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# Giving Iraq Stability and Progress

*Treat the Causes of Iraq's Governance and  
Development "Disease," Rather Than Focusing on Its  
Violent "Symptoms"*

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## **Giving Iraq Stability and Progress: Treat the Causes of Iraq's Governance and Development "Disease," Rather Than Focusing on Its Violent "Symptoms"**

**Anthony H. Cordesman**

If one looks back on the U.S.-led military intervention in Afghanistan in 2001, and the invasion of Iraq in 2003, the U.S. can claim many tactical successes in fighting terrorism and violent opposition movements. It also "won" one of its wars. While the U.S. was ultimately defeated in Afghanistan, it did win a kind of victory in its two wars in Iraq: first against hardline Sunni extremists and then against ISIS in Iraq.

In broad terms, however, the American intervention failed in Iraq at the strategic and grand strategic levels. Other American military and counterterrorism efforts defeated its enemies in combat when, and if, the U.S. led or organized the fighting. The U.S. failed, however, to create a stable new government in Iraq, and to put the nation on a solid path to development. Like many other U.S. military victories, they treated Iraq's violent symptoms and not the underlying disease of failed governance, failed development, and a lack of national unity.

This analysis examines the causes and consequences of these failures in nation-building. It looks beyond the mistakes U.S. made during and after its 2003 invasion. It also, however, examines Iraq's history of failed nation-building: the legacy of Saddam Hussein, the cost to Iraq of his ambition and repression, of his invasion of Iran, and of his invasion of Kuwait. It looks at the overall cost to Iraq's development that were imposed by Saddam's rule, its wars from 1980 to 2003, and the fighting and political disorder that follows.

It does address the U.S. failures during and after the invasion in 2003, but it also examines the recent history and Iraqi causes of the challenges that now exist to effective Iraqi nation-building, their current nature and scope, and the practical problems Iraq now has in meeting them. It shows that only Iraq—and the Iraqis—can now meet most of these challenges. It then suggests options that may help Iraq move forward in spite of its deep political divisions and the sheer scale of the problems it now faces. It does not offer any easy solutions, but it does show that there may be workable ways forward.

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**Please note: This is a working paper and will be revised to reflect outside comments, suggestions, and additions. Please send them to Anthony H. Cordesman at [acordesman@gmail.com](mailto:acordesman@gmail.com).**

## Putting American and Iraqi Failures in Perspective

This report was written as a result of a visit to Iraq during the 20<sup>th</sup> anniversary of the U.S. invasion of Iraq in 2003 – and at a time when most U.S. and other criticism of the invasion focused on the mistakes the U.S. made in justify it's invasion on the basis Saddam Hussein had sustained a major effort to rebuild his capability to deploy weapons of mass destruction, in dealing with the political aftermath of his defeat and overthrow.

Much of this criticism of the rationale the U.S. used in leading the invasion of Iraq was justified, but there was far too little attention to America's failure to help Iraq build an effective government and develop Iraq in the years that followed. America made major mistakes in rushing to create democratic political structures in Iraq after 2003 without properly address Iraq's problems in nation building. These mistakes compounded the massive problems in nation building that had occurred under Saddam Hussein, and helped divide Iraq in ways that led to the two civil wars that followed.

The U.S. helped create political structures after Saddam's fall in 2003 that were based on sectarian and ethnic parties, and its focus on elections rather than effective government and development, and that have been a key source of Iraq's problems since 2003. At the same time, it did little more than played at nation building while it focused on military efforts to defeat the new system political and government it had helped to create, and that led to serious political disorder and deeper internal divisions.

These failures to address Iraq's need for effective governance and nation building was all too clear in the case of Iraq when I attended a conference in Baghdad organized and headlined by Iraqis. They focused on the nation's needs for reforms in governance, economics, and development while most American read the U.S. media coverage of the "20th Anniversary" of the U.S. invasion in 2023 that focused on the nation's divisions and warfighting.

This conference was organized by the Iraqi Institute for Dialogue. It had the active participation of the Iraqi prime minister and some of his senior advisors and officials as well as Iraqi, U.S. and other outside experts. It did not focus on Iraq's all too serious political, sectarian, and ethnic divisions, the risk of further rounds of divisive demonstrations, or the risk of a return to civil violence.

It focused on how Iraq might develop and unify instead of its ethnic and sectarian divisions. It focused on Iraq's needs for civil development: On Iraq's need to fight corruption and create effective governance, on dealing with environmental problems and growing lack of water, on energy reform and providing effective energy supplies to the people, on encouraging private and outside investment, on banking reform, on dealing with social media and the freedom of expression, and on climate change. In short, it focused on treating the causes of Iraq's problems rather than on its treating its violent and divisive symptoms.

In contrast, most U.S. commentaries on the "20<sup>th</sup> Anniversary" focused on the way backwards, rather than the way forward. They focused on the mistakes the U.S. made in assessing the remaining threat from weapons of mass destruction, and in grossly exaggerating Saddam's links to terrorism that led to the invasion. Many ignored the political pressure on U.S. intelligence from within the Office of the Secretary of Defense and the Vice President, and largely ignored the total lack of U.S. preparation for the impact of the collapse of Saddam's regime and the civil conflicts and real-world terrorism that could followed.

This does not mean that many of these U.S. “20<sup>th</sup> Anniversary” criticisms of the 2003 invasion were not correct as far as they went. Many did highlight the fact that the initial invasion was a tactical military triumph and a grand strategic catastrophe. Yet, most such “20<sup>th</sup> Anniversary” criticisms also ignored the U.S. failure to have any realistic assessment of the level of factional divisions, failed governance, and economic crises that existed in Iraq when the U.S. invaded. They ignored the fact that U.S. led invasion did not make any credible attempt to even maintain the level of governance and development that did exist.

The U.S. invaded without seriously analyzing the impact of removing Saddam’s authoritarian regime, and the fact that his regime had become even more ruthless and destructive after its defeat in 1991 in the first Gulf War. It did not properly examine Iraq’s growing political divisions and the fact a combination of Saddam’s actions and outside sanctions crippled the nation’s economy in ways that made Iraq’s sectarian and ethnic divisions worse.

The invasion took place in ways that show the U.S. government never honestly examined the domestic causes of the internal divisions that led to the fighting and ineffective governments that followed the invasion. The U.S. was unprepared to address the reasons that so much political disorder took place immediately after the U.S.-led defeat of Saddam’s regime, and the critical longer-term challenges in moving towards the levels of effective development and governance that could create a path towards development that could unite the nation.

If anything, most top-level U.S. policy makers and war planners did their best to avoid becoming involved in the nation building that was critical to any post-conflict. They relied on the hopes and promises of Iraqi exiles that a stable and successful Iraq could somehow emerge simply by creating a democratic parliamentary government.

They did not learn the grand strategic lessons that American leaders should have learned from similar failures in America’s earlier wars. As was the case in Vietnam and Korea to a lesser degree, and in Afghanistan to an even greater extreme than in Iraq, the U.S. initiated wars in countries where real victory required truly effective nation building and then failed in most of its nation-building efforts in the years that followed.

The U.S. ideologues that pushed for an invasion also ignored America’s political history in becoming a democracy and the emphasis America’s founding fathers put on a true balance of political power and effective governance as preconditions for freedom and democracy without experienced leaders and an effective government. In practice, many of these U.S. ideologues followed the advice of a relative handful of Iraqi exiles in assuming that Saddam’s fall could somehow lead to an effective government and pattern of development without any major outside effort.

They ignored the impact on Iraq’s stability and governance of the steady stream of failures once Saddam consolidated power in 1979, and how much worse things got after 1991. As a result, U.S. decisionmakers did not anticipate the almost certain violence that would follow Saddam’s fall, failed to anticipate -- or plan for -- either the first set of conflicts with Sunni and Shi’ite hardliners, and then for the more serious war with ISIS that followed.

Far too many Americans and outside experts that did acknowledge these problems sharply underestimated both the resulting need for nation building and the real-world challenges in accomplishing it. They failed to examine how and why so many earlier post-conflict efforts to create successful democratic government in other nations and conflicts had collapsed. They

ignored the warnings such cases provided as to whether outside powers can “build” a nation whose political factions, history of internal repression and conflict, and history of failed development does so much to prevent its leaders from helping themselves and their people.

Iraq still suffers from the end result. Once the post 2003 violence began, the U.S. and its partners focused on defeating the most violent elements in the two wars that followed the collapse of Saddam’s regime rather than focused on creating national unity and a structure of government that could meet Iraq popular needs.

Worse, when failed and government and violence came to dominate Iraq in the years from after 2003, the U.S. and its partners continued to focus on treating the symptoms and not the disease. They focused on military and internal security solutions, and on defeating a very real threat from extremism and ethnic and sectarian divisions rather than creating patterns of governance that actually met popular needs, and provide jobs, benefits, and economic progress.

They ignored the fact that Iraq had suffered from decades in which central government repression was used as a substitute for progress. They ignored the reality that only effective governance and major resources could build a nation that had now suffered from at least four decades of war and repression -- and from failed governance, failed economic development, and corruption. They grossly underestimated the impact of the extent to which Saddam had favored an Arab Sunni minority over a Shi’ite Arab majority and over a separate body of Kurds that required some degree of autonomy.

Rend Al-Rahim, a former Iraqi Ambassador, makes this point in one the best Iraqi “20<sup>th</sup> Anniversary” critiques of what happened after the success of the 2003 invasion,<sup>1</sup>

Part of the problem was the Iraqis the U.S. Administration listened to before, during, and after the invasion. They promised imply political answers by creating a parliamentary system that had sectarian and ethnic representation, and ignored the fact that Iraq’s failures in governance existed throughout its structure from the local to the national level, that its development had been crippled by conflicts and divisions throughout its modern history, that its elites ruled by dominating the controlled of its income and corruption as well as through violence, and its government was just as bad at the local and regional level as the national level.

The damaging policies that the US implemented after the invasion were exploited and amplified by the largely expatriate Iraqis who assumed power after 2003. The invasion demolished the old order, and “de-Baathified the government and disbanded the military and security forces, without providing any economic options or relief. May of the he Iraqis who were installed in power by the Americans shortly after were drawn largely from the country’s Shia religious parties and the two largest Kurdish parties, the Kurdistan Democratic Party and the Patriotic Union of Kurdistan. Most of these Shi’ia had no background in governance. The two groupings, which had long been oppressed by the Hussein regime, were the principal opposition interlocuters for the US administration prior to 2003. The Sunnis, meanwhile, were marginal in the pre-2003 period, as well as after the fall of Hussein’s Baathist regime.

Indeed, two of the most controversial pillars of U.S. policy after 2003, de-Baathification and the dissolution of the Iraqi Army, Orders Number 1 and 2 of the American-led Coalition Provisional Authority (CPA), were driven as much by the Iraqi opposition groups that gained power after 2003 as by the United States’ post-war planning.

The so-called [Governing Council](#) that was appointed by the CPA in the summer of 2003 was designed on ethno-sectarian lines, and was likewise dominated by Iraq’s former opposition groups, with 13 Shia members,

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<sup>1</sup> Rend Al-Rahim, *Unfinished Business: Nation-Building in Iraq Since 2003*, Mar 21, 2023 <https://arabcenterdc.org/resource/unfinished-business-nation-building-in-iraq-since-2003/>

five Kurds, five Sunnis, and two members from minority groups. The Shia and the Kurds had formed a strategic alliance and therefore controlled relations with the CPA and influenced decision-making. The combination of de-Baathification, the dissolution of the army, and the ethno-sectarian foundations of the new order hollowed out state institutions that were vital to the provision of services and security, deepened existing schisms within society, and set the stage, not for nation-building but for state-capture and insurgency.

These immediate post-invasion mistakes put the U.S. on a path where it won the wars that followed, but continued to lose the peace. U.S.-led forces won the wars against hardline Iraqi Sunnis and ISIS that followed its invasion in 2003, but still failed to address the major nation building problems that made it impossible to create a unified or successful Iraq.

The U.S. not only made limited efforts after 2003, it left most of the real world's burden of nation building to politically divided Iraqis once the most of the fighting with ISIS was over. The U.S. claimed that ISIS was largely defeated by March 2020, and removed many of its forces while cutting much of its already low level of support for nation-building while focused most civil aid on humanitarian aid.

This is clear from the U.S. State Department's version of a "20<sup>th</sup> Anniversary" statement, and one that it issued on March 23, 2023:<sup>2</sup>

Four years ago, the Global Coalition to Defeat Daesh/ISIS and its local partners liberated the final stretch of territory controlled by Daesh/ISIS in Baghuz, Syria, a major milestone in the ongoing effort to ensure the terrorist group's lasting defeat. The United States recognizes and commends the bravery and sacrifice of those who endured the hard-fought battles against Daesh/ISIS and continue to work to ensure it cannot resurge. In their honor and for the stability and security of the region, we continue to take the necessary steps to remove key Daesh/ISIS leaders from the battlefield, facilitate the repatriation and return of Daesh/ISIS fighters and associated family members, and stabilize liberated areas. This includes our military mission in Syria by, with, and through our local partners including the Syrian Democratic Forces, and our advise, assist, and enable role at the invitation of the Iraqi Security Forces, which remain firmly in the lead on countering Daesh/ISIS in Iraq.

...The mission of the Global Coalition in Iraq and Syria is not complete and requires the ongoing support of the international community. We continue to support and urge our partners to join us in provision of stabilization assistance including essential services, education, and livelihoods to encourage IDP returns and support youth rehabilitation programming to prevent Daesh/ISIS exploitation and recruitment of this vulnerable population in Iraq and Syria, as well as support for the secure and humane detention of the ten thousand ISIS fighters remaining in Syrian Democratic Forces custody. We also remain focused on urgently identifying and advancing solutions for the tens of thousands of Syrian, Iraqi, and third country nationals who remain in the al-Hol and Roj displaced persons camps, many of whom are family members of Daesh/ISIS fighters.

... As we celebrate the territorial defeat of Daesh/ISIS, the United States remains firmly committed to working through the Global Coalition to Defeat Daesh/ISIS and its partners to ensure the terrorist group's enduring defeat in the Middle East and its affiliates operating in Africa, Central Asia, and anywhere it seeks a foothold.

In short, the key question that should have been raised by the "20<sup>th</sup> Anniversary" is not what happened in the past, but the scale of the problems Iraqis now face in building their country, and whether Iraq's weak and divided political structure can develop effective solutions. And, its is

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<sup>2</sup> Vedant Patel, Principal Deputy Spokesperson, *Fourth Anniversary of the Global Coalition's Territorial Defeat of Daesh/ISIS in Syria and Iraq*, March 23, 2023, <https://www.state.gov/fourth-anniversary-of-the-global-coalitions-territorial-defeat-of-daesh-isis-in-syria-and-iraq/>

clear virtually all of this effort must now come from within Iraq. Now that the U.S. and its allies have largely left the country, only Iraqis are going to build the Iraq that Iraqis actually need.

One key historical law in nation building is that no one can or will help a nation that does not help itself. Appeals for outside aid will produce limited results at best. As the Iraqi Institute for Dialogue “20<sup>th</sup> Anniversary” conference showed, only Iraqis can rescue Iraq from its current status as a fragile – or even “failed” nation. Many Iraqi experts and key members of its current national government, understand this, but it is far from clear they will succeed unless both the outside world and more Iraqis focus on real national building and unity.



## **Understanding Iraq's Nation-Building Needs before the 2003 Invasion**

If Iraqis are to succeed in nation building, they must look back far enough into Iraq's past to fully understand the challenges that Iraq now faces. This means looking back into the pre-2003 invasion past, and focusing on the period from 1979 to 2003 rather than the period from 2003-2023. Success requires a full understanding of what happened in Iraq following the fall of the monarchy in 1958, and particularly during the thirteen years that Saddam ruled between 1978 to 1991.

The nation building problems Iraq must now deal with are to a large extent the result of the fact the 2003 invasion unleashed forces that were more than half a century old. The invasion tore down a regime that had divided Iraq rather than healed it, thrust it into major war with Iran in 1980-1988, and invaded Kuwait in 1990. It then lost a war to keep Kuwait in 1991 and suffered in a defeat that kept Iraq under sanctions until 2003. In short, Saddam Hussein crippled key aspect of Iraqi nation building during most of the time between 1979 and 2003 – a period of at least forty years.

### **Failed Governance and Development Dating Back to World War I**

Saddam was also only part of the problem. Iraq only made limited progress towards development under both Turkish rule and the British mandate that followed World War I, and lasted until 1932. When the Iraqi people began to actively resist British role, Britain created a British-led Hashemite Kingdom. This kingdom was based on a foreign Sunni dynasty that only won uncertain support. It did survive several coup attempts, and a brief pro-Nazi coup d'état during World War II, but it left Iraq dependent on British support with a government that was divorced from the political evolution of the Arab world, and that made only limited progress in development.

It is scarcely a surprise, therefore, that British influence did not survive the rise of Nasser and Arab nationalism. One initial indicator of its limits came in 1948, when violent protests known as the Al-Wathbah uprising occurred in Baghdad. These protests had partial communist support, having demands against the government's treaty with Britain. Protests continued into spring and were only interrupted in May when martial law was enforced as Iraq entered the Arab-Israeli conflict in 1948 with other members Arab League members, and which ended in a major Jewish victory.<sup>3</sup>

This end to British influence became almost inevitable Iraqi reaction to the rise of Arab nationalism– and to the Suez War debacle in 1956. It became even more inevitable Nuri Said, Iraq's Prime Minister attempted to merge Iraq with Jordan and Kuwait to counter Nasser and Arab socialism, and when the U.S. and Britain attempted to push Iraq into the Baghdad Pact. This help trigger an army coup led by Iraqi Gen. Abdul Karim Qassim that attacked the royal palace and killed King Faisal II, the 23-year-old grandson of the first monarch, as well as the heads and families of many of his leading supporters on July 14, 1958.

The implosion of Iraq's Hashemite dynasty largely ended outside influence over Iraq's government after a period that began when Turkey seized control of Iraq in 1534, and held it through World War I, although Mamluk dynasty did achieve autonomy from 1704 to 1831. It also gave Iraq's government full control over Iraq's military forces and over its economy and petroleum industry. It meant that Iraq could now exploit its oil resources, which were Iraq's only major source

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<sup>3</sup> For a good summary histories of Iraq, see the sections on Iraqi history in Wikipedia.

of income for development -- although oil was an export that only earned Iraq a few dollars a barrel.

It is also important to note that Kurdish struggles for independence took place repeatedly during the period from World War I through the early 1990, and the serious Kurdish military efforts occurred from 1961 through the late 1970s, and from early in the Iran-Iraq War to the creation of a Kurdish security zone after the Gulf War in 1991. Protests and major security operations also occurred against Arab Shi'a and Assyrian and Yazdi minorities -- while most pre-2003 central governments favor Sunni cities, and urban and some regional areas over Shi'a and minorities. The following analysis does touch upon specific Kurdish uprisings, but it is almost impossible to write an accurate, concise summary of Iraq's many internal divisions in nation building, although they drive the motivation of Iraqis, and the development problems, in many areas.

### **Failed Independence and Iraqi Rule**

Qassim's military coup in 1958, however, was no more effective in creating suitable governance, development, and progress than instant democracy was in 2023. He focused far more on Iraq's Arab political identity than its national progress, and on efforts to annex Kuwait. It did little to move Iraq forward or develop it during a period when Iraq's population rose steadily from some three million before World War II to some 6.5 million by the mid-1950s.

The same was true of his successors. Qassim's politics, and Iraq's lack of development from 1958 to 1963, helped lead to the first takeover by the Baath Party in 1963. Qassim was assassinated in February 1963, in a coup led by General Ahmed Hassan al-Bakr, who became prime minister and Colonel Abdul Salam Arif, who became president.

In theory, the Baath was an Arab "socialist" party. The Baath seized power, however, with ideological statements about socialism but with no real plan for putting Socialism into practice. It governed poorly, did not establish an effective internal security structure, and did little to achieve effective nation-wide development. These weaknesses left the Baath relatively weak, and Arif was able to take full power over the government military counter coup later in 1963.

Arif then survived until he died in an air crash in 1966. He was succeeded by his brother, but the dismal performance of Arab forces in the Arab-Israel War of 1967 helped enable the Ba'ath to regain power. The return to power also opened up a major window of opportunity to Saddam Hussein. Saddam escaped from military imprisonment two years after the military countercoup, and then played a major role in preparing the Baath to return to power.

### **A Return to Baath Control**

The Baath succeeded back in 1968, and Saddam's cousin -- Ahmed Hassan al-Bakr -- became president of Iraq. Saddam became head of the Baath Revolutionary Command Council and of the country's internal security forces -- putting him on a path to power shaped largely by violence and repression, and one the U.S, and other Western countries tolerated because Iraq's form of "Arab nationalism" was anti-communist.

Once again, the Baath did relatively little to develop the country, although it did improve education, medical services and the role of women. When it came to national development, the Baath focused securing own power through repression, and creating a bureaucratic nightmare in the form of unproductive state-owned enterprises and major increases in government jobs. It did, however, has limited financial resources at a time when Iraq's oil exports remained relatively

limited, and oil was selling for under \$3.00 a barrel. It also faced steadily growing population pressure. Iraq's population rose to some 7.2 million by the early 1960s, and to 10.1 million in 1973.

Here it is again important to point out it was only when Arab states attempt to impose an oil embargo after the October War in 1973 that oil prices began to rise to a point where added oil export income could finance major development. While estimates of oil prices are hard to put into constant prices, Statista estimates that oil sold for \$1.82 in 1972, and for \$11.00 a barrel in 1974. Prices then rose to \$35.52 in 1980, although it collapsed to \$13.53 in 1986, although oil prices did not rise sharply again until 1999.

It was only after 2000 that prices again rose to \$27.60 a barrel, and to the kind of peaks reached in 2012 (\$ 109.45). Even then, shifts in global oil prices limited Iraq's resources. Although prices remained unpredictable, they dropped to levels of \$40.76 in 2016, and \$41.47 in 2020. Nation building is as dependent on money as politics and plans, and the "boom and bust" cycles in oil prices from 1974 onwards have created major shifts in Iraqi government spending regardless of regime, and ones that are certain to continue in the future.

### **The Rise of Saddam Hussein**

Saddam used his control over the Iraq's security structure to drive his cousin out of power in July 1979, and launched another of Iraq's ruthless coups. He killed over 500 senior Baath leaders, military commanders, key citizens, and even some of his former--but suspect--associates. From this point on, he ruled through violence and state terrorism, although he preserved the image of Baath socialism and development.

In fairness, some of Saddam's spending of Iraq's new oil income did improve education, the role of women, economic infrastructure, and housing – although often in somewhat erratic ways, by favoring Arab Sunnis in Sunni areas and portions of major cities, and without effective national planning. Saddam did make some efforts to include Shi'ites and Kurds in the regime and party power structure. He also, however, focused on building up state industries using poorly planned turn-key programs purchased from Europe.

Saddam continued to make state jobs the focus of national employment and to politicize hiring and promotion. He tightly controlled all new business activity and banking. He again made state control the focus, rather than real progress – setting a precedent for failed development at levels that lagged sharply below population growth and need. And he left existing and created new barriers to free development and effective private enterprise that Iraq still needs to overcome. He also used much of the nation's growing oil wealth to secure his regime, build-up his military and internal security forces, and exercise state control over banking and the nation's income and financial resources.. He did this as Iraq's population swelled to some 14 million in 1980.

## **The Crippling Impact of the Iran-Iraq War**

This progress also was only temporary. Saddam's positive development efforts were sharply reduced or ended within months after of his invasion of Iran in 1980, which was at least partially directed at increasing Iraq's oil export income. As some of the propaganda the Ministry of Information prepared early after the invasion made clear, but that seems to have had had limited circulation indicates, one of Saddam's major intentions in launching his invasion was to claim that Iran's Arab population in its southwest demand that Iraq annex their territory to protect them.

This annexation would have allowed Saddam to control the Shatt al Arab waterway, expand Iraq's coastal area, annex some of Iran's southwestern provinces, and dominate the region. Iraqi forces initially scored major gains against Iran – whose forces were more of a military shell that effective forces and had been disrupted by the fall of the Shah. By 1982, however, Iranian forces had begun to be rebuilt along the lines of popular warfare forces, and by 1984, they dominated the battlefield and made serious gains in some areas.

The result of these Iranian military gains was to force Iraq into a massive national mobilization effort, to devote most of its revenues to war fighting, and to halt even more of an already inadequate development and infrastructure effort. While estimates differ, the war cost Iraq some \$500 billion of its own funds and forced Iraq to take out some \$80 billion loans from other Arab states like Kuwait – and do so in spite of substantial aid from other Arab states in restoring Iraq's oil export capabilities and trade and shipping capabilities through ports in Jordan. (Assad's Syria was supposedly a "Baath" regime, but he still supported Iran.)

Somewhat ironically in retrospect, Iran's gains in the war and advances into Fao and other parts of Iraq led the U.S. and France to visibly support Iraq and Saddam in Iraq's war against Iran, spite of his initial aggression in invading Iran. The U.S. saw the potential defeat of Iraq as a source of a major increase in hostile Iranian influence. The U.S. also feared the growing role of the Soviet Union in supporting Iraq's forces – although it also sold arms to Iran. One irony was that Iraq and the U.S. established full relations in 1984, and did so in spite of Iraq's aggression, it's use of chemical weapons and missiles, and the increasingly ruthless nature of Saddam's regime.

The fact Iran showed serious signs of being able to win the war had other internal impacts on Iraq. Many Iraqis did fight willingly on Saddam's side for nationalist and patriotic reasons, but there was Shi'ite and Kurdish resistance to the war and Saddam, and local Sunni criticism of Saddam as well. As a result, Saddam's regime became even more ruthless in suppressing Sunni opposition and even more ruthless in dealing with Shi'ites and Kurds. It quietly set up whole new networks of control within Shi'ite Shrines and over Shi'ite leaders and religious figures – creating a new form of Shi'ite resistance and separatism in the process.

Some elements of this resistance to Saddam became exiles in the West, and became strong supporters of Saddam's overthrow and U.S. military intervention. Other elements created anti-regime forces in parts of the Iran-Iraq border, and an Iran was able to use Iraqi Shi'ites to create an anti-Saddam military unit in Iran. At the same time, Iraq's internal security forces in the military were strengthened yet again, and Sunni regular military and Republican Guard units were given priority in equipment and advanced training, while units with Shi'ite officers and men were put under even tighter supervision.

The war also led to a new fight for Kurdish separatism, although – as has been noted earlier -- the rising level of Kurdish separatism was a product of decades of tensions and violence between the

regime in Baghdad and Kurdish resistance. Violent Kurdish separatism was an ongoing problem long before Saddam's invasion of Iran. Modern Kurdish separatists had already made armed attempts to create an independent regime in 1919, 1922-1924, 1931, 1943, 1960-1961, and 1974-1975.

This Kurdish resistance had led Saddam to conduct a major campaign to "Arabize" Kurdistan and take full Arab control of Iraq's northern petroleum resources during 1976-1979. It is scarcely surprising, therefore, that a major Kurdish rebellion began during the Iran-Iraq War, and the result were bloody. Saddam made extensive use of poison gas against Kurdish forces, and the seizure and killing of numerous Kurdish leaders.

The impact of this rising internal resistance was limited during the Iran-Iraq War. . U.S., European and outside Arab support for Saddam helped shift the balance of the fighting back in favor of Iraq. So did the vast effort Saddam launched to build-up the Iraqi military forces – and the added support in training and technical areas his forces got from Russia and Europe. By 1987, these efforts put Iraq back on the offensive, while the Western (U.S led) embargo on arms to Iran continued limit Iranian capabilities.

Iran did succeed in its own mass mobilization, and obtaining Russian, Chinese, and Vietnamese weapons. However, Iraq built up a massive regular military force for a nation that then had a population that most source do not put higher than 17 million. Experts put at just the regular forces as high as one million men, and Iraq was able to reverse the course of the war, pushing Iran out of its gains in the border areas and Fao, and led to serious defeats of Iranian forces, and Iraqi to advances back into Iran.

### **A Ceasefire in the First Gulf War Means Added Repression**

The resulting defeats of Iran's forces during 1987 and 1988 forced Khomeini to agree to a ceasefire that led both sides to withdraw to their own pre-war territory and that became effective on August 8, 1988. It scarcely, however, brought peace and development back to Iraq.

It also quietly led Saddam to launch another series of purges, and new attacks on the Kurds.

These new cycles of repression were not visible to many Iraqis, or to many U.S. and other Western officials that had supported Iraq once Iran threatened to win. They made it all too clear, however, that a war that various sources came to estimate produced 1,000,000-2,000,000 casualties – and up to 500,000 dead – had scarcely moderated Saddam's regime or made it focus on Iraq's critical development priorities.

