the economy fragile to global price shocks, also leads to the atrophy of other commodity sectors such as agriculture and industry.

2. Imbalance in the general budget structure: It is reflected in the disconnection between public revenues and expenditures. (McMillan, M., Rodrik, D., & Verduzco-Gallo, Í., 2014, p. 11) explain that this type is clearly demonstrated when a state relies on fluctuating rentier revenues to finance increasing operating expenses (salaries and wages), creating a chronic structural deficit that is difficult to address by traditional financial means.

3. Imbalance in the structure of foreign trade: This type is related to the degree of "economic exposure". He confirms (Giorgio Liotti, 2020, p. 114) confirms that external structural imbalance arises from the inability of local sectors to meet domestic demand, which leads to increased dependence on imports for exports with limited added value, which is known as trade imbalance.

4. Imbalance in the structure of the workforce: It occurs as a result of a mismatch between the outcomes of the educational system and the actual needs of the labour market. (Michael Ross, 2015, p. 42) This imbalance leads to "structural unemployment," where job opportunities are available in certain technological or professional sectors, but the workforce lacks the necessary skills to fill them, which is hindering the process

of sustainable growth.

5. Income inequality: It is related to the equitable distribution of economic benefits among society segments. (Rey, H., Weder di Mauro, B., & Zettelmeyer, J. 2026, p. 25) believe that the concentration of wealth in the hands of a few leads to a weak purchasing power of the majority, causing stagnation in aggregate demand and deepening the structural imbalance of the macroeconomy.

1.3. POVERTY RATES

Poverty is a complex phenomenon that in its modern concept goes beyond mere lack of income, to include deprivation of the basic capabilities and opportunities that enable an individual to live in dignity. Poverty rates are analysed as an indicator of the efficiency of economic and social policies in distributing wealth. The following are the key dimensions of poverty:

1. Material dimension and income: Income represents the traditional pivot of poverty measurement; where absolute poverty is defined as the inability to meet basic food and non-food needs. (Martin Ravallion, 2020, p. 172) points out that poverty rates are closely linked to the "poverty line," the monetary standard which separates the poor from the non-poor, emphasizing that any price fluctuations immediately lead to new groups slipping below this line. For his part, (Martin Ravallion, 2020, p. 12) views relative poverty as a reflection of unequal distribution of income within a given society, as poverty is measured here in comparison with the average prevailing standards of living.

2. Multidimensional deprivation dimension: The theoretical concept of poverty has shifted from focusing solely on income to "multidimensional poverty." (Sabina Alkire and Selim Jahan, 2018, p. 5) explain that Poverty rates must include three vital dimensions: health, education, and standard of living (housing, water, electricity). An individual may have an income above the poverty line, but he suffers from "educational" or health poverty that prevents him from exercising an effective role in society.

3. Human poverty dimension and capabilities: Poverty is viewed as a deprivation of basic capabilities. (Sabina Alkire, R. Mishra, L. Selden and N. Suppa, 2025, p. 12) confirms that human poverty rates reflect the absence of economic and social freedoms that allow people to choose a lifestyle he values, making poverty an obstacle to sustainable human development, not just a transient economic problem.

4. Structural and social dimension: This dimension is related to the nature of the economic and social system. (Christopher B. Barrett, Michael R. Carter and Jean-Paul Chavas, 2019, p. 4) points out structural poverty results from an imbalance in the distribution of assets and opportunities, such as land ownership or access to credit, which leaves the poor trapped in a "poverty trap" (Poverty Trap) from which it is difficult to emerge without radical government intervention.

1.4. THE RELATIONSHIP BETWEEN STRUCTURAL IMBALANCE AND POVERTY RATES

The relationship between structural imbalance and poverty rates is theoretically direct and intertwined, with economic structural imbalances serving as a fertile environment for the generation and sustainability of poverty. An economy that suffers from structural distortions lacks the ability to generate sufficient job opportunities or distribute development fruits fairly. The following are the most important dimensions of the relationship between structural imbalance and poverty rates:

1.The impact of structural imbalance in production on the expansion of poverty: Structural theories suggest that the concentration of the economy in extractive sectors (such as oil) leads to what is known as the "Dutch disease." (Thorvaldur Gylfason, Natural Resources, 2011, p. 851) state that this imbalance causes the marginalization of labour-intensive sectors such as agriculture and manufacturing, which leads to the loss of livelihoods for large segments of society, and thus high poverty rates as a result of the absence of productive diversity.

2. Structural imbalance and the poverty trap: theoretically (Christopher B. Barrett, Michael R. Carter and Jean-Paul Chavas, 2019, p. 4) views that structural imbalances in the distribution of assets and credit create "poverty traps" where the poor are denied access to productive resources. This structural defect prevents vulnerable groups from investing in human capital (education and health), leading to intergenerational transmission of poverty as a result of an inflexible and non-containment economic structure.

