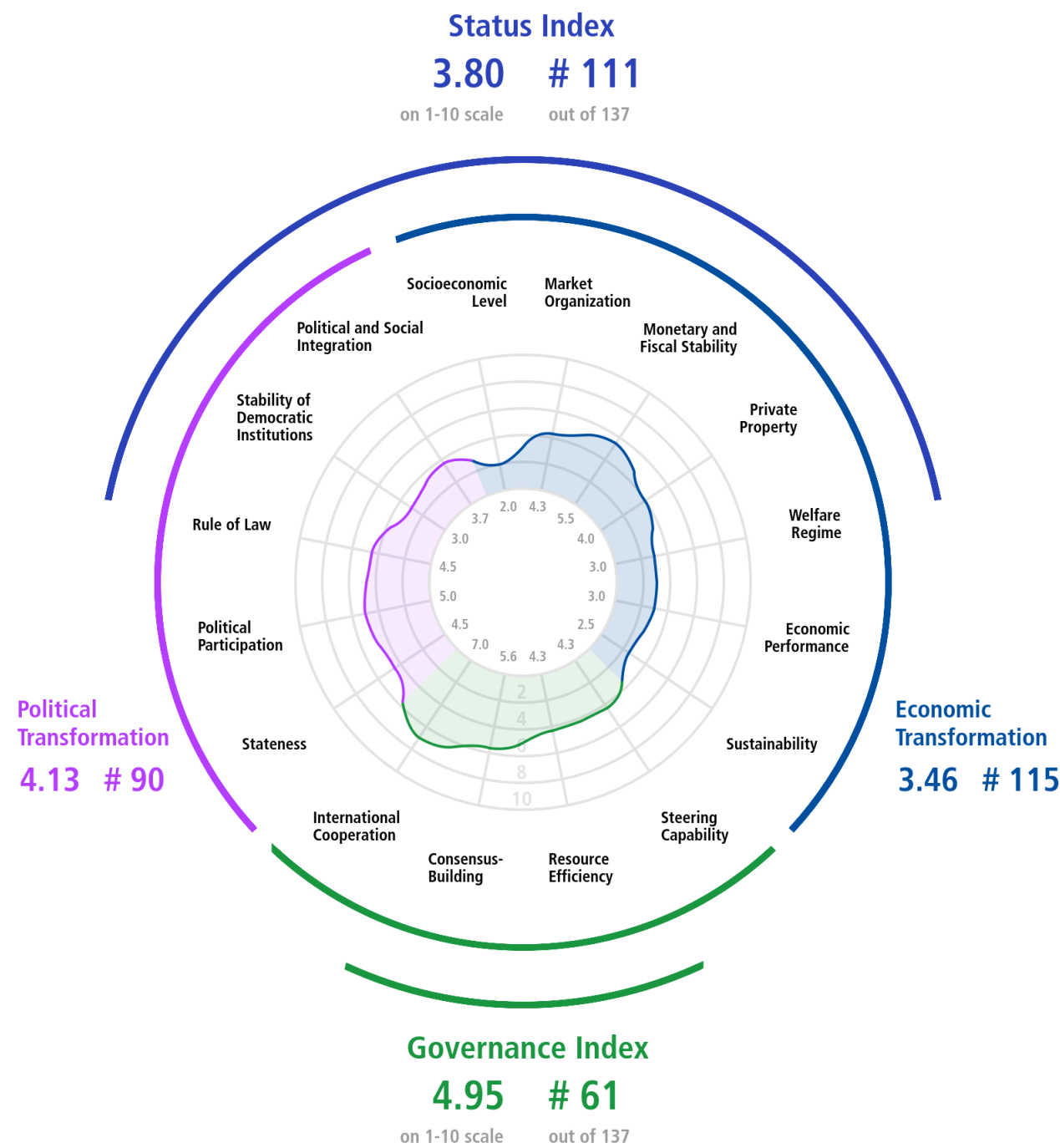


Flygtningenævnets baggrundsmateriale

Bilagsnr.:	1437
Land:	Irak
Kilde:	Bertelsmann Stiftung
Titel:	BTI Country Report 2021
Udgivet:	23. februar 2022
Optaget på baggrundsmaterialet:	16. juni 2022

Iraq



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Iraq. Gütersloh: Bertelsmann Stiftung, 2022.

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Key Indicators

Population	M	40.2	HDI	0.674	GDP p.c., PPP \$	9764
Pop. growth ¹	% p.a.	2.3	HDI rank of 189	123	Gini Index	29.5
Life expectancy	years	70.6	UN Education Index	0.557	Poverty ³	14.8
Urban population	%	70.9	Gender inequality ²	0.577	Aid per capita \$	56.3

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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

Following major protests demanding reform in October 2019, the Republic of Iraq witnessed, amidst the COVID-19 pandemic, the formation of a provisional government in May 2020, under former intelligence chief Mustafa al-Kadhimi as the new prime minister. He promised to strengthen the state's power, end corruption, and meet the demands of the protesters. New elections were initially announced for June 2021, but were rescheduled in January 2021 to October 2021.

Al-Kadhimi enjoys international support from the U.S., other Western powers and, with the exception of Iran, the regional powers too. However, his government faces severe challenges that undermine its capacity, most prominently a financial crisis, partly resulting from the global drop in oil prices, and the strong presence of non-state armed militias on the political scene.

Iraq has a population of approximately 40 million and recorded its first case of COVID-19 in March 2020. As of January 14, 2021, Iraq confirmed 605,416 COVID-19 infections and 12,915 deaths, according to the World Health Organization (WHO). There have been no vaccinations at the time of writing.

The state's overall feeble administrative capacity was exposed by its response to the COVID-19 pandemic. People's attitude toward the government further deteriorated due to this mishandling of the pandemic, including scarce supplies of oxygen in hospitals, increasing prices of hygiene products and masks, and the government's inability to secure alternative sources of income.

Personal rights and civil liberties are seriously violated on a daily basis. The assassination of Popular Mobilization Forces (PMF) deputy chief, Abu Mahdi al-Muhandis, and Qasem Soleimani, the head of the Iranian al-Quds forces, in January 2020, triggered a parliamentary resolution demanding an end to the presence of the international coalition forces in the country.

The fragile security situation has weakened further, as attacks by the Islamic State (IS) militia occur with increasing frequency because of the limited military operations of the coalition forces.

The U.S. army's role is currently limited to training and advisory duties. Iran's interference in Iraq's domestic affairs has increased. An estimated 100,000 armed militia loyal to the Islamic Republic is based in Iraq.

The government is incapable of mitigating the country's economic difficulties because of its heavy dependence on oil revenues and the weakness of the private sector. Poverty has increased dramatically during the pandemic and the estimated 1.2 million internally displaced persons (IDPs) are particularly affected. These people were displaced by the IS presence in an extensive area of the country, especially in the Western province of Anbar, and are still residing in the numerous refugee camps scattered across the country. An additional 4.1 million people are considered to be in acute humanitarian need. Thus, reconciliation remains one of the biggest challenges facing Iraq, along with the environmental challenges that pose a major threat to health and food security for millions of deprived Iraqis.

History and Characteristics of Transformation

Confounding initial hopes, the end of Saddam Hussein's notorious Ba'th regime in 2003 did not bring peace and prosperity to Iraq. His long-standing dictatorship had held the country together with an iron fist since his ascendance to the presidency in 1979. It ruined the country's economy and political relations through major wars with Iran (1980 – 1988), Kuwait (1990 – 1991) and its own Kurdish population (especially the "Anfal" gas attacks in 1988). However, the Ba'th regime was replaced by sectarian violence and an unprecedented wave of terrorist attacks. The Sunni elite, which had profited from the Ba'th regime, opposed the post-2003 political process, in which political power shifted to the Shi'ites to reflect the fact they comprised 60% of Iraq's population. There was also a cementing of Kurdish autonomy in the northern Kurdistan Region of Iraq (KRI). Many Sunni-dominated cities boycotted the 2005 legislative elections and the public referendum on the new 2005 constitution. The uncompromising de-Ba'thification process left thousands of former civil servants unemployed. This prompted the Sunni armed opposition to begin its insurgency a few months after U.S. troops had occupied the country. With the help of foreign jihadis, with particular support from the Syrian regime, they turned against Iraq's Shi'a community in an attempt to inflame sectarian violence.

The bombing of the holy al-Askari shrine in 2006 unleashed a wave of sectarian violence, eventually triggering a U.S. military surge in 2007 that saw additional U.S. troops sent to Iraq. The parallel Sunni Awakening, a movement among Sunni tribes to fight the foreign jihadis, helped to decrease sectarian tensions and establish a period of relative security in Baghdad and the Sunni areas. President Obama's decision to withdraw U.S. troops in 2011 however reignited sectarian tensions, which were further fueled by then Prime Minister Nuri al-Maliki. The

sectarian and centralized policies of al-Maliki's administration provoked Sunni and Kurdish dissatisfaction alike. Instead of meeting the demands of sit-in protests in cities such as Ramadi, Fallujah, Samarra, Mosul and Kirkuk, the government ordered a crackdown on these protests, detained thousands of predominantly Sunni protesters, and accused them of terrorism.

