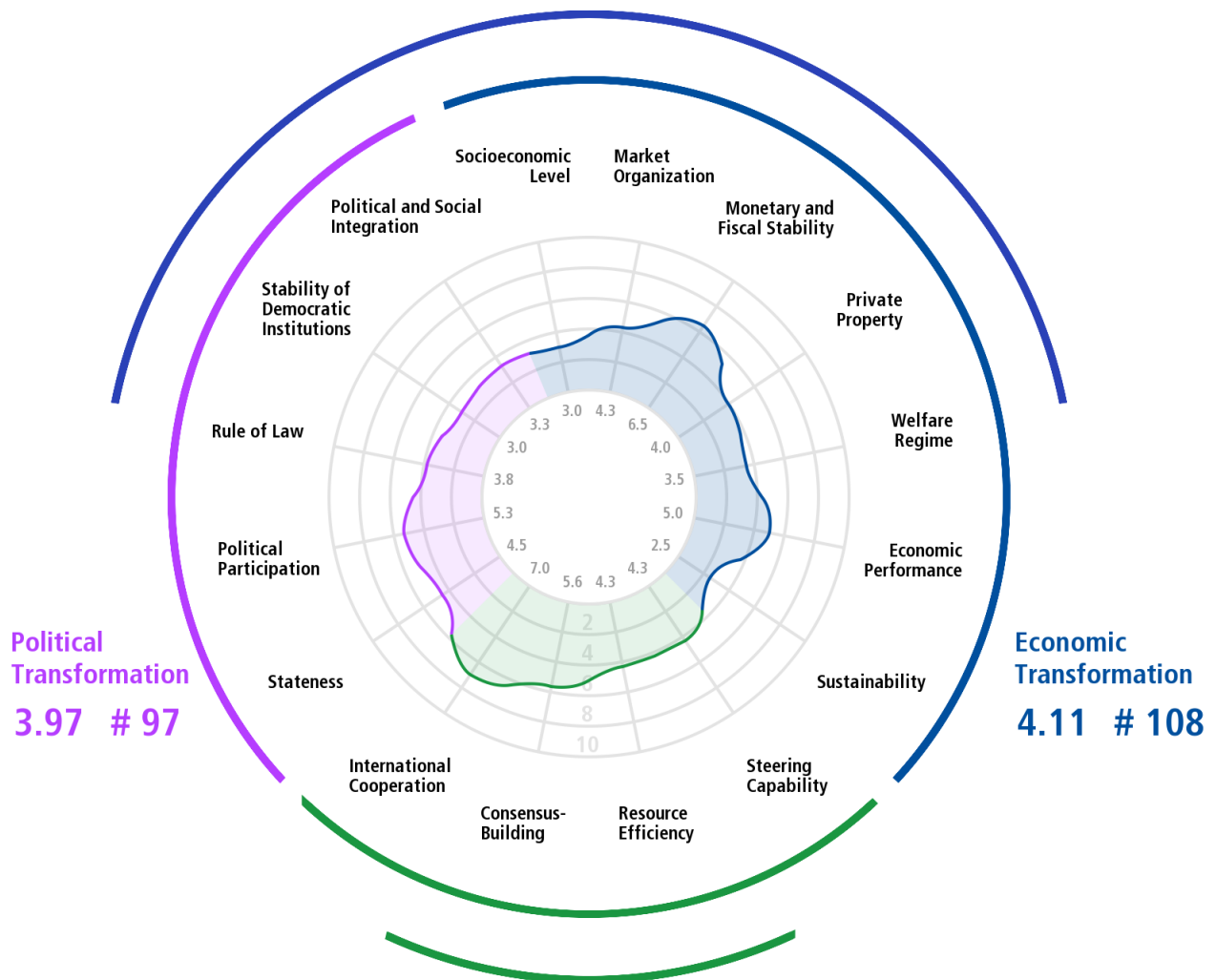


# Iraq

## Status Index

**4.04 # 109**

on 1-10 scale out of 137



**Political Transformation**  
**3.97 # 97**

**Economic Transformation**  
**4.11 # 108**

## Governance Index

**5.00 # 66**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>38.4</b>	HDI	<b>0.689</b>	GDP p.c., PPP \$	<b>17510</b>
Pop. growth <sup>1</sup>	% p.a.	<b>2.3</b>	HDI rank of 189	<b>120</b>	Gini Index	<b>29.5</b>
Life expectancy	years	<b>70.3</b>	UN Education Index	<b>0.554</b>	Poverty <sup>3</sup>	% <b>17.9</b>
Urban population	%	<b>70.5</b>	Gender inequality <sup>2</sup>	<b>0.540</b>	Aid per capita \$	<b>77.4</b>

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

On first review, Iraq could be relieved at the end of period under review. Following the liberation of Sunni areas from the Islamic State (IS) group in December 2017, the intensity of conflict in the country decreased. Though subsequently a semi-conventional erupted between the Shi'a paramilitary forces (the Popular Mobilization Forces, PMF), the Iraqi army and the Kurdish forces (Peshmerga) following the Kurdish independence referendum in September 2017. Nevertheless, this conflict ceased when the Kurdistan Regional Government (KRG) agreed to suspend the results of the referendum. Consequently, relations between the federal government in Baghdad and the KRG in Erbil have significantly improved.

Yet, domestic and regional politics remain a source of instability in Iraq. In particular, the PMF has conducted numerous low-intensity operations in Sunni areas under the pretense of counterinsurgency. Therefore, the state does not enjoy a monopoly over the use of force.

The traumatic invasion of Iraq by the IS group (2014 – 2017) notwithstanding, an overall feeling of "Iraqiness" has grown, which has eased tensions between local communities. Yet, Islamization of society has likewise increased. Combined with widespread public discontent and a lack of basic services, politics in the country is transforming from inter- to intra-ethnosectarian cleavages. Indeed, the federal elections of May 2018 highlighted a key structural change, as cross-sectarian and cross-ethnic alliances emerged for the first time since 2003. This led to a dispersion in voting patterns, oriented less along ethnic or sectarian lines. Sunni, Shi'a and Kurdish electoral lists are increasingly heterogeneous and complex. In regional elections in the Kurdistan Region of Iraq (KRI) in September 2018, the Kurdistan Democratic Party (KDP) won a majority of seats in the regional parliament for the first time since 1992.

After months of negotiations following the federal elections, the Council of Representatives (CoR) finally elected Barham Saleh, a member of the Kurdish PUK party, as Iraq's new president, and

Adel Abdul-Mahdi as the new prime minister. Abdul-Mahdi is an independent politician and a former member of the Supreme Islamic Iraqi Council (SIIC).

Despite the changes in the country's top political offices, corruption and the lack of institutional capacity remain endemic, undermining governmental performance in protecting socioeconomic and political outcomes, and civil liberties and the rights of citizens.

Economically, greater stability, and the gradual increase in oil prices in 2017 and 2018 brought major relief to the federal government in Baghdad and the Kurdistan Regional Government in Erbil (KRG). Iraq remains heavily dependent on the oil sector, leaving the country extremely vulnerable to volatility in international oil markets.

The federal government and KRG's attempts to achieve economic reform in the oil and non-oil sectors have been undermined by high levels of corruption. The private sector remains small and weak. Insecurity and political instability in the past have prevented the development of private business and foreign investment, making the country highly dependent on the public sector. But, with the improving security and political situation, the private sector is expected to grow again. The federal government has called on private companies to participate in its post-IS group reconstruction plans.

Together, the federal government and the KRG are working on the "Agenda 2030" strategy and the National Development Plan 2018 – 2022, which aim to support short- and long-term reconstruction needs across the country and particularly in areas liberated from the IS group. Yet, the lack of institutionalized policies, high levels of corruption and poverty, limited access to health care services, and poor environmental conditions remain key challenges for the country.

## History and Characteristics of Transformation

Following its formation that combined the former Ottoman provinces of Baghdad, Mosul and Basra, the identity of the Hashemite Kingdom of Iraq (1921 – 1958), which has been independent since 1932, was based on the dominant nationhood of Iraqism, with Arab nationalism at its heart. The Kurds, a majority in the Mosul province, but a minority across the whole kingdom, struggled to achieve self-determination and for the creation of the Kingdom of Kurdistan (1922 – 1924). However, the Kingdom of Kurdistan collapsed following air raids by the British Royal Air Forces (RAF) on behalf of Baghdad's King Faisal.

Yet, while internally the monarchy tried to unify the different peoples, it did not endorse pan-Arabism at the regional level and was seen by Arab nationalists as a puppet regime of Western powers. During the Cold War, a coup led by Abd al-Karim Qasim toppled the Hashemite royal family and established the first Republic of Iraq in 1958. Qasim was not an advocate of pan-Arabism (qawmiyya) nor of Egyptian president Nasser's idea of a single-unified Arab country. Qasim focused on reviving Iraqi nationalism (wataniyya). It was only after Qasim was overthrown by another coup led by Arab Ba'thists and Nasserite officers in 1963 that the state's identity shifted

from pan-Iraqism to pan-Arabism. Disagreements between the Nasserites and the Ba'athists, however, emerged shortly after the coup and the Ba'athists were removed from the government. Eventually, the Ba'athists carried out another coup and established their regime in 1968.

The Ba'athists had regional ambitions, leading to the highest levels of military expenditure in the history of Iraq. After they nationalized the Iraqi oil company in 1972 and ended British control over this crucial sector, the Ba'ath party's emerging strong man, Vice President Saddam Hussein, signed the Algiers Agreement with the Shah of Iran. This agreement granted Iran the right to navigate in Shatt al-Arab (i.e., the river outfall from the Euphrates and Tigris into the Persian Gulf). In return, Iran promised to stop supporting Kurdish uprisings in Iraq.

Indeed, the Kurdish case had remained unresolved during these decades, despite a peace agreement signed in 1970, which led to a semi-autonomous region under the leadership of Mustafa Barzani, father of Iraqi president Masoud Barzani (in office 2005 – 2017). However, the agreement did not achieve peace, and violent clashes between the Kurdish national movement and the Iraqi army continued through the 1970s.