3. The impact of fiscal and monetary imbalances on the poor: Fiscal imbalances and monetary policies lead to inflationary waves that erode real incomes. (International Monetary Fund, 2014, p. 18) confirm that chronic structural deficits are often addressed by governments by reducing social spending or raising indirect taxes. These measures place the burden primarily on the poor classes, which deepens the class gap and increases material deprivation rates.

4. Labour market imbalance and structural unemployment: (World Bank, World Development Report 2013, 2012, p. 102) pints out the relationship between structural imbalance and poverty is clearly evident in the "labour market"; a distorted economy produces jobs that do not match the skills of the local workforce, or produces growth that is "unemployed" (Jobless Growth). This imbalance leads to the growth of the informal sector, which is characterized by low wages and a lack of social protection, which is the main feeder of poverty rates in developing countries.

5. Structural dependency and deteriorating living standards: From an international perspective, (Margaret McMillan, Dani Rodrik and Íñigo Verduzco-Gallo, 2014, p. 26) explains that the failure of the structural transition towards industry makes countries captive to exporting raw materials and importing consumer goods.

This commercial exposure makes poverty rates linked to external fluctuations; Any decline in global prices for exported materials immediately translates into a domestic economic contraction that increases the number of people below the poverty line.

2. ANALYSIS OF DATA ON THE ECONOMIC STRUCTURE AND POVERTY RATES IN THE IRAQI ECONOMY

2.1. SECTORAL IMBALANCE IN THE STRUCTURE OF GDP

It is clear from Table (1) that the agricultural sector constituted only a small part of the GDP throughout the research period, and its contribution ranged between (7%) in 2005 as a maximum and (1.9%) in 2017 as a minimum.1 Perhaps this contribution pushes towards adopting a policy of relying on neighbouring countries to secure the necessary food and satisfy market needs, and thus a complete absence of food security and the inability to achieve self-sufficiency in food and food and the daily need of the Iraqi family for food consumption. The average reached (4.1%), which is a very weak percentage.

The industrial sector has experienced a broader decline in his contribution compared to the deterioration of the agricultural sector. The contribution rate of the industrial sector ranged between (2.4%) in 2023 as a maximum and (0.9%) in 2016 as a minimum, with an average of (1.6%). These contribution rates only show the fragility of the industrial base and the weakness of the forward and backward interconnection of the economic sectors, in light of the complete absence of desire and investment orientation in the industrial sector. In addition to the lack of the government vision that is responsible for the deterioration of this vital sector, which represents the threshold for accessing international markets, the gateway to supporting the national currency's value and restoring confidence in local industry. This has led to poor commercial policies towards imports and depletion of the easy dollar (generated from the sale of crude oil), which has led to linking the stability of local markets to the disturbances and fluctuations in prices of all imported industrial products.

The oil sector was the best-performing sector in terms of contribution with an average of (55.9%), followed by the personal services sector with an average of (11.1%), then transportation and with an average of (7.7%), wholesale and retail trade sector with an average of (7.3%), then the finance and insurance sector with an average of (6.6%), finally the construction and building sector with an average of (4.8%). While the water and electricity sector was very deteriorating, reaching an average of (0.9%), and this is a very dangerous indicator. The unwillingness and inability of successive governments to secure the needs of family consumption of electricity means their inability to secure the needs of industry, investment and other sectoral activities for energy consumption if they were effective. This makes it extremely difficult to achieve the appropriate level of effective output for its activities, given the public responsibility and the aspirations of successive

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governments in managing the macroeconomic policy portfolio.

From the above, the structure of the GDP in Iraq suffers from severe weakness and a deterioration in sectoral contribution rates in favour of the oil sector, that constituted more than half of the GDP. This means; most Iraqi exports are crude oil not locally produced goods and services, the cause of the exposure of economy and the fragility of institutional structure in its public and private dimensions during the research perio

Table (1): Percentage of sectoral contribution to the gross domestic product in Iraq for the period (2004-2023)