In this electric atmosphere, the Islamic State (IS) group was able to successfully recruit, especially from amongst the Sunni youth, and took an increasing hold in Sunni areas around Mosul, Iraq's second-largest city, from 2014 onwards. Four military divisions of the Iraqi armed forces were routed during the operation. Leading Shi'a clergymen issued a fatwa calling on Iraqis to join forces in fighting the IS. This led to the emergence of the Popular Mobilization Forces (PMF). In a joint effort with the coalition forces and Kurdish troops, the PMF eventually succeeded in expelling the IS from broad tracts of territory by December 2017. This ended three years of IS terror in an area covering almost one-third of Iraq, that saw unbearable crimes against humanity with the murdering of tens of thousands of civilians, the expulsions of hundreds of thousand, and a genocide against Iraq's Yazidis.

In 2017, and against the wishes of the central government in Baghdad, the Kurdistan Regional Government (KRG) held a referendum on the KRI's potential independence. While the majority of the Kurds voted in favor of independence, the referendum was rejected by the majority of Western and regional powers, and no further steps toward formal independence have been undertaken since.

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 government lacks a complete monopoly over the use of force across the country despite the change of premiership in May 2020 that saw the former intelligence chief Mustafa al-Kadhimi as new prime minister. Although al-Kadhimi vowed to confront the various non-state armed groups and strengthen the state's power, his successes have been limited.

State control over Iraq's full territory is compromised by the dominance of the Popular Mobilization Forces (PMF), the remaining IS fighters, the Kurdistan Workers' Party (Partiya Karkerên Kurdistanê, PKK), a number of tribes, clans and militias, and finally the military interventions of regional powers, especially Iran, Israel and Turkey.

The state's security was weakened further by the seven-month period of stalemate between the resignation of former Prime Minister Adil Abdul-Mahdi in November 2019 and the eventual approval of al-Kadhimi's provisional cabinet. During this political vacuum, the assassination of the PMF deputy chief Abu Mahdi al-Muhandis, along with Qasem Soleimani, the head of the Iranian al-Quds forces on January 3, 2020, near Baghdad airport by a U.S. drone strike, led to mass anti-U.S. protests on the streets and the subsequent approval of a law by the Council of Representatives of Iraq (CoR) demanding the full withdrawal of foreign troops from Iraq. The law was approved by only 170 present deputies (out of 329 in total) in the absence of all Kurdish and most Sunni deputies, who objected to the exit of U.S. forces from the country.

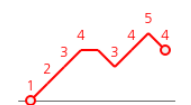
The economic losses provoked by the COVID-19 pandemic further harmed the government's counter-terrorism capabilities. In consequence, IS attacks increased during summer 2020. The group was able to expand its territorial control in some of the Sunni areas in the north and middle of the country. U.S. reports indicate that there are currently some 10,000 IS members still active in the desert areas between

Question
Score

Monopoly on the
use of force

4

'06 '22 10



Syria and Iraq, plus existing sleeper cells capable of waging low-level terrorist operations. In urban areas, the group is active in Kirkuk, Diyala, and Salah al-Din provinces. In January 2020, the group claimed responsibility for its first attack in Baghdad in three years. The suicide attack left 32 dead and 73 wounded.

Previously IS-held territories, and the Shi'a-dominated areas in southern Iraq, are now under the command of the federal forces and the PMF. This state of affairs also applies to the disputed areas along the border with the KRI.

In the KRI, the Kurdish forces exercise a monopoly over the use of legitimate violence in urban areas. PKK operates illegal checkpoints in the border areas within the KRI, especially the Sinjar mountains, and they often impose taxes on citizens, including farmers and livestock owners. After the IS threat receded, KRG peshmerga troops began attempts to push out the PKK from the region. Tensions escalated after the assassination of a Kurdish border official allegedly by the PKK. Meanwhile, PKK continues its attacks on a key pipeline and against Peshmerga soldiers.

KRG and the federal government in Baghdad reached a security agreement on Sinjar in October 2020. In order to expel PKK fighters, the central government aims to establish a new armed force recruited from the local population.

The PMF, a state-sanctioned institution, has become hugely influential after the successful fight against the IS, the Israel-Iran escalation and the U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA, "nuclear deal") with Iran in 2018. Since mid-2019, PMF military bases have been subjected to attacks by unmanned Israeli jets. These attacks form part of Israel's efforts to undermine Iran's proxies in the region.

As a retaliation, factions within the PMF that enjoy close ties with, and support from Iran (44 of the total 67), vowed to attack the U.S. troops (Israel's prime ally) still stationed in the country. The Iraqi government informed the U.S. of its incapability to stop PMF attacks against the U.S. forces. Indeed, the number of PMF katyusha rocket attacks on the U.S. embassy and the Green Zone in Baghdad has drastically increased since December 2019. The assaults also include several attacks on Camp Taji – a base jointly used by the U.S. and the Iraq army – and an American base near Baghdad airport. Further attacks occurred against the U.S. forces stationed near Erbil airport in October 2020.

The attacks by some factions within the PMF against people participating in protests in Baghdad, Najaf, Basra, Nasiriyah, and elsewhere in the south of Iraq that began in October 2019 are yet another example of how powerful the formally state-controlled militia is. The attacks have so far left 669 dead, and thousands injured and arrested.

The PMF continues its oppressive practices in Sunni areas. For example, in the city of Mosul, the “PMF Babylon” and “Shabak Hashd” indiscriminately harass, intimidate, and arrest Sunni civilians. Some PMF factions are also accused of the 2020 “Farhatiyah” and “Khailaniyya” massacres in Salah al-Din and Diyala, respectively.

Another unresolved threat to the state’s monopoly on the use of force are the unknown light and small weapons (up to short-range missiles) possessed by tribes in Iraq, particularly in southern cities and the capital Baghdad. All seven successive cabinets have failed to disarm the clans and tribes.

Finally, Iraq has been unable to prevent Turkish and Iranian military operations on Iraqi soil, including the pursuit of the PKK and other Iranian Kurdish opposition groups. Turkey operates over 40 military points in Iraqi Kurdistan and has a full military base in Bashiqa near Mosul. Turkey has been bombarding Iraqi soil as part of its joint Claw-Eagle and Claw-Tiger operations against the PKK in the Qandil Mountains, Sinjar, and Makhmur. Similarly, Iran has been shelling the Qandil Mountains, an attack believed to be coordinated with Turkey.

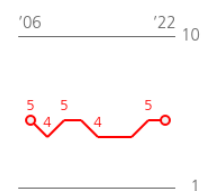
Allegiance and political affiliations in Iraq are primarily based along religious lines. According to 2015 estimates by the European Parliament’s Research Service, Iraq’s population comprises 15 million Shi’a Arabs, 9 million Sunni Arabs, 4.7 million Kurds, 3 million Turkmen, 1 million Afro-Iraqis (mainly of Shi’a confession), 500,000 Assyrians, Armenians and Yazidis respectively, 250,000 Shabaks and several other smaller communities. The federal system of 2005 failed to unify these different groups within a legal system. Even at the subnational level, further division along more local identifies exist.

The country is witnessing a possible shift from an identity based on political Islam to a more civil/secular identity, as Islamist parties continue to lose popularity. However, this does not mean that the overall power-sharing system will change. The existence of militias maintained by almost all dominant political forces will prevent any substantial alterations to the post-2005 power-sharing agreement, by force if necessary. Actors who subscribe to religious ideology have already been accused of being behind the repressive policies targeting the October 2019 protesters, which include hundreds of kidnappings and killings. The assassination of Hisham al-Hashimi on July 6, 2020, a specialist in radical groups – and the person who exposed the pro-Iranian factions within the PMF, their structure, and tactics – is just one sad example. The run-up to the 2021 legislative elections may well see assassinations and kidnappings increase.

A 2019 report by the Norwegian Refugee Council revealed that approximately 45,000 displaced children born during IS rule do not have official birth certificates and are thus at risk of being excluded from Iraqi citizenship, which would likely limit their access to education and health care.

State identity

5



Post-2003 Iraqi power-sharing is tacitly based on sectarian and ethnic lines and the religious establishment clearly interferes in Iraqi politics, especially the Shi'a religious establishment. The creation of the PMF was based on a fatwa (religious verdict) of the Shi'a Higher Religious Authority (al-marja'iya al-diniya) in Najaf. Although the marja'iya supported the October 2019 protests, there is a public rupture between political Islam and the increasing popularity of a more secular politics. The majority of communities, including Sunni groups, desire moderate Islamic teachings instead of fundamental jihadi preaching.