In 1979, Saddam Hussein became president and, one year later, Iraq entered into an eight-year war with Iran. The Kurds carried out low-intensity warfare against the Iraqi army. In retaliation, Saddam Hussein's regime conducted a campaign of ethnic cleansing against the Kurds between 1981 and 1988, known as "Anfal." The Iraqi regime gassed the Kurdish town of Halabja in 1988. In parallel, the Iraqi regime conducted brutal attacks against the Shi'a community in the country's south.

After the end of the Iran-Iraq war in 1988, the fabric of Iraqi society was scattered and the economy was left severely damaged. The Iraqi regime, therefore, liberalized the economy in an effort to promote economic recovery. It also founded the Arab Cooperation Council (ACC) in 1989 along with Egypt, Jordan and North Yemen to support the country's economy at the regional level. Such a rapid liberalization, however, backfired and the regime found it was unable to deliver on its promises to the Iraqi people. Reconstruction projects were stopped, and the prices of products and food stuffs soared because of the poorly planned policy of economic liberalization. Saddam Hussein blamed the Gulf countries, "the south rich," for Iraq's disarray. Subsequently, Saddam Hussein's Iraq invaded Kuwait in August 1990 and occupied Kuwait until February 1991, provoking a devastating war against Iraq, economic sanctions and environmental degradation – due to the burning of oil wells and the U.S. army's use of internationally prohibited weapons.

The Kuwait crisis also led to the re-emergence of a Kurdish entity with some sort of sovereignty in 1991, which fixed the establishment of a federal Iraq with de facto Kurdish autonomy. Such experiences affirmed the Kurds' identity and established a sense of self-security. Nevertheless, Kurdish independence has never been internationally recognized.

The power of Saddam Hussein's regime was in steady decline. In 2003, a U.S.-led coalition force toppled his regime under the invented pretense that the Iraqi regime possessed weapons of mass destruction. Saddam Hussein was arrested in December 2003 and hanged in December 2006.

The 2005 constitution certified the birth of the second Republic of Iraq, with a legalized autonomous Kurdish region in the north. Hopes were high that the end of Hussein's regime would bring peace and prosperity to the federal country. Dictatorship, however, was replaced by violent sectarianism and terrorism. Since then, the country has never experienced widespread stability, and fundamental divisions within the country continue to dominate its politics and society under consecutive presidents, Jalal Talabani (2005 – 2014), Fuad Masum (2014 – 2018) and Barham Salih (in office since October 2018). The issue of reconciliation remains unresolved, especially following the Islamic State (IS) group's devastating reign of terror from 2014 until 2017.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The Iraqi armed forces do not have a complete monopoly on the use of force in the country. Though most areas once controlled by the Islamic State (IS) group have been retaken since late 2017, with isolated battles lasting until summer 2018.

However, there are major cleavages within the armed forces. In March 2018, the Shi'a aligned Paramilitary Forces (PMF), numbering between 120,000 and 140,000 troops, legally became part of the Iraqi security apparatus, despite numerous accusations of war crimes committed by PMF soldiers on Iraq's Sunni population during the fight against the IS group. Amnesty International reported in 2017 and 2018 that the PMF abducted "thousands of mainly Sunni men and boys," conducted "torture and extrajudicial executions as well as wanton destruction of property," and that "unidentified bodies have been discovered, handcuffed with gunshot wounds to the head, indicating a pattern of execution-style killings" in Sunni areas allegedly by the PMF.

The PMF's integration in the security apparatus is seen as a further politicization of the armed forces in favor of the Shi'a community and there are fears that the PMF will extend their reach within the security apparatus. This adds to the legacy of former prime minister Nuri al-Maliki (2006 – 2014) who had politicized Iraq's army and police. Maliki had appointed several former Ba'hist commanders, who were loyal to him, to key army divisions. As a result, those officers regained the ranks they had lost due to the United States' de-Ba'athification policy. Although the chief commander of the army was ethnically Kurdish, he was overlooked. Still, reports reveal that the army has not recovered from this period of clientelism.

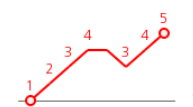
In the Kurdish areas, the Peshmerga hold de facto control over the three Kurdish-Iraqi provinces and act as the KRG's army. Although the Peshmerga forces operate under the command of the Ministry of Peshmerga in the KRG, they are effectively divided between the Kurdistan Democratic Party (KDP) and the Patriotic Union of

Question  
Score

Monopoly on the  
use of force

5

'06 \_\_\_\_\_ '20 10



Kurdistan (PUK). The exact standing of the Peshmerga within the Iraqi army is still disputed between the federal government and KRG. While the former insists that the Peshmerga are under federal command, the latter maintains that they are under Kurdish control and are deployed only within the Kurdistan region of Iraq's (KRI) borders. Under new Prime Minister Abdul-Mahdi's leadership, the Peshmerga might soon become part of the state's security apparatus. This would also encourage the two main Kurdish parties to finally unify these forces under one command.

In Sinjar (Kurdish "Shengal"), the fighters of the Kurdistan Workers' Party (Partiya Karkerên Kurdistanê, PKK) have been active against the IS group. Some areas are not controlled by the Iraqi army, PMF or Peshmerga forces, but by PKK militants.

Iran plays a crucial role in Iraq and compromises Iraq's territorial control, particularly in the south. The New York Times reported in July 2017 that Iran-supported militias would cross without documentation from Iraq into the Islamic Republic of Iran for military training. With Kuwait, the exact border line, determined by UNSC resolution 833 in 1993, remains disputed in the Khor Abdullah estuary. Though both countries are committed to solving this issue by peaceful means.

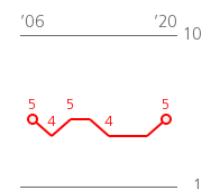
The Iraqi state, as well as Iraqi national identity, was on the edge of collapse after the fall of Mosul to the IS group in summer 2014. The war against the terrorist group was seen as an existential war to maintain the territorial integrity of the Iraqi state. Following the IS group's attacks in 2014 and 2015 on the KRI, the Kurds voted for independence in September 2017. Although they failed to implement the result of the referendum, the Kurds have little optimism about the future of the country, especially after clashes with their allies, the Shi'a PMF in Kirkuk and other disputed areas following the referendum. Nevertheless, there is a slight hope that the Kurds, along with Shi'a and Sunni communities, will adopt an all-encompassing Iraqi nationalism – following the spring 2018 elections – that preserves the rights of all. Indeed, the Kurds are heavily invested in the Iraqi state, despite their aspirations for independence. In early 2019, the Ministry of Education passed a decree that the Kurdish language should be taught in primary and secondary schools from the 2019 – 2020 academic year. This is considered a positive sign toward "inclusive Iraqiness."

Sunni perceptions of marginalization still exist, but they consider themselves to be Iraqis. Though some Shi'ite groups (e.g., PMF leaders) are said to have close relations to Iran, they still appeal to Iraqi nationalism. The Shi'a religious authority in Najaf is a primary guarantor of the legitimacy of the Iraqi nation-state.

While Islam is the official religion of state, according to the 2005 constitution (article 2), the influence of the religious establishment is mainly based on sectarian lines, whose leaders clearly interfere in Iraqi politics. For example, the PMF were established based on a Fatwah (religious verdict) of the Shi'a Higher Religious Authority in Najaf (al-Marja'iyah al-Diniyah). Furthermore, the Hawza has always sought to influence the Shi'a community's perceptions and opinions during elections

State identity

5



No interference of religious dogmas

4



and periods of cabinet formation. However, this interference is not as decisive as the Velayat-e Faqih in Iran, which comprehensively determines the domestic and foreign identity of the country.

In Sunni areas, most of the community values moderate Islamic teachings over the fundamental teachings of Salafi jihadism. In the KRI, there is no religious interference in politics. Religious affairs are managed by the Ministry of Endowment and Religious Affairs. Representatives of different religions are affiliated to it and manage religious affairs collectively.

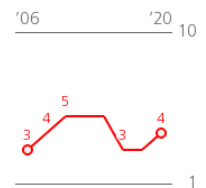
The state's administrative capacity is weak. There is widespread public discontent with central and local authorities due to the effects of poor governance on the provision of basic needs. Areas that were under IS control still lack sufficient electricity and water supplies. In addition, there are still no signs of immediate reconstruction plans for areas destroyed during the war, especially the city of Mosul. In the south, public dissatisfaction led to protests in Basra in September 2018, which spread to other southern provinces. The protesters, largely young people, complained about the lack of basic services and increasing levels of corruption in the country.

According to a KRG report, the KRI region hosts more than 200,000 Syrian refugees (nearly 80% of the total 251,793 registered refugees in the country), which hampered the provision of public services. Previously, public discontent had soared when the federal government cut the budget in 2014, and the KRG cut public salaries by between 25% and 75% (depending on rank) for more than two years. Inordinate levels of corruption notwithstanding, governance in the KRI remains very effective compared to the rest of the country.

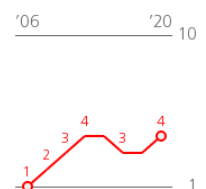
## 2 | Political Participation

Iraqis voted in federal elections in May 2018, while regional elections were held in the KRI in September 2018. The turnout for the federal elections was the lowest rate since 2003 (about 44%). The results were contested by some members of parliament inside the Council of Representatives (CoR). While Saairun (Forward) won a majority of the seats, the new Fatah (Conquest Alliance) bloc gained 48 seats. The Al-Nasar alliance, led by Haider al-Abadi, also a new bloc, won 42 seats. The biggest loser, losing 67 seats, was the State of Law coalition. The Kurdistan Democratic Party and the National Coalition retained their seats (25 and 21, respectively).

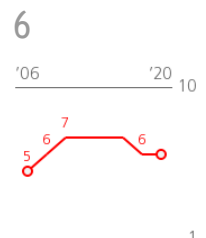
A key dispute over the results concerned the use of electronic voting machines, which “produced varied results, appearing to give credence to the fraud claims.” The Independent High Elections Commission (IHEC) finally approved the results after a manual count. Although the manual count highlighted instances of fraud in some of



Basic administration  
4



Free and fair elections  
6



the voting stations across the country, the cases were not so severe as to alter the results given by electronic machines.