Social And Personal Development Services	Financial, insurance and Real Estate Services	Wholesale and trail trade Hotel and related services	Transportation	Building And Construction	Electricity And Water	Oil	Industry	Agriculture	Year
8.7	8.3	6.2	11.9	2.2	0.7	55.1	1.6	5.4	2004
9.4	8.5	6.7	11.4	4.4	0.8	50.3	1.7	7	2005
12.5	8.8	6.8	8	4.4	0.8	50.2	1.7	6.9	2006
12.8	9.7	6.2	6.6	4.4	0.9	52.9	1.8	4.9	2007
12.4	9.4	6.2	6.3	4.6	0.8	54.8	1.8	3.9	2008
13.1	9	6.7	5.6	.4a3	1	54.3	2.4	3.9	2009
13.1	8.6	7.5	5.7	6.3	0.9	51.6	2.4	4.2	2010
13.2	8.5	7.7	5.4	5.8	1	52	2.3	4.5	2011
12.9	1.7	9.4	6.7	7.8	1.1	54.7	2.07	3.9	2012
12.1	7.2	8.5	7.2	8.7	1.1	49.5	1.8	4.2	2013
11.1	6.6	8.5	7.2	8.3	1.2	51.7	1.3	4.2	2014
10.6	4.9	8.2	7.6	5.1	1.2	59	1.07	2.5	2015
9.1	4.6	6.4	7.3	4.1	1.1	64.8	0.9	2.2	2016
9.2	5	7.1	7.8	4.4	0.9	62.8	1.05	1.9	2017
9.4	5.5	8.4	8.1	3.8	1	60.4	1.15	2.5	2018
9.1	5.4	7.6	7.2	5.8	1	59.5	1.15	3.5	2019
10	5.8	7.4	7.7	2.9	0.8	59.3	1.1	4.8	2020
11.1	5.4	7.3	9.3	3.0	0.5	58.1	1.6	3.8	2021
10.3	5.4	7.0	8.9	3.0	0.5	60.5	2.1	2.4	2022

12.4	**4.8**	**7.3**	**8.4**	**3.5**	**0.4**	**56.9**	**2.4**	**3.1**	**2023**
11.1	**6.6**	**7.3**	**7.7**	**4.8**	**0.9**	**55.9**	**1.6**	**4.1**	$\bar{X}$

Source: Republic of Iraq, Ministry of Planning, Statistics and Geographic Information Systems Authority, Directorate of National Accounts, various years.

2.2. Poverty trends in Iraq

It is clear from Table (2) that poverty rates in Iraq have reached very critical levels, as the poverty rate in 2004 reached (28.7%), which is a very high level. it began to fluctuate until it reached (25.2%) in 2008. Despite the governments launching poverty alleviation strategies, these strategies were not effective and influential in reality, which kept poverty rates high throughout the research period. The poverty rate returned in 2010 to its critical rate of (28.02%) and fluctuated until it reached (20.06%) in 2016. then the fluctuation continued within poor and ineffective macroeconomic policies until it reached (17.6%) in 2023. The average poverty rate in Iraq has reached (22.2%) during the research period, which is a very high rate.

These high rates of poverty paved the way for the destruction of families and society, the spread of ignorance, and the emergence of numerous economic and social issues. In addition to the emergence of numerous negative manifestations in society, particularly societal hatred, intolerance, a sense of injustice and public neglect by the state.

Poverty	Year
28.7	**2004**
11.02	**2005**
16.9	**2006**
22.4	**2007**
25.2	**2008**
27.4	**2009**
28.02	**2010**
29.6	**2011**
18.9	**2012**
19.3	**2013**
22.5	**2014**
20.04	**2015**
20.06	**2016**
20.1	**2017**
20.05	**2018**
20.01	**2019**

Table (2): Poverty rate in Iraq for the period (2004-2023)	**31.7**	**2020**	**(%)**
	27	**2021**	
	17.6	**2022**	
	17.6	**2023**	
	22.2	**$\bar{X}$**	

Source: Ministry of Planning, Poverty Alleviation Strategy in Iraq, and Follow-up Report on the Alleviation Implementation of Poverty Strategy Activities, various years.

2.3. The relationship between structural imbalance and the poverty rate:

Figure (1) and Table (3) confirm that the contribution of the agricultural sector to the GDP was very weak, which means that the sector's ability to generate added value has deteriorated to a very dangerous level, and that this does not allow the sector to contribute to generating jobs that would contribute to increase the income of families (agricultural in particular) and thus reducing the poverty rate. This was evident in the decrease in the correlation coefficient between them to (-0.01), and the correlation was inverse, meaning that increasing the contribution of the agricultural sector to the output could reduce the poverty rate, even within very narrow limits, and this was confirmed by Figure (1). Perhaps the most important reasons that contributed to the deterioration of this relationship were the complete dependence of the Iraqi economy on oil revenues. This limits the impact of other sectors (such as agriculture) on overall indicators. Structural problems in the agricultural sector (water scarcity, salinization, and weak subsidies) make its contribution insufficient to bring about tangible change in living standards. Poverty is concentrated in areas that may not depend exclusively on agriculture, or are affected by other factors such as conflict and displacement.