In KRI, religious interference in politics is largely nonexistent. The Ministry of Endowment & Religious Affairs, to which representatives of different religions are affiliated, collectively manages religious affairs.

Sunni and Shi'a religious institutions play a positive role in containing the COVID-19 pandemic. They advised followers to abide by the government's confinement measures and avoid gatherings. They also supported the government's decision to close mosques. Grand Ayatollah Ali al-Sistani announced that fighting the COVID-19 pandemic was a collective responsibility.

Al-Kadhimi's provisional government, caught between security challenges, the COVID-19 pandemic and strained budgets after the drop in oil prices, has been unable to improve the state's feeble administration. Fundamental services remain insufficient, such as the 24/7 provision of electricity and water.

In an attempt to reduce government responsibility for the electricity sector, al-Kadhimi proposed to sell Basra electricity stations to a local private company based in the KRI. While only a few MPs rejected the proposal, no reliable information was available at the time of writing about the actual privatization.

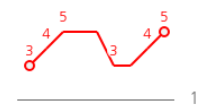
The provision of basic services is particularly patchy in areas that were formerly under IS control. There are still no reconstruction plans for areas that have been destroyed by fighting. In the south, public dissatisfaction erupted in October 2019 in the form of major protests, with protesters demanding basic services and the immediate end to corruption.

Public discontent with the federal government reached its highest levels in light of the government's mismanagement of the COVID-19 pandemic. While the government was relatively successful in imposing a comprehensive lockdown, it lacked the capacity to trace, test, and treat COVID-19 cases. Hospitals, still suffering from years of wars and the international sanctions against the Saddam Hussein regime, were overwhelmed, particularly by the second wave of COVID-19 in winter 2020/2021. The pandemic has also had a negative impact on wages, services, and household welfare.

No interference of religious dogmas

5

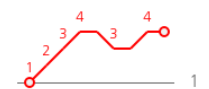
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Basic administration

4

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The influx of refugees from Syria has placed extra weight on the KRG. With budget issues unresolved with the federal government, and the economic challenges posed by the COVID-19 pandemic, the KRG cut the salaries of a significant number of civil servants by approximately 21% – causing further social discontent and protests in 2020. However, the administrative capacities of the KRG remain relatively better in comparison to the rest of the country.

2 | Political Participation

Iraqis vote every four years for their national and regional representatives in elections that are coordinated and controlled by the Independent High Electoral Commission (IHEC). The Council of Representatives (CoR, 329 seats) selects a ceremonial president who names the prime minister from the largest bloc inside the CoR. The prime minister serves a maximum of two four-year electoral terms. The CoR also elects the state president, with a two-thirds majority.

The most recent federal elections were held in May 2018. While they were conducted in an overall satisfying manner, there were reports of cases of fraud and manipulations. After the resignation of the former government, al-Kadhimi's interim government announced new elections for June 2021, but decided in January 2021 to postpone them to October 6, 2021, allegedly due to the bleak re-election prospects of some influential decision-makers. Given the high polarization between the different political actors, fraud and manipulation, and potentially open violence, are expected to occur before, during and after the elections.

In the KRI, the last parliamentary elections, held in September 2018, returned a majority of seats for the Kurdistan Democratic Party (KDP) for the first time since Kurdish autonomy in 1992. KDP representatives have dominated politics in the region ever since: Nechirvan Barzani, nephew of veteran leader and former president, Masoud Barzani (2005 – 2017), became the president of the KRI, and Masrour Barzani, Masoud's son, became prime minister.

Elections of state governors, planned for 2018, have been repeatedly rescheduled and eventually postponed indefinitely in November 2019. They shall now be held only after the next federal elections have produced a new regular parliament. Kirkuk, the city at the center of a dispute between the KRG and the central government, has not held provincial council elections since 2005.

Following the October 2019 protests, the CoR passed a new election law that allows for the nomination of candidates outside political lists (independent candidates). The law also rules that each nominee may represent a certain electoral district within the province. This replaces the requirement that several legislators represent an entire province. This means electoral districts have now become smaller and are represented by approximately four MPs. If properly applied, this law might be a game-changer in the next general elections by bringing new political figures into the political scene.

Free and fair elections

6



While the consensus-oriented post-2003 power-sharing system has indeed struck a sort of power balance between the different social components of Iraqi society, this is only on paper. There is a form of “tyranny of the majority,” since every political issue must pass through the CoR in which Shi’a political parties structurally dominate. Laws are often passed without adequate consideration of the interests of Sunnis, Kurds, and other minorities.

From this perspective, it would appear that democracy in Iraq is deadlocked. With a lack of realistic state policies to resolve diverse interests – such as effective decentralization – Iraq will witness further polarization. The Shi’a political forces can hinder democratic disruption in the future through their voting power inside the CoR. In fact, the political parties and the PMF are already doing so by blocking consensus practices and passing laws inside the CoR. Although the PMF is technically part of the state, it forms its own policies and exercises power domestically and regionally beyond the control of the government.

In the Kurdish parliament (111 seats), tensions between the three dominant parties KDP, PUK (Patriotic Union of Kurdistan) and Gorran (“Change”) have blocked parliamentary proceedings on several occasions.

All Iraqis are granted the constitutionally enshrined freedom of association and assembly. The right to form political parties is organized under law 36-2015. In 2017, the CoR passed a law governing unions and professional associations – a significant step toward more progressive political practices.

Government approval is generally required to hold a public demonstration. In practice, the right to assembly is challenged by some officials – often with links to Shi’a parties – and non-state actors, mostly the PMF. In the KRI, security forces aligned with the Kurdistan Democratic Party (KDP) and Patriotic Union of Kurdistan (PUK) have repeatedly cracked down on public protests. In 2020, dozens of protesters were arrested during protests by teachers.

Those participating in the October 2019 protests faced detention, imprisonment, kidnapping, and killing. Except for the IS terror, these represented the worst repressive measures Iraq has witnessed since 2003.

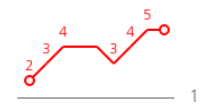
The new prime minister, al-Kadhimi, has disassociated the government from the brutal acts against demonstrators. He has abolished a “law enforcement unit” formed by his predecessor following the October 2019 demonstrations. This unit was responsible for hundreds of acts targeting protestors. That said, the government has been unable to protect protesters from militia attacks and the individual behavior of some officers in the police and the army.

While some COVID-19-related restrictions have interfered with the conduct of protests in Baghdad and cities in the south, this has not involved discriminatory or disproportionate actions on the part of the state. However, discontent with the government remains very high.

Effective power to govern

5

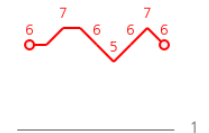
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Association / assembly rights

6

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Iraq is among the world's most dangerous countries for journalists, and freedom of expression is in general at high risk of being violated. According to the Press Defense Association, the years 2019 and 2020 saw more recorded cases of attacks against journalists than the previous years. Reporters Without Borders (RSF) ranked Iraq at 162 in their 2020 World Press Freedom Index, six points lower than its 2019 rank. The explanations for the lower score included several armed attacks, detention, harassment, physical abduction, work prevention, the closure of TV stations (such as the Baghdad office of U.S.-funded al-Hurra TV in January 2020; and NRT in Dohuk and Erbil from September to December 2020), and assassinations by unknown militias.

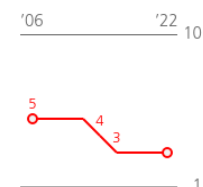
Iraqi journalists risked their lives to cover the October 2019 protests. In summer 2020, a journalist of the local TV channel "Gali Kurdistan" lost his life in the city of Ranya as a result of clashes between protesters and the security forces. The KRG has jailed journalists who covered corruption cases. Investigative journalists have thus started reusing aliases in fear of retaliation from the militias and powerful political elites.

A new law governing freedom of expression, assembly, and peaceful protest has been blocked in the CoR for two legislative cycles. Human rights-based organizations have decried its draft status and demanded major improvements to bring it in line with international standards.

Confinement measures to mitigate the COVID-19 pandemic have been used as another opportunity to put an end to protests across the country, including in the KRI. That said, no internet censorship or the use of a COVID-App as a surveillance tool has occurred in Iraq.

Freedom of expression

3

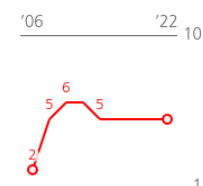


3 | Rule of Law

The separation of powers is compromised by the parallel roles of many decision-makers: some MPs have for instance combined their parliamentary duties with their military activities within the PMF. In general, parliament has adopted a more questioning stance vis-à-vis the government than a controlling one, and the judiciary, albeit constitutionally independent, is too weak to thoroughly wield legal control over political processes. Together this cements the existing unequal power relations between state institutions, which have endured despite the disruption caused by the COVID-19 pandemic.