The regional elections in the KRI produced a decisive win for the Kurdistan Democratic Party, which gained a majority of the seats in the regional parliament (45 seats) for the first time since 1992.

Since 2003, Iraq has been governed through consensus politics. Despite the victory of Saairun in the federal elections in 2018, Adel Abdul-Mahdi was asked to form the new government. Because no political force was able to secure a majority in parliament, the consensus was that Abdul-Mahdi should form the cabinet. This decision was endorsed by Saairun. Abdul-Mahdi is the first Iraqi prime minister since 2005 who does not belong to the Dawa Party. He enjoys the trust and respect of most Shi'ites and Kurds, and reasonable support within the Sunni community. Thus, it is possible that he could rule the country effectively, de-escalate conflicts and build trust between Iraq's various communities. Moreover, using his constitutional powers, Abdul-Mahdi has already managed to improve relations between the federal government and KRG, especially after Masoud Barzani, the unchallenged leader of the KDP, traveled to Baghdad in November 2018 for the first time since the contentious referendum for Kurdish independence. Without the mutual trust between the two leaders, the rapprochement between the federal government and KRG would have been a hard task to achieve.

At the regional level, Iraqi decision-making is heavily influenced by Iran. Policy formation inside Iraq is controlled significantly by Iran. Many observers believe that Iraq has become the arena in which Iran implements its regional agendas. Protesters burned the Iranian consulate in Basra in summer 2018 to express their resentment to Iran's behavior in Iraq.

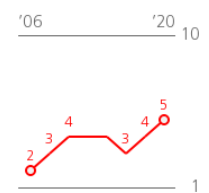
The formation of the new government in September 2018, following the May 2018 elections, is seen by many observers and political analysts as a victory for Iran, with Iran supposedly installing Iranian loyalists in the new cabinet.

The right to association and assembly is granted constitutionally. In 2010, the parliament passed an NGO law, which guaranteed minimal government interference in NGOs and reduced funding restrictions on NGOs. A Law on the National Fund to Support NGOs in Development Projects, under discussion since 2013, has still not been discussed in the Council of Representatives (CoR).

In 2017, the CoR passed the Unions and Professional Associations Law, which grants Iraqis the right to association and membership in unions. While the law was a significant step toward more progressive political practices, trade unionism is still a controversial issue and Iraq continues to lack a legal framework that meets International Labor Organization (ILO) standards. A number of Ba'th-era anti-trade union laws are still in place and trade unions are illegal in several sectors. Some trade

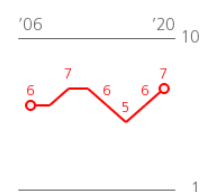
Effective power to govern

5



Association / assembly rights

7



unions (e.g., the Iraqi Journalists Syndicate and the Iraqi Teachers Union) do exist, despite a lack of clarity on their right to independence.

Ongoing protests particularly in the country's south are often accompanied by a disproportionate use of violence by the security forces or militias, including the frequent killing of participants. This clearly impacts on citizens' rights to protest.

Freedom of assembly and expression is ensured by constitutional article 38. However, this article is still to be organized by laws. While the number and diversity of media outlets has massively increased since the end of Saddam Hussein's rule in 2003, some repressive media laws from the Ba'th period remain valid and in operation. Therefore, journalists might face legal consequences for "criticizing the government," for instance.

Iraq has remained one of the world's most dangerous places for media representatives. In 2017, the Committee to Protect Journalists reported that eight journalists had been killed in Iraq, most of them in crossfire. According to the Press Defense Association, there have been more recorded attacks against journalists in 2018 than in previous years.

Without question, freedom of expression is frequently violated in Iraq and in the Kurdish north of Iraq. Most recently, four journalists were arrested while working in Erbil and Mosul in January 2019. There have been several armed attacks and threats against journalists, while journalists have also been detained, TV channels have been shut down and thousands of lawsuits registered against journalists.

In order to quell mass protests, the government blocked access to the internet in several regions (including Baghdad, Basra and Kirkuk) for at least two days in July 2018. On September 6, 2018, protesters in Basra set the headquarters of Al-Iraqiya TV and Al-Forat TV on fire.

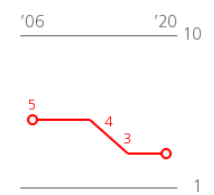
### 3 | Rule of Law

The separation of powers is the governance model of Iraq. Article 47 of the 2005 constitution clearly endorses the separation of powers between the trias politica: legislative, executive and judiciary.

Article 19 of the constitution states that "the judiciary is independent, and no power is above the judiciary except the law." However, the judiciary is one of the state's weakest institutions, and its independence is often undermined by political parties interfering through patronage networks and clientelism. The court trial of a former government minister, Falah al-Sudani, on charges of corruption worth \$4 billion may serve as an example. Eventually sentenced to 21 years imprisonment in January 2018, al-Sudani was pardoned in November 2018 based on Amnesty Law 19/2008.

Freedom of expression

3



Separation of powers

5



Observers suspect that this decision followed political pressure from the highest political levels.

The Council of Ministers (CoM) is the executive body of government. However, Iraq's recent prime ministers – Ibrahim al-Ja'afari (2005 – 2006), Nuri al-Maliki (2006 – 2014) and Haider al-Abadi (2014 – 2018) – often acted as the sole representative of executive power, instead of the collective power of the CoM.

After being at its weakest point during the al-Maliki premiership, the CoR seems to have re-established a balance under al-Abadi and especially since the 2018 elections. The parliament has adopted a more questioning stance vis-à-vis the government. There have been efforts to limit the CoR to accountability and legislative tasks, though. The country still lacks a second, federal chamber, which would achieve a balance between the regions (i.e., KRI) and the federal government in Baghdad. Steps have been taken to install this chamber, so the formation of a second federal chamber is likely to take place soon.

In the KRI, there have been challenges to the establishment of a separation of powers. After the presidential crisis in 2015 and the political turbulence following the 2017 referendum, the current Kurdistan parliament, elected in 2018, is expected to achieve a balance between the trias politica and to approve a draft of the constitution for the region, which has been delayed due to the region's recent insecurity and political instability during the war against the IS group (2014 – 2017).

Iraq's judiciary suffers from substantial political interference. Courts up to the Supreme Court have been accused of handling high-level cases selectively, with veteran politician Nuri al-Maliki, who had been accused of corruption, still allowed to lead a political bloc (the State of Law) in the 2018 parliamentary elections. The Accountability and Justice Law (de-Ba'thification law) has been the only background check on the suitability of election candidates.

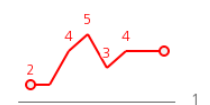
The judiciary is weak in general. It has been seen to have mishandled the cases of those suspected of being members of the IS group. The courts have addressed around 11,000 cases in recent years. Sentences for guilty verdicts are limited to only three options, depending on the evidence: 15-years imprisonment, life imprisonment and the death penalty. Contrary to international law and norms, the courts have also issued arrest warrants against lawyers who worked in IS courts.

Corruption is rampant in Iraq, partly as a result of the state of lawlessness that followed 2003. Reportedly, 31 major anti-corruption cases have been registered at courts, but still await definite proceedings three or more years later. These cases include the theft of public money, illegal arms and military deals with Ukrainian and Russian partners, and corruption cases involving various ministries. In summer 2016, especially in the south of the country, Iraqis protested against the mismanagement of various ministries, which had led to major disruptions to the supply of electricity and

Independent  
judiciary

4

'06 '20 10



Prosecution of  
office abuse

3

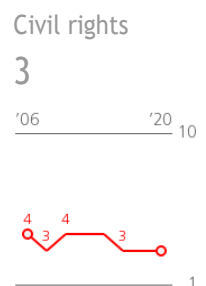
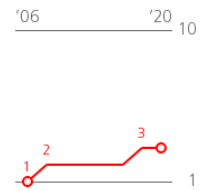
water. In reaction, the then prime minister, Haider al-Abadi, sacked the electricity minister, Qassim al-Fahdawi, in July 2018.

However, the government and judiciary are largely unable to prosecute cases when senior state officials, and Shi'a, Sunni and Kurdish political leaders are involved (e.g., cases involving Nuri al-Maliki, Osama Najaf, Salim al-Jubouri and Jamal Karbouli). Critics claim that Amnesty Law 27/2016 ensures impunity for those who have been convicted of corruption.

Former Prime Minister Abadi put tackling corruption high on his agenda, but he was unable to introduce effective reforms. The new prime minister, Abdul-Mahdi, is also committed to fighting corruption. His efforts, however, are constrained by two main factors. First, Abdul-Mahdi does not have a parliamentary bloc or party to support him. This has left Abdul-Mahdi openly fighting corruption on his own, probably even at the risk of his life. Second, a thorough investigation of all past corruption cases would jeopardize the whole political process, which is based on partnership and consensus. Thus, some analysts argue that Abdul-Mahdi's anti-corruption campaigns are meant to prevent corruption in his time in the office, rather than resolve previous corruption cases.

There are 33 constitutional articles that preserve the civil liberties of Iraqi citizens. Nevertheless, civil rights are abused on a daily basis, not only by the state, but also by non-state actors. Moreover, many of the Islamic political parties are increasingly seeking to Islamize Iraqi society. These grassroots forces rule the society based on tribal and Islamic customs, and act as alternative sources of authority to the state. The state has not introduced sufficient measures to limit religious interference in public life. Furthermore, Islam and religion have become sources of legitimacy, and a useful tool to gain votes and mobilize citizens. There are also cases of religious cleansings, such as acts committed by the IS group against Yezidis and Christians. The federal government has been too weak to protect these religious minorities.

In parallel, the state has also been responsible for violating civil rights. For example, most if not all suspected members of the IS group have not received a fair trial. As Human Rights Watch documented, there are hundreds of cases involving the torture of prisoners, including in the KRI, and war crimes committed by the Iraqi army. In most cases, the Ministry of Interior follows a policy of impunity. Moreover, the KRG has recently been accused of using beatings, stress positions and electric shocks against boys convicted of being affiliated to the IS group. The KRG has rejected these allegations.