Saddam focused on repression both to retain power and because Iraq faced major problems in terms of debt and a period of limited oil prices. It is important to point out, however, that Iraq's development priorities were new far more critical than in 1980 when the war began. They were shaped by a decade of gross underspending on development and popular needs, and by the fact Iraq's population had risen from 13.7 million in 1980 to over 17 million in 1988 in spite of its casualties in the Iran-Iraq War.

Moreover, Iraq continued to experience a high rate of postwar population growth after the ceasefire. While sources disagree, the World Bank estimates that Iraq's population rises that followed led Iraq's total population to reach 24.6 million in 2000, 31.3 million in 2010, and 42.6 million in 2020. As is shown at the end of this analysis, some estimates of future growth go as high as 50.2 million by 2030, 60.6 million in 2040, and 71-74 million by 2050.



Another of Saddam's reactions to the ceasefire was to continue to rely on state control over the economy and on inefficient and unproductive state industries. Instead of focusing on internal issues, he focused on trying to increase Iraq's oil revenues – in part by limiting the production of other Gulf exporting states like Kuwait. He also pressured Kuwait for loan forgiveness on the grounds he had defended the Arab world against Iran.

And then, to world and his neighbors' surprise, Saddam suddenly invaded Kuwait on August 2, 1990, when Arab negotiations to limit competing oil exports and obtain loan forgiveness failed to meet all of his demands.

### **The Impact of First Gulf War in 1991**

Saddam's decision to invade Kuwait was ultimately fatal to Saddam in 2003, but Iraq as a whole came to pay as high a price for his invasion of Kuwait in 1990 from 1991 to 2003 as Iraq did for his invasion of Iran in 1980. Saddam grossly underestimated U.S. and allied willingness to support other Arab states in building up forces to liberate Kuwait

It is striking that so many recent critics have focused on the impact of the war in 2003, and ignored the impact of the war to liberate Kuwait in 1991 on what happened in Iraq from 1991 to 2003. The Arab-Western Coalition that was built up under U.S. and Saudi leadership built up a force that could defeat one of the largest military forces in the world in a matter of months. This force then went on to defeat an Iraq force that was virtually fighting from its own territory, and that experts estimate had some 950,000 soldiers, 650,000 paramilitary, 4,500-5,500 tanks, 700 combat aircraft and helicopters.

The coalition achieved its major grand strategic objective with remarkable speed. It drove Iraq out of Kuwait with a campaign that began with an air offensive on January 16, 1991, and a ground offensive that began on February 15, 1991. These forces liberated Kuwait on February 27, 1991. They then advanced into Iraq, and the Coalition was able to a ceasefire on February 28, 1991

Unlike the Iran-Iraq War, this defeat of these Iraqi forces produced only limited casualties. Allied dead totaled some 250-292 direct casualties and other dead. Iraqi casualties totaled some 10,000 to 12,000 combat deaths during the air campaign and up to 10,000 during the ground war.

It is important to note, however, that this massive victory came as a result of a ceasefire that was declared because of gross initial U.S. over-estimates of Iraqi casualties, including a supposed "road of the dead" that was estimated to be in a massive Iraqi column of vehicles that was halted by air attacks on its way out of Kuwait.<sup>4</sup> The 1991 war ended with even less serious attention to the future than the war in 2023. There was no plan for conflict termination, much less for some form of peace that could even try to create a stable Iraq.

The war also ended with no U.S. attention to the effects of U.S. and other calls for armed internal resistance to Saddam. No effort was made to protect a Kurdish uprising that was to some extent the result of President Bush's call for an Iraqi uprising a month after the ceasefire, and CIA and VoA radio broadcasts. These efforts also led to Iraqi uprisings in the Shia cities in southern Iraq, including Najaf, Amarah, Diwaniya, Hill, Karbala, Kut, Nasirriyah, and Samawah.

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<sup>4</sup> The author took a camera team to the site several days after the cease fire. Almost all of the vehicles were still there, intact, and abandoned with no signs of damage or casualties, and the troop that had first inspected them found virtually no casualties. Many were still filled with loot. Iraq forces had simply abandoned the column and walked north.

“No Fly Zones” and other restrictions on Iraqi military operations were not established until well after the end of the 1991 war, and few meaningful limits were put on Saddam’s operations to deal with the initial uprisings following the ceasefire. By April 5, 1991, Saddam’s government could credibly claim “the complete crushing of acts of sedition, sabotage and rioting in all towns of Iraq.” While such estimate of the resulting casualties are highly controversial. Some put the number of Iraqis killed in the Kurdish and Shi’ite uprisings as totally 25,000 to 100,000 – numbers that may be more political than real.

### **Iraq between the First and Second Gulf Wars: 1991–2003**

In short, the end result of the 1991 war was to leave Saddam in power for another twelve years, and all of his major instruments of regime control and military forces intact except in the Kurdish security zone. At the same time, many of the sanctions on Iraq that were imposed after its invasion of Kuwait in 1990 were left largely intact or enforced more effectively.

These limits on Iraq had elements of a trade embargo, minimal foreign investment, and no major outside development efforts. Saddam’s control over every aspect of state revenues allowed him to buy support and maintain control while his people suffered, no serious reforms took place, and the economy continued to depend on state controls that grossly mismanaged key aspects of state industry, infrastructure for water and power, and uses of fertilizer and the choice of crops.

As for repression, Saddam continued to drain the Qurna Marshes in the south to punish the largely Shi’ite Marsh Arabs, while he also punished Iraqis in any area outside the Kurdish security zone that showed signs of disaffection or opposition. This created conditions that led to rising poverty and malnutrition, major levels of inflation, and the sharp decline of Iraq’s educational system.

So did other Saddam policies. Cities expanded under population pressure without proper investment and planning. Un-productive state industries survived as ways of creating jobs while barriers to independent economic activity remained or increased and the banking system remained largely a tool of state control. Unemployment and underemployment became growing problems, particularly for Iraq’s youth.

Iraq also moved from a rural state with largely rural population in 1960, to hyperurbanization, major population shifts, and a far larger urban market economy. Estimates differ, but one estimate puts Iraq’s urban population at 3.0 million in 1960, 5.5 million in 1970, 8.9 million in 1980, 12.3 million in 2000, 21.6 million in 2010, and 31.0 million in 2020. It went from 23% urbanization in 1960 to some 70% or more every year after 1987, leading to a massive shift in the number of Sunnis and Shi’ites that lived together, and shifts in every aspect of its “traditional” society.<sup>5</sup>

The only section of Iraq that benefitted from the Coalition victory in 1991 was the Kurds, and this was scarcely because of support from Saddam. The Kurds suffered from violent repression during and immediately after the 1991 war. However, they benefitted from UN efforts to limit Saddam’s abuses that began in early April 1991. Operation Provide Comfort was created to bring relief to the Kurds in April 1991, and a No Fly Zone was established by the US, the UK, and France north of the 36 parallel, although it excluded the northern oil fields, Sulaymaniyah, Kirkuk and several other Kurdish regions.

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<sup>5</sup> Macrotrends, [hamzehhadad@gmail.com](mailto:hamzehhadad@gmail.com).

Emergency drops of air supplies occurred and Kurdish refugees both benefit from outside aid in creating a new security zone and in becoming refugees.. A later British-led Coalition effort helped establish a security zone in response to Saddam's continued repressive efforts in July 1991, and the Kurds acquired a kind of independent rule in the Kurdish Security Zone in October 1991.

Many of the benefits to the Kurds, however, took time to arrive. Efforts like Operation Provide Comfort did not provide a share of oil revenues for the Kurds, and Saddam set up his own economic sanctions against him. While Iraq forces withdrew from the new Kurdish zone in October 1991, its rival political parties also made things worse. It was only in 1996 that the Kurds began to get a share of oil revenues and part of this came from the fact they became a path through which Saddam could smuggle oil revenues outside of the country.

As for the rest of Iraq, Saddam's elite, security services, and his military remained in power, and reaped the benefits of controlling most of the income of a nation under sanctions and constant inspection. Development focused more on additional palaces and luxuries from Saddam and his elite than economic growth and popular benefits. The regime also continued to focus on supporting state industries, posed major barriers to private development, mismanaged the growth of the national infrastructure, and did far more to interfere in its agriculture than benefit it.

While the regime nominally did not discriminate against Shiites and Kurds, its policy and allocation of funds favored Sunnis in the West, around Baghdad, and in oil producing areas – steadily increasing the tensions between sects and major ethnic groups, while favoring or buying off the elites whose support it felt it needed to survive. To some extent, it created a ticking time bomb.

A combination of outside sanctions and pressures -- and the regime's failures -- left Iraq without effective development and governance, without an economic structure that helped create popular unity, and with growing polarization of Iraq major factions. It is scarcely surprising, therefore, that the 2003 invasion set off a mix of forces that were probably uncontrollable even if the U.S.-led invasion had had a credible grand strategy that looked beyond the immediate period of conflict. The U.S. failure to focus on nation building was a major American blunder, but a blunder that whose consequences were shaped by the fact that Iraq suffered from nearly a century of self-inflicted wounds.

## Looking Toward the Future Rather Than the Recent Past

There is little purpose in providing a similarly detailed analysis of the history of Iraq's failures in nation building since 2003. The two wars that Iraqis, the U.S. and its partners fought against hardline Sunni opposition and ISIS between 2005 and 2014 are recent enough to make the history of how Saddam's failures and repression and how they affected Iraq's stability once he was gone all too clear. The same is true of how costly U.S. and other efforts to suddenly shift Iraq to instant democratic rule proved to be when Iraq's sectarian and ethnic tensions exploded after his fall.

Twenty years of media reporting and expert analysis, the work of the Special Inspector General for Iraqi Reconstruction (SIGIR) between 2004 and 2013, and ongoing reporting by the UN, the World Bank, and IMF have made it all too clear that Iraq's post 2003 development did not meet Iraq popular needs. Such reporting has made it equally clear that the divisions between Arab and Kurd, and Shi'ite and Sunni Arab may have diminished in violence, but still divide its government and make effective development and governance difficult, unstable, and vulnerable to new outbreak of major violence – both internal and sources from outside sources like Iran, Turkey, and possibly Syria.

This does not mean that violence that followed Saddam's fall has not required continuing Iraq, U.S. and partner security efforts, or warfare against hardline Sunni elements and ISIS. Major security efforts were necessary to bringing some degree of order and to responding to the wars with Sunni hardliners and then with ISIS. One does have to treat the symptoms as well as the disease.

At the same time, the following analysis of how intense Iraq's nation building problems have now become, and the need to find ways to reduce them, should be Iraq's major policy focus. The remaining intensity of these should be the key focus on Iraqi governments and outside aid. There is a need for a continued focus on Iraq's violent "symptoms," but major focus should be on effective governance.

This is why the focus of the Iraqi Institute for Dialogue on Iraq's governance – and many Iraqi official and exports on a development -- offers some hope for the kind of progress in national building that Iraq desperately needs. Baghdad and Iraq had at least some aspect of peace, and its current government does seem focused on development and solving its problems. Its ability to move forward is uncertain at best, but the need for civil progress is all too clear as is the fact that any form of stable unity requires governance that meets the needs of all Iraqis.

### Some Progress in Unity, but Deep Remaining Sectarian, Ethnic, and Regional Divisions

**Figure One** shows that recent polls indicate that Iraqis now feel more secure and Arab Iraqis are somewhat more unified. It also shows, however, but Iraqis do remain deeply divided along sectarian and ethnic lines, and continue to fear the various sectarian militias and other military factions with good reason.

A summary analysis of its polling results issued by the IIACSS Group makes the following points:<sup>6</sup>

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<sup>6</sup> Source: Munqith Dagher, PhD, *100 Days of the Al-Sudani government: A Success or a Failure?* IIACSS Group, Feb. 2023

- The overall index from the Iraqi opinion thermometer (IOT) still indicates that Iraqi political culture is not supportive of democratic stability.
- Iraqis are much more optimistic about the direction of the country since August 2022.
- Iraqis are much more positive about governance since the A-Sudani government was formed.
- Iraqis of all three major communities are much less concerned about security in the country compared to previous waves.
- A majority of Iraqis across sects continue to believe that armed groups are more powerful than the government.
- Sunnis continue to be most positive among the major communities about the political situation in Iraq. This trend started to be more noticeable post ISIS territorial defeat in Iraq.

Other recent Iraqi polls reflect the same mixed and unstable Iraqi perceptions. **Figure Two** shows the results of IIACSS Group, Gallup, and Arab Barometer polls of whether Iraqis have felt their nation was moving in the right direction. The trends towards unity and willingness to work with other factions are mixed at best. Their ups and down show how quickly positive trends can be reversed by new outbreaks of violence or other factors.

The importance of adequate funding is equally clear. It is striking that perceptions of the trends in the economy were positive when oil prices were at near record highs. A bout half (52 percent) of Iraqis rated the economy as good or very good during that period. In 2018 just 21 percent said the same when prices were lower, and only 26 percent in 2022.

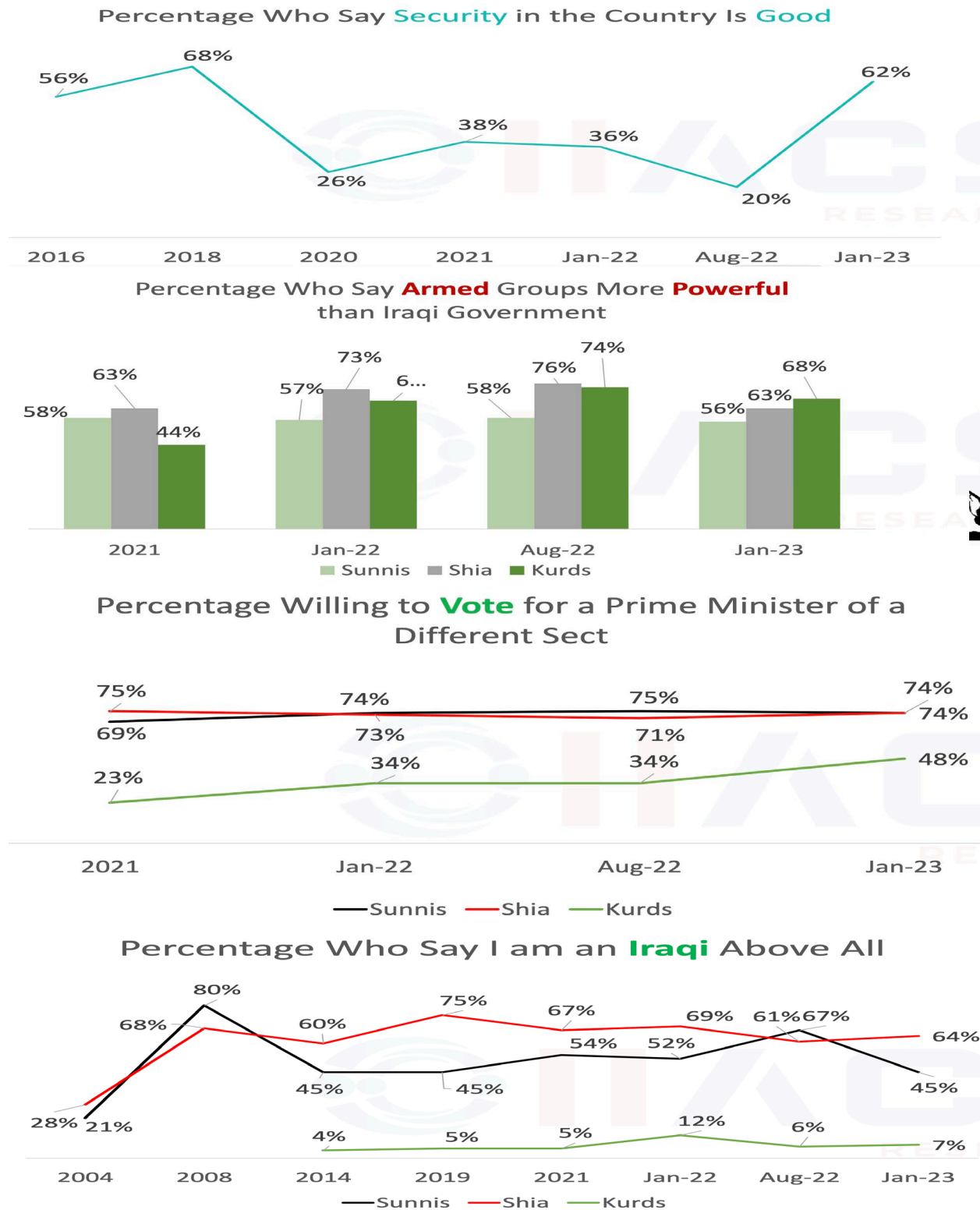
At the same time, some negative trends are all too consistent. Figure Two shows that that the ethnic divisions between Arab and Kurd remain a critical problem in terms of both potential violence and serious efforts at nation building, and one that will require careful nation building efforts to solve. At least in theory, there is a case for a separate Kurdish nation, but the practice may be impossible. Iraq is unlikely to ever give up its northern oil fields, and Turkish, Syrian, and Iranian tensions with their own Kurds would surround most of any truly independent Kurdistan with hostile neighbors.

Some better defined and more functional form of federalism within Iraq will certainly present problems of its own – as it does today – but may be better for both most Iraqi Kurds and Iraqi Arabs than Kurdish independence. It also would allow Iraq to build a much stronger nation as it diversifies beyond the export of fossil fuels.

Similarly, nation building must secure the different religious centers and rights of Shi'ites and Sunnis, and recognize the different character of given region. Mosul is not Basra and Kirkuk is not Baghdad. Iraqi politics and governance already recognize these issues in many ways, but sometimes at the cost of favoring petroleum rich areas over others, ignoring the role Iran plays in supporting Shi'ites in some areas, and finding one failed solution after another in trying to create stable relationships between Arab and Kurdish regions while simultaneously failing to deal with both intra-Kurdish and intra-Arab violence and tensions.

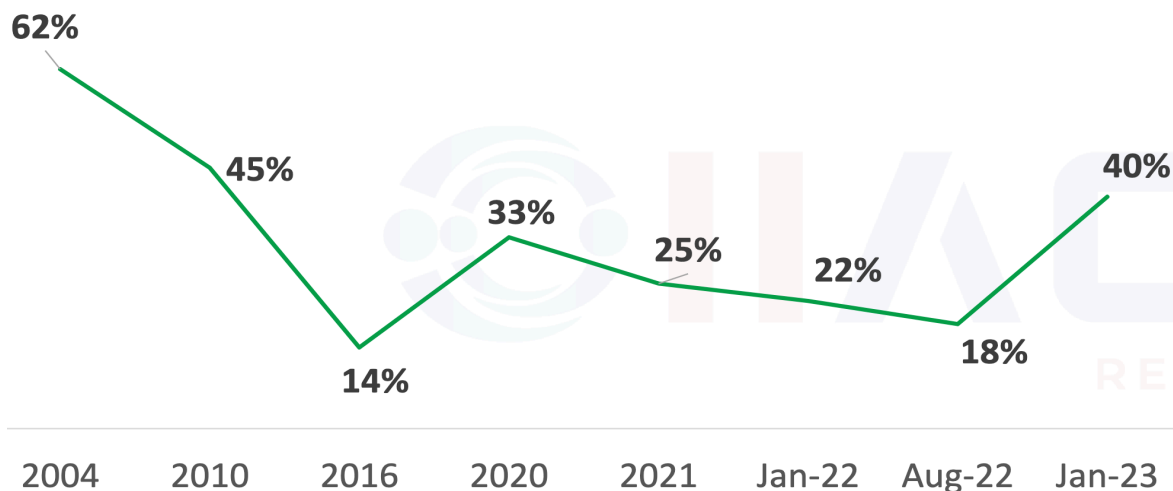
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**Figure One: Iraq's Continuing Divisions**

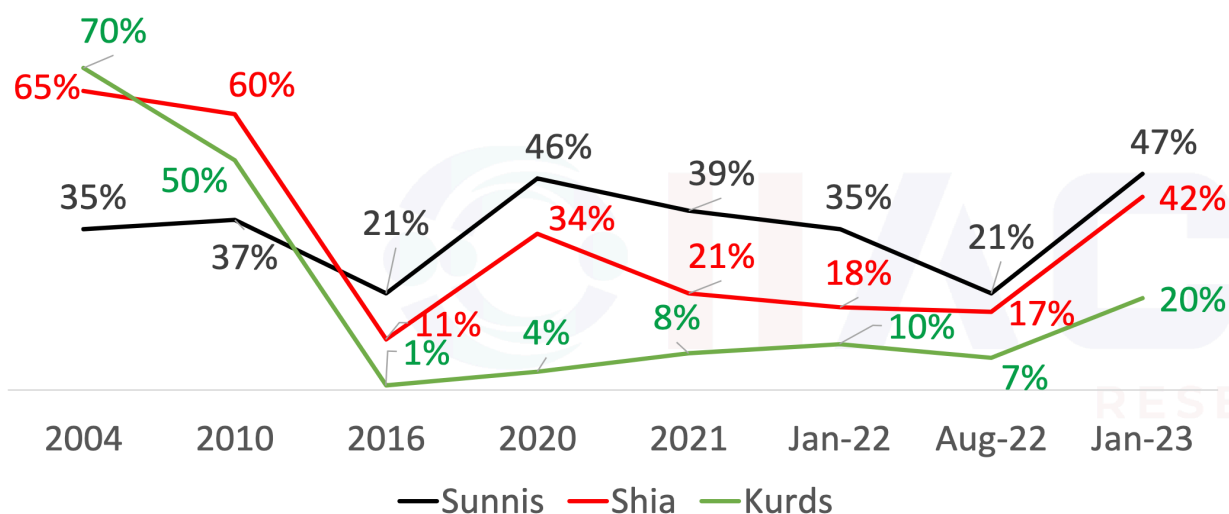
Source: Munqith Dagher, PhD, *100 Days of the Al-Sudani government: A Success or a Failure?* IIACSS Group, Feb. 2023.

**Figure Two – Part One: Iraqis Look Back: Is Life Better Today?**  
 Percentage Who Believe the Country Is Moving in  
 the **Right** Direction



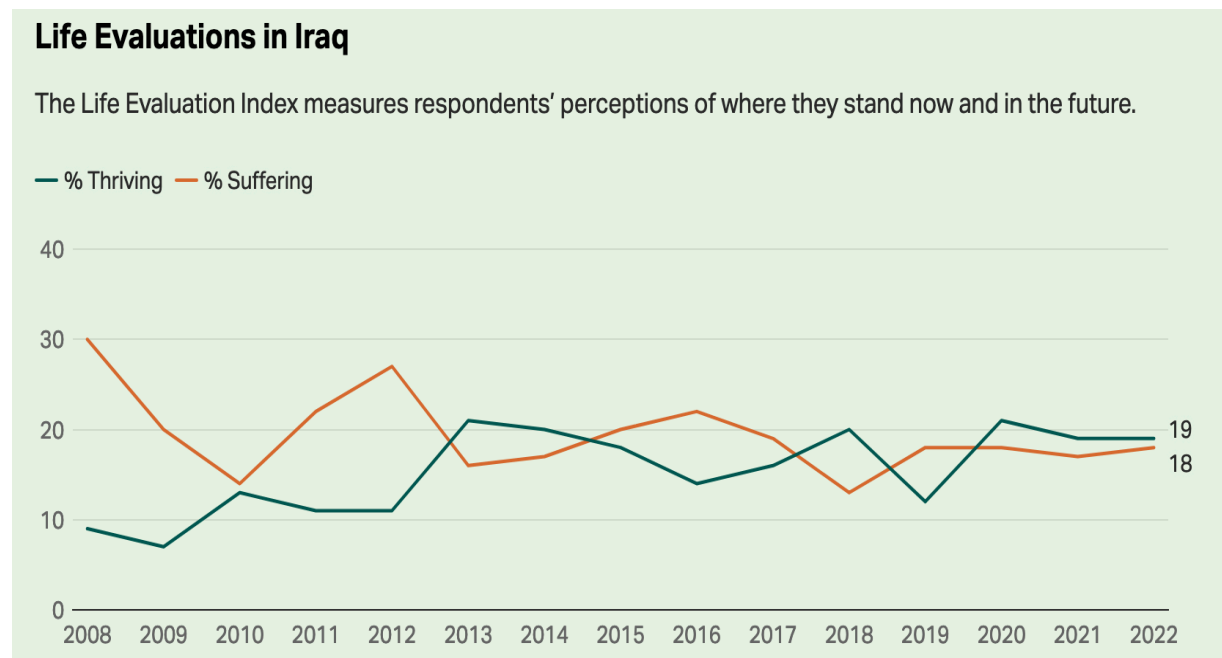
Source: Munqith Dagher, PhD, *100 Days of the Al-Sudani government: A Success or a Failure?* IIACSS Group, Feb. 2023.

Percentage Who Believe the Country Is Moving in  
 the **Right** Direction

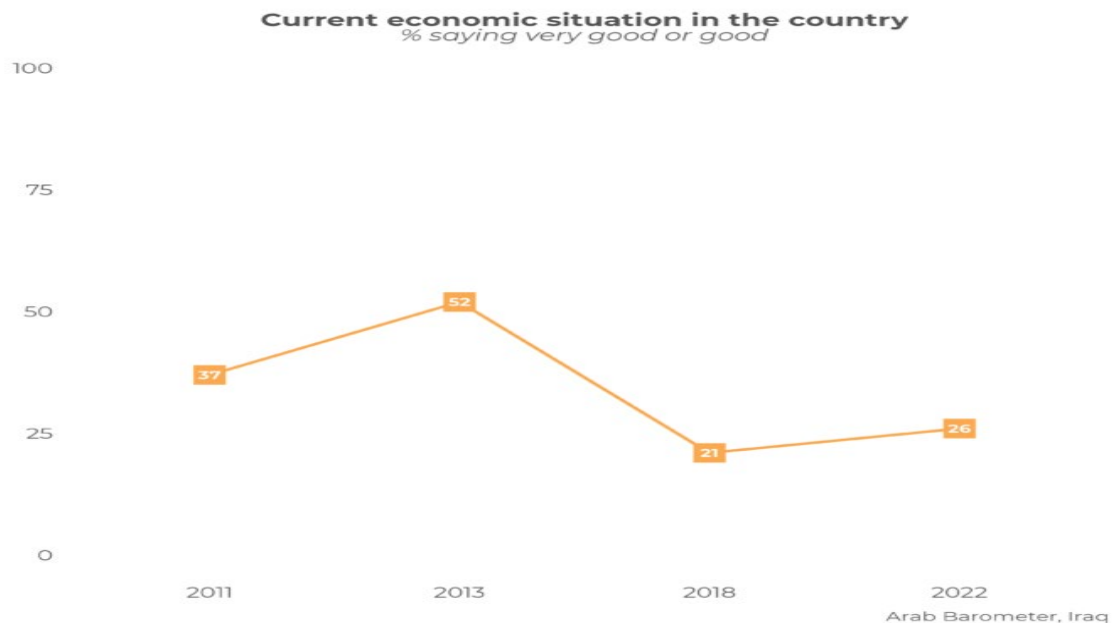


Source: Munqith Dagher, PhD, *100 Days of the Al-Sudani government: A Success or a Failure?* IIACSS Group, Feb. 2023

## ***Figure Two – Part Two: Iraqis Look Back: Is Life Better Today?***



Source: Benedict Vigers, *Iraqis Look Back: Is Life Better Today?* Gallup Blog, March 20, 2023, Gallup Poll.



Michael Robbins, *Iraq's Pulse Twenty Years After The Invasion*, Arab Barometer, March 13, 2023, <https://www.arabbarometer.org/2023/03/12780/>.

## The Challenge of Failed Governance, Corruption, and a Loss of Faith in Democracy

The key to addressing the challenge that Iraq faces in nation building is to address just how weak and ineffective Iraq's current level of governance has been ever since the first Gulf War in 1991, and how urgent the reform of governance has become. The World Bank's assessment of what amounts to failed Iraqi governance is shown in **Figure Three**, which also compares Iraq against the relatively high average standard of governance set by Europe and Central Asia.

The World Bank trend data from 1996 to 2022 show that Iraq now ranks near the bottom of the world's governments in virtually every category, far below the average standard set by all the countries in Europe and Central Asia. It is low to moderate even by MENA standards. It is all too clear that such reform It also has made on very limited progress since 2003, and largely in the areas which have no impact on violence and terrorism, the rule of law and endemic corruption.

No effort to unify the country, deal with its political challenges, and meet the needs of its people can be effective without effective governance, and sharp limits to corruption. The same is true of continuing to favor given elites within the political leadership and top levels of government.