Separation of powers

5



Following the October 2019 protests, former Prime Minister Adel Abdul al-Mahdi passed decrees without consulting the CoR, such as (i) an allocation of \$1,000 per month for families with no income; (ii) monthly financial allowances of \$125 for the jobless and higher education graduates; (iii) the provision of alternative accommodation options; and (iv) the distribution of land in Basra and Dhi Qar.

Those decrees affecting resource (re)allocation need to be approved by the CoR. Due to the financial crisis, the new interim government cannot deliver on these promises.

Iraq lacks a second chamber (in the form of a federal chamber) to strike a better balance between the regions – especially the KRI – and the federal government in Baghdad.

In KRI, there are challenges to the establishment of a genuine separation of power. The current Kurdistan parliament is not expected to achieve this because political power is closely associated with the elites from the two leading Kurdish clans, Barzani and Talabani.

Iraq's judiciary is divided into three branches: The ordinary judiciary (which includes the Supreme Judicial Council, Court of Cassation, Vice-Chief of the Court of Cassation, Public Prosecution, Judicial Supervisory Authority, and the Court of Appeal), a constitutional jurisdiction (the Federal Court), and an administrative judiciary (Military Judiciary, Courts of the Internal Security Forces, and the Courts of Supreme Judicial Council).

Article 19 of the constitution states that the judiciary is independent and bound only by the law. In reality, however, it has been politicized by powerful political elites and parties. Current Prime Minister al-Kadhimi has successfully depoliticized the judiciary by refraining from interfering in its affairs, and not allowing other political parties to do so either.

However, the judiciary is weak in general, given the overall erosion of the state's power. There are major cases that the courts have yet to resolve, even though lawyers responsible for the cases have complied with all required procedures. These include major frauds concerning international financial transactions, such as the scandal of \$1.2 billion to \$1.6 billion “lost” in Beirut in 2014, or arms and aircraft deals such as with Ukraine and Russia. These cases involve senior state officials and Shi'ite, Sunni, and Kurdish political leaders.

To date the judiciary has been unable to deal appropriately with crimes committed by IS. A January 2020 study by the U.N. Assistance Mission for Iraq (UNAMI) concluded that while trial proceedings were efficient and well-organized in IS-related hearings, basic fair trial criteria of terrorism-related cases were violated. This included “ineffective legal representation,” a lack of “adequate time and facilities to prepare a case,” “limited possibility to present evidence,” an over-reliance on confessions rather than evidence “with frequent allegations of torture or ill-treatment,” and finally a prosecution carried out “under the anti-terrorism legal framework – with its overly broad and vague definition of terrorism and related offences.” To tackle such institutional weaknesses, the CoR is currently discussing the possible formation of special courts to hear IS crimes.

Independent
judiciary

5



An increasing number of public servants and politicians have been held accountable by the courts in reaction to the October 2019 demonstrations, and especially under al-Kadhimi's premiership. This has included travel bans (imposed against Azhar al-Shamari, director of contracts at the Ministry of Planning; Thikra Aloush, former mayor of Baghdad; and Ammar Aaloush, director of Baghdad Water), as well as the issuing of arrest warrants. Among the apprehended were Na'im al-Rubai'i (former minister of communications), Nawfal al-Agoub (governor of Ninevah province), Ahmad al-Saa'di (president of the pension commission), Shaker al-Zamili (head of Baghdad Investment Commission), Adel Khudair (head of the Agricultural Cooperative Bank of Iraq), and Bahaa Abdul-Hussein (director of Qi-Card company which is responsible for public salaries and pensions distribution). Given this balance it is fair to say that Prime Minister al-Kadhimi has tried to implement anti-corruption principles and an overall obedience toward the rule of law arguably more so than at any time since 2005.

Irrespective of their constitutional protection, civil rights are abused regularly by the state, PMF, IS, powerful political parties, and other traditional forces such as the tribes.

The state lacks the power to take sufficient measures to preserve public life. More than that, sectarian identity has become a source of legitimacy and a useful tool to garner votes and mobilize mass support.

The state has also violated the civil rights of its citizens. For example, suspected IS members still do not have access to fair trials. There are also hundreds of cases of torture in Iraqi jails, in addition to war crimes committed by the Iraqi army. Human Rights Watch reports that torture and human rights abuses occur daily in Iraq and the KRI. According to U.N. reports, there have been nearly 500 deaths induced by the state and more than 7,000 injuries since the eruption of protests in October 2019. Since then, the authorities have jailed 3,000 protesters. Moreover, the state has been unable to protect the personal liberty of protesters from attacks, often by masked militants.

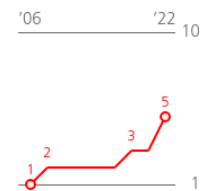
LGBTQ+ persons experience frequent harassment by militias and state authorities, including arrests, kidnappings and assassinations.

Females are discriminated against in the job and labor market. Al-Kadhimi's government has established an investigation committee to look into these cases and bring perpetrators to justice, but with no concrete results to date.

Conjugal violence remains a serious problem in Iraq's patriarchal society, and official KRG data documents a sharp increase in "honor-based killings" in the Kurdish region: KRG's Directorate of Combating Violence Against Women reported 120 women killed in KRI in 2019, compared to 46 in 2018 and 50 in 2017. In the rest of Iraq, family-related killings are insufficiently reported by the authorities, which is why exact data on gender-based violence are nonexistent. Observers assume however that the situation for women is even worse than in the KRI.

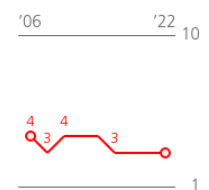
Prosecution of office abuse

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Civil rights

3



Female genital mutilation (FGM) is widely practiced in KRI, but reportedly less so in the rest of Iraq. Research in 2010 found that around 40% of Kurdish women have undergone FGM, with stark regional differences between the western (low) and eastern Kurdish territories (high).

4 | Stability of Democratic Institutions

Iraq's confessional model of governance, while aimed at power-sharing and inclusivity (muhasasa), makes ethno-sectarian division the base of proportionality. Without systemic and institutional protection, such as genuine decentralization, this system has paved the way for the political and militant elites to gain and hold power. Some 20 years after the end of the Saddam Hussein regime, it has become clear that muhasasa is focused more on elite consensus than on public interest.

The country is currently run by a de facto majority rule of the Shi'i political parties. Thus, while formally being a parliamentary democracy with strong regional autonomy for the KRI, Iraq's political system is ultimately led by a powerful clan-centered and ethno-sectarian elite who can block democratic practices to protect their interests.

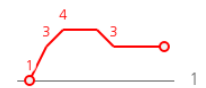
With the CoR dominated by the Shi'ites' structural majority, there are no institutions capable of pursuing or enforcing democracy. Most political parties do not believe in democracy and democratic values. This includes most secular parties. The Kurdish heavyweights, the KDP and the PUK, have also been pursuing anti-democratic practices.

Although the October 2019 protests were not the first major protests that Iraq has seen, they were indeed the first to call for a change to the muhasasa political system. However, while these protests occurred primarily in the Shi'ite southern parts of Iraq, in the Sunni areas people refrained from protest out of fear of retaliation from the PMF or for being accused of terrorism, as occurred in the past. While the Sunnis are predominantly passive rejectionists of the post-2003 developments, they accept the political representation of the new emerging Sunni political elites, represented by the speaker of the CoR, Mohammed al-Halbousi. The Kurds meanwhile support the muhasasa system as – in their view – the only guarantor preventing the absolute tyranny of the majority. Thus, while the protests in the KRI shared some goals such as socioeconomic reforms, their objectives were distinct and different from the parallel protests in the south.

Performance of democratic institutions

3

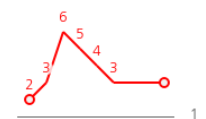
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Commitment to democratic institutions

3

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5 | Political and Social Integration

Political parties in post-2003 Iraq are primarily based along sectarian and ethnic lines. Although cross-sectarian and cross-ethnic alliances have emerged since 2017, identity politics remain a polarizing factor of the party system in Iraq. Successful alliances such as the “Sairoon” bloc (consisting of the Sadr Islamist movement led by Shi’a veteran cleric Moqtada al-Sadr, the Communist Party and others) are rare; Sairoon won 54 seats in the 2018 general election. Further Shi’a-dominated blocs were the Fatah coalition, headed by Hadi al-Amiri (48 seats), the al-Naser coalition, under the former prime minister Haider al-Abadi (42 seats), the Dawlat al-Qanon coalition led by former prime minister Nouri al-Maliki (25 seats), and finally, al-Hikmah Movement under Amar al-Hakeem (19 seats). The Sunni parties consisted of Muttahidoon under Osama al-Nujaifi (14 seats), the Arabic Project under Khamis al-Khanjar (14 seats), the al-Wataniya alliance under Ayad Allawi (21 seats), and the al-Anbari is Our Identity, under CoR speaker Mohammed al-Halbousi (6 seats). The Kurdish parties are KDP, under Masoud Barzani (25 seats) and PUK under President Barham Salih and the late Kosrat Rasul (18 seats).