#### 4 | Stability of Democratic Institutions

Iraq's consociational model of governance aims to promote power-sharing and inclusivity, with ethnosectarian divisions being the basis of proportionality. However, this system paved the way for a particular political and militant elite to gain and maintain power through sectarian violence (2006–2008), which eventually provoked the rise of the IS group. Thus, while Iraq's polity is functionally democratic, its politics is primarily based on the powerful elite representation of the Iraqi sub-communities, which are prepared to impose their will and whim to the detriment of Iraq's institutional rules. Powerful leaders of clans and ethnosectarian groups can block any democratic practice based on their interests.

Thus, democracy in Iraq is fragile. There are almost no institutions that are capable of enforcing democratic norms in the country. The CoR is also incapable of enforcing democratic principles. For example, the CoR was unable to approve Abdul-Mahdi's cabinet for months, because Muqtada al-Sadr and Hadi al-Amiri, leaders of the influential Sadr Movement and the Iran-affiliated Badr Brigade, were unable to agree on the division of portfolios.

The case is not that different in the Kurdistan region of Iraq. The KDP and PUK have often undermined the democratic principles of government formation. While the PUK has lost several voters who have voted for smaller parties, the party has been able to secure influential portfolios in the KRG and in Baghdad.

All actors accept the legitimacy of the constitution as the framework for Iraq's democratic system. However, since the rule of law is weak, power struggles undermine the constitutional rules.

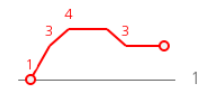
Iraq's fundamental federal principles have often been breached by the federal government and the KRG. Nearly 13 years after the establishment of the Second Republic, the two units have failed to adhere to Iraq's system of federalism. Instead, Amjed Rasheed (2018) speaks of "a contract of circumstantial marriage" and concludes that "the two [have] been functioning as separate entities, threatening the existence of the state of Iraq and its federal system." Indeed, the federal government has breached over 60 constitutional articles on issues related to the principles of federalism, democracy and the separation of powers, the federal budget, civil rights, and the legislative system. Yet, there have been some steps taken by the new government, led by Adel Abdul-Mahdi and the KRG, to strengthen the government's commitment to the federal constitution. Currently, relations between Baghdad and Erbil are in a honeymoon period, with relations having improved considerably of late.

Most of the major political parties in Iraq do not believe in democracy or democratic values, as most of parties are in reality guerrilla groups. Democracy is only useful during elections, perceived as a tool for granting legitimacy. Once in power, the political elite ignores the main goals of inclusive democracy, including the achievement of political and social stability.

Performance of democratic institutions

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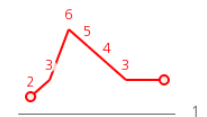
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Commitment to democratic institutions

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## 5 | Political and Social Integration

The political parties and alliances in post-2003 Iraq were mainly based on sectarian and ethno-national lines until 2018. Among them, the “National Alliance” represented the Shi’a component, the “Coalition of Iraqi Forces” the Sunni component and the “Kurdish bloc” the Kurdish population. All three alliances had strong grassroots support.

Yet, the 2018 elections brought about structural changes concerning the political alliances. For the first time since 2005, cross-sectarian and cross-ethnic alliances have emerged. Such changes demonstrated the fragmentation of political parties and a shift from identity to issue-based politics. Politics is increasingly shaped by power struggles and not necessarily by ethnic-sectarian lines.

For instance, the dominant Sunni parties are split into two main blocs: the Political Decision, led by the current deputy president, Osama al-Nujaifi; and Wataniyyah (Patriotism), led by the current second deputy president, Ayad Allawi. Although Allawi is originally of Shi’a descent, he never subscribed to Shi’ism, but promotes cross-sectarian views instead.

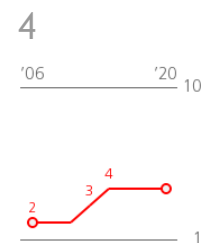
A similar fragmentation occurred in the Shi’a-dominated parties. Five main blocs exist at present: Victory, led by former prime minister Haider al-Abadi; State of Law, led by former prime minister Nuri al-Maliki; Fateh (Conquest), led by the veteran leader Hadi al-Amiri; Saairun, which is led by Muqtada al-Sadr and currently controls the majority of seats in the CoR; and Hikma (Wisdom), which is led by Ammar al-Hakim and is the party to which the current prime minister belongs to.

As with Victory, which comprises over 27 political parties and movements of both Sunni and Shi’a background, most Shi’a parties are similarly split between the different lists. For example, the Dawa Party is split between the Victory and State of Law lists. This situation contributes to intransparent networks of interests and power structures.

The Islamic Supreme Council of Iraq (ISCI) is no exception, having suffered from internal splits between Ammar al-Hakim, leader of the Badr Brigade, ISCI’s military wing, and Hadi al-Amiri, whose popularity skyrocketed after his successful involvement in the fight against the IS group, which allowed him to campaign in the recent elections under a separate list.

Three blocs are purely Kurdish: Peace, which includes the main Kurdish parties, the KDP and PUK; Nishtiman (Nation), which consists of the Change Movement, the Islamic Party and the Islamic Movement; and the Alliance for Democracy, which is led by Barham Salih, who has served as Iraq’s president since 2 October 2018. In particular, the KDP, led by former KRI president Masoud Barzani, gained seats in

Party system



the 2018 elections and is an indispensable political party in Iraq. In fact, among single parties (not blocs), the KDP would come first in the country.

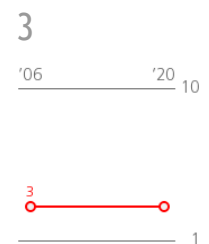
Another issue is the requirement that political parties disband their militias. Some of the most powerful militia groups affiliated to political parties are aligned to the PMF, including the Badr Brigade, led by Hadi al-Amiri, and Asa'ib Ahl al-Haq, a radical offshoot of Mahdi Army militia, led by Shi'a cleric Muqtada al-Sadr. In late 2018, the KDP and PUK took steps to unify their Peshmerga forces, but at this moment the various Peshmerga forces remain loyal to their respective political parties.

Although there is a growing sense of optimism in post-IS Iraq, most Iraqis remain pessimistic about securing major change, whatever party or bloc is in power. The four-year war against the IS group, the fate of up to two million internally displaced people (IDPs) and major destruction across the country have further deepened sectarian divides between Sunnis and Shi'ites, and between Arabs and Kurds. There is a lack of serious effort to facilitate a process of national reconciliation, and many fear that Iranian-backed Shi'a militias, especially the PMF, will further expand their influence over political parties in Iraq.

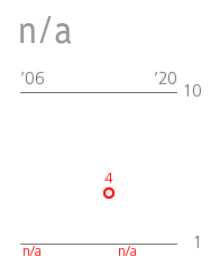
There are no sustainable, organized interest groups in Iraq. In other words, there are no groups outside the political process that influence the course of politics in the country. There are, however, "temporary" demonstrations, which create political pressure. These demonstrations are outside the political process and seek to influence politics in the country (e.g., demanding an end to corruption or better services) without having the desire to get into power. In addition, there are no strong and independent civil society sector, which could act as a unified pressure group in the country. The country, however, has the potential to form sustainable and organized pressure groups, such as religious associations, charities, professional associations, trade unions and advocacy associations. Most of these entities depend on the scope of funding, the priorities of domestic or international donors, and local capacities.

The 2017–2018 Arab Opinion Index, conducted by the Doha-based Arab Centre for Research and Policy Studies, found fairly high rates of support among Iraqis for democracy and democratic institutions. Thus, although the general mood of the public is one of dissatisfaction with governmental performance and mistrust in state institutions, Iraqi citizens prefer electoral politics as the base for securing power. Furthermore, recent polling data from the al-Bayan Center suggested that, although people are unhappy with the performance of local and federal governments, the public is supportive of the democratic process, specifically electoral politics. Low electoral turnout is a function of discontent with political parties rather than democratic norms.

Interest groups



Approval of democracy





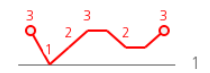
Iraq's social capital is traditionally based on tribal, clan and ethnosectarian communities. Intra- and inter-wars have prevented the country from building a unified social identity. Iraq's societal identity since 2003 has relied more on sectarian representatives than on overcoming sectarian divisions. Although the shift away from sectarian and interest politics has taken place, the sense of security is still tribal and sectarian.

That being said, there is a slow but steady increase in NGOs' role in fostering cooperation and mutual support. Indeed, examples of cross-ethnosectarian NGOs are many, but their role remains limited due to a lack of funding.

Social capital

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## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Since the Iraqi economy is largely dependent on oil, which provides more than 90% of government revenue, the economy is tightly bound to global oil price developments. GDP growth decreased to -0.8% in 2017. Though this was partly due to disruption to oil extraction in the course of the IS group's conquest, insufficient infrastructure and the immediate political consequences of the KRG independence referendum in 2017.

There are nearly two million IDPs in the country and nearly four million returnees who are in dire need of rehabilitation. Rehabilitation policies will need to address sanitation management, and water and electricity supplies. The federal government is currently deciding on a reconstruction and recovery budget for areas that were under the IS group's control until 2017. The World Bank has estimated that such an endeavor would require up to \$88 billion. While an international reconstruction conference held in Kuwait in February 2018 secured pledges of \$30 billion in loans and grants from external donors, only a small proportion of these funds have materialized.

Insecurity and political challenges continue to be a burden on the federal government. The parliament has ratified an increase in the security and defense budget from 3.6% to 7.38% of the GDP, prioritizing security over development. In addition, the external debt increased from \$64.16 billion in 2016 to \$73.02 billion in 2017.

In addition, over 22.5% of the population lives under the poverty line. In the Kurdistan region, the poverty rate soared from 3.5% to 12.5%, while rates reached to 41.2% in areas under the IS group's control. The south of Iraq also has its share of poverty, with the poverty rate at 30%.