Repression cannot tie a country with Iraq's level of governance together, and freedom and democracy alone can only end in exposing its failures. Without such reform, most internal spending and outside aid will do little more than buy time and temporary humanitarian relief, and while violence may diminish out of sheer exhaustion, it will always be reborn and encourage still further rounds of violence and/or repression.

**Figure Four** provides added data to demonstrate these points by showing how critical Iraqis now are of the overall quality of their governance, using polling data taken by Munqith Dagher and the IIACSS Group and the Arab Barometer. The text of the Arab Barometer poll also puts such data in perspective. It states that,

Overall, two-thirds (68 percent) of Iraqis still affirm that despite its problems, democracy remains the best system of governance. However, this belief has fallen by 15 points since 2011 when it stood at 83 percent. Additionally, this level is among the lowest found across the twelve countries surveyed in MENA in Arab Barometer Wave 7 (2021-2022), with only Egypt (65 percent) and Morocco (54 percent) exhibiting lower levels of support for democracy.

The main reason for this drop appears to be growing doubts in the benefits associated with democracy. In 2011, just a quarter (26 percent) of Iraqis said that economic performance was weak under a democratic system. In 2013, this percentage was only 21 percent. However, this level jumped to half of citizens (51 percent) in 2018 and then 72 percent in 2022.

The results are similar for other concerns that are sometimes associated with democracy. When asked if democracies are indecisive and full of problems, about three-in-ten agreed in 2011 (29 percent) and 2013 (27 percent). By 2018, this level had doubled to 58 percent with a further rise of 13 points to 71 percent in 2022. The same trend is also found for the belief that democratic systems are no effective at maintaining stability, rising from 23 percent in 2011 to 70 percent in 2022.

... Iraqis' growing concerns about democracy closely track with developments in their country over this period. Ratings of economic performance have declined since 2013, which was also the low water mark for concerns about potential problems associated with democracy. At that time, when oil prices were at near record highs, about half (52 percent) of Iraqis rated the economy as good or very good. In 2018 just 21 percent said the same compared with 26 percent in 2022.

... Meanwhile, levels of trust in the government have fallen dramatically since the early 2010s. In 2013, almost half (47 percent) of Iraqis had confidence in the government, which is nearly twice the percentage as

in 2022 (26 percent). Meanwhile, trust in parliament has been consistently low, with fewer than three-in-ten exhibiting confidence in this body since 2011. By comparison, the legal system (40 percent) and local government (33 percent) currently fair somewhat better in the eyes of Iraqis, but still only a minority of citizens have confidence in either.

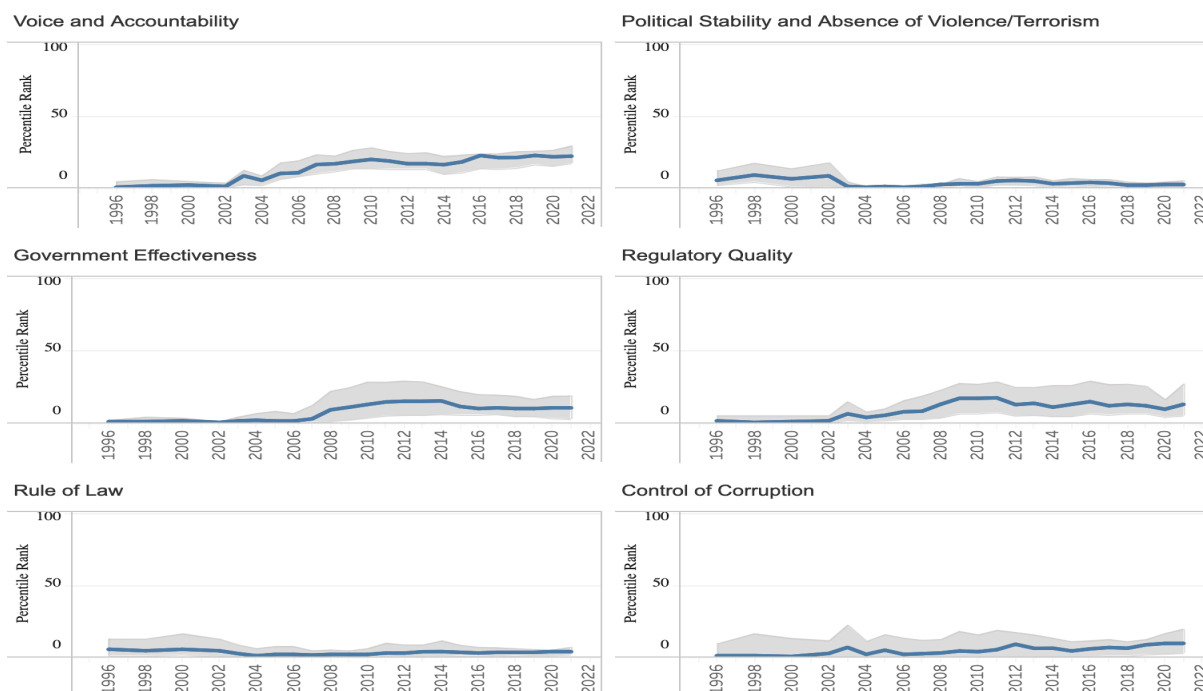
The Arab Barometer poll data for 2023 warn that Iraqis see their government as failing to provide key government services at the local and regional level, and some polls indicate they feel government performance is significantly lower at the local and regional level than at the national level. The data show that less than one-third of Iraqis are satisfied with some of the most basic government services, and ones that are critical to their daily lives.

The poll results put Iraqi popular satisfaction ratings of key individual functions of government as follows: Government's overall performance: 29%, Trash collection: 31%, Healthcare 29%, Education system: 23%, and Quality of Streets: 22%. The poll data also show that ratings of the government's performance on narrowing the wealth gap (22%) and limiting inflation (19%) are even lower. Other more private polls show the same is true of faith in the courts and legal system, and in the integrity of the police.

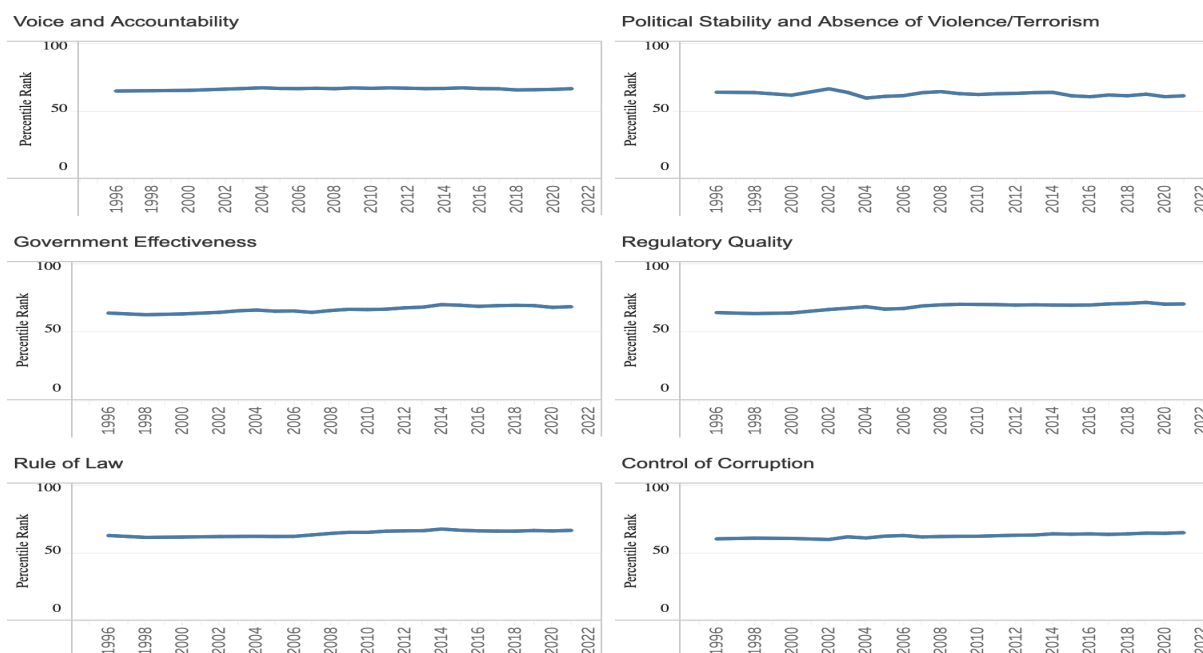


**Figure Three: Quality of Iraqi Governance Compared to the Average Quality of Governance in Europe and Central Asia**

## Iraq

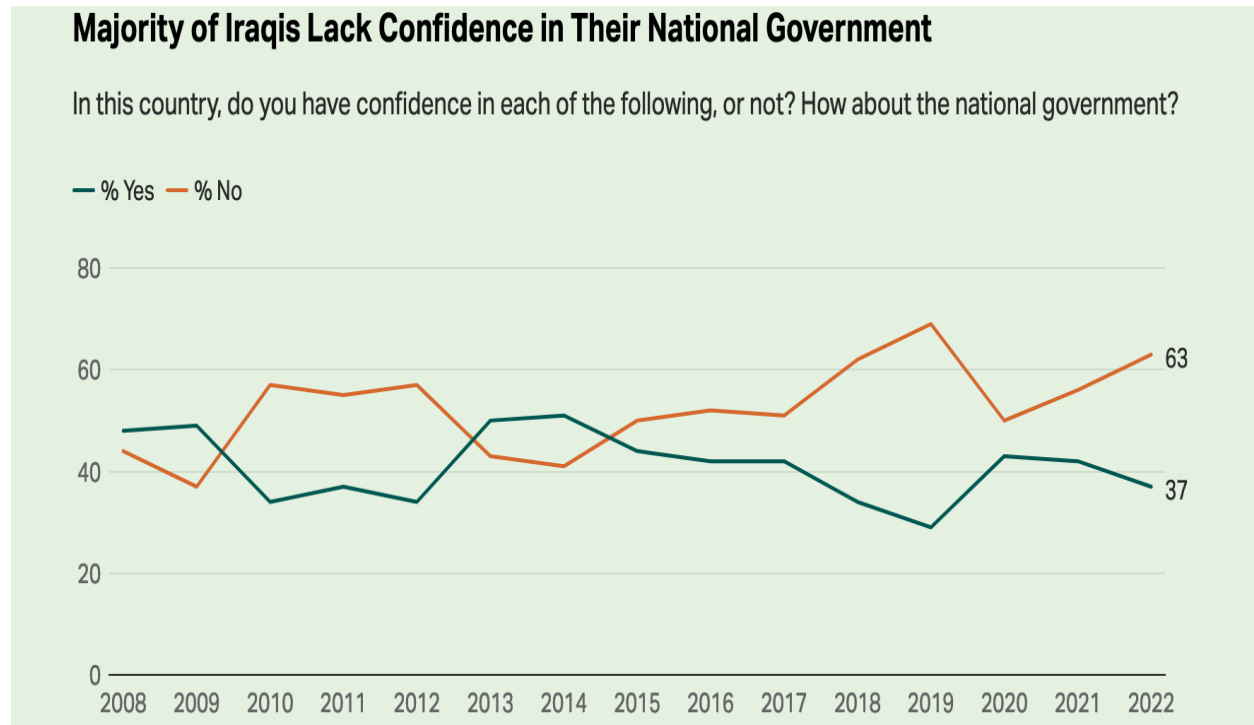


## Standard Set by Europe and Central Asia



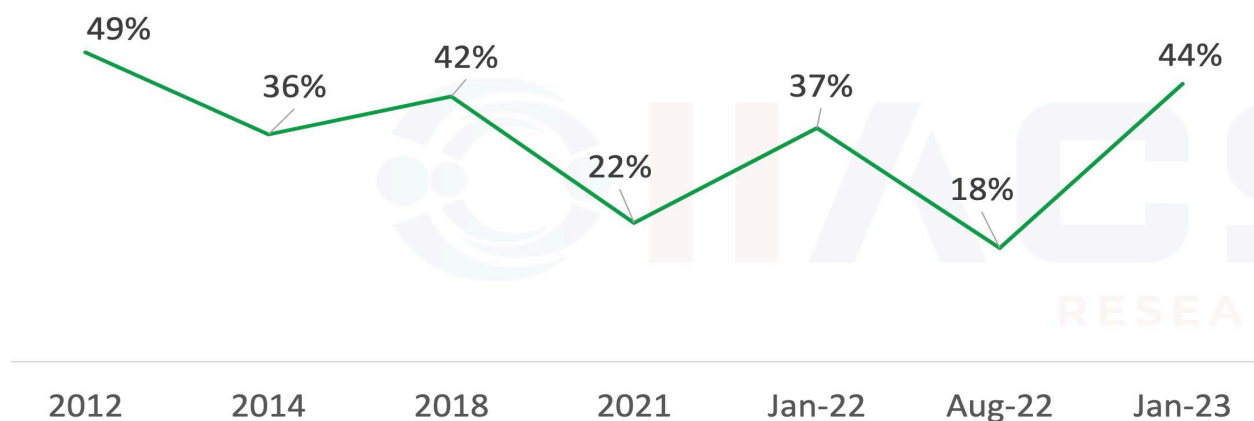
Source: World Bank, accessed 23.3.23, <https://info.worldbank.org/governance/wgi/Home/Reports>.

**Figure Four: Iraqi Faith in the Quality of Governance**



Source: Benedict Vigers, *Iraqis Look Back: Is Life Better Today?*, Gallup Blog, March 20, 2023, Gallup Poll.

**Percentage Who Have Confidence in the Central Government**



Source: Munqith Dagher, PhD, *100 Days of the Al-Sudani government: A Success or a Failure?* IIACSS Group, Feb. 2023

## Governance and Corruption

Figure Three has already shown that Iraq's problems in governance are further exacerbated by corruption, and virtually all sources agree, Transparency International provides one of the most respected rankings of global corruption and rates Iraq's level of corruption as one of the highest in the world – ranking it as the 157<sup>th</sup> word of the 180 countries. Transparency International issued following narrative assessment of Iraqi corruption in 2021, when it described the situation in Iraq as follows:<sup>7</sup>

Since the fall of Saddam Hussein in a US-led military operation in 2003, Iraq has struggled to build and maintain political stability, safety and the rule of law. Deeply entrenched corruption continues to be a significant problem in the country and a core grievance among citizens. Among the country's key challenges, and at the root of its struggle with corruption is its consociationalist governance system, known as *muhāsasa*, which many observers contend has cemented sectarianism, nepotism, and state capture.

Consecutive governments since 2003 have promised to tackle corruption through economic and political reform. But, as yet, these promises have not been followed by sufficient action. This is partly due to an unwillingness to tackle the systemic nature of corruption, weak institutions ill-equipped to implement reform efforts and strong opposition from vested interests looking to maintain the status quo. As a result, Iraq is left with an inadequate legal framework to fight corruption and with insufficiently equipped and independent anti-corruption institutions.

Trust in government and the political process has been eroded, erupting in ongoing country-wide protests against corruption, inadequate service delivery and high unemployment. This leaves the new government of Prime Minister Kadhimi, who has once more promised to tackle the country's massive corruption challenges, with a formidable task at hand.

Polls by Munqith Dagher and IIACSS have also found that Iraqis have long recognized this level of corruption in virtually every aspect of Iraqi governance. They found that 82% of Iraqi felt corruption was widespread in 2014, 90% in 2016, 93% in 2018, 95% in 2020, and 93% in 2022.

This same conclusion is reflected in the Gallup poll data shown in **Figure Five**, and in the text of the Gallup report that summarizes the results of this poll:<sup>8</sup>

Corruption remains rampant, further undermining Iraqis' confidence in their leadership. The sources of Iraq's political instability are multiple and complex. The accumulation of political power in Iraq is deeply tied to the control of state and natural resources, meaning that political parties and other militias have been reluctant to form stable coalitions necessary to enact decisive change.

Saddam's removal signaled the end of three decades of Baathist rule. The process of de-Baathification, without a clear succession plan, undermined state and military structures and fueled violent divisions between Iraqis. Law and order collapsed and hampered attempts to rebuild the Iraqi state.

Perceptions of political corruption have been resolutely high since 2018. The majority of Iraqis (88%) said government corruption was widespread in 2022, rivaling only Nigeria (94%), Lebanon (91%), Kenya (90%), Puerto Rico (90%) and Ghana (88%) for the highest in the world.

As many of the of individual descriptions of Iraq's other problems in nation building in the next section of this report show, the practical costs of these problems in corruption and faith in governance all too high. Permeating corruption and failed governance deprive people of hope and trust in the political order, and in peaceful options. They cause the migration of some of the people

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<sup>7</sup> Transparency International: *Overview of Corruption and Anti-Corruption in Iraq, 2021*, and Corruption Perceptions Index, <https://www.transparency.org/en/cpi/2022>.

<sup>8</sup> Source: Benedict Vigers, *Iraqis Look Back: Is Life Better Today?*, Gallup Blog, March 20, 2023, Gallup Poll.

the Iraqi nation needs most. They force decent officials and military to join in corruption to feed their families and have a decent life, and bloc outside investment or force it to become corrupt as well. Where virtually every aspect of status and survival are dependent on corruption, no security effort can unify a country, and no anti-corruption effort can succeed.

The *U.S. State Department Report on Human Rights for 2022* describes Iraq's uncertain recent efforts to deal with this corruption as follows: <sup>9</sup>

Corruption remained a significant obstacle to effective governance at all institutional levels, including in the IKR. Bribery, money laundering, nepotism, and misappropriation of public funds were common at all levels and across all branches of government. Family, tribal, and ethnosectarian considerations significantly influenced government decisions at all levels and across all branches of government. Federal and KRG officials frequently engaged in corrupt practices with impunity.

In October UNAMI Special Representative stated in a briefing to the UN Security Council corruption was a core feature of the existing political economy in the country, and reform efforts had been actively undermined or obstructed. She added that, "pervasive corruption is a major root cause of Iraqi dysfunctionality," and that "no [political] leader could claim to be shielded from it."

Anticorruption efforts were hampered by a lack of agreement concerning institutional roles, political will, political influence, lack of transparency, and unclear governing legislation and regulatory processes. The existence of armed militias, which were directly involved in corruption and provided protection for corrupt officials, made serious and sustainable anticorruption efforts difficult to enforce.

Although anticorruption institutions continued to collaborate with civil society groups, the results remained limited. Media and NGOs attempted to expose corruption independently, but their capacity was limited. Anticorruption, law enforcement, and judicial officials, as well as members of civil society and media, faced threats, intimidation, and abuse in their efforts to combat corrupt practices.

In March the Permanent Committee to Investigate Corruption and Significant Crimes, established to investigate and prosecute major corruption cases, was dissolved by a Federal Supreme Court (FSC) ruling for violating the constitution. NGOs reported the FSC ruling disbanding the committee came under pressure from political parties with armed militias, because the committee's work resulted in the prosecution, conviction, and imprisonment of several militia leaders, and officials affiliated with these militias. The committee also stood accused of torturing targets of its investigations (see section 1.c.).

In October numerous press outlets reported the theft of at least 3.65 trillion dinars (\$2.5 billion) from the state tax commission through a scheme in which shell companies claimed and withdrew false or fabricated tax refunds. Audits of the transactions, which could have identified the theft, were cancelled by various government institutions, including the then Prime Minister's Office. According to press reports, tax commission employees who called attention to the scheme were penalized or transferred to other positions. Press reported in November that when a whistleblower reported the suspected abuse to the integrity commission, the "commission quickly issued a memo stating the withdrawals posed 'no harm.'"

In August then Finance Minister Ali Allawi resigned, calling out a "vast octopus of corruption and deceit" within the government, although he did not refer directly to the tax refund scheme. When Allawi's successor Ihsan Abdul Jabbar Ismael ordered an investigation, he was removed from his position. Experts interviewed on the issue by journalists concluded a corrupt scheme of this magnitude could not have taken place without the knowledge of a wide range of government institutions. As of November the judiciary had seized 55 properties and \$250 million in other assets and arrested two tax authority officials and one businessman allegedly involved in the scheme.

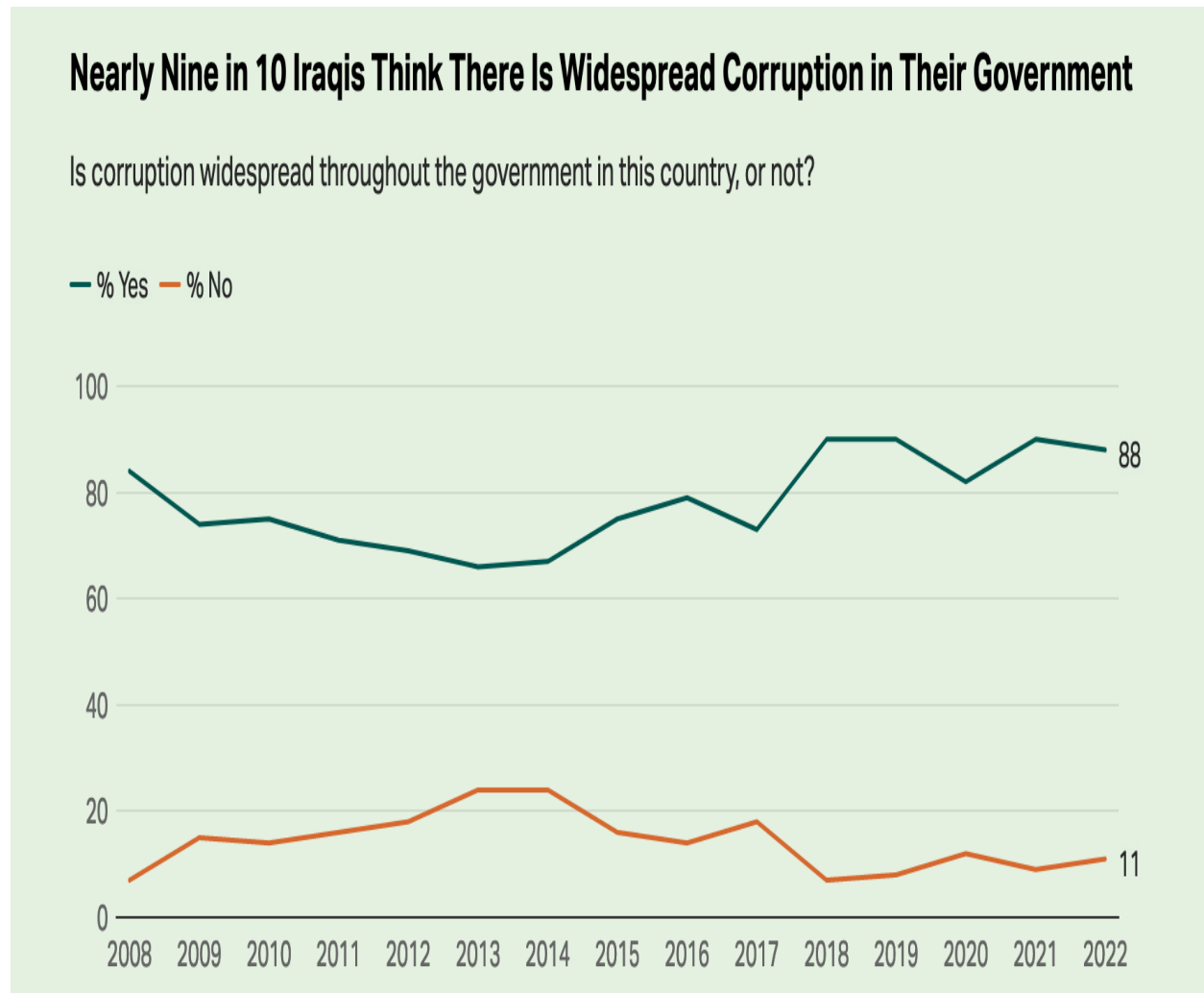
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<sup>9</sup> U.S, State Department, *2022 Country Reports on Human Rights Practices: Iraq*, 2023, <https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/iraq/>

In August the COI released its semiannual report, stating it issued 54 subpoenas against 32 officials with ministerial rank, and 147 subpoenas against 241 officials with director general rank or equivalent. Thirty-nine officials with ministerial rank, as well as 74 directors general, were referred for trial.

The KRG maintained its own COI, which reported it registered 799 official corruption complaints between January and July. During this period COI sent 134 cases to the courts for further investigation and prosecution. Over the past five years, COI reported it has interrogated 72 senior KRG officials on corruption allegations, including several ministers, one IKP member, one governor, five mayors, and multiple directors general, advisors, and members of provincial councils. Between January and October, 40 individuals were convicted and sentenced for corruption crimes in the IKR.

**Figure Five: Corruption in Iraq**



*A Success or a Failure?* IIACSS Group, Feb. 2023

## Iraqi Views of the Ability of Democracy to Meet Popular Needs

The impact of these failures in Iraq's governance and development is further indicated by the polling that shows the extent Iraqis have lost faith in democracy. As **Figure Six** shows, a poll of Iraqis taken to mark the 20<sup>th</sup> anniversary of the 2003 invasion makes this clear, although it should be stressed that it did not poll a full statistical sample. The results also reveal the fact that democracy cannot succeed without effective governance and development.

The poll found that,<sup>10</sup>

Overall, two-thirds (68 percent) of Iraqis still affirm that despite its problems, democracy remains the best system of governance. However, this belief has fallen by 15 points since 2011 when it stood at 83 percent. Additionally, this level is among the lowest found across the twelve countries surveyed in MENA in Arab Barometer Wave 7 (2021-2022), with only Egypt (65 percent) and Morocco (54 percent) exhibiting lower levels of support for democracy.

The same poll found that the number of Iraqis that felt the nation's economic performance was weak under democracy increased steadily from 21% in 2013 to 72% in 2022. Similarly, the percentage of Iraqis that agreed or strongly agreed that democratic regimes are indecisive and full of problems rose from 21% to 71%. It found that the percentage that felt the economic situation was good dropped from 52% in 2013 to 26% in 2022, and the percent that had confidence in the government dropped from 46% to 26%. It is reassuring that the poll found that 26% felt the most recent parliamentary elections were free and fair, and another 27% felt they only had minor problems, but 42% felt they were neither free nor fair – scarcely a prediction of future stability.

As for government services, areas often ignored in measuring government effectiveness and trust in government, the survey found that,

Fewer than one-in-three Iraqis are satisfied or completely satisfied with basic services such as trash collection (31 percent), the healthcare system (29 percent), the education system (23 percent), and the quality of the country's streets (22 percent). Ratings of the government's performance on narrowing the wealth gap (22 percent) and limiting inflation (19 percent) are similar.

The survey also found that the focus on security since 2003, and the government's continuing failures to meet popular needs, produced the following reactions:

When asked if they agree with the statement that as long as the government can solve the economic problems, it does not matter what kind of government it is, eight-in-ten (79 percent) Iraqis agree. This level is again the highest in the MENA countries surveyed, ranking slightly above the percentage in Tunisia and Libya. Finally, when asked if the country needs a leader who can bend the rules if necessary to get things done, nearly nine-in-ten Iraqis agree, which is greater than in any other country included in the survey.

...Although they affirm that democracy is the best type of system, clear majorities would be willing to accept an alternative system of governance if it would produce outcomes that improve their current situation. For example, three-quarters say that it does not matter if the country is democratic or undemocratic so long as the government can maintain stability. Among all countries surveyed, this percentage is joint highest with Libya, which is a country experiencing a civil conflict.