For many, voting and affiliation are based on the ethno-sectarian programs of the political parties. It is hard to imagine Kurds voting for a Turkmen party in Kirkuk, or a Sunni supporting a Shi’i party in Baghdad.

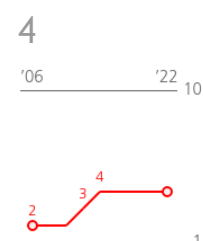
Some of the most powerful militia groups operate within the frame of political parties. Some of them are part of the PMF, such as the al-Badr Movement led by member of parliament Hadi Ameri, and Asaib Ahl al-Haq, a radical offshoot of the “Mahdi Army” militia led by Shi’a cleric, Moqtada al-Sadr. KDP and PUK have taken steps since late 2018 to unify their respective peshmerga, but peshmerga loyalty has – until now – remained fixed toward the respective political parties.

The existence and increasing number of NGOs in Iraq reflect the ethnic and religious/sectarian trends and divisions in the country’s political environment – only a few of them can be considered non-partisan. Financially dependent on often unclear sources, they perform the role of furthering their sponsor’s political interests.

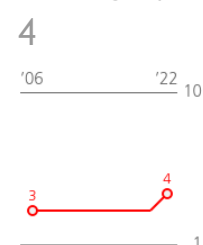
The October 2019 protests proved that interest groups outside the ruling elite can have an impact on politics. It was the protest movement that caused the resignation of Abdul-Mahdi’s government. However, the protests lack leadership and there are little incentives for participants to become involved in formal politics, such as by running in elections.

Extremely diverse, civil society organizations can have a tangible impact on public discourses. However, there is no independent civil society – with few exceptions – that could act as a pressure group. There are organized pressure groups such as

Party system



Interest groups



religious associations, charities, professional associations, trade unions, and advocacy associations. Most of these units are either infiltrated by political parties or lack resources, and, depending on their source of funding, follow the priorities of domestic or international donors.

The 2019 – 2020 Arab Opinion Index conducted by the Doha-based Arab Center for Research and Policy Studies found a high level of support for democracy and democratic institutions in Iraq. Citizens of the country might accept an electoral victory and rise to power of a political party if elections are fairly conducted. That said, the overall perception of the political process is negative. The public mistrusts the election process and expects the powerful parties to manipulate elections by any means.

The COVID-19 pandemic has further eroded people's trust toward the democratic institutions because of the authorities' mishandling of the pandemic, which includes limited available oxygen in hospitals, rising prices of hygiene products and masks, and not least the government's inability to secure alternative sources of income for those who lost their business due to confinement measures.

Social capital is primarily found in tribal, clan, and ethno-sectarian communities. Iraq has suffered from long years of authoritarianism, wars and economic crises. These traumatic experiences prevent the creation of a unified social identity that is conducive to fostering a cohesive society. The lack of a decentralized system that would better manage existing divisions causes further harm to social cohesion.

The country still suffers from the challenge of the 1.2 million internally displaced people (IDPs), with approximately half of them living in informal camps. Some 4.1 million people are considered to be in particular humanitarian need; here, solidarity may be a motivating factor for people helping those in need, but the conditions required to build genuine trust and social capital are very limited.

Instead of aggravating identity politics further, the COVID-19 pandemic appears to have unified the public against this “common threat”. A survey conducted by a local think tank in the KRI found that the Kurdistan people established a sense of solidarity among themselves to confront the pandemic during the first months of the crisis (March – June 2020). This survey also found a general trust in the state's institutions. However, as the pandemic's impact extended, public discontent with state institutions increased, as did social polarization, arguably because of the financial impact of the pandemic.

In the case of refugees that reside in the region, a local study concluded that the pandemic has had a significant impact on the social cohesion between the refugees and the host communities. The latter accuse the former of “being less serious” in combating the further spread of COVID-19. That said, the pandemic seems to have increased not only cases of gender-based violence, but also violence against other vulnerable communities such as IDPs and refugees.

Approval of
democracy

n/a

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Social capital

3

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II. Economic Transformation

6 | Level of Socioeconomic Development

Before the COVID-19 pandemic reached Iraq in March 2020, rampant corruption, identity politics, lack of effective safety nets, and insufficient basic services had led to large-scale protests in the country.

Iraq was ranked 123 in the 2019 Human Development Index with a score of 0.674. However, the score encompasses a reduction due to inequality of 19.7%. The decline of oil prices has led to a further deterioration of the country's already weak economy, and the coronavirus posed a significant challenge to Iraq's already weak health system. Recent reports point to an increase in poverty of 10%, meaning nearly one-third of families live below the poverty line. Desperate citizens have begun to sell anything they can to secure food and their basic needs, including personal jewelry.

According to the U.N., approximately 1.2 million IDPs are in the country, and nearly 4 million returnees are in dire need of rehabilitation measures in their home areas. These include the provision of water, sanitation and electricity. Women, who were particularly targeted by the IS, continue to suffer structural exclusion. Iraq's 2019 UNDP Gender Equality Index score of 0.577 is the second-worst in the MENA region, with only Yemen scoring worse.

The federal government produced a reconstruction and recovery budget for areas that were under IS rule up to 2017. Oil pipelines have been destroyed, and the burning of sulfur fields in Mosul and a "disappeared" 750 tons of wheat in Najaf have had a significant impact on people's daily income. The World Bank has estimated that conflict-related costs amount to \$88 billion. With the COVID-19 pandemic and the financial crisis, such large projects have been put on hold – despite prior agreement by external donors ("friends of Iraq") to donate \$30 billion during a post-IS reconstruction conference in Kuwait in February 2018.

While the government has made some effort to strengthen its economic policies, Iraq's security and political uncertainties render the country unattractive to foreign investment. Insufficient investment laws and corruption pose major obstacles. An increase of oil production would require major upgrades in pipelines, oil refinery and export facilities. Gas exploitation has been suspended since 2017 in most gas fields, including the main gas field in Anbar, as the government has not been able to sufficiently invest in the required technology. Protests against socioeconomic inequalities have occasionally prevented employees from entering the oil fields in Basra and Dhi Qar.

Question
Score

Socioeconomic
barriers

2

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The new cabinet of Prime Minister Mustapha al-Kadhimi is struggling to manage the economic difficulties, and it has been incapable of preventing further looting and devastation. The pandemic forced the CoR to delay the 2020 budget, meaning the country was run on a management budget instead. The resulting cessation of export and import activities increased the price of commodities, especially medicine.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	190643.9	212271.8	222434.1	167224.4
GDP growth	%	-1.8	-1.2	4.4	-10.4
Inflation (CPI)	%	0.2	0.4	-0.2	-
Unemployment	%	13.0	12.9	12.8	13.7
Foreign direct investment	% of GDP	-2.6	-2.3	-1.4	-
Export growth	%	-0.4	9.4	2.7	-
Import growth	%	10.4	16.6	28.4	-
Current account balance	\$ M	14892.5	34369.5	15762.6	-6196.9
Public debt	% of GDP	59.1	47.8	45.1	84.2
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	1.1	10.1	2.1	-
Tax revenue	% of GDP	2.6	2.1	1.4	-
Government consumption	% of GDP	16.0	17.0	20.3	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.7	2.0	-	-
R&D expenditure	% of GDP	0.0	0.0	-	-
Military expenditure	% of GDP	3.9	2.9	3.4	4.1

Sources (as of December 2021): 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 has slowly embraced market economic principles since 2003, although Shariah remains the country's main source of legislation. A large number of companies and banks remain public or semi-public and – together with the public administration – account for most of the country's jobs. The private sector, meanwhile, is marked by a small set of large companies, a number of SMEs and a relatively large number of microenterprises.

Private companies (LLCs) are the most common form in the country. A small number of foreign businesses have offices in Iraq. Joint ventures are achievable but do not acquire legal status.

Company law 21/1997 requires 51% Iraqi ownership if a foreign company wants to register in the country. In June 2019, the CoR passed an amendment to law 21/1997 to accept “holding companies” for the very first time as a newly admissible type of business. There have also been amendments to tax policy in the new budget law 9-2018. According to the World Bank, opening a business takes 26.5 days and eight administrative procedures, incurring costs of 34.2% of per capita GNI. This ranks Iraq among the less business-friendly countries.

While equivalent numbers for the KRI do not exist, the procedures to open a business there are believed to be less burdensome. Since there is no 51% local ownership requirement in KRI, foreign companies registered in that region are often unable to open offices in the rest of the country.