Question

Score

Socioeconomic barriers

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The country is sluggishly attempting to strengthen its economic policies, mainly through the Ministry of Planning. Nevertheless, insecurity and political uncertainty make Iraq unattractive for foreign investment.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	177498.6	170220.0	193158.8	<b>225914.2</b>
GDP growth	%	2.5	13.6	-1.7	<b>0.6</b>
Inflation (CPI)	%	1.4	0.6	0.2	<b>0.4</b>
Unemployment	%	8.1	8.1	7.9	<b>7.9</b>
Foreign direct investment	% of GDP	-4.3	-3.7	-2.6	<b>-2.2</b>
Export growth	%	28.2	13.2	-0.2	<b>1.4</b>
Import growth	%	11.2	-7.4	-0.7	<b>20.2</b>
Current account balance	\$ M	-2761.8	2157.9	14892.5	<b>35269.6</b>
Public debt	% of GDP	56.9	64.3	58.9	<b>49.3</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-5.6	-6.9	-	-
Tax revenue	% of GDP	1.2	2.0	-	-
Government consumption	% of GDP	22.6	23.1	22.0	<b>21.0</b>
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.7	0.7	-	-
R&D expenditure	% of GDP	0.0	0.0	0.0	-
Military expenditure	% of GDP	5.3	3.5	3.8	<b>2.7</b>

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Iraq embraces the market economy. There have been some changes in tax policy introduced by the new budget, Law No. 9 of 2018. As Reuters recently summarized, private limited liability companies (LLCs) constitute the main organs of investment in Iraq, with branch offices of foreign corporations also contributing significantly to the private sector. Joint ventures are only possible as a legal entity if an LLC is incorporated, while trusts and similar equitable arrangements are absent in the country.

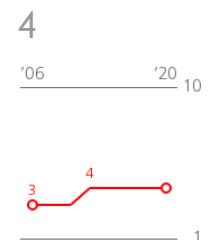
The private sector, however, remains weak. The economy is largely public or semi-public. The state-owned economy is one of the major legacies of the previous Ba'ath regime in which the state had complete control over the economy (with some mirror privatization attempts after the Iran-Iraq war). Regarding employment, 42% of workers are employed in the public sector, largely in public administration. This is a significant burden on public expenditure, with public spending in Iraq high by international standards. Thus, when global oil prices dropped, the federal government was forced to make significant expenditure cuts, which exacerbated public discontent. Similarly, in the KRI, spending on public salaries was cut substantially following the Kirkuk crisis in October 2017 and the drop in global oil prices. In 2017, KRG spending was more than IQD 11,605 billion, but decreased by nearly half to IQD 6,598 billion in 2018.

While Iraq's investment law is relatively progressive compared to other emerging markets – offering foreign investors similar rights to local investors, including land ownership – there remain several obstacles to market entry. These include endemic corruption, difficulties in obtaining land permits, a lack of trust in arbitration mechanisms, limited access to finance and difficulties in obtaining visas for foreign investors.

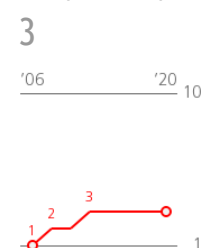
Starting a business in Iraq takes 26 days and eight procedures, and costs 38.8% of GNI per capita. For “starting a business,” Iraq scored 76.55 out of 100 points and ranked 155 out of 190 countries. The considerable hurdles to accessing credit was a key reason for the low private investment and lack of market activity in Iraq.

Iraqi has a fair anti-monopoly policy framework. Issues like fixing prices and the quantities of goods or services are prohibited by law. It is also prohibited to divide the market based on geographical locations. Similarly, competition laws address discriminatory practices, the hoarding of materials on which a competitor relies and the setting of prices or sales conditions that distort competition. All of this, however, is undermined by insecurity and political instability in the country, which makes it hard to enforce competition policies. Moreover, the Competition Protection Commission, as designated by law, has yet to be formed. Without this commission, firms do not have recourse against unfair business practices, such as price-fixing by

Market organization



Competition policy



competitors, bid rigging or abuse of a dominant position in the market. There is no institutional authority to enforce competition law in Iraq effectively.

In addition, Iran has been monopolizing trade in Iraq and gave little chance for competition. As the New York Times reported in July 2017, smuggling across the Iranian-Iraqi border is rampant and distorts market competition for many ordinary household goods in Iraq.

Iraq's liberal laws encourage foreign investment. Foreign investors can own 100% of the shareholding in an Iraqi registered company. The same applies in the KRI. There are, however, some sectors that require Iraqi companies to be partially or fully owned by Iraqi nationals (e.g., the pharmacological sector). One of the few restrictions on foreign trade is that Iraq is party to the boycott on Israel.

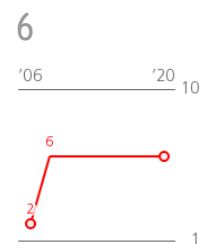
Rampant corruption, insecurity and political instability in the country remain the biggest challenges for foreign investment. Other challenges that discourage foreign investment include visa requirements, shortages in electricity supply, customs regulations, "unreliable dispute resolution mechanisms" and a lack of access to finance. Indeed, Iraq's economy is one of the weakest in the world, ranked 168 out of 190 economies worldwide.

Given the improving security situation in the country, it is likely that foreign investment will increase. The federal government is already attempting to attract foreign investment to rebuild areas liberated from the IS group.

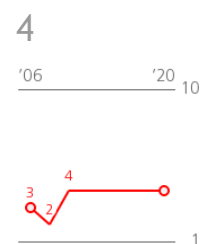
There are 70 banks that operate in the country, seven of them are public. The rest are private, including 19 foreign banks. Nearly 90% of banking sector assets are held by Iraq's main public banks: al-Rasheed, al-Rafidain and the Iraqi Trade bank.

The banking system, however, is considered underdeveloped. In 2018, it was calculated that the total credit given to the economy amounted to only 12% of the country's GDP – the lowest in the Middle East, according to the World Bank. Furthermore, private banks are small, and the services they offer are limited to wire transfers and currency exchange. Nevertheless, the central bank has introduced Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) measures. In light of these developments, the country was removed from the Financial Act Task Force list in July 2018.

#### Liberalization of foreign trade



#### Banking system



## 8 | Monetary and fiscal stability

Since 2003, the government's monetary policy has focused on maintaining price stability and exchange rate predictability. The inflation rate has remained low since 2010. According to the World Bank, the inflation rate (CPI) decreased from 1.4% in 2015 to 0.2% in 2017. The government maintained the rate of 2.8% liquidity in the central bank. As such, it is expected that the inflation rate will remain constant for the next two to three years.

These positive numbers are even more impressive given the fact that the IS group had reportedly looted \$800 million from Iraqi banks.

The reduction of Iraq's debt to a sustainable level and debt relief negotiations have been the central bank's priorities since 2003.

This led to an 80% reduction of the Paris Club debt (approximately \$800 million annually), while negotiations with non-Paris Club creditors are still ongoing. In an attempt to ease the financial burden on the country, members of the Paris Club agreed to postpone debt reimbursement for Iraq until the end of 2019.

Iraq's external debt was reduced to \$58.13 billion at the end of 2014. Yet, it increased to \$73.2 billion in 2017. Meanwhile, Iraq's public debt decreased slightly, from 66.9% of GDP in 2016 to 63.8% in 2017.

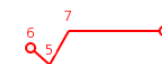
The causes of Iraq's current economic problems include a sharp decline in world oil prices and a rise in military spending in order to recapture territories under the IS group's control. Military spending accounted for 3.6% of GDP in 2016 and 3.85% of the GDP in 2017. Nevertheless, it is likely that the Iraqi economy will recover with a steady increase in oil prices. Indeed, government consumption decreased from 22.9% in 2016 to 20.7%.

The 2018 budget was passed by the CoR in March 2018, which increased public spending on services (e.g., health care and electricity) and cut military expenditure. While capital spending was reduced slightly to nearly 24%, the projected deficit was reduced by 42% as a result of an increase in national revenues.

Monetary stability

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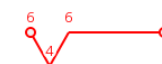


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Fiscal stability

6

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## 9 | Private Property

The constitution guarantees personal property rights. It bans expropriation, except for the purpose of a higher public benefit (which has never been clearly defined) and in combination with just compensation, which must be determined by law (article 23). Similarly, investment projects cannot be nationalized or seized, except pursuant to a judicial judgment (2006 Investment Law, article 12). Iraq has also signed a number of intellectual property conventions such as the World Intellectual Property Organizations (WIPO) Convention and Paris Convention for the Protection of Industrial Property.

Since the IS group offensives in summer 2014, Kurdish and government forces, and paramilitary armed groups (e.g., the IS group and Shi'a militias) have been responsible for indiscriminate attacks on civilians, and the seizure and destruction of private property in disputed areas. Currently, the situation is stable and the government is committed to the rebuilding of destroyed properties as part of its 2018 – 2022 reconstruction and recovery package.

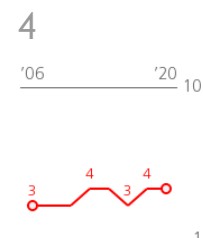
Private companies are permitted and regulated in Iraq by Company Law No. 21 of 1997, amended in 2004. However, in practice, company establishment faces many challenges, from dilapidated infrastructure to weak framework of legal provisions and regulations for consumer protection or production standards and investment incentives. Regulatory protection is dependent on the implementation of national legislation, which is often nontransparent, arbitrary, and subject to abuse by public officials pursuing their own personal interests. The greatest challenge today for private business in Iraq is political instability, alongside a lack of basic economic data and a bureaucracy with rampant corruption. The World Bank's 2018 "Doing Business" report found that it would require 26 days to start a business, compared to 34.4 days in 2015. Thus, there has been a modest improvement. Nevertheless, the country is ranked 171 globally and needs to do more to encourage private business.

## 10 | Welfare Regime

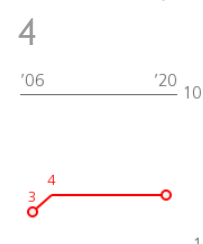
Poverty is a constant part of many people's lives in Iraq. The Public Distribution System (PDS), a government-owned, food-based safety net, which was launched in 1991 following the Kuwait crisis and the economic sanctions imposed on Iraq, remains available to most of the population today. However, lately, provisions have not been delivered on a regular basis due to recent insecurity and political instability in the country. The government, with the help of the World Food Program and the World Bank, is committed to continuing to deliver the PDS to citizens.