...Nearly half (45 percent) of Iraqis favor major political reforms to be introduced immediately while another 45 percent want reforms to be introduced more gradually. Combined, that means that nearly all citizens agree that reform is needed. If the political system delivered meaningful improvements to the lives of citizens, it

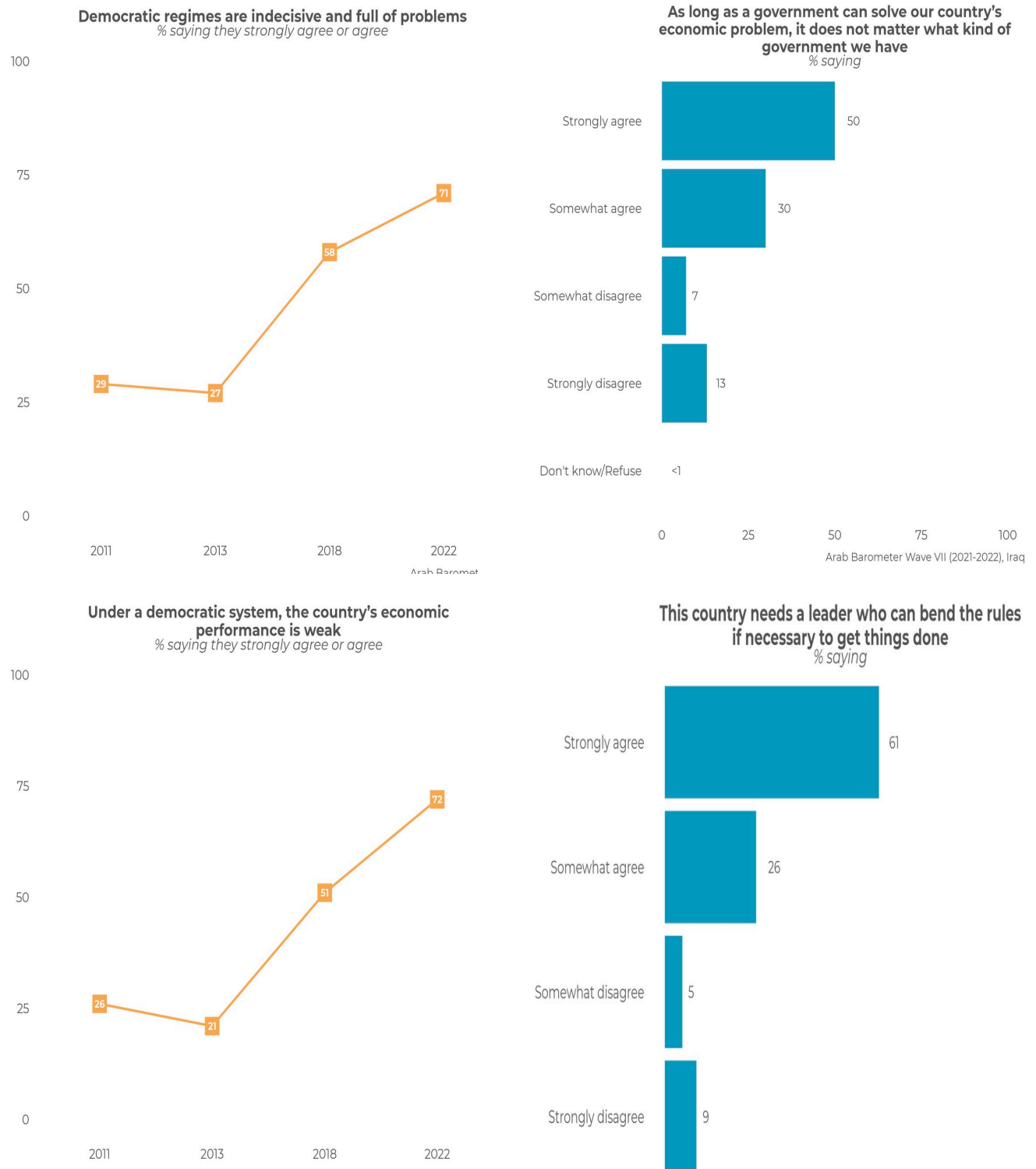
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<sup>10</sup> Michael Robbins, *Iraq's Pulse Twenty Years After The Invasion*, Arab Barometer, March 13, 2023, <https://www.arabbarometer.org/2023/03/12780/>.

is likely that faith in democracy as a system of government would be rebuilt. If such changes do not take place, it becomes increasingly likely that support for democracy will continue to decline in the years ahead.

One does need to be careful in interpreting such results. A poll the measured support or opposition to given political or major factions, that focused on fears of future violence, or that addressed specific aspects of reform and change might reveal very different results. Such reactions might be particularly common if those polled were asked to choose real-world alternatives to the present government, democracy, and economic options. As populism in the U.S. and Europe has shown, however, it is often all too easy for people to decide what they are against when they do not have to seriously examine what they are for, and to demonstrate or act violently as a result.

**Figure Six: Uncertain Iraqi Support for Democracy**





## **Prospects for Reform of Governance, Corruption and Dealing with Sectarian, Ethnic, and Regional Divisions**

The introduction to Iraq's challenges in nation building has shown both the difficulties in moving towards the effective and honest levels of governance Iraqi want at the popular level, and another key aspect of necessary reform. As the same time, as the history in the previous section has shown, Iraqi nation building cannot such by treating the country as is it did not need some form of Kurdish federalism, better protection and equality of government benefits for both Arab Sunnis and Arab Shi'ites. Nation building requires national governance that recognizes the nation's regional differences.

In practice, this means that some stable formal solution must be reached to allocating national petroleum earnings and giving Iraqi Kurds a suitable share, as well as ensuring that regions that lack major oil and gas fields benefit from national petroleum resources to the same extent as regions lucky enough to have them.

At the same time, reform must offer all Iraqis -- including Arab Sunni, Ara Shi'ites, Kurds, and minorities -- the same degree of equality and protection. Given the complex structure of Iraq and political reality this will often come at the cost of efficiency and in awkward ways. It will also require that the quality of protection, and allocation of resources to ensure it, must be reported openly and accurately to all Iraqis.

At the same time, government efforts are needed to build mutual patience and tolerance -- as well as ongoing public dialogue. It is all too clear from this analysis that Iraq's government and political does not currently have the effectiveness, integrity, or popular support to quickly reform itself, and the section that follows shows, factionalism, failed governance, corruption, and lack of popular support for democracy are only part of the story.

Miracles sometime happen, but this key set of reforms is likely to require a complex set of negotiations and compromises that will take a decade before reform becomes suitably effective, is suitably transparent, and is accepted by almost all Iraqis.

## Giving Key Areas of Reform the Proper Priority

Iraq's critical problems in governance, corruption, and the Iraqi popular distrust of government, are matched by all too many other areas where Iraq needs to make progress in nation building. And, any introduction to these additional challenges must stress that Iraq is under intense structural pressure to make such progress.

As has been indicated earlier, Iraq must deal with massive ongoing population growth. The U.S. Census Bureau estimates that Iraq grew from 12.3 million in 1978, when Saddam took power, to 25.1 million in 2003 when the invasion took place, and 41.3 to million in 2023. While such estimates are uncertain, Iraq's population is estimated to rise to 47.1 million in 2030, 55.4 million in 2040, and 63.1 million in 2050.<sup>11</sup>

The conference held by the Iraqi Institute for Dialogue did not address all these issues, but it did show that Iraqi officials and analysts are focusing on several of these key priorities. The conference focused on the need to create effective governance and fight corruption on dealing with environmental problems providing adequate water, on provide sufficient electricity and other energy supplies, on replace spending on unproductive state industries with productive private and outside investment, on reforming banking and limit inflation, on reducing dependence on Iran, on dealing with social media and ensuring freedom of expression, and on addressing climate change.

These, however, are only part of Iraq's priorities, and calling for reform is very different from actually giving given reforms real priority, creating workable plans to implement such reforms, obtaining the necessary political and popular support, and finding some way to fund and staff them their implementation. It is also clear from polling data that many Iraqis now want nearly instant reform to meet their particular needs without considering the scale and cost of the effort involved. Impossible popular demands are all too likely to ensure impossible politics while blocking effective efforts at reform.

There were some statements at the conference that indicated there are tangible plans for reform in some areas, but it is unclear any have had broad popular exposure and it was all too clear that Iraq had few surplus resources. This may have explained the conference's emphasis on several reforms that could increase Iraq's income and reduce the costs of paying for imports of Iranian oil and gas and power. There was little discussion, however, of one of the most critical aspects of reform: How to create an effective budget to finance given reforms.

Put bluntly, instant reform in these areas is no more credible than instant democracy or instant governance. There also do not seem to be any polls showing whether Iraqis are prepared to give priority to the specific kinds of government reform that Iraq needs most, although polls do show a general support for large-scale "reform."

This is why this section of the analysis attempts to highlight the key levels of reform needed in the other aspects of Iraqi nation-building. It again illustrates the fact that a workable real-world approach to reform on the scale Iraq needs requires also requires a very demanding level of realism. It also shows why nation building reform in Iraq requires a painful degree of "triage." Reform can

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<sup>11</sup> U.S. Census Bureau, International Database, [https://www.census.gov/data-tools/demo/idb/#/country?COUNTRY\\_YEAR=2023&COUNTRY\\_YR\\_ANIM=2023&FIPS\\_SINGLE=IZ](https://www.census.gov/data-tools/demo/idb/#/country?COUNTRY_YEAR=2023&COUNTRY_YR_ANIM=2023&FIPS_SINGLE=IZ).

only succeed in the real world through a politically agonizing process that gives some reforms priority at the cost of delaying – or even avoiding -- others.

### **Reforming the State Sector**

Many of the key reforms Iraq needs for nation building are almost certain to be unpopular. These include eliminating over-dependence on government jobs and spending on unproductive aspects of state-owned enterprises: One such reform is the need to create economic growth and jobs outside the government sector, by reforming the government and in state owned enterprises.

It was clear from the discussions at the Iraqi Institute for Dialogue conference that many Iraqi experts realize how damaging the emphasis on the security and limited pensions that government jobs offer has been, how costly an unproductive the state sector is, and how much it discourages private efforts within Iraq. Outside analysts, include some in the World Bank, see the cost and lack of productivity in the state sector as one of the most serious and costly threats to Iraq's development.

The cost of this Iraqi reliance on government employment and state-owned enterprises is probably not clear to most Iraqis – who see government jobs as a way of obtaining financial security secure in spite of low salaries and unrealistic pension benefits. Yet, a study by Lehigh University that draws on official Iraqi government studies, makes these problems all too clear:

Industrial production in Iraq is dominated by 176 state-owned enterprises<sup>1</sup> (SOEs) that tend to be high-cost, low-quality producers. Not only are they the leading providers of essential services such as electricity and water but also SOEs account for a large proportion of all consumer goods and industrial inputs. Further reflecting their major impact on the country, SOEs are, collectively, the largest employers after the national government with an estimated 600 000 persons on their payrolls. Since Iraq is experiencing high levels of unemployment and underemployment, providing jobs is usually considered the greatest advantage of SOE.

Unfortunately, SOE retard Iraq's economic development for at least six reasons. First, they tend to be low-quality/high-cost producers resulting in consumers paying too much and receiving too little. Second, even with massive direct and indirect subsidies, almost 80% of are unprofitable. As a result, maintaining SOE is a large fiscal burden that reduces funds available for needed investment in critical sectors such as the provision of essential services. Third, SOE suffer from massive overemployment which is a waste of the country's human talent. Fourth, SOE tend to increase the costs and reduce the efficiencies of private firms that are either upstream or downstream of the SOE. This limits the possibilities of private sector growth in employment. Fifth, as is true in other countries, SOE tend to cause more damage to the environment thorough pollution than private sector firms in the same industry. Finally, with few exceptions, each SOE is controlled by a political party as a source of jobs and funds for party loyalists. This not only facilitates corruption but also is politically destabilizing.

...it is estimated that roughly 20 percent of existing SOE factories are currently profitable...The highest percentage of profitable SOE are associated with the Ministry of Oil where 62% of SOE are profitable while, at the other extreme, only 4% of the SOE associated with the Ministry of Electricity reported a profit. Some of the currently unprofitable firms are potentially profitable with a reasonable amount of investment and improved management. The GoI White Paper refers to firms that are either profitable or might be profitable with some investment and improved management as "Successful Companies". Another 25–30 percent of the SOE factories are empty shells - "Failed Companies"; destroyed during conflict, severely mismanaged, or looted to bare walls. However, employees of these wrecked SOEs continue to be paid for showing up. The remaining half of SOEs would require large-scale investment, managerial restructuring, or a sharp workforce reduction to have any chance of achieving profitability - "Troubled Companies."

...Direct subsidies to SOE amount to about 3% annually of all government budgetary expenditures, roughly the same amount that is spent on elementary and secondary education. In addition, there are a myriad of indirect subsidies. These indirect - often hidden – subsidies include the provision of fuel, electricity, and water at below market, sometimes zero, prices. Also, SOE have been able to obtain large amounts of

financing from state owned banks at generous terms often with the expectation that such loans will not have to be repaid.

The harm to the Iraq economy is greater than the direct and indirect burden on the national budget. SOE severely constrain the country's private sector. The Board of Supreme Audit mandates that government agencies buy goods and services from SOE unless SOE prices are more than 10 percent higher than the private sector competition. Also, since SOE tend to be high cost/low quality producers, they reduce the efficiency of both upstream private sector suppliers and downstream private sector buyers. It is not just a matter of the quality of the SOE good or service. Since SOE are politically connected, any commercial dispute will most likely be resolved in the SOE's favor regardless of the facts. This imposes additional risk on any private firm that sells to or buys from a SOE.

SOE dominance in Iraq reduces the country's ability to compete in global markets and make Iraq a less desirable location for foreign direct investment. In addition, World Bank studies of SOE in multiple developing countries show that SOE tend to be less concerned with protecting the environment. Even after adjusting for infrastructure age, SOE tend to pollute more than private firms. Finally, a large dependency on SOE tends to retard long-term economic growth because of their inflexibility and unwillingness to innovate.

...The collapse of oil prices that began in 2014 combined with the expense of fighting ISIS and rebuilding the country after ISIS was defeated in 2017 severely constrained GoI expenditures. As a result, the GoI broke a decades old commitment to create enough government jobs each year to provide employment for new college graduates. As a result, an estimated 40% of recent college graduates are unemployed or underemployed. This has led not only to widespread protests but also to a growing interest among young Iraqis in starting their own businesses – in entrepreneurship. To an increasing extent, young Iraqis see SOE as barriers to their private sector ambitions rather than as providing a desirable career path. Over time, this excluded generation of young Iraqis is expected to grow in numbers and political influence.

That same study goes on to warn how difficult such reform can be, and about the equally difficult problems that emerge in many other areas of reform:<sup>12</sup>

Maximizing the benefit to the Iraqi people of SOE privatization will be challenging and will require careful planning and deliberate execution. To increase the likelihood of successful privatization/liquidation, this paper proposes a four-step process.

First, create a consensus on the characteristics of a successful privatization/liquidation. These include reducing the current excessive fiscal burden of SOE, encouraging diversification from oil dependency, and, probably most important, ensuring that SOE privatization/liquidation doesn't result in a substantial increase in unemployment and underemployment.

Second, create the proper policy and political environment. The politics of SOE privatization/liquidation is complex. And yet, without support by the country's political leadership, rationalization of SOE will fail. The most important GoI action is for the Council of Representatives to pass a comprehensive privatization/liquidation law. As discussed in detail in this paper, this law should establish two organization: a high-level committee chaired by the PM and a committee of technocrats who will be responsible for developing the specific privatization/liquidation process.

Third, carefully plan and execute SOE privatization/liquidation. Key to creating support for privatization/liquidation and constraining corruption are transparency and accountability. The process of classifying SOE firms into "Successful" companies to be privatized, "Troubled" companies to be restructured, and "Failed" companies to be liquidated must be based on clear standards applied in a transparent manner. Preventing a substantial rise in unemployment and underemployment especially among young men will require both political will and substantial changes to Iraq's education and labor markets.

Finally, act to improve the chances of success of newly privatized SOE. The two highest barriers to success for private businesses in Iraq are the difficulties of obtaining finance and dealing with the complicated and bureaucratic regulatory system. Increasing access to finance and rationalizing regulation will, of course, not

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<sup>12</sup> *Privatization of State-Owned Enterprises*, Lehigh University, <https://business.lehigh.edu/sites/default/files/2022-07/SOE%20Privatization%20Final%20English%2020May22.pdf>, and GoI (2016) *Performance and Fiscal Risks from Non-Financial State-Owned Enterprises in the Republic of Iraq*.

only increase the likelihood of success of newly privatized SOE but also help diversify Iraq from oil dependency.

For almost two decades, progress in SOE privatization/liquidation was caught on the horns of a dilemma. When oil prices are low, as in 2020, the need for diversification from oil, the necessity of invigorating the private sector, is clear. However, low oil export earnings mean a dearth of funds for restructuring SOE. However, when oil prices are high, as in the last quarter of 2021 and the first quarter of 2022; increased oil export revenues reduce the incentive for radical change. In other words, when oil prices are low there is the political will but no fiscal resources. And when oil prices are high there are fiscal resources but little political will. In order to create the necessary conditions for increased long-term economic prosperity and accompanying political stability, the country's leadership must be willing to accept the short-term political cost of privatizing/liquidating SOE.

## **Reducing the Barriers to Private Investment and Private Sector Development and Banking Reform**

The conference tacitly recognized how serious these problems are in reforming government over-employment and an unproductive state sector. It focused on reducing the barriers to private investment and competition with the state own enterprises...barriers that create a nightmare of regulation, legal constraints, corrupt extortion, time delays, and bureaucratic procedures.

A World Bank report on the Iraqi economy in 2022 notes that Iraq's oil production – its largest are of private enterprise -- has little impact on employment or job creation,<sup>13</sup>

The oil sector employs less than one percent of the Iraqi workforce, despite its large share in the economy, while the public sector employs 37.9 percent of the workforce, acting as the main source of job creation in the formal sector. Years of conflict, political instability and weak governance have disincentivized investments and stunted the growth of the private sector, which remains largely informal, mostly dominated by the poor and vulnerable segments of the workforce.

A United States government report on the investment climate in Iraq notes some positive elements, but adds additional warnings,<sup>14</sup>

The GOI's ability to tender projects is fundamentally weak and often lacks incentives preferred by industry. Across the board, there are institutional capacity issues regarding due diligence, project awards, approvals, implementation, financing, and payment. There are also many procurement-related scams and reselling in the market. For tenders solely executed at the provincial level or in the IKR, the tender process may differ and is reportedly easier to navigate in many instances. The provincial procurement law has made procurement at that level easier.

...Investors in Iraq continue to face extreme challenges resolving issues with GOI entities, including procurement disputes, receiving timely payments, and winning public tenders. Difficulties with corruption, customs regulations, irregular and high tax liabilities, unclear visa and residency permit procedures, arbitrary application of e-regulations, lack of alternative dispute resolution mechanisms, electricity shortages, and lack of access to financing remain common complaints from companies operating in Iraq. Shifting and unevenly enforced regulations create additional burdens for investors. The GOI currently operates 192 state-owned enterprises (SOEs), a legacy from decades of statist economic policy.

Investors in the IKR face many of the same challenges as investors elsewhere in Iraq, but have a pro-business, visa-on-arrival option and traditionally more stable security situation. However, the region's economy has struggled to recover from the 2014 ISIS offensive, the drop in oil prices, and the aftermath of the 2017

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<sup>13</sup> World Bank, *Iraq Economic Monitor: A New Opportunity to Reform*, Fall 2022, pp. 3-4, [https://documents1.worldbank.org/curated/en/099729211162223616/pdf/IDU0f98d9eec05e2a04817093f20fc8a1c0d\\_b448.pdf](https://documents1.worldbank.org/curated/en/099729211162223616/pdf/IDU0f98d9eec05e2a04817093f20fc8a1c0d_b448.pdf).

<sup>14</sup> U.S. State Department, Investment Climate Statement (ICS), 2021-11-03, <https://www.trade.gov/country-commercial-guides/iraq-investment-climate-statement-ics>

Kurdish independence referendum. Key factors in the IKR's ability to attract business and investment interests include: stable oil prices, budget support to the Kurdistan Regional Government (KRG) from the central government, and agreements between the GOI and KRG on a unified customs system and the shipment of Kirkuk oil through the IKR pipeline to Turkey.

Even an article that indicates private investment is increasing in Iraq, highlights the problems in creating an effective private sector, including the banking sector, that were also highlighted in the presentations to the Iraqi Institute for Dialogue conference.<sup>15</sup>

The Iraqi private sector contribution to the whole economy is still very low. While the government income from taxes is only 1% of GDP compared to the MENA average of 12%. Another dominant feature of the sector is that it is dominated by small companies; 60% of small and medium enterprises (SMEs) have 20 employees or less according to the World Bank. The factors related to legal and access to finance have contributed to this phenomenon and have created a business culture where entrepreneurs try to build multiple businesses at the same time to manage the market volatility.

**...A significant barrier in the Iraqi private sector and economy is the banking infrastructure. The Central Bank of Iraq estimated that 99.8% of Iraq's \$122 billion personal consumption expenditures were made in cash in 2019. Our recent look into the e-commerce sector indicates that there has been a significant uptake in digital payments since then. Despite that, Iraq remains a predominantly cash economy. Focus on improving the user experience when it comes to banking in general and online payments, in particular, is critical to building a digital economy in Iraq. The user experience for a startup setting a digital payment gateway or a user paying online still ranks far below that of our regional counterparts.**

In terms of getting credit, Iraq ranks 186 according to the World Bank doing business 2020 survey out of the 190 countries surveyed. For many Iraqi SMEs, getting any form of credit from banks is not an option. Local banks need to play a more active role in channeling capital toward Iraqi businesses.

Fitch Ratings makes the need for banking reform even more clear, although it did not focus on the need for government efforts to limit inflation and other economic issues.<sup>16</sup>

...The Iraqi banking sector is, in general, underdeveloped and fundamentally weak. There is a lack of confidence in the banking system, and low awareness of the Islamic finance industry, which could slow the sector's growth trajectory.

The Islamic banking sector's medium-to-long-term growth potential in Iraq (B-/Stable) is positive. Demand will be supported by the country's predominantly Muslim population, which has very low banking penetration. Iraq's credit/GDP ratio was low at only 15% at end-2021. About 81% of the adult population did not have a bank account in 2021, versus 60% in the Arab world, according to World Bank. About 24% of the unbanked population cited religious reasons as a barrier, amongst the highest globally.

The Central Bank of Iraq (CBI) seeks to increase financial inclusion by promoting Islamic banking and digitalization as part of its strategic plans for the banking sector. The CBI has been working on reforming the Islamic banking system with the introduction of new regulations and instructions for Islamic banks since 2015.

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<sup>15</sup> Ali Al Suhail, CFA, *The Iraqi Private Sector We Need: Call to Action*, Kapita, <https://kapita.iq/content/issue/iraqi-private-sector-we-need>.

<sup>16</sup> Fitch Ratings, *Iraq Islamic Banks Growth to Continue; Structural Issues Remain*, 5 July, 2022, London/Dubai, <https://www.fitchratings.com/research/non-bank-financial-institutions/iraq-islamic-banks-growth-to-continue-structural-issues-remain-05-07-2022/>

The Iraqi Islamic banking sector is small, with an 8.1% market share of the total banking system's assets at end-2021 (2017: 5.3%) and a 3.7% market share of the total banking system's deposits (2017: 3%). Islamic banks' total assets reached IQD12.9 trillion (USD8.8 billion) at end-2021, representing sizeable growth of 18.2% (2020: 9.7%). It outpaced conventional banks' 2021 asset growth of 15.1% (2020: 4.1%). The Iraqi banking system had IQD159.4 trillion (USD109.2 billion) total assets at end-2021.

Islamic banks have high capital ratios – higher than conventional banks, although such levels of capital can be consumed quickly in such a weak and volatile operating environment. Islamic banks' capital represented 42.2% of the total capital of Iraq's banking sector at end-2021, despite a much smaller market share of assets than conventional banks.

Iraq's share of global Islamic banking assets remained small at 0.4% at end-3Q20 and was lower than in neighboring Jordan (0.7%) and Oman (0.7%), according to the Islamic Financial Services Board (IFSB), mainly due to the weak operating environment. Thirty out of 76 Iraqi banks were Islamic in 2021, made up of one state-owned bank and 29 private banks.

Key banking industry issues include a challenging operating environment, political instability, limited lending opportunities, lack of comprehensive regulations governing the industry, weak financial regulation enforcement, issues in reporting and transparency (contributing to the lack of confidence in the banking system), money laundering concerns and under-skilled human capital.

Islamic banking-specific challenges include low awareness of Islamic products, lack of standardization, limited product range, and a lack of Islamic liquidity-management tools. Some Iraqi banks act largely as treasury functions, deploying excess liquidity into CBI placements with no real banking business models.

Iraqi capital markets, including the sukuk market, are significantly underdeveloped with issuers generally not having access to domestic or international capital markets. Additionally, the takaful market was almost absent in Iraq before 2019. However, in 2019 the CBI issued takaful regulation and established the first takaful insurance company, allowing Islamic banks to offer takaful products.

This Fitch report was written before the governor of the Iraqi Central Bank was removed in January 2023, following charges the bank had been involved in fraud and/or corruption, led to a major devaluation of the currency, and U.S. restrictions on dollar transfers.<sup>17</sup> There has been remarkably little follow-up over this incident.

## **The Iraqi Justice System and Law Enforcement**

Much of the focus on Iraq's legal and justice system focuses on the problems caused by its need to deal with terrorism, violent factionalism, and mass demonstrations – as well as abuses of human rights. Some such abuses are inevitable. Major counterterrorism campaigns and efforts to deal with demonstrations often lead to human rights abuses. There are strong indications, however, that Iraq needs more reforms in these areas. This is clear from virtually every human rights report on the country, and a report by the European Agency for Asylum goes into considerable detail,<sup>18</sup>

The UN describes the criminal justice system in Iraq as weak. Sources state that courts lack resources and have limited forensic capabilities; and that lack of remuneration, security, technical, and human resources hindered the judiciary from carrying out its duties. The judiciary is described as understaffed. The lack of resources in the judiciary has reportedly caused lengthy delays before and during trials. The system is currently predominantly dealing with ISIL cases.

The Iraqi judiciary is described as having restricted independence and impartiality, with a weak and dependent nature, due to the unstable security situation and historical political conflict. According to sources, the Iraqi judiciary is susceptible to corruption, bribery and political interference, and pressure from religious

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<sup>17</sup> Dan Hardie, "Iraqi PM replaces governor after fraud drives currency fall," Central Banking, January 24, 2023, <https://www.centralbanking.com/central-banks/governance/7954282/iraqi-pm-replaces-governor-after-fraud-drives-currency-fall>.

<sup>18</sup> European Agency for Asylum, *The Iraqi State*, <https://euaa.europa.eu/country-guidance-iraq-2021/iraqi-state>.



and tribal forces. Court decisions are reportedly influenced by political and sectarian identity. Abuses by paramilitary groups have gone on with impunity and without being addressed by the judicial system.

Iraqi often avoid the civil and criminal courts and instead rely on tribal and religious dispute settlement of private issues, even those involving major crimes. This is largely due to lack of access to justice, lack of trust in the judiciary or because of lower social status and lack of financial resources for some parts of the population. Some citizens turned to religious and militia groups instead of the official system, mainly in poor areas of the south and west.

The ISF maintain a significant presence in most major urban centres to limit terrorist, insurgent, and militia activity. Despite merging forces under the ISF to fight against ISIL, inter-institutional rivalry and competition cause tension in the relationship between the ISF, PMU, Peshmerga, Sunni PMU and local tribal forces. The deployment of southern Iraqi security and law enforcement forces in the fight against ISIL has resulted in security voids in areas such as Basrah, where a significant rise in robbery, murder, drug trafficking and kidnapping was reported in 2017-2018.

Ministry of Interior forces were reported to have an authorized strength of 531 000 in 2013, across the Iraqi police service, Iraqi federal police, border enforcement, facilities protection police and the oil police. Due to 'ghost soldiering' actual figures of police personnel have been difficult to estimate.

The Iraqi federal police are focused more on counter-terrorism than on ordinary policing, and are organized into military-style units. Particularly in recent years of fighting ISIL, they have transformed themselves into a paramilitary force rather than focusing on law enforcement. Sources report its membership to be between 37 000 - 44 000.

Police and military units in Baghdad are described as having the ability to respond to security incidents, terrorist attacks and criminal activities, although response and capabilities of the responding authorities vary considerably. In some areas, police perform well, while in others the police are not efficient in responding to crime. Iraqi police and law enforcement officials reportedly lack resources, training, and forensic capacity to gather impartial and reliable evidence of sufficient standard to identify alleged perpetrators, warrant charges, or secure convictions before the courts.

In 2014, Prime Minister al-Abadi launched anti-corruption efforts in the security sector, leading to the dismissal of a number of senior army and police commanders as well as 50 000 'ghost soldiers' and police. However, corruption is reportedly a persistent problem in the police forces, occurring at many levels, and involving bribes to reduce or drop criminal charges.

Organized crime continues to be a significant problem. Individuals, militias, and criminal groups have been involved in abductions and kidnappings for extortion or political purposes.

The Constitution prohibits all forms of violence and abuse in the family. However, the national draft 'Family Protection Law', which provides protections for gender and sexual-based violence, has not been passed and remains unimplemented. Spousal rape is not criminalized in Iraq. Domestic violence or honor killings are seldom punished in Iraq and cases of sexual violence are rarely reported to the police. Perpetrators frequently go unpunished, as they are able to escape punishment through bribery. According to COI sources, Iraqi police lack sufficient capacity to respond to violence against women and children via its 16 Family and Child Protection Units. These units have improved women's access to justice, but are limited to provincial capitals and major cities and lack suitable facilities and female personnel. Furthermore, police were reportedly not willing to meaningfully investigate killings of women and girls for honor during 2017, despite an increase in violence against women.