The activities of the private sector are hindered by the lack of security and political stability, outdated legislation, lack of regulations and executing authorities, inadequate access to financial services and investment credits, difficult processes for the registration and closure of businesses, and a shortage of potential qualified employees. The private sector also suffers from dysfunctional infrastructure and energy supply, insufficient knowledge on global and regional markets, an absence of constructive public-private sector dialogue, red tape, widespread corruption, and unfair competition from the public sector. The Kurdish private sector faces similar structural barriers which hinder its development. These hardships have led to the expansion of informal labor activities in many sectors. As a result, the private sector in Iraq currently makes an inadequate contribution to the GDP and lacks the capability to contribute sufficiently to economic diversification or job creation.

Market
organization

4

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The Law of Competition and Antitrust (14/2010) regulates market competition and prevents monopolizing practices, including in trade and production activities. It prohibits the fixing of prices or of quantities of goods and services (e.g., sales conditions that distort competition). The law prohibits the division of a market based on geographical locations and the hoarding of materials on which a competitor relies, plus various other discriminatory practices. Article 4 of the law creates a Competition and Antitrust Council to implement the law. However, this body has not yet been established. Without it, firms do not have recourse against unfair business practices. Currently there is no institutional authority to enforce competition law in Iraq effectively.

Insecurity and political instability in the country makes it hard to enforce competition policies. In the south, Iran has been monopolizing trade in Iraq through its ties with prominent political and militia figures. According to Iran's Trade Promotion Organization, Iran's commodities make up \$10 billion of the total of \$40 billion in Iraqi imports annually. In addition, smuggling across the Iranian-Iraqi border is rampant and distorts market competition for many ordinary household goods in Iraq.

In the north, Turkey, as an almost exclusive oil exporter through the port of Ceyhan, has substantial economic and trade leverage in the KRI.

Iraq is eager to trade with its neighboring countries. It is bound by geopolitical realities, with Iran and Turkey having important leverage over the country. Nevertheless, Iraq aims to increase trade to \$20 billion with both countries.

However, rampant corruption and the political and security uncertainty in the country remain the biggest challenges for foreign investment. Other challenges that discourage foreign investment include visa requirements, shortages in electricity, customs regulations and unreliable dispute resolution regulations.

The company law 17/2019 (an amendment of law 21/1997) requires at least 51% Iraqi ownership of foreign entities to be registered. The Iraqi central bank (CBI) requires compliance with the U.S. office of foreign assets control sanctions. The bank also compiles its own blacklist of non-compliant banks (many from the KRI) that it then no longer trades with.

Iraq is party to the pan-Arab Israel boycott. Iraqis are not allowed to buy, sell, or enter into a business contract with an Israeli entity (be it the government, an Israeli citizen, an Israeli resident, or an Israeli company).

Tariff Law 22/2010 introduced a new tariff schedule based on what is called "Harmonized Classification System-HS" coding that implements tariffs from 0% to 80%. On January 19, 2016, a customs tariff was introduced imposing 30% custom duty on all imported goods passing through Iraqi ports. This, in turn, harmed business at the country's main port of Umm Qasr in Basra, resulting in the port accumulating uncollected cargo containers.

Competition policy

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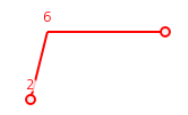
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Liberalization of foreign trade

6

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There are a number of non-tariff barriers in Iraq, frequently leading to lengthy and unpredictable delays when clearing customs. Exports are also subject to long delays and companies must obtain certificates of origin for their products.

Iraq has bilateral free-trade agreements with 11 Arab countries, in line with the Free Zone Authority Law 3/1998. In theory, capital, profits and investment income from projects in a free zone (FZ) are exempt from all taxes and fees throughout the life of any project. However, goods imported through FZs are still subject to Iraq's 5% tariff when they leave the zone (except for re-export).

While the law of domestic arbitration is fairly well developed, international arbitration is not sufficiently supported by Iraqi law because the country has not signed or adopted the two most important legal instruments for international commercial arbitration: the U.N. Convention on Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention," 1958) and the attendant rules and procedures established by the U.N. Commission on International Trade Law (UNCITRAL).

The National Investment Law allows domestic and foreign investors alike to qualify for incentives. Foreign investors are allowed to trade in shares and securities listed on the Iraqi Stock Exchange (ISX). The Iraqi authorities confirm that in practice there are no restrictions on current account or capital transactions involving currency exchange as long as the underlying transactions are supported by valid documentation. It remains unclear whether currency convertibility is entirely free from exchange restrictions. The National Investment Law contains provisions that would allow investors to bank and transfer capital inside or outside of Iraq. It also permits investors who hold an investment license to enjoy exemptions from taxes and fees for a period of 10 years.

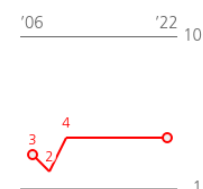
More than 70 banks have been established in Iraq since 2003, but there are only 920 branches open across the country, and the sector as a whole is underdeveloped. Banks contribute less than 2% of Iraq's GDP. Their services are basic and lack technological updates. The number of ATMs is low: reportedly one ATM per approximately 100,000 inhabitants. Most daily financial transactions are carried out in cash.

The two main banks, the Rafidain Bank and Rasheed Bank, offer 5% and 7% interest respectively on deposited money. These two banks, along with al-Iraqiya for state-owned trade, hold approximately 90% of the sector's assets. Amid the financial crisis of 2020, the government – approved by the CoR – borrowed money from these three banks (raising the government's domestic debt).

Individuals mistrust the banking system and prefer to save their money at home rather than deposit it in banks. It is estimated that Iraqis hoard nearly \$38 million at home. World Bank figures indicate that only 23% of Iraqi families have an account

Banking system

4



with a financial institution, among the lowest rates in the Arab world. Formal employees receive their salaries through banks, but they usually withdraw the money immediately rather than hold it on deposit.

Due to the weak banking system, business owners often work with banks in neighboring countries for their international commercial dealings. The Trade Bank of Iraq (TBI) is the only bank in Iraq that allows businesspeople to open credit, although it does not provide banking facilities. The World Bank estimates that less than 5% of loans secured taken out by small and medium enterprises are from local Iraqi banks. Most entrepreneurs and investors borrow from family and friends.

In 2019, Finance Minister Fuad Hussein inaugurated the first international outlet of the TBI in Riyadh, Saudi Arabia. The aim was to enhance TBI's international credentials, promote investment opportunities in Iraq, and help with reconstruction efforts in the country. TBI also planned to open a branch in China and update its license in the UAE in further moves to increase its revenues. Amid the decline of the Turkish lira, the TBI sought to buy a commercial bank in Turkey, Iraq's largest trade partner. However, all of these moves have been put on hold by the financial crisis and the COVID-19 pandemic.

8 | Monetary and fiscal stability

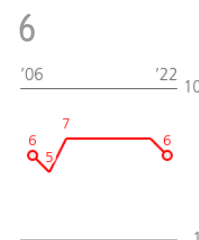
Through Iraq's central bank (CBI) – established in 2004 – the government's monetary policy is focused on maintaining price stability. Inflation (CPI) had until 2020 been extremely low, and even in the negative with -0.2% in 2019 (and 0.4% in 2018). The Iraqi dinar is pegged to the U.S. dollar, which is conducive to maintaining this low level of inflation.

In September 2020, Prime Minister al-Kadhimi appointed Mustafa Ghaleb as the new governor of the CBI. He is tasked with addressing several challenges. One unresolved issue is the looting of \$800 million that the IS stole from the country's banks between 2014 and 2017. Of a more structural nature is the Iraqi economy's overall petro-dollarization, with the country's foreign currency reserves closely linked to the global oil market. Therefore, any drop in oil prices decreases Iraq's foreign reserves. The 2020 drop in oil prices destabilized the monetary system.

By default, the Iraqi dinar had to be devalued by 22.7% in December 2020 to achieve a balance in the country's deficit. This devaluation caused further public discontent as it led to increases in the prices of exports and commodities.

Following a CoR decree that U.S. forces should withdraw from Iraq because of the assassination of Soleimani and al-Muhandis in January 2020, the Trump administration advised Iraq that it would shut down the country's access to the central bank account which is held at the Federal Reserve Bank of New York.

Monetary stability



Continuing U.S.-Iraq dialogue prevented such a scenario from materializing. The CBI was forced to comply with U.S. sanctions against Iran. At first, the U.S. administration warned Iraq not to trade with Iran using the U.S. dollar, a move intended to decrease Iran's access to the currency. This caused a problem because Iraq not only imports commodities from Iran but also electricity and gas. In 2020, the U.S. restricted the Iraqi banks from conducting transactions with Iran following its extension of sanctions against the Iranian regime. In October 2020, London-based private TV channel "Iran International" reported that there "have been repeated suggestions that with dollar payments blocked, Iran might receive payments in kind, either through using dinars or through a barter arrangement."

Due to fiscal troubles after the drop in oil prices and the impacts of the COVID-19 pandemic, the Iraqi government increased its borrowing from the CBI from IQD 14 trillion in May 2020 to nearly IQD 30 trillion in August 2020, after the CoR's approval in June 2020.