As for the relationship between the contribution of the industrial sector to the output and the poverty rate, according to Figure (1) and Table (3), the relationship was weak. The relationship with the poverty rate was direct and not inverse, which is contrary to the logic of the established economic theory that increasing the contribution of the industrial sector contributes to reducing poverty rates. That this result due to the serious deterioration that the industrial sector is experiencing. This sector is witnessing obvious and significant neglect and the failure to allocate real industrial policies capable of supporting it and improving its reality, which has kept the Iraqi economy exposed to the world on one hand. This sector has not been able to generate added value or economic surpluses that improve the deteriorating trade balance situation on the other hand, as well as the industrial sector’s inability to generate new jobs that contribute to reducing poverty rates and creating incomes that contribute to improving the living conditions of many residents, especially young people. In this regard, the most important factors that helped in the deterioration of this relationship can be identified as follows:

- Oil dominance: Iraq is overly dependent on oil, which makes any slight growth in the contribution of the

industrial sector (currently a small and fragile sector) insufficient to trigger overall poverty indicators.

- Type of industry: Most existing industries are simple extractive or transformational industries that do not generate job-intensive and are productive for the poor, which explains the lack of a strong positive (inverse) correlation in poverty reduction.
- Random correlation: Due to poor value, this correlation may be "false" or result from fluctuating data during periods of crisis, as industry's contribution may increase "relatively" only due to lower oil revenues, while poverty increases primarily due to poor general economic conditions.
- Structural problems: Iraqi factories (public and private) suffer from outdated technology and energy scarcity, which limits their ability to absorb unemployment and reduce poverty.

As for the relationship between the contribution of the social and personal development services sector and the poverty rate according to Figure (1) and Table (3), it is weak, as the value of the correlation coefficient of (0.20) indicates the existence of a weak direct relationship between the relative contribution of the social and personal development services sector and the poverty rates in Iraq. It may seem strange at first glance, but it is explained by the fact that the expansion of this sector (which includes education, health, and personal services) may be a reaction to increased societal need or increased "consumer" rather than "productive" government spending during periods of crisis. Perhaps the most important reasons that led to the birth of this relationship in this way are:

- Nature of services: A large portion of these services in Iraq are government services (salaries and wages), and a "relative" increase in their contribution may occur when other productive sectors shrink, which is usually goes hand in hand with rising poverty.
- Poor quality: Quantitative expansion in development services (increasing the number of employees or institutions) was not accompanied by qualitative improvement that would empower economically the poor or provide them with sustainable employment opportunities.
- Population growth: The relative contribution of services to face population pressure may increase, but the pace of this growth remains slower than the pace of increase in poverty and actual need.

As for the relationship between the oil sector and the poverty rate, Figure (1) and Table (3) indicate that the relationship is weak, as the value of the correlation coefficient of (0.004) indicates the existence of a very weak (almost non-existent) direct relationship between the relative contribution of the oil sector to the GDP and the poverty rate in Iraq. Due to the nature of the relationship (almost non-existent): the value approaching zero means that changes in the contribution of the oil sector do not directly or tangibly affect poverty levels, nor does the non-inclusive growth of this sector, which is driven by several factors, the most notably:

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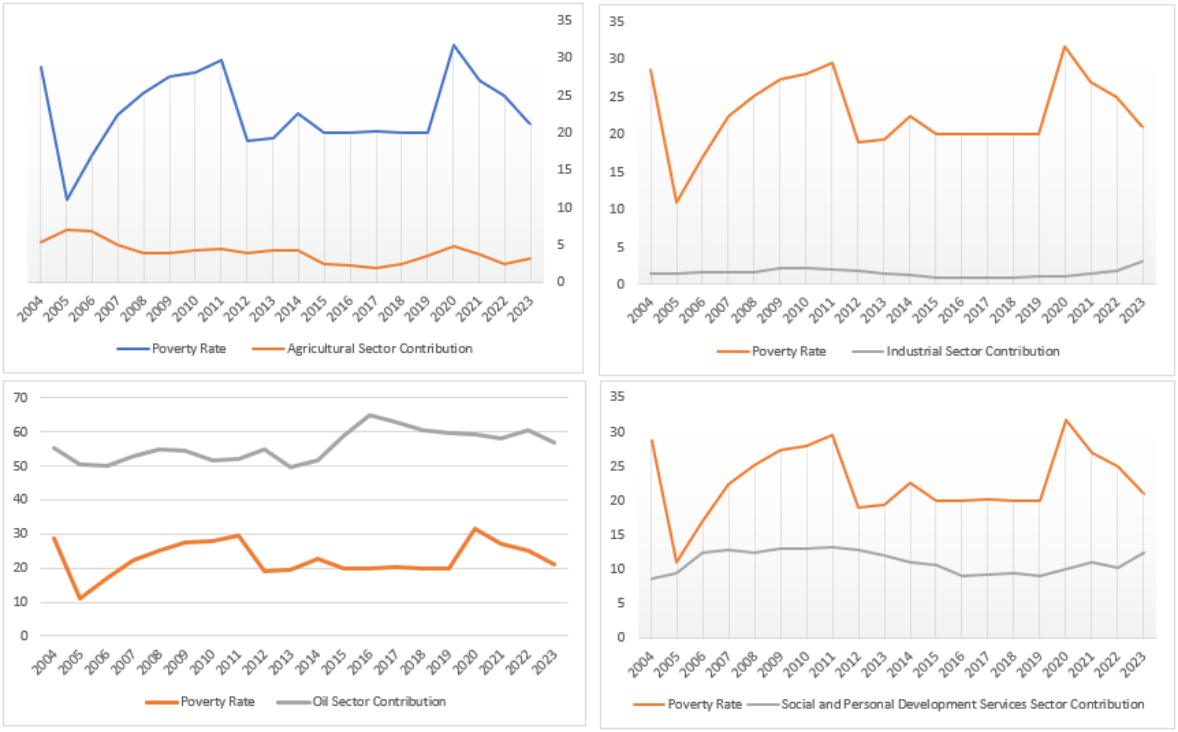
- Capital-intensive sector: Iraq's oil sector relies more on technology and machinery than labour. It contributes approximately 90% of state revenues but employs only a very small percentage of the workforce, so the fruits of its growth do not directly reach the poor.

- The phenomenon of the "Dutch disease": The dominance of oil led to the neglect of other productive sectors (agriculture and industry) that could absorb a larger number of workers and reduce poverty.

2.Price volatility: The relative contribution of oil often increases when global prices rise, but this increase goes to fund the operating budget (salaries) and general government spending, without necessarily being reflected in sustainable social development programs that directly target the poor

Fig. (1): Contribution of selected economic sectors to the GDP and poverty rate in Iraq for the period (2004-2023)(%)



Source: Table data (1), (2).

Table (3): Contribution of selected economic sectors to the GDP and poverty rate in Iraq for the period (2004-2023) (%)

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poverty rate	contribution of the oil sector	Contribution of the social and personal development services sector	contribution of the industrial sector	contribution of the agricultural sector	year
28.7	55.1	8.7	1.6	5.4	2004
11.02	50.3	9.4	1.7	7	2005
16.9	50.2	12.5	1.7	6.9	2006
22.4	52.9	12.8	1.8	4.9	2007
25.2	54.8	12.4	1.8	3.9	2008
27.4	54.3	13.1	2.4	3.9	2009
28.02	51.6	13.1	2.4	4.2	2010
29.6	52	13.2	2.3	4.5	2011
18.9	54.7	12.9	2.07	3.9	2012
19.3	49.5	12.1	1.8	4.2	2013
22.5	51.7	11.1	1.3	4.2	2014
20.04	59	10.6	1.07	2.5	2015
20.06	64.8	9.1	0.9	2.2	2016
20.1	62.8	9.2	1.05	1.9	2017
20.05	60.4	9.4	1.15	2.5	2018
20.01	59.5	9.1	1.15	3.5	2019
31.7	59.3	10	1.1	4.8	2020
27	58.1	11.1	1.6	3.8	2021
17.6	60.5	10.3	2.1	2.4	2022
17.6	56.9	12.4	2.4	3.1	2023
-	0.004	0.20	0.11	-0.01	correlation coefficient

Source: Table data (1), (2).

Table (4): Stability test results and research model estimation

	P.P. Stationary Test					
Varl.	Level			1 diff.		
	Iner.	T & Iner.	Non	Iner.	T & Iner.	Non
Y	0.02	0.05	0.3	-	-	-
X_1	0.5	0.4	0.1	0.01	0.01	0.001
X_2	0.5	0.8	0.6	0.2	0.4	0.03
X_3	0.2	0.4	0.7	0.04	0.2	0.004
X_4	0.4	0.3	0.6	0.01	0.07	0.0009