Given that a relatively high proportion of the population are either public sector employees or receive a state pension, Iraq's social safety net is quite expansive.

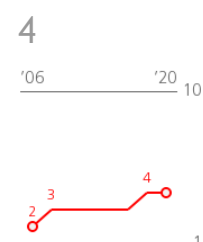
Property rights



Private enterprise



Social safety nets



Pensions for private sector workers are almost nonexistent, though. Furthermore, public health care is largely free, although public services are poor and private care is often a source of recourse.

Although poverty rates declined between 2007 and 2012, as soon as the conflict with the IS group erupted, poverty rates increased to pre-2007 levels. The proportion of the total population that lives below the poverty line is 22.5%, with rates of poverty considerably higher in certain territories. In addition to Agenda 2030, the federal government has launched the National Development Plan for 2018. The plan also covers the KRG and focuses on poverty reduction (Poverty Reduction Strategy, PRS). The poverty strategy reflects the government's awareness of the fragility of country's macro economy – which is heavily dependent on world oil prices, and the domestic and regional political and security environment – and the need to reform the country's fragile and weak private sector.

Various forms of discrimination are omnipresent in Iraq. IDPs and war victims are excluded from basic rights and services, and attacks against minorities add to the vulnerability of these groups across social classes. Women suffer particularly from exclusion from various aspects of social life.

Regarding the U.N. Convention on the Elimination of All Forms of Discrimination against Women, Iraq is not “bound by the provisions of article 2, paragraphs (f) and (g), nor of article 16 of the Convention,” and Iraq's “approval [of the convention] in no way implies recognition of or entry into any relations with Israel.”

Female representation in the CoR is 25%, reflecting the enforced quota, and several high-ranking government posts are held by women. Nevertheless, girls are less likely to be enrolled in school than boys. According to the World Bank, 49% of young men enroll in school, while only 19% of 17-year-old women enroll in school. As a result, the illiteracy rate is higher for women than men (62% compared to 47%, respectively).

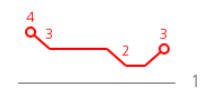
The debated faith-based personal status laws would abolish the comparatively progressive stipulations of the 1959 Personal Status Law, which granted women relative equality. At the time of writing, no law or regulation has been passed regarding this issue. Women constituted only 14.5% of the labor force in 2018; for the same year, the female unemployment rate reached 12.3%, and the male unemployment rate 7.2%. The Ministry for Women's Affairs, formed in 2003, is poorly funded and is largely ceremonial. Women's legal rights in the country are weakly supported by the CoR.

Iraq has not yet ratified the Optional Protocol on Violence Against Women, nor signed the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence. The KRG, however, has attempted to introduce significant steps toward tackling gender-based discrimination and violence.

Equal opportunity

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In 2011, the regional parliament passed the Family Violence Bill, which included several provisions criminalizing the practice. Despite the progress that has been achieved in improving gender equality, cases of honor killings, forced marriages and female genital mutilation continue to be reported. In comparison to previous years, these cases have dramatically decreased but still exist, particularly in villages.

## 11 | Economic Performance

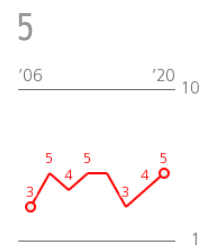
The majority of federal revenue comes from oil income. The oil sector accounts for nearly 99% of Iraq's exports. Thus, the sharp drop in world oil prices between 2014 and 2017 damaged the country's export revenue. The country produces 4.5 million barrels per day (bpd), plus around 400,000 bpd in exports from the KRI.

Following the recovery in world oil prices and the decline in the threat posed by radical groups, the country's hydrocarbon revenue increased from \$40 billion in 2016 to \$56 billion in 2017. Thus, Iraq's GDP increased from \$171.5 billion in 2016 to \$197.7 billion in 2017. The non-oil sector of the economy (including the agricultural and service sectors) grew by 5.2%. The inflation rate declined from 0.5% in 2016 to only 0.2% in 2017.

The rate of unemployment, however, increased from 7.9% in 2016 to 8.2% in 2017. In addition, foreign investment is lower than it was during the war against the IS group. In 2016, the foreign direct investment rate was 0.1% of GDP, while in 2017 it decreased to -2.5%. Foreign investors are still reluctant to invest in the country due to the recent instability. Thus, the country's GDP per capita slightly decreased from \$17,516 in 2016 to \$17,197 in 2017. Similarly, GDP growth decreased from 7.8% in 2016 to -3.6% in 2017.

The country's post-conflict recovery plan, the National Development Plan (2018 – 2022) requires more reforms in the oil and non-oil sectors. The latest reports from the World Bank and the International Monetary Fund (IMF) have emphasized the necessity for better management in terms of production, exportation and signing contracts with oil companies. The reports also stressed the need for reform in non-oil sectors. The federal government has invited private companies to contribute to the reconstruction of the country.

Output strength





## 12 | Sustainability

Environmental challenges pose a major threat to health and food security in Iraq. The south of Iraq and, to a lesser extent, the KRI suffer from high levels of water, air and soil pollution. The causes of environmental degradation are global, regional and domestic. Like any other country, Iraq is suffering from global warming. The country experiences water scarcity because of the increasing number of projects and dams that affect waterflow along the Tigris and Euphrates rivers. Turkey is a key proponent in these projects and has violated international law in promoting the projects. Domestically, Iraq is still recovering from the policies of the Ba'th regime, which included drying out marshes, cutting down millions of palm trees, burning oil wells in the south during the Kuwait crisis and using chemical weapons against the Kurds. Environmental destruction has also been caused by successive wars and the use of depleted uranium. Recently, U.S. airstrikes on oil infrastructure under the IS group's control, which aimed to deprive the IS group of crucial revenue, has contributed significantly to air pollution.

The country's population is also increasing, which places greater pressure on natural resources. In terms of governance, the government has failed to establish an effective environmental policy to raise environmental awareness in the country or to take legal action against those who violated environmental regulations. Oil production is a major hazard to the environment due to inadequate regulation and control.

The Ministry of Health and Environment is part of the NDP 2018 – 2022. The ministry has placed sustainable development strategies on the agenda in an attempt to overcome environmental challenges. It is hard to judge governmental performance at present, but it will take the country decades to recover from these substantial challenges.

Although Iraq scored fairly well in the 2017 U.N. education index (0.534 out of 1.0), the country suffers from weak educational infrastructure, especially in areas liberated from the IS group. Reports indicate that one out of five schools was destroyed during the war against the IS group. Furthermore, the country has suffered from numerous wars in recent decades. This has led to a decline in school attendance, especially as some families and children feel there is no bright future ahead.

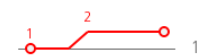
Literacy rates have increased with the decline of the militant actions in the country. While Iraq registered 43.7% of literacy in 2013, reports reveal that the literacy rate reached nearly 80% in 2017.

The government does not spend on research and development, and views it as inconsequential.

Environmental  
policy

2

'06 '20 10



Education policy /  
R&D

3

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The federal government and the KRG spend well on public education. The latest official statistics (2015 – 2016) indicate that 5.8% of the government's budget was allocated to education. This expenditure goes largely to paying teacher salaries.

The quality of public education in the country is at its lowest level and the government has taken no action to reform the education system. Only 33% of Iraqis surveyed by the IIACSS stated that the government was improving the education sector in 2018, compared to 41% in 2017.

Without the crucial help of UNICEF, UNDP, USAID and Save the Children, the situation would have been much worse. UNICEF alone has helped nearly 680,000 children to access education in the country.

The proportion of students receiving a religious education in the country is rising, although to a lesser extent in KRI areas. Such religious education might exacerbate religious tensions. The other fundamental issue concerns women's education. Women are less likely to attend school, with many families preferring not to send their daughters to school for cultural reasons. Thus, the illiteracy of women is twice as high as that of men.

## Governance

### I. Level of Difficulty

Because Iraq's economy is dependent on oil income, the country is fragile and sensitive to global oil prices. Corruption and "diversification fatigue" make the economy even more fragile. Infrastructure and human capital remained underdeveloped following the 2003 war, before deteriorating further following the IS group's invasion. A substantial proportion of the state budget is spent on defense and security, while other important areas (e.g., health care, education and the environment) remain largely underfunded.

Violence has greatly impaired peace and social capital and has led to a brain drain over several decades. This is also partly due to the sectarian system of proportionality, which means that candidates for public positions are more likely to be selected for their ethnic or religious affiliation than their professional merits.

Vast parts of the country have suffered environmental degradation, after chemical weaponry was used, particularly during the 2003 war, but also due to severe droughts provoked by climate change or continued dam construction along the upper Euphrates and Tigris rivers in Syria and Turkey.

Regarding insecurity and political uncertainties, the weak rule of law and high levels of corruption have further damaged the already crippled economy. Most importantly, the country lacks the legal security, a strong civil society, a vibrant media and active pressure groups, which could influence and shape politics.

Decades of authoritarianism have hampered Iraqi civil society's engagement, with a slightly better picture in KRI civil society organizations (CSOs), which were established after achieving autonomy following the 1991 Gulf War. After 2003, CSOs also mushroomed in other parts of the country, albeit with little professionalism and little effectiveness. However, as popular partners for external donors, they attracted important funds which then, due to a lack of control structures, fueled corruption. Islamic charities can be seen as an exception; they are often the only source of support for people in serious need.

Nevertheless, there is a steady, albeit slow rise in the power of NGOs in the country. International organizations and INGOs often work through local NGOs to deliver

Structural constraints

9



1

Civil society traditions

8



1

humanitarian aid, capacity-building courses, develop leadership, facilitate peacebuilding, and encourage tolerance and coexistence. The growth of civil society can also be seen in the spread of protest movements, such as the Basra protests, and the increasing use and access to social media in the country.

Following the liberation of the Sunnis areas that were under the IS group's control, the intensity of the conflict in the country has significantly decreased. However, a conventional war took place between the PMF, the Iraqi army and the Kurdish forces following the Kurdish referendum in September 2017. The war was especially intense in Kirkuk, south of Erbil and in the Zummar area near Sinjar. In mid-October 2017, the Iraqi forces re-established control over the city of Kirkuk and most other disputed areas. Clashes ceased after the KRG agreed to suspend the results of the independence referendum. Currently, relations between the federal government and KRG have improved significantly. Consequently, the KRG received its regional budget in 2018 and the Peshmerga are currently paid from the federal defense budget, which was one of key sources of tension between Baghdad and Erbil.