With the decline of oil prices, U.S. dollar reserves declined from \$62 billion at the end of 2019 to \$51 billion by September 2020. Additional spending to counter the COVID-19 pandemic has been low, amounting to only \$300 million as of January 2021, equivalent to 0.2% of GDP, and according to the IMF, one of the lowest spending rates in the world.

The CBI created a fund to collect donations from financial institutions for the Ministry of Health to support the latter's efforts to fight the COVID-19 pandemic. The CBI was able to collect \$37 million through this initiative. \$20 million came from the CBI itself, while \$5 million came from the Trade Bank of Iraq.

9 | Private Property

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

Since the IS offensives in summer 2014, Kurdish and government forces, as well as paramilitary armed groups (the IS and Shi'a militias), have been responsible for indiscriminate attacks on civilians, including the seizure and destruction of private property. As part of its 2018 – 2022 reconstruction and recovery package, the government committed to the rebuilding of destroyed properties. With hundreds of thousands of people still internally displaced, this will be a difficult endeavor. Women are particularly affected, as their access to legal support and compensation is especially hindered by tribes, militias and sometimes their own male relatives.

Fiscal stability

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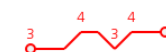


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Property rights

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Iraq has compensation laws that entitle Iraqi citizens to financial compensation if they have been affected by military operations and wars, namely law 20/2009 and law 57/2015. Residents of previously IS-held territories, such as Anbar, Diyala, Kirkuk, Nineveh and Salah al-Din, are entitled to compensation. Claimants must submit their claim to one of a number of dedicated compensation (sub)committees located across Iraq.

Private companies are regulated by Company Law 21/1997 (amended in 2004 and 2019). However, in practice, company establishment faces many challenges such as neglected infrastructure, the weak framework of legal provisions and regulations for consumer protection and production standards, and few investment incentives. As a consequence, the private sector is weak compared to the still dominant public and semi-public enterprises. The state-owned economy is one of the major legacies of the previous Ba'th regime, where the state exerted complete control over the economy (with some minor privatization attempts after the Iran-Iraq war).

Private sector growth is important as it could reduce the country's over-reliance on the oil sector. It would also create more jobs for Iraq's growing workforce. In February 2015, the Iraqi government launched a Private Sector Development Strategy 2014 – 2030, in an attempt to enhance the private sector. The strategy aimed to stimulate growth and create jobs through diversifying the private sector and promoting investment.

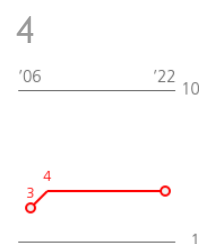
Because of the impact of the COVID-19 pandemic on the public health sector, the Ministry of Health turned to private businesses to support the government's efforts to mitigate the crisis and upgrade health equipment and services. One example is the government's use of the Andalus Hospital and Specialized Cancer Treatment Center in Baghdad, owned by an Iraqi pathologist.

10 | Welfare Regime

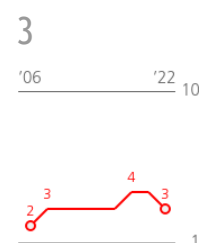
The Ministry of Planning estimates the population of Iraq to be 40.2 million. Despite the COVID-19 pandemic (which drastically increased the number of people in poverty from one-third to half of the population), life expectancy for 2021 was projected to be 70.8 years, a slight increase from 2019 (70.65 years).

The COVID-19 pandemic hit Iraq in March 2020. The Oxford COVID-19 Government Response Stringency Index recorded a high percentage of workplace closings (67%), and the government redirected funds from areas deemed nonessential to the Ministry of Health. The Supreme Committee for Health and National Safety established a cash transfer scheme for private sector workers without government-guaranteed salaries or benefits, with IQD 30,000 (approximately \$21) for each eligible individual. The IMF estimated that this scheme cost around IQD 300 billion (approximately \$210 million).

Private enterprise



Social safety nets



The October 2019 demonstrations resulted in the hiring of additional public sector employees and a reduction in the retirement age. The government however decided during the COVID-19 pandemic to cut public salaries and put an end to double salaries in the public sector. Despite these measures, salaries and pension liabilities increased from \$44 billion in 2019 to nearly \$50 billion in 2020.

To save money in response to the COVID-19 crisis, the government revoked the “Rafha detainees” law. This affected approximately 30,000 detainees, opponents of Saddam Hussein’s Ba’th regime, who had been imprisoned in the “Rafha” camp until 2003. In 2006, the CoR had passed a law granting each detainee a monthly salary of nearly \$1,000 plus privileges such as access to health treatment outside the country, scholarships, jobs and land. The monthly costs for the state’s treasury were estimated to be at least \$30 million.

The Public Distribution System (PDS), which was created in 1991 in response to the humanitarian crisis following the occupation of Kuwait and the economic sanctions that followed, remains available to most of the population today as a measure to address food insecurity for Iraq’s many deprived people. However, for the past two years, the government has only delivered flour, and no other commodities such as cooking oil or sugar. There was a government proposal to substitute PDS with cash (IQD 17,000, approximately \$12 per person), but with the constant security and economic instabilities, no decision has yet been taken on this.

The government agenda 2030 aims to focus on poverty reduction and reform of the economy. The agenda is restricted by the fragility of the macroeconomy, which is dependent on oil prices, and the domestic and regional political and security climate.

The frequent wars and conflicts in Iraq have destroyed the health care system in the country. Given the increasing levels of poverty across Iraq, ordinary citizens can hardly afford access to good quality health care, a fatal position during the COVID-19 pandemic.

Women in Iraq do not have access to equal opportunities. Apart from the peripheral norms of honor killing and conjugal violence, the legal system in many cases legalizes the abuse of women’s rights. Although Iraq ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1986, numerous Iraqi laws do not fulfill the requirements of the convention, especially the personal status law and the penalty law. For instance, article 7 of the personal status law regulates the age of marriage. It states this to be 18 years, but it also states that judges can authorize the marriage of 15-year-old girls.

In education, Iraq’s literacy rate – 85.6% overall – reflects a stark imbalance between a rate of 91.2% for males and 79.9% for females (aged 15 or more, World Bank 2017). Gross enrollment rates in primary schools have increased in the past

Equal opportunity

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'06 '22 10



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few years and reached 108.7%, but they fall sharply for secondary (53.9%) and tertiary education (16.2%) (World Bank, 2020). Female enrollment rates increased at all levels of education but still trail the rate for boys. Girls tend to drop out of education at higher rates than boys, reflected in the female-to-male-enrollment ratio of 0.8, 0.7, and 0.6 over the three education levels.

The relative balance in access to education is not reflected in the labor market. Iraq has an unemployment rate for young people (15-24) of 25.6%, of which 63.3% are female. U.N. Women estimated that the labor force participation rate of women in Iraq is low: only 12.3% in 2018. Social roles discourage women from seeking employment opportunities, but the looming conflicts and displacements are even stronger factors.

11 | Economic Performance

Due to falling oil prices and the challenge posed by the COVID-19 pandemic, Iraq's GDP per capita decreased dramatically from roughly \$6,000 in 2019 to nearly \$4,500 in 2020 (after experiencing growth of 2.1% in 2019 following a period of contraction during the conflict with IS). The World Bank estimates that Iraq's total GDP will drop by 9.5% in 2020, from \$234 billion in 2019. GDP growth is however expected to rise by 2% in 2021, if conditions don't deteriorate.

With the Iraqi dinar pegged to the U.S. dollar, CPI inflation has been traditionally low in Iraq, at 0.4% in 2018 and even -0.2% in 2019. But given the current economic challenges, the deficit in the public budget, and the decrease of foreign currency reserves, inflation is expected to reach an average of 2% in the upcoming years.

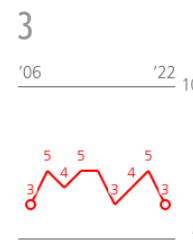
Unemployment rates have increased dramatically, from 8.0% in 2012 to 13.7% in 2020 (Trading Economics 2020).

In 2018, foreign direct investment (FDI) in Iraq amounted to only \$5 million and is overall negative (representing -1.3% of GDP in 2019). Since 2020, FDI is expected to have decreased even further due to restrictions on movement of people between Iraq's neighboring countries due to COVID-19 pandemic restrictions. Once trade relations normalize, regional FDIs are expected to follow.

In compliance with OPEC regulations, Iraq decreased its oil exports to roughly 2.6 million barrels per day (bpd), but began to increase its oil production to 3.842 million bpd in October 2020, slightly above its regular quota of 3.804 million bpd. This decision was taken in order to overcome economic challenges.

Primarily driven by its oil sales, Iraq's current account balance fell from \$34.4 billion in 2018 to \$15.7 billion in 2019 (albeit still considerably higher than during the IS-affected years, i.e., \$2.8 billion in 2015 and \$2.2 billion in 2016).