The *U.S. State Department Report on Human Rights for 2022* puts the need for legal reform in in a broader context, as the following excerpts from the report illustrate: <sup>19</sup>

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<sup>19</sup> U.S, State Department, *2022 Country Reports on Human Rights Practices: Iraq*, 2023, <https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/iraq/>



Numerous domestic security forces operate throughout the country. The Iraqi Security Forces are organized administratively within the Ministries of Interior and Defense, as well as within the quasi-ministerial Counterterrorism Service. The Ministry of Interior is responsible for domestic law enforcement and maintenance of order; it oversees the Federal Police, Provincial Police, Facilities Protection Service, Civil Defense, and Department of Border Enforcement. Energy Police, under the Ministry of Oil, are responsible for protecting energy infrastructure. Conventional military forces under the Ministry of Defense also carry out counterterrorism and internal security operations in conjunction with the Ministry of Interior. The Counterterrorism Service reports directly to the prime minister and oversees the Counterterrorism Command, an organization that includes three brigades of special operations forces. The National Security Service intelligence agency reports directly to the prime minister.

The country's regular armed forces and domestic law enforcement bodies struggled to maintain order within the country, operating in parallel with the Popular Mobilization Commission, a state-sponsored umbrella military organization composed of approximately 60 militia groups referred to collectively and individually as Popular Mobilization Forces. Although the Popular Mobilization Forces are part of the Iraqi Security Forces and receive funding from the government's defense budget, their operations are often outside government control and in opposition to government policies. Most popular mobilization unit members are composed of Shia Arabs, while Sunni Arab, Yazidi, Christian, and other minority groups run their own Popular Mobilization Forces units, generally operating within or near their home regions. All units officially report to the chairman of the Popular Mobilization Commission and are under the ultimate authority of the prime minister, but several units, however, were also responsive to Iran and its Islamic Revolutionary Guard Corps influence.

The two main Kurdish political parties, the Kurdistan Democratic Party and the Patriotic Union of Kurdistan, each maintain an independent security apparatus. The federal constitution provides the Kurdistan Regional Government the right to maintain internal security forces, but the Patriotic Union of Kurdistan and the Kurdistan Democratic Party separately controlled additional Peshmerga military units, as well as separate police forces under nominal Kurdistan Regional Government Ministry of Interior control. The constitution also allows for a centralized, separate Asayish internal security service; however, the Kurdistan Democratic Party and Patriotic Union of Kurdistan also each maintain Asayish forces. The Kurdistan Democratic Party and the Patriotic Union of Kurdistan also maintain separate intelligence services, nominally organized under the Kurdistan Region Security Council.

Federal civilian authorities did not maintain effective control over some elements of the security forces, particularly certain Iran-aligned Popular Mobilization Force units and the Popular Mobilization Commission. Poorly defined administrative boundaries and disputes between the Iraqi Kurdistan Region and the central government regarding administration of certain areas led to confusion concerning the jurisdiction of security forces and the courts. Members of the security forces committed numerous documented abuses.

The country experienced large-scale protests in Baghdad and several in central and southern provinces beginning in 2019 and lasting through mid-2020, with reports of more than 500 civilians killed and 20,000 or more injured by Iraqi Security Forces and militias. During the year sporadic protests continued. In August an antigovernment protest in Baghdad turned into violent clashes among rival militias that killed more than 20 persons. The government took minimal steps to bring to justice those responsible for the violence.

Significant human rights issues included credible reports of: unlawful or arbitrary killings, including extrajudicial killings by the government; forced disappearances by the government; torture and cruel, inhuman, and degrading treatment or punishment by the government; harsh and life-threatening prison conditions; arbitrary arrest and detention; arbitrary or unlawful interference with privacy; punishment of family members for offenses allegedly committed by an individual; serious abuses in a conflict, including attacks resulting in civilian deaths and harm; serious restrictions on free expression and media, including violence or threats of violence against journalists, unjustified arrests and prosecutions against journalists, censorship, and existence of criminal libel laws; serious restrictions on internet freedom; substantial interference with the freedom of peaceful assembly and freedom of association; restrictions on freedom of movement of women; forced returns of internally displaced persons to locations where they faced threats to their lives and freedom; threats of violence against internally displaced persons and returnee populations perceived to have been affiliated with ISIS; serious government corruption; lack of investigation and accountability for gender-based violence; crimes involving violence targeting members of ethnic minority

groups; crimes involving violence or threats of violence targeting lesbian, gay, bisexual, transgender, queer, and intersex persons; significant restrictions on worker freedom of association; and the existence of the worst forms of child labor.

The government, including the Office of the Prime Minister, took some steps to identify, investigate, and prosecute officials responsible for perpetrating or authorizing human rights abuses, but rarely punished them. Many senior government officials and security force personnel, including the Iraqi Security Forces, Federal Police, Popular Mobilization Forces, and certain units of Kurdistan Regional Government Asayish internal security services, operated with impunity. The government took some steps to identify, investigate, prosecute, and punish officials who were involved in corruption.

... Although the constitution prohibits torture and forced confessions, there is no law setting out the legal conditions and procedural safeguards to prevent torture. Torture in jails, detention facilities, and prisons was often hidden from effective legal oversight. Moreover, the types of conduct that constitute torture are not legally defined under the law, and the law gives judges full discretion to determine whether a defendant's confession is admissible, often without regard for the way it was obtained. Courts routinely accepted forced confessions as evidence, which in some ISIS-related counterterrorism cases was the only evidence considered. Numerous reports from local and international NGOs indicated government officials employed torture and other cruel, inhuman, or degrading treatment or punishment. Federal Police, the PMF, and certain units of Kurdistan Regional Government (KRG) Asayish internal security services operated with impunity.

... As in previous years, there were credible reports government forces, including Federal Police, the National Security Service (NSS), and the PMF, abused and tortured individuals – particularly Sunni Arabs – during arrest and pretrial detention and after conviction. Former prisoners, detainees, and international human rights organizations documented cases of torture and other cruel, inhuman, or degrading treatment or punishment in Ministry of Interior-run facilities and, to a lesser extent, in Ministry of Defense-run detention facilities... The federal government and the KRG reported they took steps to address allegations of mistreatment in government-administered prison and detention facilities, but the extent of these steps was not known.

...In October (2022) a senior official reported 27,000 detainees, including 10,000 on drug charges, were being held in pretrial detention facilities, of which the Defense Ministry operated three and the Interior Ministry ran 19, excluding facilities in the IKR. The lack of judicial review resulted from several factors, including the large number of detainees, undocumented detentions, slow processing of criminal investigations, an insufficient number of judges and trained judicial personnel, authorities' inability or reluctance to use bail or other conditions of release, lack of information sharing, bribery, and corruption.

... Corruption or intimidation reportedly influenced some judges in criminal cases at the trial level and on appeal at the Court of Cassation

.... The constitution and law provide for the right to a fair and public trial, but the judiciary did not enforce this right for all defendants. Some government officials, international organizations, including the UN Assistance Mission for Iraq (UNAMI), the OHCHR, and civil society organizations (CSOs) reported trial proceedings fell short of international standards.

...By law accused persons have the right to presumption of innocence until proven guilty. International NGOs throughout the year indicated judges in ISIS-related cases, however, sometimes reportedly presumed defendants' guilt based upon presence or geographic proximity to activities of the terrorist group, or upon a spousal or familial relationship to another defendant. The law requires detainees to be informed promptly and in detail of the charges against them and of their right to a fair, timely, and public trial. Nonetheless, officials routinely failed to inform defendants promptly or in detail of the charges against them. Trials were public, except in some national security cases. Numerous defendants experienced undue delays in reaching trial.

...The constitution provides for freedom of expression, including for members of the press and other media, with restrictions on expression that authorities assess violates public order and morality, or that expresses support for the banned Ba'ath Party. Despite this provision, media and social activists faced various forms of pressure and intimidation from authorities, making the primary limitation on freedom of expression self-censorship due to a credible fear of reprisals by the government, political parties, ethnic and sectarian forces, militias, terrorist and violent extremist groups, or criminal gangs. Advocates of freedom of speech and expression stated that because the law did not specifically define what acts violated public order and morality,

authorities could use that exception to stifle protected speech or expression. A media environment in which press outlets were closely affiliated with specific political parties and ethnic factions, combined with an opaque judiciary, resulted in considerable restrictions on freedom of expression, including the press.

...Individuals were not able to criticize the government publicly or privately without fear of reprisal. Paramilitary militias harassed activists and new reform-oriented political movements online and in person, including through online disinformation, bot attacks, and threats or use of physical violence to silence them and halt their activities. On May 3, journalists reported to the Iraqi Observatory for Human Rights as part of World Press Freedom Day authorities, influential parties, and violent extremist groups restricted press freedom and expression of opinion. They noted numerous efforts to silence and deter journalists from researching problems such as corruption, misuse or exploitation of state resources for personal gain, and some outlets' selective refusal to cover political opponents, popular protests, and other problems.

...The law criminalizes slander, blasphemy, and defamation, including the insulting of government leaders. The judiciary, militias, and government officials used arrest warrants in defamation cases to intimidate, silence, and in some instances apparently to "flush out" activists and journalists from hiding. Human rights organizations recommended the government revise the law, which they stated was used to silence dissent and calls for reform. In October local media outlets reported former prime ministerial candidate Mohammed Shiaa al-Sudani filed a lawsuit against journalist and political expert Mohammed Na'naa for defamation for stating during a televised interview that Sudani was under the control of certain political leaders.

Ongoing legal harassment using malicious lawsuits against activists, human rights defenders (HRDs), and journalists limited freedom of expression and civic engagement. CSOs reported an unprecedented level of legal harassment via two main types of lawsuits: 1) false accusations of criminal activity; and 2) vague punishment for "dissent" or "slander" following public comments and criticism of government actors. While these suits were often filed against Tishreen protesters, they were also used against activists, HRDs, and journalists. Sometimes referred to as malicious, fraudulent, or nuisance lawsuits, these suits tend to cite rarely used articles from the penal code and rely on extremely broad legal interpretations.

## **Unemployment, Particularly Youth Unemployment, and Underemployment**

As a long series of UN Arab Development Reports on the MENA region have pointed out, broad reform is needed in Iraq and many other countries of how to simultaneously reduce all aspect of government employment *and* solve Iraq's national-wide employment problems. These latter problems are partly driven by its population growth, but they are also structural. While the government is sharply overstaffed, a wide range of sources indicate that full-time regular employment is now lacking for roughly a third of young Iraqis.

The World Bank provides a detailed breakdown of the critical problems in what it describes as Iraq's "dismal" labor market and employment in its *Iraq Economic Monitor: A New Opportunity to Reform*.<sup>20</sup>

A significant share of Iraq's population is not active in the labor market, which is especially significant considering the country's young population. Despite this low labor force participation (39.5 percent), unemployment was high at 16.5 percent in 2020/2021, highlighting the constraints on the supply side of the labor market (i.e., employment creation). Also of concern is a relatively large under-employment (8 percent of the employed population reported time-related underemployment). The labor market indicators are even worse for the youth who constitute a significant share of Iraq's population...

The data also confirm the existence of a significant gender gap in the labor market as well as spatial differences. Labor market outcomes are worse for females including in labor force participation (7 times

<sup>20</sup> World Bank, *Iraq Economic Monitor: A New Opportunity to Reform*, Fall 2022, pp. 3-4, <https://documents1.worldbank.org/curated/en/099729211162223616/pdf/IDU0f98d9eec05e2a04817093f20fc8a1c0db448.pdf>.

lower) and unemployment rate (twice as high) for females compared to males. The outcomes are also worse in the rural areas in part due to challenges facing the agriculture sector, which is confirmed by the acceleration in the migration trend towards urban areas. Similarly, unemployment ranges widely across governorates (between 33 percent to as low as 6 percent), which shows the geographical heterogeneity and inequality of job opportunities across the country.

The above outcomes are partly explained by the distribution of jobs across the economy. Jobs are focused in urban areas such as construction (16.3 percent), public administration and defense (15.9 percent), and wholesale and retail trade (14.2 percent). Crucially, the data reveals that 37.9 percent of employment was in the public sector and around 54.9 percent of total employment was in the informal sector.

The results of the latest Labor Force Survey (LFS) confirm that Iraq's economy has not been able to meet the job demand of its young population in the labor market. A comprehensive set of labor market and structural reforms are needed to achieve economic diversification and promote private sector job creation. Efforts to improve human capital outcomes, advance digitalization, improve business environment and access to finance will improve job creation and support higher female participation in the labor market. Meanwhile, reforms to support the transition towards a low-carbon economy have potential to attract domestic and foreign investors and eventually contribute to growth and job creation. The White Paper and the new government program agenda include reforms to transform the Iraqi economy to a more diversified and private sector-oriented economy, which would rely on improved competitiveness and creates jobs for its population, especially the youth.

Trading Economics reports that Iraqi employment dropped from 39% during 2013-2016 to 37% in 1917 to 1919, and 36% in 2020.<sup>21</sup>

And, a study by the Carnegie Endowment notes that,<sup>22</sup>

The Iraqi government accounts for [40 percent of all jobs](#), a very large share of employment by comparison with other countries. This strategy is highly unsustainable since more and more young Iraqis are entering the labor market. Iraq has one of the youngest populations in the world with [60 percent of its citizens below the age of 25](#). However, youth unemployment is currently [more than 25 percent](#). Youth unemployment is exacerbated by the fact that there are more people entering the job market than there are jobs being created. A catalyst for this high unemployment rate is Iraq's reliance on oil. [More than 90 percent](#) of the government's revenue comes from oil, which means that a massive economic shift is required to shore up the private sector so that there are more job opportunities for young people. However, luring international companies into investing in Iraq requires stability and skilled labor – both of which are lacking in the country.

## A Crisis in Education

The reform of education at every level is a key priority, and one driven by Iraq's population growth, Iraq had one of the most advanced educational systems in the region before it entered its long cycles of crisis and war. Today, Iraq's educational system is one of the worst in the region. Reporting by UNICEF talks about reform, but notes that,<sup>23</sup>

Decades of conflict and under-investment in Iraq have destroyed what used to be the best education system in the region and severely curtailed Iraqi children's access to quality learning. Today, there are close 3.2 million school-aged Iraqi children out of school...The situation is especially concerning in conflict affected governorates, such as Salah al-Din and Diyala, where more than 90% of school-age children are left out of the education system. Almost half of all school-age displaced children — approximately 355,000 children — are not in school. The situation is worse for girls, who are under-represented in both primary and secondary schools...Out of school children are more vulnerable to exploitation and abuse, including child labor, recruitment by armed actors and early marriage. ...Children and teachers have experienced the trauma of

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<sup>21</sup> *Iraq Employment Rate*, Trading Economics, <https://tradingeconomics.com/iraq/employment-rate>, access March 30, 2023.

<sup>22</sup> Massab Al-Aloosy, *Barriers to Reform in Iraq*, Carnegie Endowment, March 29, 2022, <https://carnegieendowment.org/sada/86761>.

<sup>23</sup> UNICEF, <https://www.unicef.org/iraq/what-we-do/education>.

conflict, displacement and the losses of loved ones. Such trauma has long-lasting psychological impact which may affect teaching and learning processes and abilities.

Iraq's infrastructure is in ruins in many parts of the country; one in every two schools is damaged and needs rehabilitation. A number of schools operate in multiple shifts in an attempt to accommodate as many students as possible, squeezing the little learning time that children have ...Evidence shows there are significant differences in the success rates of the primary education certificate exam by type of schools and whether the school runs multiple shifts. The pass rate of students attending the morning shift is 92%, as compared to a 72% passing rate for the evening shift.

Moreover, recent growth in the total number of teachers, the number and share of qualified teachers in Iraq has decreased at all educational levels, with the exception of pre-school....Iraq's national budget has in the past years allocated less than 6% of its national budget to the education sector, placing Iraq at the bottom rank of Middle East countries...Years of conflict have weakened the capacity of the Iraqi government to deliver quality education services for all. Violence, damage to infrastructure and mass displacement of children and families have disrupted the provision of education services.

The Carnegie study cited earlier notes that,<sup>24</sup>

The lack of skilled labor can be contributed to the education system not preparing students well enough to compete for jobs on a global scale. Education has been on a downward trajectory for decades. The country never regained its edge in education after the Gulf War in 1991 and conditions deteriorated even further after the U.S. invasion in 2003. There are [nearly 3.2 million Iraqi children](#) not in school and half of the schools are damaged and need remodeling.

Many of these schools operate on double shifts and the number of qualified teachers has decreased alarmingly. This does not come as a surprise as the [budget for education has decreased steadily](#) over the years and Iraq is in the bottom of Middle Eastern countries in terms of investing in education. Without proper education, children become vulnerable to exploitation by armed groups, criminal networks, child labor, and child marriage.

And a 2022 study by the Norwegian Refugee Council notes that,<sup>25</sup>

The formal education system in Iraq has been significantly disrupted over the last several years as a result of conflict and displacement. Damaged infrastructure, limited investment in teachers and curriculum, ongoing waves of displacement, and nationwide Covid-19 school closures have had a detrimental impact on access to and quality of education. Learning levels in Iraq are among the lowest in the region and a lack of education is consistently the top protection risk for Iraqi children.

A generation of young people now face an increasingly uncertain future in Iraq, particularly among the most vulnerable that include refugee children, displaced children, and children with disabilities...teacher training has been insufficient as teachers have not had any training in pedagogy or lesson planning in more than 60 percent of schools in Anbar, Duhok, and Kirkuk. Teacher recruitment has also lull as the student to teacher ratio averages 32 to 1 across governorates. In Ninewa, there is one teacher for every 57 students, which greatly impacts the quality of learning.

- More than half of schools surveyed need to be rehabilitated to meet basic hygiene and safety standards
- More than 90 percent of schools surveyed in Kirkuk lack drinking water
- 92 per cent of schools lacked ramps or elevators for children with disabilities
- 3.6 per cent of students dropped out of the 2020-2021 school year, which amounts to thousands leaving their education,

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<sup>24</sup> Massab Al-Aloosy, *Barriers to Reform in Iraq*, Carnegie Endowment, March 29, 2022, <https://carnegieendowment.org/sada/86761>.

<sup>25</sup> Norwegian Refugee Council, Gaps in Formal Education in Iraq Education Consortium of Iraq, December 2021, <https://www.nrc.no/globalassets/pdf/reports/gaps-in-formal-education-in-iraq/gaps-in-formal-education-in-iraq---eci.pdf>.

## Problems in Medical Services

Iraq presents equal problems in providing medical services. A report by Masaab Al-Aloosy, entitled *Iraq's Health System: Another Sign of a Dilapidated State*, makes the causes and some of the symptoms all too clear,<sup>26</sup>

The deterioration of Iraq's health system has been decades in the making, beginning after Iraq's invasion of Kuwait and continuing into the present. The embargo on Iraq after the invasion resulted in the lack of medicine and the subsequent deaths of thousands of Iraqis due to simple medical conditions, such as common infections and diarrhea. Lack of access to medical supplies was amplified by the Saddam Hussein regime's manipulation of the oil-for-food program, leading to a further deterioration of the health system. Moreover, many doctors and specialists left the country in the hope of finding a better life as sanctions bit hard during the 1990s and the Saddam Hussein regime slashed the budget of the health ministry. Some estimate that between 1993 and 2003, the funding of healthcare Iraq decreased as much as 90%.

**The situation degraded further after 2003; the new political system did not bring a new reality to Iraq's health system. A report two years after the U.S.-led invasion found that within the Iraqi healthcare system, "bribery, nepotism and theft are rife, with the problem so serious that the health of patients is suffering." There was widespread theft of medicine, medical equipment, and frequent cases of fraud, which meant that hospitals struggled to maintain stocks of medicines.**

**By 2004, the health sector was in a dire situation, and the expectations of the Iraqi people for the new government could not be met because the status quo was very difficult to reform. For instance, the state did not keep pace between the increase of the population and the provision of necessary social services. Iraq's population increased from 7.28 million in 1960 to 39 million in 2019, yet according World Bank statistics, hospital beds per person have actually decreased between 1980 and 2017, from 1.9 beds for every 1,000 Iraqis to just 1.3.**

**... Regardless of what percentage of Iraq's GDP is allocated to the health sector, the rampant corruption makes any attempts at investing in the sector futile. Likewise, the corruption within the Health Ministry affects its ability to implement tangible changes. In fact, the Iraqi government actually impedes providing better health care for Iraqis in both the public and private sectors. There is fierce competition between Iraqi politicians to win the Health Ministry because this ministry allows its holder to embezzle money from medicine contracts. There is also evidence presented in U.S. courts against companies that bribed the Health Ministry to win contracts. In fact, the Iraqi government and the Health Ministry are accused of selling medicine intended to the ministry on the black market. As such, when COVID-19 spread in the Middle East, the Iraqi government and society were caught underprepared.**

A report by Physicians for Human Rights issued in April 2021 states,<sup>27</sup>

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<sup>26</sup> Masaab Al-Aloosy, *Iraq's Health System: Another Sign of a Dilapidated State*, Fikra Forum, July 15, 2021,

<sup>27</sup> Physicians for Human Rights, [Abdulrazzaq Al-Saiedi, MPA](https://phr.org/our-work/resources/challenges-faced-by-the-iraqi-health-sector-in-responding-to-covid-19/), Iraq Country Expert, and [Maram Haddad, MA](https://phr.org/our-work/resources/challenges-faced-by-the-iraqi-health-sector-in-responding-to-covid-19/), *Challenges Faced by the Iraqi Health Sector in Responding to COVID-19*, April 6, 2021, <https://phr.org/our-work/resources/challenges-faced-by-the-iraqi-health-sector-in-responding-to-covid-19/>.

**One year after the World Health Organization (WHO) declared COVID-19 a pandemic, Iraq's health sector remains unable to adequately respond to the crisis. Iraq has struggled to deal with the COVID-19 emergency since the first case appeared in the country in late February 2020. Weakened by more than three decades of conflict, international sanctions, corruption, and social and economic neglect, the country and its health system were ill-equipped to respond to a pandemic.**

**As of late March 2021, following another major surge in infections, more than 844,000 Iraqis have contracted the novel coronavirus, and more than 14,200 have died. The number of cases is about 22 per 1,000 people, a rate that places Iraq among the hardest-hit countries in the Middle East. The official figures, which are based on limited testing and poor data systems, are almost certainly lower than the actual number of cases and deaths.**

**In many respects, Iraq was a public health crisis waiting to unfold. Decades of conflicts, coupled with international sanctions and lack of attention to the health sector, have severely damaged Iraq's health care system, shaping an environment that led many qualified doctors and other medical professionals to leave the country.**

**Iraq spends less than many of its neighbors on health. The country's annual budget in 2019 was 133 trillion Iraqi dinar (ID); of that, only six trillion ID (4.5 percent of the annual budget) were spent on health and the environment. The World Health Organization notes that Iraq spent only \$154 per person for health services in 2015, compared to neighboring Iran's \$366 and Jordan's \$257.**

**Iraq's weak, under-resourced public health system has had a deep and widespread negative impact on public health. Non-communicable diseases, such as cancer, heart disease, diabetes, and chronic lung diseases, account for 55 percent of deaths in Iraq. More than 30 percent of the population suffers from hypertension, 14 percent from diabetes, and more than 30 percent is obese. In the last three decades, the Iraqi population has increased significantly, to more than 39 million in 2019 from 7.28 million in 1960. However, the health system has not kept pace. According to the World Bank, for every 1,000 Iraqis, there are 1.3 hospital beds, a drop from 1.9 in 1980, and 0.8 physicians, a significant drop from 1.0 in 2014. This is far fewer than other countries in the Middle East.**

**According to Dr. Abdulameer al-Shammary, the former head of the Iraqi Medical Association, which regulates, oversees, and advocates for the rights of doctors, these challenges are multifold. He notes, "The public health sector is suffering. The numbers of health professionals and centers are very low and do not match the increase in population. There is a lack of medical supplies and mismanagement of human resources. The waiting list in public hospitals is very long. Patients prefer to go to the private sector. There are no guidelines for treatment or proper sanitation or disposal of waste."**



**The long-term neglect of the health sector has also had a demonstrably negative impact on the country's health infrastructure. Health centers suffer from chronic shortages of medical supplies and resources. For Iraqis, accessing public medical care is inexpensive. However, the quality of care is so substandard that many resort to private medical care if they have the financial means to do so. Because there is no private health insurance, the average Iraqi covers about 70 percent of their out-of-pocket health expenditures, making quality health care an expensive proposition for most people. Many Iraqis seek medical care in other countries, such as India, Iran, Jordan, Lebanon, and Turkey.**

Similarly, a report by the American University in Sulaimani states that,<sup>28</sup>

...the Ministry of Health's system of medical procurements was structured around profit and corruption rather than care. To be sure, corruption in the healthcare sector is not unique to the post-2003 era. Corruption first became rampant during the harsh UN Sanctions of the 1990s, when widespread deprivation spawned elaborate black markets that preyed upon valuable public medical equipment. But the corruption of the 1990s was arguably a limited phenomenon compared to what emerged after 2003. In the years following the US-led invasion, political parties and their armed wings took full control of the Ministry of Health and the other agencies involved in medical procurements (e.g., KIMADIA General Company for the Marketing of Medicines and Medical Supplies, Ministry of Trade, Ministry of Interior, etc.). Political factions and armed groups proceeded to use medicine as a source of steady cash flow, profiting from the public procurement process for medical devices and especially pharmaceuticals.

Within this system of graft, parties and their affiliates maximize profits by evading the kinds of quality controls and safety standards that prevent fires. Maintenance is typically regarded as a cost driver rather than a profit center. This does not mean that maintenance contracts are never issued; but they are rarely executed in a manner that definitively resolves the core problem because doing so would be too costly and reduce profits. Profits are maximized either by overvaluing the contract, under-delivering the service/product, or both. This explains why the leak in the Nasiriya hospital's oxygen supply did not receive the attention required. It also explains gaps in equipment required for fighting fires. After the second hospital blaze, one report linked the lack of fire hazard safety equipment in the Nasiriya hospital to the fact that "political parties routinely siphon vast sums from the country's health budget through corrupt contracts that either deliver cut-rate services or do not deliver [services] at all." A system organized around graft requires cutting corners to pocket cash. In this case, the results were deadly.

...The political economy of health in Iraq is a function of the broader features of the post 2003 political order. After the US-led invasion, ministries were divided among the dominant political parties, many of which were and remain armed with para-military branches. (This process of allocating ministerial assets — known as *muhasasa* in Arabic — has been studied by political scientists in other government domains, but not extensively in healthcare). These actors gradually took control over Iraq's network of public hospitals in addition to the supply chains and contracting channels that furnished those facilities. They also wielded outsized influence over the emerging private market of hospitals, pharmaceuticals, and specialized medical services.

But the key interests of the political parties were the medical supply chain — both public and private. The dominant parties shaped which pharmaceuticals and medical devices were being brought into the country, and they influenced the quality control process. In other words, both the decisions around imports and the mechanisms that are designed to police those imports were under the control of the same set of political actors. The results of this chokehold on the supply chain was that particular kinds of medications and devices (sourced by specific companies) were granted a politically protected status that had little or nothing to do with the actual medical need for these items. Consequently, the medical supply chain became distorted and

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<sup>28</sup> Mac Skelton, *Healthcare Policy in Iraq: Lessons from the Pandemic*, Institute of Regional and International Studies, December 2022, <https://auis.edu.krd/iris/>.



oriented around profit protection for this politically-backed pharmaceutical cartel, which resulted in a situation where by 2018 only 11% of the basic essential medications required in hospitals were actually available.

...COVID-19 revealed the acute dangers of this medical supply chain graft, as the demand for new technologies and supplies (PPE, testing kits, oxygen therapy) came up against the entrenched interests of the parties in maintaining well-worn and politically protected procurements. The capacity to conduct supply chain triage — i.e., moving resources from one budgetary area to another — was extremely limited. This politically-induced rigidity tragically reduced the capacity of the MoH to respond to the unique risks and hazards associated with COVID-19 isolation wards, where the intensification of oxygen therapy in confined spaces generated the dual risks of oxygen accumulation and electrical overloads. Hospital fires in Iraq's COVID-19 wards became a repeated occurrence because risk monitoring at the hospital level (of electrical shorts, oxygen supply defects) were rarely if ever paired with the necessary procurements of replacement parts. Risk management was effectively left to Iraqi patients and families, who had no choice but to enter COVID-19 hospitals assuming that the worst could happen at any moment and prepare accordingly.