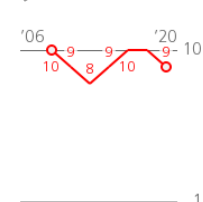
On the other hand, the PMF continue to pose a threat to security. The Shi'a militia continues to conduct low-intensity operations in Sunni areas. Militants are deployed as part of various counterinsurgency or peacekeeping operations against any possible subversive act of the IS group. As a result, there are persistent reports of human rights violations in these areas, including war crimes, unlawful killings, torture and the enforced disappearance of civilians. These operations seemingly aim to "purify" areas previously controlled by the IS group.

## II. Governance Performance

### 14 | Steering Capability

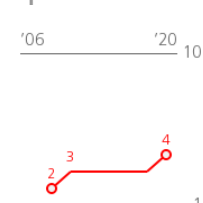
Since oil makes more than 90% of government revenue, the federal government prioritized oil production and recovery. In the 2018 budget, the government announced it will export 3,888,000 barrels per day. The government's first expenditure priority is the reconstruction of areas liberated from the IS group. The federal government is committed to the Agenda 2030 and the National Development Plan for 2018. The World Bank reported in 2018 that the federal government had committed to substantial efforts to support "short and medium-term reconstruction needs, spanning various sectors and different areas of the country." The federal government has "endorsed the reconstruction and development framework (RDF)," which aims to reconstruct liberated areas "forging a renewed social contract based on citizen-state trust and sustainable developments and reforms." The federal government has prioritized tackling corruption and improving the supply of

### Conflict intensity



### Question Score

### Prioritization



electricity and water. However, the question of who should administer the newly liberated areas and how to guarantee long-term security remains unresolved. The PMF remains the federal government's primary counterinsurgency force, but there is a significant likelihood that the PMF will continue to violate human rights.

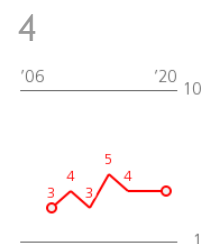
Other key issues that need addressing include tackling poverty and improving relations between the federal government and the KRG following the Kirkuk crisis in October 2017.

Iraq lacks the institutional powers that could act as a check on executive power. The former prime minister Nuri al-Maliki personalized power under his leadership, which weakened the already fragile state institutions built after the 2003 war. Al-Maliki and his successor, Haider al-Abadi, centralized power in their hands and inner circle, violating the spirit of the constitution. Al-Maliki also failed to meet the objectives of his anti-corruption campaign. This, among other things, prevented the development of institutions at the regional level, and undermined communication between the federal government and the provinces. Due to poor communication and coordination, state projects have often been left unimplemented. Furthermore, the nature of forming cabinet coalitions, and the level of violence and insecurity has delayed the implementation of projects and undermined policy-making across the country. Thus, despite the removal of the existential threat posed by the IS group, public discontent is rising, especially in the south. The government has often shown an inability to implement policies.

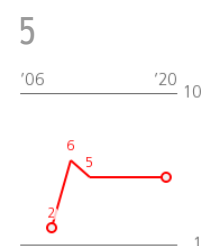
It is clear that the new prime minister, Adel Abdul-Mahdi, has learned from the mistakes of his predecessors. Abdul-Mahdi has already made significant efforts to improve relations between Erbil and Baghdad. For the first time since 2003, the Ministry of Education issued a decree in early 2019 that requires the Kurdish language to be taught in Arabic areas of the country.

Public opinion polling conducted by al Mustakella for Reseach (IIACSS) indicates that the Sunni population of Iraq is optimistic about the future of the country, perhaps for the first time since 2003. However, the country's security and political future remains uncertain, and dependent on regional and domestic stability. Having not fully recovered from the 2003 collapse of the state and the war against the IS group, the country remains sensitive and fragile to external shocks and domestic threats.

#### Implementation



#### Policy learning



## 15 | Resource Efficiency

The politics of proportionality and country's system of consensus democracy introduced in 2003 undermines governmental efficiency. The former prime ministers al-Maliki and Abadi violated the constitution by centralizing government decision-making around themselves, which increased tensions and led to conflict. Within this atmosphere, the country lost an opportunity to develop strong federal institutions. Instead, the country continues to suffer from large, opaque networks of patronage and nepotism, which take advantage of the absence of the rule of law and institutionalized policies.

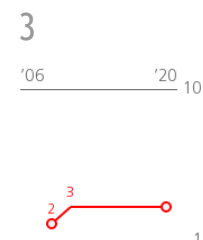
In terms of economy, the country remains heavily dependent on the oil sector, which makes the country vulnerable to volatility in international oil markets. The government's main priority has been to develop the oil sector. However, in doing so, the government has neglected non-oil sectors, which has impeded the sustainability of the country's economic development. Even in the oil sector, the government has mismanaged the oil market, with the government unable to take advantage of increasing oil prices to develop a stronger and more diverse economy.

Finally, the country continues to suffer from high public expenditure. Over 42% of employees work in the public sector. This is a significant burden on public expenditure. The private sector is fragile and small. It is predicted, however, that the private sector and foreign investment will increase in parallel to gradual improvements in the country's security situation following the defeat of the IS group.

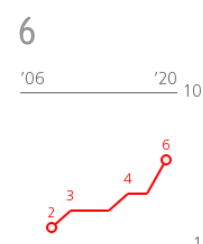
Effective government coordination was largely absent under former prime minister Nuri al-Maliki and to a lesser extent under Abadi. Yet, policy coordination among the different political actors is gradually improving under the new premiership of Adel Abdul-Mahdi.

Indeed, there has been far more cohesion among political actors in recent years, mainly because of the necessities of the war effort. The Council of Ministers is the primary body that ensures that executive decisions are made by consensus and, since most political actors are represented within the council, one can say that there is fairly good coordination. Another constructive indicator has been the passing of the annual budget, which involved a lot of horse trading within the CoR, although the actors eventually came to an agreement. There are competing policy priorities, but one of the goals is to ensure the survival of political elites as a collective.

Efficient use of assets



Policy coordination



The previous anti-corruption campaigns of the former prime minister Abadi ended with little result, despite the popular demonstrations that supported the campaign – backed by the prominent Shi'a leader Muqtada al-Sadr. While political will exists at the highest levels, corruption is structural and endemic, meaning that piecemeal attempts to tackle corruption are often ineffective and are obstructed by vested interests.

The new cabinet of Abdul-Mahdi is willing to open thousands of corruption cases, including cases of alleged war crimes, human rights violations and kidnapping, and (most importantly) concerning the fall of Mosul. The government is also willing to investigate dubious arms deals and several deals involving the former health minister, including the “Malaysian shoe deal.” In doing so, Abdul-Mahdi is willing to open a Pandora’s Box, because these cases involve prominent and influential political and security leaders. Abdul-Mahdi formed the Anti-Corruption Supreme Council in the first weeks of his premiership. He stated that “the objective of restructuring the council is to take deterrent measures and unify the efforts and regulations to detect corruption and protect the public money.” He pledged to treat corrupt people as no less dangerous than terrorists.

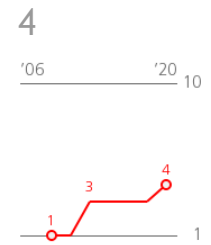
Yet, given the involvement of high-level actors in Iraq’s widespread corruption, many fear that he will fail in a similar way to his predecessor al-Abadi, who had named the fight against corruption as one of his top priorities. The controversial Amnesty Law 27/2016 might speak in this direction, as it opened the door for hundreds of convicts to be released from prison, including prominent inmates.

## 16 | Consensus-Building

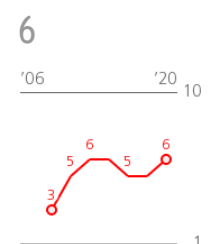
Most political actors agree on democratic practices to be the most suitable political model for Iraq. However, this does not mean that influential actors nonetheless frequently break the rules in order to increase their personal benefits. Political differences exist regarding fundamental aspects, such as civil liberties, secularism and the use of violence for political means. The new government is seen to be on the more progressive side of the political spectrum and seems more committed to democratic principles and a balance of power between the different parties on the basis of consensus democracy. The new movement has already achieved rapprochement with the KRG, something that was seen as impossible following the Peshmerga-PMU clashes following the September 2017 Kurdish referendum.

Likewise, all political actors support the market economy in Iraq. However, weak institutions and a lack of accountability allow corruption to thrive. Wealthy businessmen and influential policymakers alike are involved in crony capitalism. Thus, there is a sense of elite capitalism in which influential politicians have a monopoly over trade and business in the country. Official auditing is circumvented through informal power networks. Except for some actors (e.g., the Communist Party or the trade unions), no vocal criticism is voiced.

### Anti-corruption policy



### Consensus on goals



The defeat of the IS group was one of the biggest boosts to democracy and the democratic forces in the country. The danger posed by the IS group and the collapse of the army in Mosul in summer 2014, however, led to the spread of non-state armed actors, which undermines democracy. The PMF pose a threat to democracy in the country, as it has been accused of committing war crimes and pursuing a policy of ethnic cleansing in Sunni areas under the pretense of counter-terrorism operations.

Some of the leading political coalitions, including Saairun and Fateh, often engage in populist politics as a means to broaden their support base. Often, this can run contrary to the imperatives of reform and stifle democratization. Widespread electoral fraud during the 2018 parliamentary elections is a dangerous indicator of powerful forces seeking to manipulate the political process from within.

Through the use of force, al-Abadi's efforts to manage the conflict with the KRG following the Kurdish referendum led to the Kirkuk crisis in October 2017. Abdul-Mahdi, on the other hand, has proven to be more skillful in realizing the fundamental goals of his government through dialog. His efforts, along with those made by the Kurdish leadership, have maintained the integrity of the country, and decreased tensions between Kurds and Arabs in the country. It is clear that Abdul-Mahdi is skilled in conflict management, not only at the domestic level but regionally as well. Through dialog and active diplomacy, he has opened channels with Saudi Arabia without antagonizing Iran and maintained good terms with Iran without antagonizing the United States. He has often stated in the media that Iraq is the only player on the chessboard that can talk with everyone.