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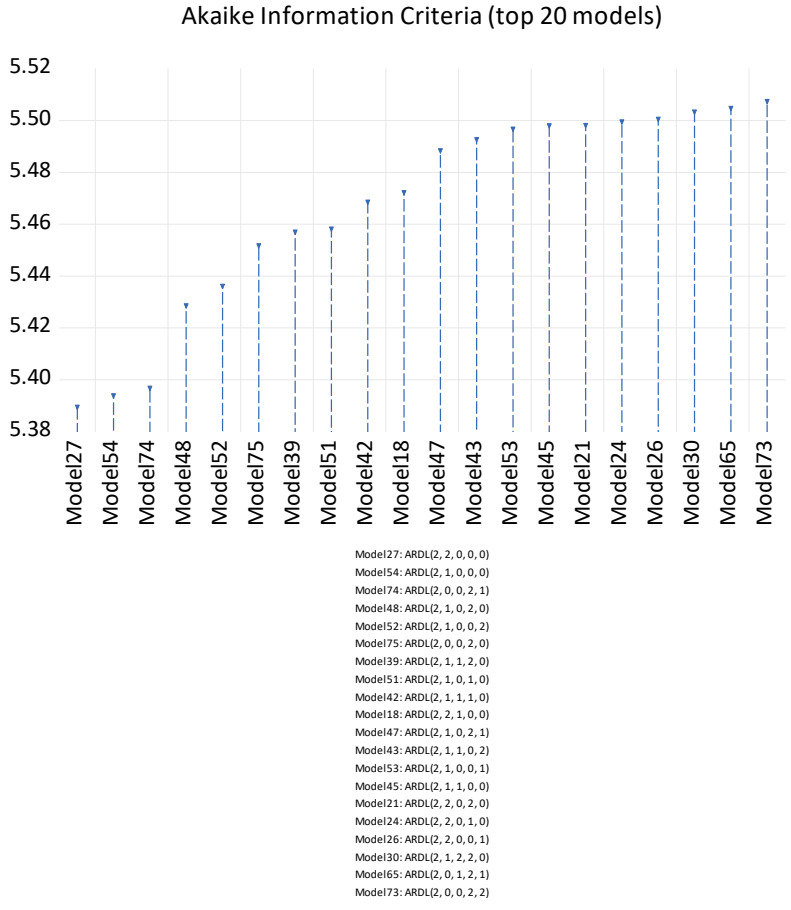
ARDL Res. (2.2.0.0.0) » (Y) = -7.25 +5.3X_1-1.11X_2+0.27X_3+0.2X_4+ U_t				Long Run Res.			VIF	
Y (-1)	0.76	Pro. (0.006)	R^2:0.75	Y	-0.7	Pro. (0.03)	Y	0.04
X_1	5.3	Pro. (0.01)	$\overline{R^2}$: 0.54	X_1	2.9	Pro. (0.09)	X_1	2.8
X_2	-1.11	Pro. (0.7)		X_2	-1.11	Pro. (0.7)	X_2	16.4
X_3	0.27	Pro. (0.6)		X_3	0.27	Pro. (0.8)	X_3	3.6
X_4	0.2	Pro. (0.8)		X_4	0.2	Pro. (0.6)	X_4	0.16
F Bound Test				ECM Regr.				
F – Stats.	5.47	10% (2.2)	10% (3.09)	Ciont. Eq. (-1) *	-0.7	Pro. (0.0004)		
		5% (2.56)	5% (3.49)	Ramsey RESET Test		Pro. (0.1)		
		2.5% (2.88)	2.5% (3.87)	Breusch-Pagan-Godfrey		Pro. (0.7)		
		1% (3.29)	1% (4.37)	Breusch - Godfrey		Pro. (0.2)		

Source: Eviews v.0.12.

Where: (Y) poverty rates, (X1) agricultural sector contribution %, (X2) industrial sector contribution %, (X3) social and personal development services sector contribution %, (X4) oil sector contribu

Fig. (2): Tests of the Model



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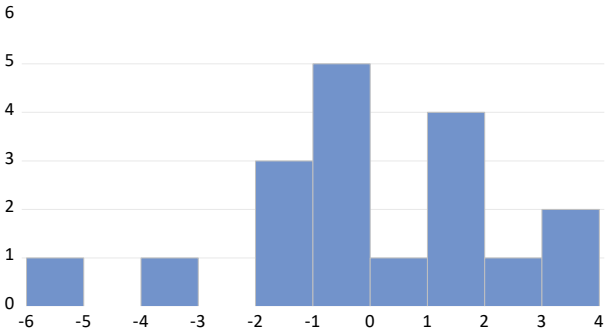
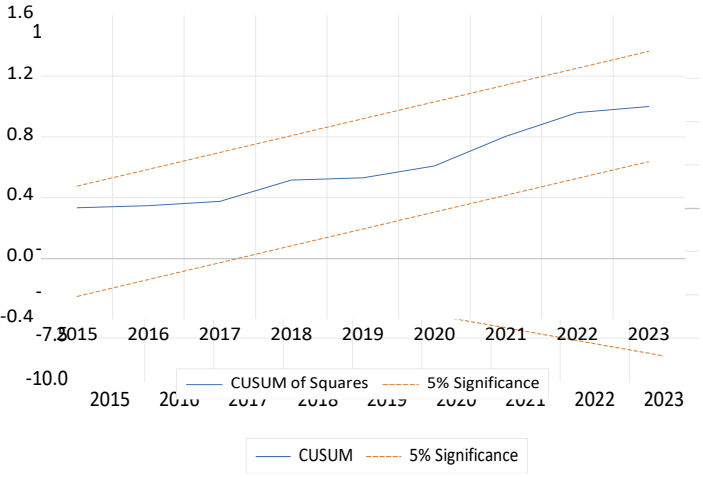