...Importantly, the new administration should not be persuaded by those voices who argue that privatization and the emergence of healthcare startups can meaningfully cover gaps in the healthcare system. Private medicine is already a pervasive reality in Iraq, but it has not developed into an independent and advanced sphere of medical practice. Private medical services, markets and products are under the influence of the very same political actors that dominate the public sector. In everyday practice, the private/public medical sectors are already blurred. When Iraqis go to public hospitals, they often find that the doctor requests purchases of medications in private pharmacies or make referrals to private hospitals in Iraq or abroad — at great personal cost for the patient. The net result is that the post-2003 era has shifted the bulk of the burden of healthcare cost from the state to the population, and Iraqis suffer from some of the highest per capita medical costs out of pocket in the world. In sum, holding up “privatization” as an easy solution will only deepen distrust between state and society.

## **The Need for Electricity**

Iraq has failed to create sufficient electric generating capacity and create an efficient electric power grid, and has had to import gas to fuel its generating plants and electricity from Iran. The U.S. government Energy Information Agency (EIA) reports that Iraq's net electricity generation grew by an annual average of about 7% each year between 2010 and 2020, reaching an estimated 92 terawatt-hours (TWh).<sup>29</sup> Nearly all (almost 95%) of Iraq's electricity generation is from oil and natural gas.<sup>59</sup>

According to the International Energy Agency, natural gas use in the electric power sector increased from 25% in 2016 to nearly 60% in 2020 because Iraq began importing natural gas from Iran to increase its own supplies. Hydroelectricity accounts for most of the remaining share of electricity production, although Iraq does have plans to make use of solar energy.

The EIA reports that Iraq's electricity sector imports a significant amount of its supplies from Iran. In 2021, about 35% of Iraq's electricity was generated by a combination of natural gas produced in Iran and electricity imported from Iran. Iran significantly reduced its natural gas exports to Iraq in 2021 and 2022 because of higher domestic demand in Iran, hotter than average summer temperatures, reduced natural gas production in Iran, and payment issues from Iraq. In addition, Iran has lowered its electricity exports to Iraq since summer 2021 because of its own power shortages. This has led Iraq to try to import electricity from Turkey, Jordan and Gulf states like Kuwait, and to seek to increase its own gas supplies to fuel domestic electric generation.

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<sup>29</sup> EIA, *Iraq: Country Report*, September 28, 2022, <https://www.eia.gov/international/analysis/country/IRQ>.

Some of Iraq's most serious problems consist of its dependence on vast numbers of small diesel electric generators and improvised power grids, and some experts estimate that Iraq is now dependent on over 4.5 million private generators.

At the same time, Iraq's government supported electricity generation is also highly inefficient. The EIA reports that,<sup>30</sup>

- Iraq's electricity use is very seasonal and reaches peak capacity in the summer months. Generation plants run at low utilization rates, and the available or effective production capacity is much lower than installed capacity because of poor transmission infrastructure, inefficient or damaged power plants, and insufficient natural gas supply and infrastructure. Peak summer demand typically exceeds actual generation, resulting in power shortages that sparked protests in southern Iraq and Baghdad in the summers of 2020, 2021 and 2022.<sup>63</sup>
- Distribution losses remain an issue in Iraq. From 2011 to 2020, distribution losses averaged 58% of total electricity supply, compared to an average of 8% for the world during this time period.<sup>64</sup> High distribution losses are the result of inefficiencies on the grid, poor system design, and high rates of electricity theft.
- Iraq burns crude oil directly at power plants to make up for its limited feedstock of other power generation fuels. At its highest, direct use of crude oil reached more than 220,000 b/d in the summer of 2015 (Figure 6).<sup>65</sup> Reported average crude oil used at power stations fell from an average of 169,000 b/d in 2016 to an average of 24,000 barrels per day (b/d) in 2021 as a result of increased natural gas-fired electricity generation. Although Iraq's official reports of crude oil burn have been low during the past few years, we estimate that much higher amounts of crude oil are used for power generation

Even in downtown Baghdad there were regular power cuts at night in 2023, and Iraq's official power grid is far too limited in coverage and capacity to meet the nation's steadily growing needs.

A report by the International Monetary Fund in February 2023 notes that,<sup>31</sup>

Iraq's electricity sector imposes high social and economic costs on the country. Weak service provision has long been a source of grievance for the public as grid-supplied electricity coverage falls short of the 24 hours, prompting citizens and businesses to increasingly rely on costly, noisy and polluting private fuel-based neighborhood generators. In addition to contributing to Iraq's socio-economic fragilities, lack of reliable access to electricity has also constrained private sector development. More than half of Iraqi firms identify electricity as a major constraint, second only to Yemen in the region, according to Enterprise Surveys conducted by the World Bank. Expenditures on electricity consume sizable amounts of public and private resources, with some accounts estimating that more than \$80 billion went into the sector since 2003 ([Al-Khatteeb, 2015](#)).

The sector has been caught in a cycle of inefficiency, loss-making and under-investment. **Weak maintenance and underinvestment result in inefficient production processes and financial losses, which, in turn, crowd out the resources needed for maintenance and efficiency enhancing investments. While most of Iraq's power generation capacity is designed to run on natural gas, the critical gas-to-power value chain remains underdeveloped, and around half of Iraq's associated gas is being flared with adverse environmental, health, fiscal and balance-of-payments outcomes...As a result, many generation plants use less efficient and more polluting liquid fuels while the rest of the sector depends on imports of gas and electricity from neighbors.**

**...Moreover, technical losses across the supply chain are very high—at 23 percent compared to a peer average of around 14 percent. Another 41.4 percent of**

<sup>30</sup> EIA, *Iraq: Country Report*, September 28, 2022, <https://www.eia.gov/international/analysis/country/IRQ>.

<sup>31</sup> IMF, *Selected Issues*, February 2023, p. 15-24, <file:///Users/anthony/Downloads/null-002.2023.issue-076-en.pdf>,

**production is attributed to non-metered consumption or theft, so that only 35.6 percent of produced electricity is being sold to customers.**

There is an urgent need for comprehensive reforms which have been elusive in the past. **Several plans for reform and commercialization were drawn over the years but were not implemented due to security challenges, political instability, and governance issues. On the supply side, prioritization of generation in resource allocation combined with significant damage to large parts of the transmission and distribution grids further compounded technical and commercial losses. Attempts to raise tariffs and increase private sector involvement were strongly resisted, and the authorities have been unable to stem electricity theft and improve collection. As a result, the sector remains dominated by the state and highly reliant on subsidies and budgetary support.**

**Small-scale generators, spread across neighborhoods and operated with subsidized or free fuel, are estimated to have supplied the equivalent of 5 GW in off-grid electricity in 2018, covering roughly half of the electricity deficit. On top of being very noisy and polluting, the electricity produced by them is extremely expensive with tariffs equivalent to around 60-120 USD/kWh compared to an average tariff of around 0.8 USD/kWh applicable to the highest consumption bracket of grid-supplied electricity. High-cost electricity provided by generators is largely unregulated and imposes a heavy financial burden on consumers. The neighborhood generator industry has grown in scale, and its revenues in 2018 were estimated at around US\$ 4 billion—roughly four times what the official electricity sector had collected during the same period (IEA, 2019). The rest of the deficit is closed through consumption rationalization...Non-metered consumption has been the largest contributor to demand growth followed by residential customers.**

...The electricity sector's costs far exceed its revenues and the deficit has been widening. Explicit operational costs are often 10 times the sector's revenues or higher, implying significant losses and financing needs to maintain service provision. In 2019, for example, the total explicit operational costs amounted to ID 11.0 trillion (\$9.3 billion or 4.0 percent of GDP), while revenues were less than ID 1 trillion. Moreover, explicit costs have increased significantly in recent years along with the rise in electricity purchases and imports.

**...The Ministry of Oil sells domestically produced natural gas, crude and fuel oil to the electricity sector at highly subsidized prices, which are fixed in Iraqi dinar regardless of movements in international energy prices or exchange rates. Natural gas is sold at the equivalent of \$1.0/MMBTU (down from \$1.3 before the dinar devaluation in 2020), while crude and fuel oil are sold at the equivalent of \$5.5/barrel and \$19/barrel respectively (down from \$6.7 and \$23.5 per barrel before the devaluation). In 2019, these prices represented 16, 11 and 46 percent of their respective international prices.**

**...The rising explicit costs and financing needs of the electricity sector have been increasingly borne by the government budget. In 2019, the budget covered ID 6.7 trillion or 60 percent of the electricity sector's explicit costs, up from only 9 percent**

**in 2015. Spending on electricity represented 7.7 percent of the government's current expenditure envelope in 2019, up from only 1.3 percent in 2015. On top of the sizable investment costs, the operational deficit would rise to ID 41 bn by 2027 (9.4 percent of GDP) and significant amounts of liquid fuel will continue to be required to operate the additional capacities, even with domestic natural gas production doubled.**

**There is no way to measure exactly how much power is privately generated, but it is a substantial amount of Iraq's consumption. The use of local generators also means that it involves far higher carbon emissions than efficient central gas-fired generating plants and even more than the use of solar power. The IMF also notes that neighborhood generator industry has grown in scale, and its revenues in 2018 were estimated at around US\$ 4 billion—roughly four times what the official electricity sector had collected during the same period (IEA, 2019). The rest of the deficit is closed through consumption rationalization.**

### **Water: Is the Land of Two Rivers Becoming the Land of Two Rivulets?**

Iraq faces a growing water crisis. It is partly driven by population growth, by the fact Iran and Turkey have built dams that have reduced the flow into both the Tigris and Euphrates, by the failure to properly plan and implement reform in its use of irrigation, and by underfunding national drinking water supplies, distribution, and sanitation. In some cases, these problems are further exacerbated by a lack of environmental regulation and control.

Iraqi reporting on the details of these water supply problems, the real-world availability of safe drinking water, sanitation and waste water disposal, and pollution is uncertain. However, almost all Iraqi and outside sources recognize that a broad nation-wide water crisis now exists, and one with many causes.

One is the cuts in the water flow from Iraq's two major rivers. A report by the OCHA Relief Web, dated November 2022, states that the dams and rising temperatures have had this effect: "Iraq has two main sources of water – the Tigris and Euphrates rivers. The intake of water from both rivers is decreasing at an unprecedented rate, due to the construction (by Turkey and Iran) of upstream dams and a prolonged drought."<sup>32</sup>

UN reporting notes that Iraq is one of the first regional powers to sign the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (known as the UN Water Convention), but this may have little impact on Iraq's water problems and need for reform. The UN also notes that,<sup>33</sup>

The Tigris and Euphrates Rivers Basins are the most important sources of surface water for some 237 million people across Iraq (43.5 million), Iran (88 million), Syria (21 million) and Turkey (85 million). The rivers system, including their many tributaries, is essential to Iraq, and its riparian States. But competing needs of water for irrigation, drinking water supply (only some 60% of the population has access to safely managed

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<sup>32</sup> <https://reliefweb.int/report/iraq/water-crisis-focus-streams-run-dry-southern-iraq>.

<sup>33</sup> United Nations, *Iraq's accession to UN Water Convention opens new opportunities to strengthen transboundary water cooperation in the Middle East*, March 24, 2023, <https://iraq.un.org/en/224896-iraq%E2%80%99s-accession-un-water-convention-opens-new-opportunities-strengthen-transboundary-water>.

drinking water services), industry, hydropower production and the environment, combined with diminishing water quantity and deteriorating water quality, pose difficult management challenges. These challenges are exacerbated by the impacts of climate change.

Facing high water stress, Iraq is experiencing mounting social, economic and political pressures due to water scarcity. Low rainfall, increasing temperatures and reductions in the country's surface water have all led to critically low levels of water in Iraq in recent years. Transboundary cooperation is therefore increasingly important to promote sound management of the country's transboundary water resources, to contribute to its sustainable development and to enhance regional stability and peace.

*"Iraq faces a real water crisis", warned the President of the Republic of Iraq, H.E. Abdul Latif Rashid at the UN Water Conference, who stated that over the last 40 years water flows from the Euphrates and Tigris, which provide up to 98% of Iraq's surface water, have decreased by 30 to 40%. He cited challenges including impacts on agriculture and the health of the citizens from drinking saline and polluted water, and the drying out of UNESCO World Heritage-listed marshlands. "At present no basin-wide arrangement consensus exists among riparian countries regarding the management of Euphrates and Tigris... I strongly encourage all the countries to follow Iraq in acceding to both the 1997 United Nations Convention on the Law of Non-Navigational Uses of International Watercourses and the 1992 Convention on the Protection and Use of Transboundary Watercourses and International Lakes"*

A Voice of America report issued in June 2022 notes that,<sup>34</sup>

The Iraqi farmer is used to having an abundance of water, not a lack of water... The entire structure of water management in Iraq is designed and constructed at a time when floods were a natural norm...

Iraq's water resources ministry warned in a shocking report last December that the continuing loss of water from the Tigris and the Euphrates, which form the backbone of its fresh water supplies, could turn the country into a "a land without rivers by 2040."

Iraq Water Minister Mahdi Al-Hamadani said after contacting his counterparts in Turkey and Iran — he's still awaiting negotiations. The United Nations is also urging the three neighbors to reach a fair water-sharing arrangement.

Recently, various U.N. agencies issued an urgent call for action to protect Iraq as it marked the World Day to Combat Desertification and Drought. But analysts point to Turkey and Iran's own water concerns and climate change challenges as obstacles.

Research fellow Tobias von Lossow at the Clingendael Netherlands Institute of International Relations told VOA that observers see the Shatt al Arab waterway where the Tigris and the Euphrates meet in Iraq as "falling dry sooner or later." He warns that "there are alarming trends" and that there is only "a small window to prevent this from happening."

"Particularly the Southeastern [Anatolia] Project in Turkey had a big impact. So, the water inflow into Iraq has reduced by 30 to 40% since the late 1970s and this trend continues. Climate change and environmental degradation are contributing and are accelerating that. We will see more drought, water shortages, sandstorms, dust storms. And we will see that on a more frequent and regular basis in the future. There are limited options for Iraq. Iraq can work on domestic water governance. Push a bit harder on agricultural reforms, crop selection, irrigation technology," said von Lossow.

"And we will see that on a more frequent and regular basis in the future. There are limited options for Iraq. Iraq can work on domestic water governance. Push a bit harder on agricultural reforms, crop selection, irrigation technology."

The United Nations places Iraq among the top five countries impacted most by climate change worldwide, with its increasing loss of arable land due to salinization, less rainfall, prolonged heat waves, and an onslaught

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<sup>34</sup> VOA, UN, Experts Warn of Serious Water Problems for Iraq, June 20, 2022, <https://www.voanews.com/a/un-experts-warn-of-serious-water-problems-for-iraq-/6625446.html>.

of dust storms. Meanwhile, the decline in water levels of both rivers has seen farms and fishing enterprises near their banks abandoned.

UNICEF reporting on the human impact of Iraq's water crisis is equally grim:<sup>35</sup>

**Nearly 3 out of 5 children in Iraq have no access to safely managed water services and less than half of all schools in the country have access to basic water risking children's health, nutrition, cognitive development, and future livelihoods... In Iraq, the level of water scarcity is alarming, children cannot develop and thrive to their full potential without water," said Sheema SenGupta, UNICEF Representative in Iraq. "It is time to take action on climate change and guarantee access to safe water for every child" she added.**

Rising food demand, urbanization, poor water management as well as climate change have combined to threaten children, the poor and the marginalized.

While not the sole reason for water scarcity, climate change results in less rain for agriculture and the deterioration of the quality of freshwater reserves due to the backflow of saline water coming from the Arabian Gulf into freshwater aquifers and increased pollution concentrations... In Iraq, the 2020-2021 rainfall season was the second driest in the last 40 years, caused a reduction of water flow in Tigris and Euphrates by 29% and 73% respectively.

World Bank reporting ties Iraq's water problems to both its need for agricultural reform and need to address climate change:<sup>36</sup>

Iraq is among the countries most vulnerable to climate change both in physical and financial terms. Reduced water availability and quality degradation impose significant risks on Iraq's agri-food systems and hence on the ability to diversify the economy. Water scarcity negatively affects GDP and other sectoral outputs, including crops which lower the demand for unskilled workers. Extreme heat temperature adversely impacts (unskilled) labor productivity, which further intensifies the socio-economic challenges associated with climate change. Inefficiencies and high carbon emissions in the power generation sector add to Iraq's climate-related challenges. These challenges are intensified by the economy's high dependence on oil revenues, leaving the country vulnerable to new economic risks amid the global transition toward a decarbonized world, wherein oil as a commodity loses its role in fueling the global economy. The intersection of Iraq's development gaps and climate change vulnerabilities requires: (i) adaptation efforts, with a focus on the water-agriculture-poverty nexus, (ii) mitigation measures, with a focus on bridging the supply-demand gaps while decarbonizing Iraq's energy value chain, and (iii) managing the macro-fiscal implications of the transition to a low-carbon economy.

Reduced water availability and crop yield are expected to have a substantial negative impact on GDP and sectoral outputs. The impact of a 20 percent decline in water availability and higher temperatures on crop yields could lead to a 3.9 per- cent reduction in GDP in the medium-term. Sectoral outputs are also negatively affected by water scarcity and high temperatures, with crop production being affected the most (16 percent decline), followed by food production (6 percent decline). Climate change will have wide-ranging socio-economic consequences affecting all economic sectors and negatively impacting labor demand and productivity, particularly for unskilled labor. A decline in unskilled labor demand, coupled with projected increases in food prices stemming from reduced crop production will disproportionately affect the poorest and

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<sup>35</sup> UNICEF, *Running Dry: water scarcity threatens lives and development in Iraq*, August 2021, <https://www.unicef.org/iraq/press-releases/running-dry-water-scarcity-threatens-lives-and-development-iraq>.

<sup>36</sup> World Bank, *Iraq Economic Monitor: A New Opportunity to Reform*, Fall 2022, pp. 18-19, <https://documents1.worldbank.org/curated/en/099729211162223616/pdf/IDU0f98d9eec05e2a04817093f20fc8a1c0db448.pdf>.



most vulnerable segments of the population as they spend a higher share of their household budget on food and are more at risk of food insecurity.

Estimates indicate that a 10–20 percent increase in food prices would increase poverty by 1.6 to 4.4 percentage points. Improvement in water use efficiency, an example of water adaptation, can counterbalance these trends, mitigating the socio-economic costs of inaction. Estimates indicate that the reduction in GDP would shrink to 3.1 percent and 2.4 percent with 10 percent and 20 percent improvements in water use efficiency, respectively.

Furthermore, 35 percent of workers in the agriculture and construction sectors are exposed to extreme heat, which affects their productivity and translates to lower output and thus lost earnings as most of these jobs are informal and the compensation is directly tied to output. Without adaptation measures, water scarcity and suboptimal water quality pose significant risks to agri-food systems and will increase reliance on imports. Adaptation actions that focus on the water-agriculture poverty nexus would increase water productivity, diversify the economy, create employment, improve the quality of jobs and livelihoods, contribute to food security, and support the resilience of the most vulnerable.

The sources of safe drinking water have also been affected, water purification, piped water, and sanitation and environmental controls have all become more necessary. A more draconian warning is present in a BMJ report dated March 6, 2023:<sup>37</sup>

In the summer of 2018, 90% of the population of Basra—the city forever linked with the voyages of Sinbad the Sailor, and a key battleground in the Gulf and Iraq wars—had no access to safe fresh water. Between August and October 2018, 100 000 cases of water related diseases were recorded.<sup>1</sup> In August 2021, UNICEF reported that around three out of every five children in Iraq had no access to safely managed water services, and fewer than half of all schools have access to drinking water.<sup>2</sup>

“Diarrhea, chicken pox, measles, typhoid fever, and cholera are currently spreading across Iraq because of the water crisis, and the government no longer provides vaccines to its citizens,” says Naseer Baqar, climate activist and field coordinator at Tigris River Protectors Association in Iraq.

Epidemiologists in Iraq’s Dhi Qar governorate said that villagers have started to depend on groundwater from wells. Such water is contaminated with bacteria and not suitable for consumption, says Baqar. “This has caused the spread of typhoid fever and cholera—people have been diagnosed with these conditions recently.”

While some proposals count on Turkish and Iranian willingness to allow greater flows of the two rivers into Iraq, both countries face water crises of their own, and all three countries are feeling the impact of climate change. In practice, Iraq is going to have to make much more efficient, safer, and expensive use of its own water resources, and find way to pay for such reforms on a national level.

## **Food, Poverty, and Agriculture**

Just as Iraq is moving beyond the point where it can be called the land of two rivers, it badly needs to examine agricultural reform, its future food sources, and the nature of its welfare problems. It is one thing to drive along waterways and farming areas and quite another to realize how small Iraq’s agricultural sector has really become.

While estimates differ in detail, the CIA estimates that Iraq’s population had already shifted to the point where the agricultural only contributed to 3.3% of its population in 2017, vs. 51% for industry, and 45.8% for services. It was also clear that the number of farmers also sharply exceeded the need for such employment: agriculture accounted for 21.6% of the labor force – some six times

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<sup>37</sup> “No water by 2040: The crisis engulfing Iraq and its historic river flow, BMJ 2023; 380: p. 468, <https://doi.org/10.1136/bmj.p468> (March 6, 2023).

its contribution to the GDP. (Industry was only 18.7% of the labor force in spite of Iraq's grossly over-staffed SEOs, and the percentage of labor in the service sector was 59.8%.<sup>38</sup>

A Carnegie Endowment study issued in 2020 describes the causes of Iraq's recent failures in developing its agricultural sector as follows,<sup>39</sup>

...Compounded by antiquated and competing state institutions underfunded and plagued by bureaucratic inefficiency and complexity, Iraq's government needs rapid institutional and policy reform in addition to a reorganization of its safety net systems to respond to the risks of food insecurity.

Iraq struggles from chronic structural and emerging challenges that have hampered its food production over the years. Iraq's population has been multiplying, from 23.5 million in 2000 to around 39 million Iraqis in 2019. This amounts to a 66 percent increase in population in 20 years. Food supply, both locally produced and imported, has been struggling to catch up with the population growth. Moreover, Iraq's political turmoil and instability, the cyclical conflict and wars, and the corruption and mismanagement of state resources exacerbate this problem. Food supply increased from 13.8 million tons in 2000 to an estimated 20 million tons in 2019, a 44 percent increase in the same period.

Concurrently, Iraq's urban population almost doubled over those two decades, largely due to migration from rural areas in search of employment. Climate change has negatively impacted agricultural communities. In particular, reduced the water supply from Tigris and Euphrates Rivers and the salinization of water tables has caused mounting desertification. Compounding these issues is the economic collapse—which began with UN sanctions and worsened during the collapse of state institutions following the U.S. invasion of 2003—and subsequent conflict and wars. The economic and political toll of rounds of conflict—starting with Gulf War and continuing with the Islamic State's rampage in Iraq's food basket governorates—and the waves of human displacement have all wreaked havoc on Iraq's food system in terms of local production and in its ability to procure food. The pandemic has only added more stress to the fragile food system, disrupting food supply chains, increasing food costs, and decreasing Iraqi household purchasing power as more Iraqis slide into poverty.

Today, the institutions at the core of Iraq's food system remain persistently misunderstood and neglected, given the continuous degradation of the Iraqi state. Policy and institutional reform – specifically governing the agriculture and food sector – have taken a backseat as successive Iraqi governments and the international community have prioritized food and agricultural aid in response to the country's crises and challenges. However, Iraq will likely struggle to mitigate the effects of current crises on food security unless it reforms the complex web of institutions governing food production and supply, empowers and consolidates state organizations, and reforms the institutional environment of food production.

In Iraq, the state is involved in every single step of the food value chain. From pre-seeding to placing food on each Iraqi's table, the Iraqi state has impelled government dependency across its population through continuous state intervention and involvement. This is similar to other Arab countries with a socialist regime history such as Egypt and Syria. In the production of food, State Owned Enterprises (SOEs) under the Ministry of Agriculture, support farmers from land preparation and harvesting by providing tools, machinery, seeds, fertilizers, and pesticides at subsidized rates or for free. The ministries of Water Resources and Finance also provide water and irrigation at almost no cost and mask subsidies in the form of low-interest loans to farmers that are often not paid back. Under the ministries of Trade and Industry, SOEs then store or buy the agricultural produce from Iraqi farmers, process it, and distribute it into the markets. They use social safety net programs such as the Public Distribution System (PDS) or state outlets and a chain of private shops and bakeries to distribute state food products. Additionally, the SOEs foot the food supply deficit by importing food and agricultural products. Iraq imports almost 50 percent of its food needs. Therefore, in the event of global food supply chains shocks or the collapse of the state budget—Iraq depends on oil for 90 percent of

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<sup>38</sup> CIA, *World Factbook*, "Iraq," <https://www.cia.gov/the-world-factbook/countries/iraq/#economy>.

<sup>39</sup> Hadi Fathallah, Iraq's Governance Crisis and Food Insecurity, June 4, 2020, <https://carnegieendowment.org/sada/81976>.



state revenues—the food system becomes vulnerable as the government becomes unable to shoulder a system that is entirely dependent on state intervention and support.

A complex web of twenty-seven government organizations, including ministries, SOEs, and governmental bodies (parliamentary and cabinet committees), are actively involved in the food system. Additionally, 18 governorate and 120 district-level councils and bodies operate in the food system with certain degrees of autonomy from the central government due to Iraq's federalist and regional structure. Each organization has its own interests and influence in the food system. These interests vary according to mandate, financial resources, and distributive authority which are driven by sectarian, ethnic, and tribal divisions that run deep through Iraqi society. These organizations have competed over the years for dwindling financial resources. For example, one of the biggest two food programs, the Public Distribution System (PDS)—a social safety net comprised of a food basket distributed to each Iraqi family—cost around \$1.43 billion in 2019. Another program is the \$1.25 billion Wheat and Barley Purchase Program. This subsidy program buys wheat and barley straight from farmers at double the international prices. The Iraqi population's dependency on these decades-old programs and the direct and indirect subsidies they provide poses a significant risk going forward. The decline of the PDS and Wheat and Barley Purchase Program's budgets since 2015 combined with this year's unprecedented drop in oil prices will affect both the food security of Iraqi households and the financial standing of most Iraqi farmers. These farmers, who have been struggling to survive the rounds of conflict and economic challenges, are at risk of not getting paid for their production this year. The Iraqi state cannot afford such programs in their current form, nor can it implement them efficiently due to enshrined corruption and political interests.

Today's heavy government control over the entire food system stems from decades of state policy beginning under the Baath regime. This system remained even after the Iraqi state collapsed following the U.S. invasion of 2003 – albeit some sporadic efforts were made only to subside under public pressure due to the population's ongoing reliance on state aid. With such entrenched state dependency, successive governments feared to dismantle this system of social welfare and the institutions that underpin it. These institutions are both the biggest employer of Iraqis and a source used by different political parties and factions for nepotism and securing private interests. Thus, the institutional context has intentionally remained constant despite the government of Prime Minister Haidar Abadi's efforts to consolidate some state institutions in 2015.

At the core of the complex web of state institutions and competition, the Ministry of Agriculture (MOA) is weak in terms of human resources, operations, budget and mandate, which is restricted to agriculture production only. Despite running two SOEs, the Mesopotamian State Company for Seeds—which buys and sells grain seeds to farmers – and the State Company for Agricultural Supplies—which distributes agricultural machinery—the MOA is subjugated and lacks influence in the food system. Depressed oil prices, federalization, the devolution of the ministry's powers, the aging of experienced staff, lack of technical capacities, and damage to the ministry's infrastructure by conflict have reshaped the MOA. Now, the MOA is understaffed and unequipped to address the challenges of food security and sustainable agriculture development. The MOA does not manage either of the aforementioned programs—the PDS and the Wheat and Barley Purchase program—despite its intuitive responsibility for agriculture and food security. Rather, the Ministry of Trade, through its two gigantic SOEs—the State Company for Food Trading (SCFT) and the State Company for Grain Trading (SCGT)—controls these two programs. This creates unnecessary institutional complexity, inefficiency and added cost in addition to further weakening the MOA as a leading institution within the food system.

The MOA's budget has been declining since 2015 when the price of oil slumped and Iraq's overall budget decreased. Even when the federal budget began to increase in 2016, and parts of the country liberated from the Islamic State (IS) needed post-conflict stabilization through agricultural development, the MOA's budget share continued to decline. The successive governments allocated less for the MOA even though the overall budget rebounded after the oil price crash of 2015. In 2015, the MOA's budget was around \$426 million. By 2019, the MOA's budget had decreased to \$142 million, and it essentially covers employees' salaries alone—leaving the ministry disempowered to tackle food insecurity and respond to any food price shocks.

The pandemic, coupled with the crash of oil markets, is exposing the fragility of the food system, its governing structure in Iraq, and accelerating the need to mitigate food insecurity risks actively. Without urgent empowerment and reforms, Iraq will not be able to withstand the coming global food supply chain shocks arising from the pandemic and the economic fallout that will drive them.