The involvement of civil society organizations (CSOs) in politics remains weak due to a lack of will among authorities to open up to the public. If at all, CSOs serve as service providers, for example, facilitating elections, corruption monitoring or training. They are weak in other political and security fields.

However, CSOs have been able to play a critical role in sensitive cases. For example, CSOs ensured that the CoR did not support the draft of the Ja'afari Personal Status Law, which was approved by the Council of Ministers in February 2014 and would have permitted child marriage from the age of 9. In a similar move, mass protests prevented another attempt to amend the Personal Status Law in 2017.

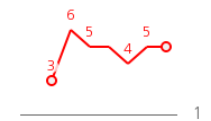
The Iraqi Civil Society Solidarity Initiative (ICSSI), established in 2003 in opposition to the U.S.-led war, runs activities that address various issues, such as conflict resolution, gender equality and environmental protection.

There are several other education and religious institutes that play an NGO role (e.g., the Center for Peace Studies at Duhok University or the Assyrian Church). These institutions have been working to promote reconciliation, peace and dialog among the different ethnoreligious and sectarian communities in Iraq.

Anti-democratic actors

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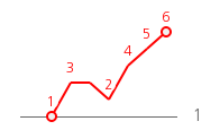
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Cleavage / conflict management

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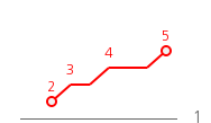
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Civil society participation

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Along with corruption, facilitating national reconciliation has been one of the biggest challenges facing Abadi and Abdul-Mahdi's governments. Abadi's efforts to promote national reconciliation have aimed to reconcile Iraq's Sunnis with the federal government. Reconciliation in the context of Iraq requires transitional justice. The de-Ba'thification law, which was adopted by the Coalition Provisional Authority (CPA), was a form of punishment. Indeed, many of the actions taken were restorative, rather punitive in nature, driven by reprisal and lacking in due process. The law thus led to the rise of the IS group and eventually to other non-state actors that continue to undermine the state of Iraq. Past nightmares involving thousands of alleged war crimes and cases of torture committed by IS group members have come under increasing scrutiny since the 2017 victory over the IS group. And while some alleged IS group members have been fairly tried, the lack of judicial integrity means that potentially innocent people have been subject to unfair trials driven by baseless accusations. At the same time, some defendants may benefit from the controversial General Amnesty Law 27/2016, which aimed to defuse Sunni-Shi'a tensions by making it possible to pardon those whose crimes did not lead to death, rape or disablement. Observers have criticized the law, arguing that it was primarily intended to release corrupt elites from prison. In fact, some have had no fair opportunity to defend themselves, while others have been spared punishment entirely.

Furthermore, the PMF has conducted atrocities against civilians. Such misguided counterinsurgency operations and violations of human rights to erase threat of the IS group could, as the Washington Post argued in a 2019 article, lead to the rise of the group again.

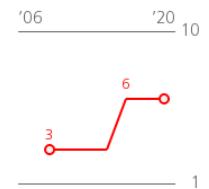
## 17 | International Cooperation

Iraq is working with international partners to implement international laws and conventions related to combating terrorism, the financing of terrorism and money-laundering. The country has been an active member of the international coalition against the IS group, the International Coalition for Operation Inherent Resolve. Iraq's central bank has cooperated in freezing the capital of several individuals and companies suspected of money-laundering activities and association with extremist groups.

Iraqi armed forces have undertaken intensive counter-terrorism training led by Western combatants, especially the U.S. army. The Iraq-NATO cooperation training program, signed in 2012, is ongoing and, in 2018, NATO Secretary-General Jens Stoltenberg pledged to expand the training mission to help post-conflict reconstruction. Similarly, the KRG's Peshmerga have received training from the United States, Germany and the United Kingdom. The Peshmerga training programs led from efforts by international partners to professionalize and unify the Kurdish forces, which have traditionally been divided between the KDP and PUK factions.

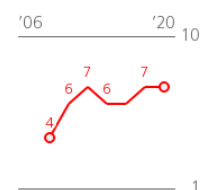
### Reconciliation

6



### Effective use of support

7



A significant international cooperation effort including international humanitarian and development organizations (e.g., U.N.-affiliated organizations) to manage IDPs and the refugee crisis (e.g., access to health care, education and development) in the country. Practical problems for international cooperation were exacerbated by the temporary closure of the two international airports in the KRI, Erbil and Sulaimaniya, following the 2017 Kurdish independence referendum. These closures seriously disrupted international flights to the European Union, which cannot be reached by direct flight from Baghdad at present.

Although Iraq lost international credibility as the IS group occupied vast areas of Iraq in 2014, the country has rapidly regained international trust and credibility following its war against the IS group, especially the Kurdish Peshmerga. The Peshmerga defeated the IS group in the city Sinjar. This was the first significant defeat for the IS group and marked the beginning of the IS group's collapse. Indeed, the battle of Sinjar demonstrated that the IS group could be defeated – a perception that had not existed prior to the battle.

The defeat of the IS group in 2017 increased the international community's confidence in Iraq that the country could fight terrorism. The country has received international loans and assistance for rebuilding projects in the country's post-IS group era. All this indicates the (gradually) increasing trustworthiness of Iraq in the international arena. The federal Ministry of Planning, among other federal ministries, and the KRG enjoy strong global networks of cooperation with international actors, which will be advantageous for the country moving forward.

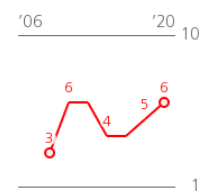
Iraq is a member of various regional organizations, such as the League of Arab States, the Organization of the Petroleum Exporting Countries, the Organization of Islamic Cooperation and the Council of Arab Economic Unity. Among its neighbors, Iran remains the staunchest supporter of the Iraqi government.

In the fight against the IS group, Iran sent hundreds of military advisers and ground troops to fight the IS group, supporting the Iraqi army and the PMU inside Iraq. Within the Arab sphere, Bahrain, Jordan, Qatar, Saudi Arabia and the United Arab Emirates were among Iraq's neighboring countries that participated in the U.S.-led air campaigns against the IS group. Furthermore, the Gulf Cooperation Council (GCC) countries, particularly Saudi Arabia and Kuwait, have recently shown a strong commitment to help Iraq's reconstruction plans in the country's post-IS group era. Saudi Arabia and Kuwait have also announced that they could provide Iraq with electricity in the future.

In addition, Turkey's relationship with Baghdad has vastly improved, partially in response to the federal government's response to the Kurdish referendum. Turkey's ambassador is very active, Turkish exports and commercial exchanges in Iraq are visible, and negotiations are underway to bolster crude exports via a pipeline through the seaport of Ceyhan in southern Turkey.

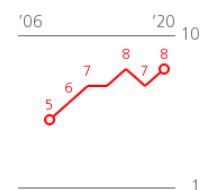
#### Credibility

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#### Regional cooperation

8



## Strategic Outlook

The Islamic State (IS) group appears to have been defeated, and rapprochement between Baghdad and Erbil has been achieved after relations deteriorated following the 2017 Kurdish independence referendum. However, a number of challenges for Iraq remain. Insecurity and political instability remain widespread, and provisions for the two million internally displaced people (IDPs) in Iraq remain insufficient – although the number of IDPs has declined from a peak of six million during the IS group’s rule of terror. The country still needs to undergo a process of reconciliation, while there is rampant corruption, the economy is weak, unemployment and poverty are high, and access to basic services is limited.

With the recent shift from inter- to intra-ethnosectarian cleavages, the country is paralyzed. Without a functioning civil society and ineffective political institutions, power will most likely remain in the hands of the same post-2003 political elites, who shaped the country’s post-2003 politics based on their own personal rather than national interests.

The current situation is an ideal breeding ground for capital crimes, with murder rates having reached terrifying heights. Though the new prime minister, Adel Abdul-Mahdi, has undoubtedly learned from the mistakes of his predecessors, the prospects of him failing to achieve his goals remain high, especially given the state’s lack of a monopoly over the use of force. Here, the growing influence of the PMF is of particular concern.

Thus, a key challenge for the future will be to achieve security in the former militia-controlled territories. Given the PMF’s broad popular support, especially among Shi’ites, even Adel Abdul-Mahdi has provided financial support to the PMF. Therefore, the likelihood that Iraq’s professional army will become the sole actor in the country remains improbable in the short- to medium-term.

Iraq’s collective memory has still not recovered from the IS group experience, and it will require major financial resources to rebuild and emotional efforts to reconcile the country. The prospect that the IS group could make a comeback is still in the minds of many, for which political inclusivity needs to be the prime governance strategy in post-IS Iraq.

The route to reconciliation is delicate. Although it will require transitional justice, after thousands of war crimes and torture cases have been committed, reconciliation in post-IS Iraq must not repeat the mistake of the de-Ba’thification law that was introduced following the 2003 war, which was implemented as a form of collective punishment rather than aiming to facilitate a sustainable peace process. Trials of suspected IS group members in Iraqi courts must be fair and follow proper legal processes to avoid a possible resurrection of the group again.

Thus, the juridical system needs to be immediately strengthened. Without efficient and trustworthy judicial institutions, the social contract between the state and its citizens is always under threat.

The government has already put forward a national strategy of reconstruction in areas damaged by the IS group, including the reconstruction of homes for the nearly four million IDPs who have returned home. Meanwhile, the well-being of the remaining two million IDPs should be a key priority for the government. Iraq's population of IDPs are in dire need of water and electricity, and proper sanitation, but also education and health care services. Schools and hospitals will need to be refurbished.

Economically, Iraq must proceed in its efforts to promote economic diversification and reduce the economy's dependence on oil-based industries, while also stimulating the private sector and modernizing the banking system. Iraq is currently in a very sensitive moment in its history. Following the shocking IS group experience, there is now the chance to gradually rehabilitate the country and heal the society.