Series: Residuals	
Sample 2006 2023	
Observations 18	
Mean	4.70e-15
Median	-0.202004
Maximum	3.468901
Minimum	-5.363932
Std. Dev.	2.235271
Skewness	-0.698998
Kurtosis	3.370075
Jarque-Bera	1.568510
Probability	0.456460

Source: Eviews v.0.12.

3.Results and discussion



1.Time series stability check: The stability check (PP) indicates that the variable (Y): is stable at the level (Level) in the cases of the cutter (Iner) and the cutter with the general trend (T& Iner) because the probability values are smaller than 0.05. While the independent variables are unstable at the level (their values are greater than 0.05), but they all became stable at the first difference (diff 1) with probability values less than 0.05, which shows stability in these results.

2. Cointegration relationship: The calculated F-Statistic value was (5.47) when compared to the critical values of the upper limit (Upper Bound): we find that it is greater than the critical value at a significant level of 5%. Which means that there is a long-term equilibrium relationship (cointegration) between the variables.

3. Analysis of long-term results: The parameters (Coefficients) show the effect of independent variables on poverty rates.

Agricultural contribution: its coefficient (5.3) with prob. (0.006), which means that there is a direct relationship; That is, an increase in the contribution of the agricultural sector is linked to an increase in poverty rates in this sample.

Industrial contribution: Its coefficient (-1.11) with prob. (0.7) are statistically acceptable at 10%, indicating a strong inverse relationship, so increased industrialization contributes to reduce poverty.

Services and the oil sector: The probability values (0.6) are greater than 0.05, which means that there is model no statistically significant impact of these two sectors on poverty in the long term according to these data.

4. Error Correction Model (ECM) and diagnostic tests: they indicate that the error correction factor is (-0.7), which is negative and very significant (0.0004). This confirms the existence of cointegration, and means that 70% of short-term imbalances are corrected within one time unit to return to equilibrium.

As for the model quality indicators: the model interpretation coefficient reached R-squared (0.75): the model explains 75% of changes in poverty rates. While diagnostic tests: The results of the tests (Ramsey, Breusch-Pagan, Breusch-Godfrey, Jarque-Bera) all have probability values greater than 0.05, which indicates that the model is free of problems of formulation errors, autocorrelation, and inconsistency of heterogeneity. The test CUSUM & CUSUM of square indicates the overall stability of the model structure.

From the results of the model, the "essence of the relationship" between structural imbalance (distribution of contributions of economic sectors) and poverty rates appears in the reflection of roles between productive sectors, as follows:

1.The industrial sector is the missing driver of development: The analysis shows that the industrial sector is the only one that has a strong inverse relationship with poverty (coefficient -1.11). But it is unstable. This suggests that the structural imbalance is represented by a "weak industrial base". The greater the contribution of industry, the sharply lower poverty. The high value of the coefficient means that industry in this country a high capacity to generate jobs and increase income, and the marginalization of this sector is a structural cause of high poverty rates.

2. The agricultural sector is the dilemma of poor growth (Immiserating Growth): The most interesting result is the direct relationship between the contribution of agriculture and poverty (Coefficient 5.3 with prob. 0.01). This reflects a structural imbalance represented by "low productivity". Increasing the contribution of agriculture to GDP here does not equate prosperity, but rather the transformation of the economy into a traditional subsistence economy or " fake economy" of the economy. Instead of being a wealth-generating sector, agriculture appears in the results as a sector that absorbs surplus unskilled labour with low productivity, keeping its workers below the poverty line.

3.The service and oil sector, disconnected from social reality: The results indicate a lack of morale in the impact of the oil and service sector on poverty (probability values of 0.6 and 0.8). This is because of (Dutch disease) This is the essence of structural imbalance in rentier economies. The oil sector, despite its size, operates as an "isolated island" (Enclave Sector); it generates revenue for the state but does not create direct jobs for the poor and is not linked to local value chains. As for the services sector, it appears to be an unproductive consumer sector that does not contribute to income redistribution or poverty reduction.