So does another Carnegie study issued in 2021,<sup>40</sup>

Historically, Iraq enjoyed some of the world's most productive soils. Agriculture represented more than 18 percent of the country's economic output in 1995, but over the last 30 years its key role in the economy fell victim to Iraq's decades-long conflicts. By 2019, agriculture accounted for only 2 percent of economic output.

The decline of Iraq's agriculture sector began well before the past decade in which ISIS devastated parts of the country. While militants' profiteering contributed to Iraqi agricultural decline, it did not cause the problem. Well-entrenched cronies and systemic corruption emerging from the wars in the late 1980s and early 2000s inflicted their malign influence many years before the creation of ISIS.

The Iran-Iraq War (1980-1988) sent thousands of young farmers from their fields to the battleground in one of the first blows to Iraqi agriculture. Saddam Hussein's privatization of state-owned industries—including agricultural factories producing wheat, barley rice, dates, and cotton attempted to revive the sector. This process granted ownership of food-producing factories to a limited number of families. Syria's "selective liberalization" process (1970–2000) launched by Hafez al Assad has had a similar effect.

These crony structures drove Iraq's emerging rural business elite to engage in activities maximizing short-term returns at the expense of long-term food sustainability. By the early 1990s, Iraq's poorly planned irrigation projects caused a massive depletion of water sources. Iraq produced nearly 1 million tons of dates, representing 75 percent of global consumption before 1980. But Saddam Hussein's neglect of agriculture and massive tree destructions cut date production by half at the end of the Iran-Iraq war in 1988.

Developments following the Iran-Iraq war enabled cronies through the concentration of land ownership in the hands of a few Iraqi families. The U.S. invasion both disrupted and solidified these patronage networks. The 2003 war period saw the resurgence of Iraq's cronies within a new American paradigm: armed militias allied with the United States set up checkpoints and smuggling routes for oil and food products.

In post-2003 Iraq, the United States perceived existing state-bourgeoisie networks as incompatible with its state-building project and sought to disband them. The networks were dissolved, but the U.S. decision to purge Saddam loyalists extended to all regime-linked individuals. In Saddam's dual state-liberal system, the production of seeds and fertilizers had largely remained in the hands of state-owned but largely family-run small enterprises. This decision accelerated a surge in food insecurity after the 2003 war. Iraq's post-2003 war reconstruction framework saw the attribution of state contracts to prominent members of Iraq's Governing Council who benefited from strong links with Pentagon officials. For example, Ahud Farouki, the business associate of Iraqi National Congress Chair, Ahmad Chalabi, was awarded \$80 million in contracts to provide security for the country's oil fields.

Though most rural land was left unusable, due to explosives and water shortages, stabilization and reconstruction efforts mostly targeted urban areas. U.S. led policies applied in tandem with Iraqi companies unintentionally pushed small agricultural enterprises out of the market and greatly contributed to the disenfranchisement of farmers across the country. After years of social conflict, post-war reconstruction processes further undervalued the sector by directing funds and contracts toward other, more directly profitable, sectors of the economy.

Furthermore, U.S.-endorsed reconstruction contracts mirrored Saddam-era cronyism by purging the market and awarding contracts to close allies. Although these contracts managed to decouple the linkages between the old regime and the sector, they failed at sustainable reconstruction, which could have enabled partial economic recovery. As a result, today's agricultural market remains underdeveloped and continues to suffer from the exclusion of smaller actors. Over 15 years after the war, it is undeniable that this large amount of funding failed to translate into tangible prospects for long-lasting political stability in Iraq, as the country remains fraught with civil unrest and food insecurity.

Following ISIS's invasion and occupation of rural northern Iraq in 2014, most farmers found themselves without access to their land and migrated to urban centers. On the outskirts of Mosul, ISIS's war profiteering

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<sup>40</sup> Chloe Bernadaux, *Cultivating Cronyism: The Collapse of Agriculture in Post-War Iraq and Syria*, June 24, 2021, <https://carnegieendowment.org/sada/84848>.

networks sold roughly 40 percent of farmers' agricultural machinery and destroyed the rest. Nationwide, the invasion reduced Iraq's agricultural production capacity by at least 40 percent.

These analyses also indicate that Iraq has failed to deal with one of the most effective tools used in the U.S. during its great depression and in Europe after World War II: the need for local government advisors or "agricultural agents" to provide direct on-the-scene help in modernizing farming and to help provide adequate rural water and power to and finance modernization. It is also critical to point out that the on the scene help is needed to enforce effective protection of the environment, and that governments must let farmers act independently in the choice of crops, use of fertilizer, and farming methods provides far more productive than state control.

More generally, these descriptions about the failure to perform adequate triages in allocating humanitarian food aid. Humanitarian food aid, like all humanitarian aid, becomes a destructive dead end when it only treats the symptoms and not their cause. It is one thing to create a bridge to protect the poor, displaced, and the hungry while successful efforts are made to reform the economy, create decent jobs. It is quite another to create a lasting cycle of dependence on humanitarian aid and government payments and subsidies that only buys time while level of need and failure to respond with real growth makes things worse.

This became all too clear in June 2022, when the Iraqi parliament was forced to finally pass a massive additional food subsidy bill. The bill passed in spite of objection by the Iraqi courts and deep internal feuding over political control of the government. It was entitled the "Emergency Law for Food Security and Development," and it allocate some 25 trillion Iraqi dinars (some \$17 billion), to providing aid to buy staple food supplies, gas and electricity, and pay for government salaries. It effectively became a national bail out that did nothing to solve Iraq's broader problems.<sup>41</sup>

In contrast, aid to refugees moved towards a partial dead end. There is no question that Syrian and Iraqi refugees in Iraq did need food aid. The problem, however, is that need to refugees was treated for years as a temporary annual need without any serious efforts to replace aid with some lasting solution, and the aid money for Iraq began to run out as global food need increased following the rise of COVID and the beginning of the war in the Ukraine.

On March 21, 2023, the UN's World Food Programme was forced to make the following announcement:<sup>42</sup>

The United Nations World Food Programme (WFP) announced today that due to funding shortfalls it will not be able to continue providing monthly food assistance to 137,000 Internally Displaced People (IDPs) who were being served by WFP in 27 camps. In addition, according to the current funding situation assistance to 38,000 Syrian refugees in 10 camps will cease by July 2023.

WFP conducted a targeting exercise in 2022 to allocate the then-available resources to the most vulnerable families, as the humanitarian response across Iraq has been reduced significantly. The international donor community has generously supported WFP's life-saving efforts when millions of IDPs and Syrian refugees where in need of assistance due to the conflict with ISIL / Da'esh and then the COVID-19 pandemic.

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<sup>41</sup> Al Monitor: <https://www.al-monitor.com/originals/2022/06/iraqi-parliament-passes-urgent-food-security-bill#ixzz7xXr7XNpX>

<sup>42</sup> UN World Food Programme, *Funding shortfall forces WFP Iraq to reduce life-saving food and cash assistance to displaced Iraqis and Syrian refugees [EN/AR]*, <https://reliefweb.int/report/iraq/funding-shortfall-forces-wfp-iraq-reduce-life-saving-food-and-cash-assistance-displaced-iraqis-and-syrian-refugees-enar>.

As the funding shortfall coincides, regrettably, with the Holy Month of Ramadan, WFP is urgently seeking USD 10 million from donors to continue with the provision of food assistance to vulnerable IDPs until June 2023 and refugees until 31 December 2023. This will provide the Government of Iraq with the time needed to complete the survey of IDPs to include them into its social safety nets.

“There will always be humanitarian residual needs in Iraq, and these are the ones we are now actively fundraising for. WFP Iraq serves the most vulnerable caseload in the camps. At the same time, the climate crisis risks further displacing people in Iraq, potentially triggering another humanitarian crisis this time triggered by water scarcity, desertification, and lack of agricultural prospects. WFP Iraq find itself forced to make difficult choices on who we assist and who we cannot. As an agency with a dual humanitarian and development mandate, we continue to advocate for the needs of thousands of Internally displaced people and Syrian refugees living in camps and the long-term impactful work that WFP is doing in Iraq,” said Ally Raza Qureshi, WFP Iraq Representative.

“We cannot turn our backs to those in need of essential food assistance, those who are most vulnerable and have no other source of livelihood. We have intensified our communication with the Government of Iraq and the International donor community to ensure that means to provide food are found urgently, especially since the cessation of assistance to IDPs is coinciding with the Holy month of Ramadan.”

## The Environment

As the previous analyses have already shown. Iraqi efforts to protect the environment have only limited scope and success, are highly regional and erratic in character, and are affected by the governments permeating corruption at every level, including its production of fossil fuels and flaring of gas. No reliable detailed assessment of its individual and regional problems – and government enforcement efforts, seems to exist, but a 2018 study by the British Department for International Development states that,<sup>43</sup>

Iraq’s environment has been subject to a number of converging pressures stemming from population growth, the impact of three wars, climate change, poor land use planning, and encroachment on fragile ecosystems (World Bank, 2017). Iraq faces serious environmental problems, ranging from poor water quality, soil salinity, air pollution, and conflict pollution to the deterioration of key ecosystems, climate change impacts and threat of water shortages.

Key findings:

### *Climate*

change

- Between 1970 and 2004, Iraq’s annual mean temperature increased by 1-2oC (World Bank, 2017). Precipitation in Iraq is limited, and the majority of the country is arid to semi- arid. There have been variable changes in annual rainfall for the period 1951–2000, with both increases (northeast Iraq) and decreases (southeast and west Iraq).
- Future expectations, suggest that Iraq will suffer from higher temperatures, intense heat waves, a decrease in mean annual rainfall but an increase in intensity, a decrease in runoff and sea level rise in the Gulf (World Bank, n.d.). These changes are expected to have adverse impacts on the agricultural sector, water resources, human health, the energy sector and infrastructure in Iraq (USAID, 2017).
- Hameed et al (2018) found significant drought exacerbation over Iraq during the period of 1998–2009 and identified two significant drought periods of 1998–1999 and 2007–2008. Drought has become more intense at the central and southwestern parts of Iraq, and more frequent but shorter drought has been experienced. Prolonged drought has taken a toll on rain-fed crops in the north of Iraq (USAID, 2017).

### *Water resources*

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<sup>43</sup> *Environmental Risks in Iraq*, June 8, 2018, <https://www.gov.uk/research-for-development-outputs/environmental-risks-in-iraq>.

- Water demand is increasing in Iraq due to population growth, environmental considerations, and economic development (Danboos et al, 2017). Iraq is very dependent on the surface water (Tigris and Euphrates Rivers) crossing its borders from neighboring countries. All basin countries (Iran, Iraq, Syria and Turkey) have developed large-scale projects, most often unilaterally without consultation with the other riparians.
- Iraq currently faces a significant threat of water shortages due to internal and external challenges that include poor water resource management, internal political conflicts, lack of local policies, climate change, international development laws, and unstable relationships with neighboring countries (Al-Muqdadi et al, 2016).
- Fawzi and Mahdi (2014) found that a change in the quantity and quality of water in the Tigris, Euphrates and the Shatt Al-Arab River due to the effects of upstream damming has significantly reduced the water flow to Iraq. There has been a severe decline in water quantity and escalating levels of salinity in the Shatt al Arab River (Abdullah et al, 2015; 2016). Climate variability and continued surface water shortages are raising the importance of groundwater as a strategic water source, however, groundwater resources and use is poorly studied in Iraq.
- Al-Muqdadi et al (2016) highlight that Iraq could also fall below the water poverty line, which has been defined as less than 1000 m<sup>3</sup> per year per person.

#### ...Water management

In Iraq, issues exacerbating Iraq's water crisis stem from inside Iraq. These include lack of domestic water usage regulations and enforcement; leaky pipes; weak regulation around the dumping of toxins; and lack of proper water and sewage treatment facilities (Levkowitz, 2018; Nature Iraq, n.d.). Additionally, Iraqi farmers have had a longstanding reliance on flood irrigation, using techniques that are water intensive but also enable salt in the soil to rise to the surface and enter rivers, leading to higher rates of salinity downstream (Levkowitz, 2018; Nature Iraq, n.d.). Much water is wasted either directly to the Gulf or through evaporation due to a lack of irrigation planning and water harvesting (Al-Muqdadi et al, 2016: 1099). Al-Muqdadi et al (2016: 1099) also argue that complex political conditions have led to uncertainty surrounding water policies. They give the examples of Article 110, Paragraph 8 of Iraq's constitution and Article 114, Paragraph 7 as contradictory policies. The former grants the federal government responsibility over handling water resources coming from outside Iraqi borders, while the latter gives local, provincial governments the authority to formulate internal water resource policies and to regulate usage of water resources. They suggest that this clear contradiction could lead to internal disputes in the near future in Iraq.

#### ...Biodiversity loss

- There has been severe degradation of Iraq's biodiversity due to a number of factors, including unregulated hunting and harvesting of threatened species, trade in endangered species, high salinity and ecological pollution, uncontrolled development and a lack of protection in many of Iraq's most important biodiverse sites (Nature Iraq, n.d.).
- The Mesopotamian Marshes were greatly degraded through the drainage and diversion of water supplies for agriculture, oil exploration, and military purposes since the 1980s. International efforts were made to restore the wetlands, but restoration is patchy because of high soil and water salinities and the Marshes have become fragmented, affecting the survival of many species and the health of the Marshes (Fawzi and Mahdi, 2014).

#### Conflict pollution

- Previous conflicts have left Iraq with a legacy of environmental pollution and undermined the government's ability to effectively monitor and manage contaminated sites (Zwijnenburg and Postma, 2017). Iraq has experienced widespread destruction infrastructure from systematic and extensive sabotage by the Islamic State of Iraq and Syria (ISIS)<sup>1</sup>, as well as from military operations to recapture these areas (UNEP, 2017). Key issues include: pollution problems from the Qayyarah oil fires and the Mishraq Sulphur Plant; air quality and pollution risks from oil fires and artisanal oil sector expansion; risks from damaged ISIS ammunition manufacturing plants; vast quantity of debris and waste; the weaponization of water management infrastructure (UNEP, 2017). This review has used a mixture of peer reviewed and grey literature.

...The strength of evidence in relation to environmental risks in Iraq is mixed, as there is a lack of reliable data and some areas have been more researched than others. For example, there is significant literature on water resource use, much of which focused on large-scale water infrastructure. Whereas, less research has been done into groundwater resources. Water salinity in Iraq is a relatively under researched issue but is gaining more attention. The Mesopotamian Marshes gained a lot of attention in the 2000s, and efforts have been made to protect it, but other biodiversity loss issues (such as decreases in fauna and flora, habitat loss etc.) are not well researched. Conflict pollution (such as contaminated sites, hazardous materials, oil fires, and debris) are gaining more attention in the literature, however, this is still under-researched and it is recognized that more attention is needed into the impacts of conflict on the environment as a “silent victim” of war...

A report by the International Red Cross in 2021 focusing on Southern Iraq illustrates the scale of the individual regional problems that now cover virtually all the country,<sup>44</sup>

**In southern Iraq, you have an environment that has been damaged by years of conflict, poor environmental management and weak governance. When you add climate change into the mix, you have the perfect storm. The Iraqi marshlands are a wetland with a unique ecosystem at the junction of the Euphrates and Tigris rivers.**

**In the early 1990s, these marshlands were intentionally dried up as a means of retaliation against a population considered to be rebellious...By 2001, an estimated 90 per cent of the marshlands had disappeared (UNEP), leading to a loss of biodiversity and large-scale displacement.**

**... If you go back even further to the Iran-Iraq war of the 1980s, iconic date palms were cut down for military purposes in places like Fao, south of Basra...There were more than 30 million palms before the Iran-Iraq war, today there's less than half that number,” said Adel Al-Attar, an ICRC water and habitat advisor, from Basra....Conflict, neglect, soil salinity, there are several reasons that have contributed towards their loss. It is deeply upsetting. The whole atmosphere has changed since we lost the palms.**

**They aren't only about fruit. They give shade for certain crops. The leaves are used to make furniture like chairs and beds. No palms mean no business. So people have left the land and moved to the cities to find jobs...The loss of palms and the drying of the marshlands are visible reminders of the direct damage that war has inflicted upon the environment in southern Iraq.**

**Less visible, but arguably more detrimental, are the indirect consequences of war – whether in Iraq or anywhere else. For example, conflict will often weaken a government's ability to manage natural resources, the environment and infrastructure...Remnants of war, such as unexploded weapons or anti-personnel**

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<sup>44</sup> International Red Cross, *Iraq's perfect storm – a climate and environmental crisis amid the scars of war*, 2021, <https://www.icrc.org/en/document/iraqs-perfect-storm-climate-and-environmental-crisis-amid-scars-war>.

**mines, can render land unusable and harm wildlife, while camps for people uprooted by conflict place additional pressure on the surrounding environment.**

**...Average temperatures in Iraq have risen by at least 0.7C over the last century, while extreme heat is becoming more frequent. Rainfall is on a slight downward trend in the south-east of the country. The mean annual temperature is projected to rise by 2C by 2050, while the mean annual rainfall is projected to decrease by 9 per cent (World Bank Group)...I've lived in Basra all my life," said Al-Attar. "As a boy, the summer temperature never went much beyond 40C in summer. Today, it can surpass 50"...Sand or dust storms have also increased dramatically in frequency, in large part due to soil degradation.**

A report by UN Habitat on the urban aspects of these problems does not measure their growing scale or cite given cases, but notes that,<sup>45</sup>

The Government of Iraq has not regarded the issue of the environment as a priority during the past three decades. The deterioration and destruction of the country's environmental infrastructure throughout decades of war, economic sanctions and the absence of security and stability is still very much evident today.

The country's capacity for resilience is challenged further by: high population growth rates and high levels of urbanization; desertification and deterioration in the quality of agricultural land; salinization and over-watering; discharge of drainage water, wastewater and untreated effluents from hospitals and factories; a lack of treatment units for dust and gases from industrial facilities; primitive methods of solid waste disposal; and poor community awareness regarding the value of the environment and the importance and methods of environmental conservation. All of these factors have contributed to the deterioration of the Iraqi environment in its three elements: water, air and soil.

Moreover, Iraq is no different from the rest of the world in being affected by the phenomenon of climate change, including global warming, declining precipitation, rising annual rates of temperature and humidity, and increasing rates of evaporation, dust, sandstorms and thunderstorms.

The Iraqi government sought to monitor changes in these rates through the monitoring stations for natural conditions which amounted to 10 stations since 2011; four of these are located in Baghdad, Basra, Mosul, and Rutbah, while the remaining six are spread across the cities of Kurdistan. Substantial progress in the monitoring and control of the environmental situation has been achieved and developed with regular and continuous readings of natural phenomena.

However progress remains limited due to the quantitative shortage and limited geographical spread of monitoring stations in Iraq. Geographical distributions have expanded since 2013 and are expected to continue to spread until 2017; these stations will serve as an early warning system against natural phenomena and as a measuring device for 27 pollutants in order to impede negative impacts that may extend to natural and man-made environments as well as human beings.

Another report focusing on air quality estimates that methane emissions have more than doubled since 1996, states that,<sup>46</sup>

Iraq is the tenth most polluted country in the world by some [estimates](#). The average level of harmful small airborne particles—known as PM2.5—has been measured at 39.6 micrograms per cubic meter (mcg/m3) in the country. In comparison, the World Health Organization (WHO) recommends that average PM2.5

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<sup>45</sup> UN-HABITAT, *Urban issues*, <https://unhabitat.org/iraq-urban-issues>.

<sup>46</sup> Zaid Al-Aseel, Will Iraq overcome its pollution crisis?, February 10, 2022, <https://amwaj.media/article/pollution-a-danger-haunting-the-lives-of-iraqis>.



concentrations should not exceed 5 mcg/m<sup>3</sup>, while the US Environmental Protection Agency says levels above 35.5 mcg/m<sup>3</sup> can cause serious health problems.

The poor air quality in Iraq is the result of vehicle emissions, war-induced pollution, usage of generators for power due to poor electrical infrastructure, and fires from oil and gas refineries. While Iraq has ratified the Paris Climate Accord and has laws restricting pollution, in practice authorities have done little to consequentially curtail large-scale pollution. Meanwhile, as rates of cancer and other rare diseases have increased, many Iraqis are taking matters into their own hands to clean up the environment.

... Iraq's large oil industry is the leading cause of pollution in the country, according to air pollution expert Hazem Al-Rubaie. In an interview with Amwaj.media, he stated that the government has been on a relentless drive to increase oil production, without putting proper safeguards in place to minimize contamination. Growth in the energy sector has been dizzying following the 2003 US-led invasion. Indeed, Iraq's oil production nearly doubled from approximately 2.5 million barrels per day (bpd) in 2010 to over 4 million bpd in 2021.

... Rubaie discussed the extremely pollutive methods used in Iraq to extract petroleum. This includes a controversial practice known as flaring, which involves burning off the excess natural gas during oil extraction and has been linked to asthma, lung and skin diseases, and cancer. The scale of the issue should not be underestimated. Today, Iraq is the world's second worst offender on emitting greenhouse gasses from flaring.

Local nongovernmental organizations have been at the forefront of calls to end reliance on flaring and adopt more environmentally friendly practices in the energy sector. One such organization is the Alliance for Transparency in Extractive Industries, which has issued recommendations to the government to accurately measure the environmental and health impacts of oil extraction and reduce the practice of burning gas.

Iraq has a law dubbed "Protection and Improvement of the Environment" that was adopted in 2009 with the aim of curbing flaring and other sources of pollution. But Rubaie told Amwaj.media that the legislation is ineffective because it does not mandate strong punitive action against major polluters. He explained that the fine for violating the law is a mere 1M IQD (683 USD) and for subsequent violations 20M IQD (13,763 USD), asking, "How does an oil entity with production that is worth billions of dollars...receive a penalty of only 20M IQD?"

The war against the Islamic State group (IS) also resulted in pockets of severe pollution in northern Iraq. During the major fighting between 2014 and 2017, there was damage done to oil refineries, pipelines, and other energy-related infrastructure, causing thick clouds of smoke that turned day into night. Years later, residents continue to suffer from this pollution, even as the United Nations Environment Programme is undertaking clean-up operations in the area.

## Over-Dependence on Petroleum Exports

One of the most controversial aspects of Iraqi reform is its rising dependence on oil and gas production and export of fossil fuels. **Figure Seven** shows the slow recovery of Iraqi production after the first Gulf War in 1991. Iraq's crude oil production grew by 1.7 million barrels per day (b/d) from 2013 through 2019, and it averaged 4.7 million b/d in 2019, an all-time high to date. It continues to seek major increase in oil production and the U.S. Energy Information agency indicates that Iraq seeks to produce levels of 8 million barrels per day by 2028, expand gas uses and exports, and eliminate imports of energy and electricity from Iran – although the timing and credibility of some its plans are uncertain.

The World Bank "Overview" of Iraq for June 2021 notes that Iraq has benefited from the increase in oil prices driven by the war in the Ukraine, but that,<sup>47</sup>

Iraq is one of the most oil-dependent countries in the world. Over the last decade, oil revenues have accounted for more than 99% of exports, 85% of the government's budget, and 42% of gross domestic product (GDP).

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<sup>47</sup> World Bank, *Iraq Overview*, Updated June 2021, <https://www.worldbank.org/en/country/iraq/overview>.

This excessive dependence on oil exposes the country to macroeconomic volatility, while budget rigidities restrict fiscal space and any opportunity for countercyclical policy. As of January 2021, in a country of 40.2 million, Iraq's unemployment rate was more than 10 percentage points higher than its pre-COVID-19 level of 12.7 percentage points. Unemployment among the displaced, returnees, women jobseekers, pre-pandemic self-employed and informal workers remains elevated.

...While Iraq's economic conditions are gradually improving as international oil markets recover, this recovery is fraught by major risks posed by structural bottlenecks. Risks include public investment management constraints that have impacted public service delivery, the slow clearance of arrears (especially those related to public wages) and large exposure of state-owned banks and the central bank to the sovereign. These fragilities are aggravated by fragile political conditions, a weak healthcare system and rampant corruption that continue to trigger unrest across the country.

Another World Bank report, Iraq Economic Monitor, Fall 2022: A New Opportunity to Reform, reports that,<sup>48</sup>

Without deeper structural reforms and economic diversification, Iraq's extreme oil-dependence leaves it vulnerable to commodity price volatility. Despite several reform initiatives, Iraq remains one of the most oil-dependent countries in the world. High dependence on oil, procyclical fiscal policy and insufficient oil revenue management have left Iraq vulnerable to commodity price volatility. The private sector, mostly dominated by the poor and vulnerable segments of the workforce, remains largely informal and stunted.

Looking ahead, Iraq's economic outlook will be supported by persistent high oil prices, but global demand is expected to gradually weaken. GDP growth is forecast to accelerate to 8.7 percent in 2022 driven by strong oil GDP growth of 12 percent and stronger non-oil growth supported by non-oil industry and services activity. Growth is expected to gradually ease over the medium-term as oil production will be constrained by more sluggish global demand. With oil prices projected at over US\$90 per barrel in 2022-24, strong oil export revenues are expected to keep fiscal and external accounts in significant surpluses.

Downside risks to the economic outlook relate to further weakening of global demand, insecurity and political instability, and renewed inflationary pressures. Rising food prices exacerbate pre-existing poverty trends and increase food security risks. Risks of social unrest would be compounded by any further erosion of purchasing power due to inflation, and continued electricity and water shortages.

Iraq's socio-economic vulnerabilities are further be amplified by intensifying climate change shocks both in physical (temperature rise, water scarcity, extreme events) and financial terms. Iraq's dependence on oil also leaves it vulnerable to new economic risks amid the global transition towards a decarbonized world that would gradually diminish oil's prominent role in fueling the global economy. The focus of mitigation measures should therefore be on bridging the supply-demand gaps while decarbonizing Iraq's energy value chain and managing the macro-fiscal implications of the transition to a low-carbon economy.

One area where the Iraqi government has announced plans for energy reform is to eliminate its dependence on Iranian gas imports by 2026. Iraq is already a major gas producer. The EIA reports that Iraq produced 378 billion cubic feet (Bcf) in 2019, 328 Bcf in 2020, and 353 Bcf in 2021. as Iraq's associated gas began to return to production.

Iraq is pursuing several projects to capture its associated natural gas production and is negotiating agreements with various companies to raise its natural gas processing capacity from about 550 Bcf in 2021 to nearly 1.5 Tcf in 2027. Much of this increase will come from ceasing to flare the gas it now burns as part of its oil production. According to the World Bank, Iraq flared nearly 630 Bcf of natural gas in 2021, ranking as the second-largest country flaring natural gas in the world, behind Russia

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<sup>48</sup> <https://www.worldbank.org/en/country/iraq/publication/iraq-economic-monitor-fall-2022-a-new-opportunity-to-reform>.

Iraq consumed some 650 Bcf of dry natural gas in 2021,<sup>4</sup> much of which was used to generate electricity sector. The extra gas was imported from Iran. In recent years, Iraq imported some 40% of its domestic energy from Iran, getting regular waivers from the U.S. in enforcing sanctions on such traffic with Iran as well as on the smuggling of oil from Iran to Iraq and selling it as Iraqi oil. In 2021, some 35% Iraq's electricity was generated by using natural gas produced in Iran and importing imported from Iran.

The U.S. has since cracked down on such sales and put pressure on Iraq to cease importing gas. It does, after all, have proven natural gas reserves of some 131 trillion cubic feet (Tcf), which are 12th largest in the world. As a result, Iraq has developed plans to pipe gas to new electric generating plants.

The World Bank has, however, expressed serious doubts about Iraq's current plans for energy reform,<sup>49</sup>

The government has succeeded in doubling oil production capacity over the last decade to become OPEC's second-largest producer. Iraq further plans to increase oil production capacity to 8 mbpd by 2028. The government has also committed to end gas flaring, by endorsing the "Zero Routine Flaring by 2030" initiative.<sup>12</sup> However, some of these plans have not yet materialized due to several challenges, including security conditions, bureaucratic hurdles, infrastructure deficiencies, and water shortages.

Upgrading the infrastructure export capacity and the existing refineries could further boost Iraq's oil output and reduce both petroleum product shortages and the high costs of their imports. Meanwhile, mobilizing the investment for capturing the associated gas could reduce the natural gas imports and related fiscal costs.