As for the speed of structural adjustment (ECM), the value of the error correction factor (-0.7) means that the economic system has moderate flexibility in dealing with poverty shocks which result from sectoral imbalances.

In general, the Iraqi economy needs a little more than one time cycle (about two years if the data is annual) in order to return to balance after any shock. This relative slowness confirms that poverty here is structural

(Structural) and not accidental, linked to the nature of the distribution of resources between sectors and not just to market fluctuations.

The findings diagnose an economy suffering from a "production gap," where the poor depend on an underdeveloped agricultural sector, while the industrial sector (the real solution) is unable to grow sufficiently, and the oil sector stands idly by without any tangible social impact.

4.Conclusions

1.The agricultural sector is considered the most logical approach to combating poverty (inverse relationship), but its current role is marginal and very weak due to structural problems and water scarcity, which makes it unable to absorb rural unemployment and significantly reduce poverty.

2.The industrial sector suffers from a complete disconnect from social development goals; Instead of its growth reducing poverty, the weak positive value indicates that its current contribution is "shy" and does not generate real job opportunities for the poor classes.

3.It reflects the expansion in the social and personal development services sector, which is the expansion in services (such as education and health) in Iraq. It is a quantitative (consumer) expansion, not a qualitative one, where the need for these services and spending on them increases in conjunction with the rising poverty rates, without succeeding in lifting people out of it.

4.The relationship between the oil sector and poverty rates confirms that the Iraqi economy is experiencing a state of "non-containment growth"; oil finances the state but it is "isolated" from the poor, as there is no real link between increased oil revenues and improved living standards for the vulnerable classes.

5. Fragility of the productive structure and structural poverty: It is concluded from the results that poverty in the study area is "structural" poverty linked to the underdevelopment of the agricultural sector (a direct relationship with poverty) and the weak contribution of the manufacturing industry. This means that current economic growth does not reflect positively on the poor because the sectors in which they work have low productivity and weak returns.

6. Disruption of transmission channels due to the impact of oil wealth: The results revealed a complete "separation" between the growth of the oil and service sector and living standards (statistical insignificance). This indicates a flaw in the mechanisms for redistributing national income, where resource revenues are concentrated in rentier pockets without being transformed into investments that create real job opportunities in productive sectors.

7.From the above, the lack of interconnection between local production sectors and their serious deterioration confirms the validity of the research hypothesis, as the structural imbalance has clearly contributed to

increasing poverty rates and distorting the structure of the Iraqi economy.

5.Recommendations

1.Advancing the agricultural sector from marginalism to empowerment through the localization of agricultural industries, i.e., not just primary agriculture, but also the establishment of canning and packaging factories in rural areas in order to create sustainable job opportunities for villagers. The shift to smart irrigation: combating water scarcity with modern technologies that ensure stable farm incomes and protect them from migration to city centres (where slums and poverty are increasing).

2.Shifting from traditional agriculture to "agricultural industrialization": Since the increased contribution of current agriculture is linked to increased poverty, the decision maker must stop supporting traditional subsistence agriculture, and immediately move towards "intensive agriculture" and link it to industry inputs. The goal is to convert the surplus of unskilled agricultural labour into semi-skilled labour in agricultural canning and Argo-processing to raise added value and income levels.

3.Stimulating industrial policies by supporting small and medium-sized industries, as these industries are more capable of absorbing unemployment and generating income for the poor than heavy industries. Activating "Made in Iraq": imposing targeted customs protections on competing goods to encourage local factories to increase production and employment.

4.Organizing and coordinating the services sector in a developmental manner by linking education to the labour market by transforming expenditure from mere "salaries for service employees" to vocational and technical training programs that provide young people with skills which will lift them out of poverty trap. Digitizing social services: ensuring that government support reaches those who truly deserve it and preventing financial waste, thus promoting social justice.

5.Transforming the oil sector from a "financing fund" into a "development engine" through:

- Activating generational funds and sovereign projects: Directing part of the oil surplus to finance major infrastructure projects that employ thousands of workers manually and technically.
- "Forward linkages" strategy: obligating foreign oil companies to purchase their supplies from the local market, which revives small Iraqi companies and increases the income of their workers.
- Activating the "structural linkage" of the oil sector: Given the absence of oil's impact on poverty, we recommend imposing "local content" policies (Local Content) on oil companies, and obligating them to finance development funds directed exclusively to support small and medium enterprises in the industrial sector, which has been statistically proven to be the most capable of fighting poverty.

6.Breaking out of the rentier growth trap towards inclusive growth so that success is measured not only by an increase in gross domestic product (GDP), but also by a decrease in the Gini coefficient of class differences and absolute poverty rates.

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