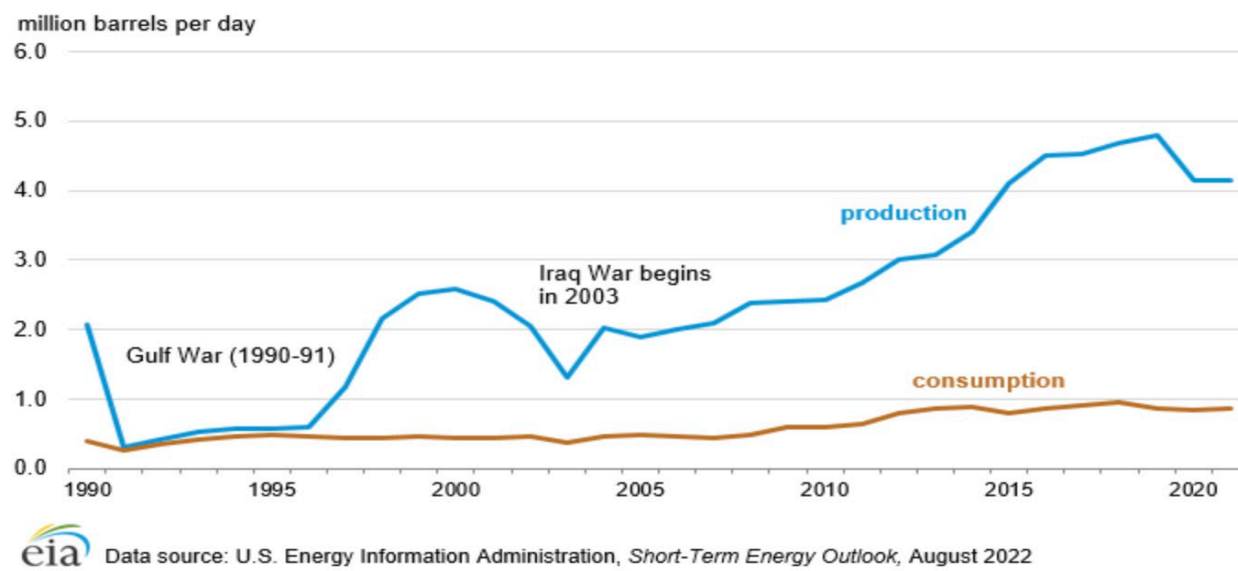
However, boosting the oil industry will require high levels of governance effectiveness and institutional capacity to enhance competition and mitigate inefficiencies in energy generation, transmission, and distribution. With the global drive to move away from fossil fuels, in parallel, moving toward a low-carbon transition and setting the economy on a greener and more resilient path would be crucial.

...Iraq's power sector is characterized by high inefficiency, widening supply-demand gap, and persisting subsidies. Inefficiencies, such as gas flaring, high use of liquid fuels, high grid losses, and low-cost recovery prevent the energy sector from meeting energy demand. Critical to the issue of fast-growing electricity demand is the presence of deep subsidies. Energy prices are well below the cost-recovery level, particularly for electricity and liquid fuels. In the power sector, Iraq has one of the highest levels of subsidies and unbilled electricity rates in MENA. In 2019, of the US\$11.3 billion total annual operational cost of Iraq's power system, direct fuel subsidies comprised half (US\$5.6 billion), leaving the remaining US\$5.7 billion as Ministry of Electricity (MoE)-related costs.

...In 2020, Iraq's flared natural gas represented US\$2.5 billion in foregone annual value and would have been sufficient to fuel much-needed electricity generation capacity. Iraq ranks second in the world, after Russia, for the volumes of gas flared. The country flares 1.7 billion cubic feet per day (Bscfd) of associated natural gas and imports up to 1 Bscfd from Iran to use for power generation. Iraq's flared gas volumes account for around 14 percent of the country's total emissions, among the highest levels in the world. The new government of Iraq plans to stop gas flaring and use the recovered gas in power generation in addition to boosting gas production from other gas reserves.

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<sup>49</sup> World Bank, *Iraq Economic Monitor: A New Opportunity to Reform*, Fall 2022, pp. 17, 19, <https://documents1.worldbank.org/curated/en/099729211162223616/pdf/IDU0f98d9eec05e2a04817093f20fc8a1c0db448.pdf>.

**Figure Seven: Iraqi Total Oil and Liquids Production: 1991–2020**

### Dealing with the full Realities of Climate Change

Iraq's over-dependence on petroleum revenues may, however, present a very different and far more serious kind of challenge than its current overdependence on oil and gas exports, although many Iraqis seem to be in a state of denial in dealing with these threats. It is notable that Iraqi Institute for Dialogue conference, and the Iraqi Oil Ministry, followed the precedent set by OPEC in failing to address the longer-term impact of climate change and to respond to the global need to make major reductions in the global use of oil and gas.

In fairness, few oil and gas exporting countries have committed themselves to reduction that would actually bring that use down to anything like the levels necessary to avoid major global warming. Iraq is, however, still planning on both increasing oil production and making use of the gas it now largely flares without any clear regard to international efforts to reduce carbon emissions, and **Figure Eight** warns just how much the International Energy Agency warns that cuts must be in the global use of oil and gas.

Iraq is scarcely alone in failing to address these issues. Most major coal, oil, and gas exporting nations do not currently plan to restructure their economies to meet these goals, and some major energy users like China and India are quietly increasing their domestic coal-fueled electricity generating plants to save money and cut import dependence. Iraq, however, is clearly a region that already has growing problems with global warming, and its water problems and need for electricity (air conditioning alone) pose higher risks than for many other nations.\

A UN report in 2022 concluded that Iraq also already faces major internal problems because of climate change,<sup>50</sup>

<sup>50</sup> UN Network on Migration, *Migration, Environment, and Climate Change in Iraq*, <https://iraq.un.org/en/194355-migration-environment-and-climate-change-iraq>.

Iraq has been named the fifth-most vulnerable country to climate breakdown, affected by soaring temperatures, insufficient and diminishing rainfall<sup>3</sup>, intensified droughts and water scarcity, frequent sand and dust storms, and flooding. Compounding this, water policies in neighboring countries have shrunk vital water sources, while rapid population growth, urbanization, and inefficient water use by the agricultural and industrial sectors is propelling a demand for more water. Without preparation and planning, the scale of environmental change is likely to be devastating and may force Iraqis to relocate in order to survive. Climate migration is already a reality in Iraq. At the end of 2021, IOM recorded approximately 20,000 people displaced due to water scarcity (looking at only 10 of Iraq's 19 governorates), high salinity, and poor water quality across Iraq, while a 2021 study by the Norwegian Refugee Council found that in drought-affected areas, 1 in 15 households had a family member forced to migrate in search of work<sup>10</sup>. As environmental changes intensify, displacement is likely to increase exponentially.

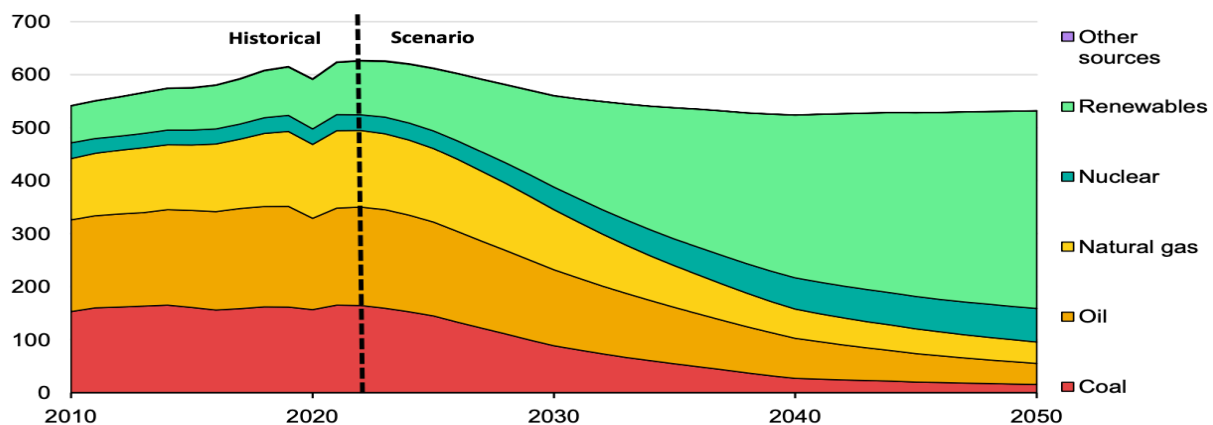
Preparing for and addressing the risks associated with climate-induced migration requires urgent and coordinated action.

Accordingly, the Iraqi government needs to address the fact that the country's vulnerability to overdependence on oil and gas exports goes far beyond its current economic challenges and poses a critical challenge to any reform models that depend on its present or increase oil and gas production and exports.

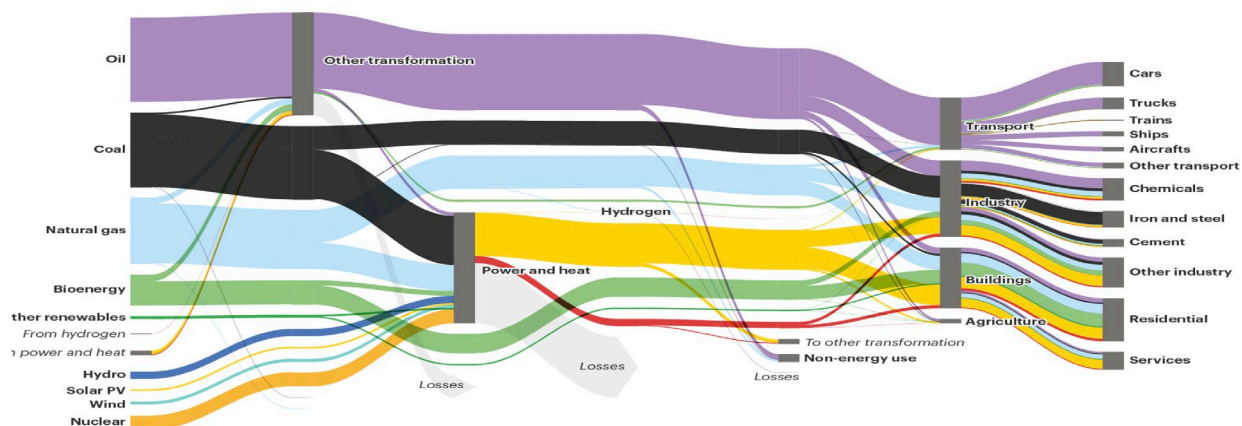


**Figure Eight: International Energy Estimate of the Global Cuts in Fossil Fuel Use Necessary to Limit Climate Change between 2021**

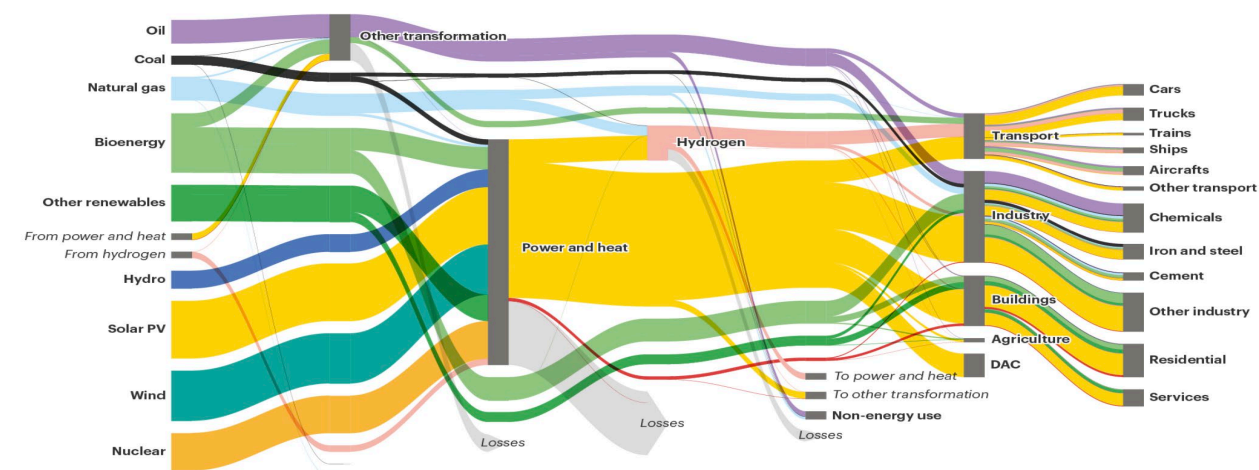
Global total primary energy supply in the Net Zero Emissions (NZE) by 2050 Scenario



Global Energy Flows by Resource in 2021



Global Energy Flows by Resource in 2050



Source: International Energy Agency, *Energy Technology Perspectives 2023*, pp. 39, 42, 43, 45



## **Nation-Building: Moving Forward from the Legacies of Saddam, the 2003 Invasion, and Iraq's History from 2003 to 2023**

There are several grim realities affecting the real world options Iraq has to meet the problems that have been described in this analysis, and the Iraqi government face dealing with the individual challenges Iraq faces in nation building. One is a classic problem in dealing with all such issues. It is far easier to describe the challenges and the problems involved than it is to establish priorities for solving them. To create workable plans, to find the necessary resources, and create a political climate that sustains the effort necessary to implement such plans and actually pay for them.

Another problem, and one that is all too common in the developing world, is that Iraq has too many competing problems in nation building to try to solve them all at the same time, and that most such these challenges are so serious that there is no clear way to prioritize them. Furthermore, Iraq's deep internal divisions make any consensus on prioritizing solutions and resourcing them almost impossible. Any debate over prioritizing all of Iraq's nation building activities may do more to further divide the country and paralyze actual progress than advance it. At the same time, Iraq's continuing level of political instability and internal divisions warns that any given reform effort tied closely to a given prime minister or political faction may become the target of their rivals, and not survive the instability in Iraq's system of government.

This is particularly true because few Iraqis seem to understand the real world difficulties in implementing effective reform, how long it must take, and how costly it can be. This creates a situation no government can easily or safely admit a nation's failures and take responsibility for them. This means any given major reform needs to be approached with great political care, some factional and popular consensus needs to be built to the extent that is possible before beginning most reforms, and actual implementation needs to be based on preserving as much consensus as possible.

### **Real World Approaches to Achieving Change**

Accepting these realities will be difficult at best. The Iraqis affected by each existing failure in nation building have all too many reasons to demand instant or impossible levels of progress. Both ideologues and experts will naturally focus on their own area of expertise rather than the full range of complexities involved. Political opportunism, corruption, and factional interests will divide and challenge the ability of given leaders, governments, and experts to act. One of the paradoxes of Iraqi nation building is that the more given factions want a given kind of reform that other actors do not support, the harder it may be to actually achieve such reforms..

There are, however, some potential solutions:

- *Find apolitical ways of admitting the problems exist, and fully analyzing them:* Creating bodies of outside experts or commissions to publicly examine and report on given nation-building problems can decouple the issue involved from a given government, include a range of different expert and factional views of the problem, and separate the issue in part from day-to-day politics.

Such efforts can also create a center of expertise that can survive changes in government, work with the media and social networking, hold public forums, and educate popular opinion and factional leaders on the realities involved. In the real world, governments can



sometimes benefit from appearing to be driven by calls for reform, rather than from appearing to drive it.

- *Create lasting outside bodies to implement reform:* Iraq currently lacks the quality and integrity of governance, and political continuity necessary to implement serious nation building reform. Any major effort should be placed under a separate body and one that mixes experts and political factions. It should not only control the plan for reform and its implementation, but independently allocate and account for dedicated spending and the analysis of cost-benefits.

There should always be a visible political distance from the government of the day – not one so great that the government cannot take credit for any successes, but great enough to give the reform effort some degree of continuity when governments change.

- *Draw upon support from international organizations:* As the U.S. has learned since 2003, outside support can have its own political dangers. Political efforts that depend on another country become natural targets for internal opposition as well as often add a whole other country to a given nation's political problems. The story is different when mixes of other countries are involved, international bodies like the UN and World Bank are involved, and neutral experts are made part of the effort to analyze the problem, create workable plans to solve it, and actually implement a solution.

At the same time, Iraq does need to be careful to ensure that such support is integrated into Iraq-led efforts. The past history of independent international teams and bodies has often been a history of creating a new and ineffective bureaucratic rival. The same is true of relying on international or other foreign bodies whose experts are normally stationed outside the country involved, particularly ones that rotate or change quickly. Their "experts" lack continuity and real-world experience with the country, and often reflect the biases of their institution rather than focus on a given country's real-world needs.

- *Prioritize on a target of opportunity basis:* In a case like Iraq, where there are so many nation-building challenges that have become so serious over time, there probably is no valid way to prioritize given problems – particularly by focusing on the problem alone, rather than the cost-benefits of realistic solutions, the time involved in producing real progress, the numbers of people who benefit, and the political and factional probes in moving forward.

Giving priority to the problem with the most popular and political support, the easiest and most beneficial course of action, and the most measurable and near-term results is not simply the easiest solution to prioritization, it is often the only solution that will work. Moreover, Iraq needs precedents that show success is possible. Once some reforms succeed, it will be far easier to address others.

- *Focus on honest assessments of the cost-benefits of given reforms.* Reforms often fail because their claimed benefits are sharply exaggerated or viewed in ideological terms, because their costs are understated, and because implementation plans sharply understate the real-world time and complexity of the required effort. Understating, rather than overstating, benefits and demonstrating real world progress is a key way forward. So is forcing the planning process to have independent expert and financial review, and examination by the central government budget staff are key review options.

- *Involve and educate the people once the need for reform is properly analyzed and practical solutions are proposed, and listen to the popular reaction as reform proceeds.* Experts and officials often do not view the impact of nation building problems in popular terms or see their full implications. Once an actual effort begins, it is critical to seek out popular complaints and show the governments are actually listening. The failure to offer public meetings, carry out popular education efforts, provide full transparency, and use the web and social networks to inform and persuade can be deadly. Iraq needs to turn away from reliance on authority and government and openly involve its people in a given reform process.
- *Maintain a focus once the reform appears to be successful.* Far too often, bureaucracies shift their focus before a reform is fully successful self-sustainable. This is particularly likely in Iraq's case. Iraqi bureaucracies and state-owned enterprises are grossly overstaffed and underperforming and seem particularly likely to indulge in such forms of cannibalism.
- *Accept the fact that the overall quality of Iraqi governance will remain low for some time in the future in spite of the ability to succeed in some aspects of reform.* One of the most problems in successfully implementing reform that deal with key problems in nation building in a country like Iraq is the need to accepting the fact that it will be years before they are matched by effective efforts to reform the entire government. These are efforts whose scale and political difficulties make early success nearly impossible. Cumulative reform in many areas may eventually alter the overall ineffectiveness of Iraq's current level of governance, but immediate efforts at government-wide reform are almost certain to fail, and prevent success in individual areas of reform.
- *Do not rely on anti-corruption bodies and reform efforts.* Far too much of the practical history of internal anti-corruption efforts borders on farce. Such bodies almost never have the power to quickly hire and fire, and the authority to quickly and efficiently remove the corrupt. All too often, anti-corruption bodies are created as political visibility exercises to deflect inside or outside pressure for reform, and quickly have one of two fates. First, they become dead ends that have no real impact, fade away, and damage the careers of those involved. Second, they are used to find scapegoats or attack rivals in the bureaucracy or government and end up replacing one form of corruption with another.
- *Quietly institute new accounting and reporting procedures and strengthen the government's central budget office to demand full and accurate accounting. Make any failure to comply with full income reporting, or falsify income reporting by government official, staff, and contractors cause for instant dismissal and cancellation of contracts. Provide public reporting of budgets and spending in transparent enough forms to ensure media, expert and public review.* It will probably be impossible to apply accountability to elected political figures, but government employees and contractors, and government spending, are far less capable of resisting better accounting and reporting of income. It is normally far easier to systematically improve internal financial controls and reporting than clean up a corrupt political system. Loss of pension rights, loss of post dismissal access to public benefits, and denial of passports are other potential tools.
- *Simplify wherever possible. Eliminate as many unread and underutilized procedures and reports as possible. Set permissive deadlines for review that force timely bureaucratic*

*action.* So far, computers have done far more to complicate and create new layers of bureaucracy than create an efficient “paperless” government, as has the constant creation of committees and review bodies. Lean, mean, and taking actual decisions beats fat, logorrheic, and holding yet another meeting.

- *Pay adequate salaries for staffs that are actually needed, and provide meaningful financial and regulatory incentives for reform.* One almost certain way to ensure continued problems with corruption is to pay salaries and benefit that are too low to support a decent family life for those involved and attract and to retain the level of expertise and management skills required. This means paying adequate benefits, charging realistic fees and penalties, and minimizing bureaucratic delays and requirements. Iraq currently fails in all of these areas.
- *Increasingly demand improved performance from the top down.* One thing top level political leaders can do, however, is actually govern. It may be easier to tolerate corruption, inefficiency, and failure. However, visibly singling out and reward good performers, and replacing or firing failures does send key signals to government as whole.

If this seems to be a somewhat cynical approach to dealing with Iraq’s history of governance, and its current needs for reform, it may be useful to point out that both idealism and ideology generally do more harm than good. Iraq needs realism and success, and in the real world, good governance has to be a pragmatic and cynical affair.

### **Looking Toward a Very Different Future**

At the same time, the Iraqi government will need need to do more. Three of the nationbuilding issues raises in the previous section of this analysis highlight another major issue. Almost all of the previous analyses of Iraq’s nation building needs deal with fixing the legacy of past decades of failed leadership, war, and violence. Fixing the past is necessary, but so is shaping the future.

At some point, Iraq will have to deal far more realistically with its limits in terms of water, and agricultural land, creating legitimate jobs and an effective market economy, and dealing with climate change and placing limits on its use and export of fossil fuels.

No current Iraqi government and political structure can succeed by focusing on these issues. The pressures to deal with current challenges and problems are too great. Governments can, however, task expert bodies to make independent studies of the longer-term options for shaping Iraq’s future, make the process of analysis fully transparent, and then debate the issues involved in choosing the best options without be tying the debate to given political factions.

*One key example is water and food.* The previous analyses have already shown that water and food production are already critical issues. Looking through the data available, it also seems clear that a major analytic and planning effort is need to take radical new approaches to these issues within a decade.

The existing approaches – and most of the proposed solutions – cannot provide the scale of success Iraq needs and require what is likely to be an all too painful process of change. Iraq needs to create government-sponsored bodies now to fully investigate the full nature and complexity of the issues involved, and identify real-world options to the extent they exist.

*Reforming the economy and job creation process.* Even if one ignores climate change, Iraq cannot continue to rely on aid and oil and gas exports and government jobs as a substitute for private Iraqi enterprise and the creation of real and productive jobs. Its population growth, urbanization, and

heevolvingtechnology base of the global economy have made its state sector more of a living mortuary than an engine of growth. This is, however, an area of reform that threatens many existing jobs, and which few Iraqi understand. Reform again requires the kind of public analysis that can develop support for adequate refrfom over time.

*Reducing dependence on the consumption and export of fossil fuels.* For all the reasons cited earlier, Iraq cannot rely on its key current source of income – either in terms fits internal effects or the assumption that global conversion to alternative fuel will not reduce future exports and income. Once again, this requires a level of analysis and popular education that will take time to accomplish and that must proceed an near term reform efforts. It also raises serious challenges as thwhwat real world alternatives actually exist.

*Population growth.* Finally, the previous analysis has repeatedly focused on just how much Iraq’s population has already grown. **Figure Nine** provides an official Iraqi government estimate of how much Iraq’s population may grow in the future. It indicates that it will grow by 24% in just the decade between 2021 and 2030.

Statistic Times draws upon the UN’s estimate of World Population prospects in 2019 to produce the graph in **Figure Ten**. It estimates that Iraq’ population will reach 50.19 million in 2030 and increase to 70.94 million in 2050 and 107.71 million by 2100.<sup>51</sup>

It should be stressed that the UN projections only show the most probable rise for a very wide range of estimates, and that most demographers feel that growth will begin to drop sharply as the economy modernizes, and the cost-benefits of smaller families become fully apparent to what already has become a largely urban population.

Nevertheless, Iraq is now on a path towards population growth that its petroleum earnings and water levels almost certainly cannot sustain. As has been noted earlier, the CIA estimates that Iraq’s population had already shifted to the point where the agricultural only contributed to 3.3% of its population in 2017, vs. 51% for industry, and 45.8% for services.

It is also clear from the CIA analysis that its number of farmers already sharply exceeds its need for such employment: agriculture accounted for 21.6% of the labor force – some six times its contribution to the GDP. (Industry was only 18.7% of the labor force in spite of Iraq’s grossly over-staffed SEOs, and services were 59.8%.<sup>52</sup>

The Iraqi government – and most outside Iraqi research efforts – are scarcely unique in having failed to address such critical and sensitive issues. It is unclear any country in the MENA region has properly come to grips with examining its future, and this is equally true of most other countries in the world -- including the U.S. Iraq, however, is uniquely vulnerable and once again, fixing the past will help in the near term, but it will not create a successful future.

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<sup>51</sup> [Iraq population 2021 - StatisticsTimes.com, https://statisticstimes.co](https://statisticstimes.com/demographics/country/iraq-population.php) and <https://statisticstimes.com/demographics/country/iraq-population.php>

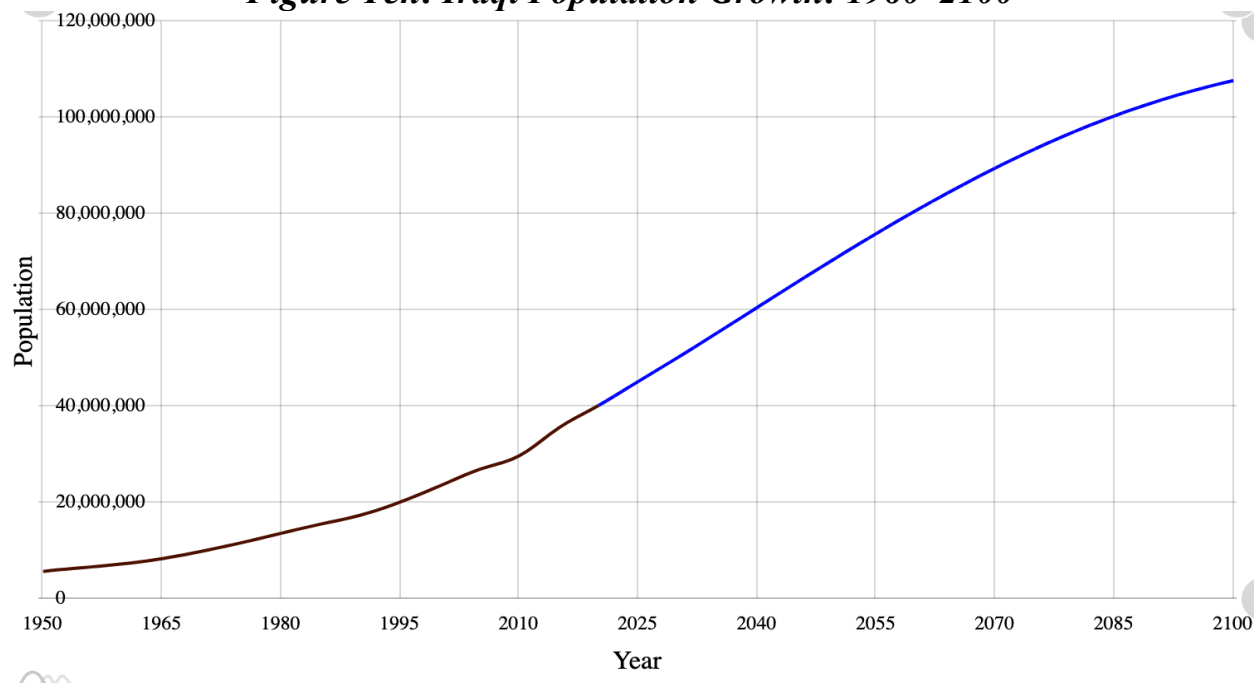
<sup>52</sup> CIA, *World Factbook*, “Iraq,” <https://www.cia.gov/the-world-factbook/countries/iraq/#economy>.

**Figure Nine Iraqi Central Statistics Bureau Estimate of Population Growth: 2015–2030**

Total Population	Year
35,212,600	2015
36,169,123	2016
37,139,519	2017
38,124,182	2018
39,127,900	2019
40,150,174	2020
41,190,658	2021
42,248,900	2022
43,324,000	2023
44,414,800	2024
45,520,500	2025
46,639,900	2026
47,771,600	2027
48,914,100	2028
50,061,500	2029
51,211,700	2030

Source: [Iraq - Central Organization for Statistics and Information Technology](https://cosit.gov.iq/ar/2013-01-31-08-43-38)  
National Statistical Office of Iraq: <https://cosit.gov.iq/ar/2013-01-31-08-43-38>.

**Figure Ten: Iraqi Population Growth: 1960–2100**



Source: [Iraq population 2021 - StatisticsTimes.com, https://statisticstimes.co](https://statisticstimes.com/population/iraq-population-2021.php) and <https://statisticstimes.com/demographics/country/iraq-population.php>