Output strength



Correspondingly, Iraq's budget balance registered a dramatic decline from approximately 0.9% in 2019 to -17% in 2020. That said, the budget balance is expected to increase slowly to -9.5% in 2022. Gross capital formation reached 12.9% of GDP in 2018.

The country's public debt is expected to increase from \$114 billion in 2019 to \$128 billion in 2021 and exceed \$170 billion by 2024. Net lending was -6.8% of GDP and tax revenues represented only 2% of GDP (both 2016, latest data available).

12 | Sustainability

Environmental challenges pose a major threat to health and food security in Iraq. The country – to a lesser extent in the KRI and to a greater extent in the south – suffers 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. It has also experienced water scarcity because of the increasing number of projects and dams on the Tigris and Euphrates caused by neighboring countries, particularly Turkey, violating international laws. Iraq relies on various transboundary rivers that it shares with Iran, Turkey, and Syria for approximately 70% of its water. The remaining 30% of its water comes from rainfall. Droughts and water scarcity threaten the agricultural sector and encourage urban migration, especially in the south.

Iraq scores the lowest levels in all of the international environment indicators, and this is primarily due to domestic shortcomings. The country is still recovering from the policies of the Ba'th regime, such as drying out the marshes, leading to a catastrophic loss of biodiversity, 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 been also caused by successive wars and the use of depleted uranium and mines. The U.S. airstrikes on the oil infrastructure that was under IS control – aimed to deprive the latter of a source of finance for their terrorism – caused major environmental damage. The negligence of the government has led to other pollution crises such as the burning of sulfur fields in Mosul.

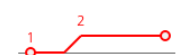
Population growth has increased pressure on natural resources. At the governance level, the country has consistently failed to establish an effective environmental policy to raise environmental awareness or to take legal action against any environmental violations. Oil production has been a major ecological hazard due to refineries that are insufficiently equipped with environmentally friendly technologies.

The Ministry of Health and Environment has contributed to the National Development Plan of 2018 – 2022, which includes the agenda to work toward a sustainable development strategy to overcome these environmental challenges. However, even if these steps are taken in the short-term, it will take the country decades to overcome its aforementioned challenges.

Environmental
policy

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According to UNICEF, Iraq's government spent less than 0.6% of its national budget on education in 2020, placing it "at the bottom rank of Middle East countries." The government's education budget is barely enough to bring educational institutions and training facilities (universities, hospitals, etc.) up to acceptable modern standards. R&D expenditure is nonexistent.

In the 2019 U.N. Education Index, Iraq achieved a score of 0.557. Quality of teaching is rarely ensured, as there are not enough teachers available either for financial reasons or because they left the country after intellectuals and specialized professionals were systematically targeted, driven out of the country, or killed during the separate waves of violence.

Due to austerity measures implemented by former Prime Minister Haider al-Abadi's government, Iraqi students who seek government scholarships to pursue their studies abroad now face a difficult situation. The Ministry of Higher Education decided in early 2015 to limit scholarships to three years. All new scholarships offered by other funding bodies such as the Higher Committee for Education Development in Iraq (HCEDI) have been frozen indefinitely.

After it seized Mosul in June 2014, the IS imposed its radically backward vision on the city's universities and higher education institutes, banning the study of law, politics, arts, archaeology, sports, and philosophy, and closing schools of tourism and hotel business management. Moreover, IS introduced a new school curriculum for children living in Mosul which promoted the ideology of the Islamic Caliphate and religious fundamentalism. Subjects like art, music, history, and literature were removed and replaced with subjects on Shariah law and jihad training. This in turn discouraged parents from sending their children to school. People who protested these impositions were executed. Save the Children has established learning tents for children, and UNDP's Funding Facility for Immediate Stabilization has helped the Iraqi government to stabilize the regions that have been liberated from IS or that host significant numbers of IDPs who often live in temporary tent camps.

Nevertheless, the education infrastructure is poor, especially in areas liberated from IS. Reports have found that one out of five schools has been destroyed during the war against IS. The 2021 budget commits the government to build 1,000 new schools as part of its efforts to enhance the education sector.

Education policy /
R&D

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Governance

I. Level of Difficulty

Because Iraq's economic sector depends on income derived from oil (94% of GDP), the country depends on global oil prices. Rampant corruption, as well as lack of income diversification, renders the Iraqi economy extremely fragile. The COVID-19 pandemic has had a significant impact on Iraq's economic performance.

Infrastructure and human capacities have been underdeveloped since the 2003 war and were further harmed by the IS invasion. A significant amount of the state's budget goes to security spending, while other important areas remain largely underfunded, such as health, education, and the environment. Violence has heavily impaired social peace and social capital. Sectarian-based proportionality means that candidates for new posts are selected less on their professional merits, but rather on their specific ethnic or religious affiliation.

Vast parts of the country have suffered environmental degradation after chemical weaponry was deployed, particularly during the 2003 war. Severe droughts provoked by climate change or continued dam construction along the upper Euphrates and Tigris rivers in Syria and Turkey have exacerbated the situation further.

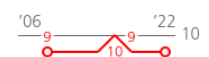
The permanent security and political uncertainty, and COVID-19 confinement measures have hindered any long-term planning and reduced the attractiveness of Iraq as a place in which to invest. This is compounded by the weak rule of law and endemic corruption, further harming the already struggling economy.

Decades of authoritarianism in Iraq have hampered civil society's development, with a slightly better picture in KRI where civil society organizations (CSOs) were established after the region achieved autonomy at the end of the 1991 Gulf War. After the removal of Saddam Hussein in 2003, CSOs mushroomed in other parts of the country, albeit with little professionalism and little effectiveness.

Nevertheless, there is a steady, albeit slow, rise of NGO influence and relevance. International organizations often work through local NGOs to deliver primarily humanitarian aid and deliver development cooperation programs. The 2019 protests marked a new surge of civil society activity, linking the street to the state in the hopes of advancing a political agenda capable of changing the established means of power-sharing based on "muhasasa" politics.

Structural
constraints

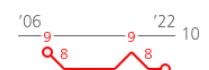
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Civil society
traditions

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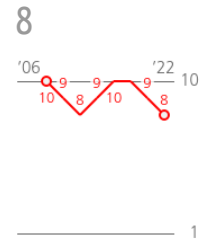
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While conflict intensity in Iraq decreased after the loss of territory suffered by the Islamic State (IS) group in 2017, the PMF and continuing low-intensity IS terrorist attacks in Kirkuk, Diyala, and Salah al-Din continue to pose security challenges to societal peace. The PMF has been accused of several massacres in Sunni areas, and of killing peaceful protesters in Baghdad and in southern cities. The PMF has been attacking the U.S. and international coalition forces since December 2019, which has contributed to the intensity of the conflict in the country – especially after the U.S. army assassinated PMF deputy leader Abu Mahdi al-Muhandis and Qasem Soleimani, the commander of the Iranian Islamic Revolutionary Guard Corps's (IRGC) international branch, the Quds Forces, in January 2020.

The presence of the PKK in Sinjar and the KRI territories increases conflict intensity in the country. Although the PKK presence increased security cooperation between the KRI and Baghdad in the disputed areas, it escalated the conflict between the official Kurdish Peshmerga troops and the PKK. Turkey and Iran have been intensifying their attacks on the PKK and Iranian-Kurdish groups inside Iraqi territories, posing security challenges to interstate relations in the region.

Finally, many clans hoard light weapons, and short-range missiles pose challenges to social peace in the country. The Geneva-based Small Arms Survey estimated for 2017 the existence of more than 7.6 million civilian-held weapons in Iraq.

Conflict intensity



II. Governance Performance

14 | Steering Capability

The cabinet of Prime Minister al-Kadhimi is provisional. Its primary goal was to calm the social protests that had erupted in October 2019 by vowing to meet the demands of the protesters and preparing for legislative elections. The government has also prioritized tackling corruption and improving the supply of electricity and water.

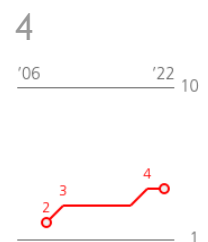
Acknowledging the high importance of oil revenues for Iraq's economy and state budget, the federal government prioritized oil production and the recovery of dysfunctional production sites. In the 2020 – 2021 budget, the government set a target of 3.25 million exported barrels per day (bpd), plus 250,000 bpd from the KRI.

Past governments (of Haidar Abadi and Adel Abdul-Mahdi) had prioritized the reconstruction of areas liberated from IS. Al-Kadhimi's government reiterated its commitment to the Agenda 2030 and the National Development Plan for 2018 – 2022. However, the COVID-19 pandemic has rendered any long-term plans mere wishful thinking for the moment.

Question

Score

Prioritization



Al-Kadhimi's government must deal with protesters' demands, combating violent non-state actors, and the COVID-19 pandemic. The pandemic has exacerbated civil dissatisfaction; the legislative elections have already been postponed to October 2021, and will possibly be postponed again.

The government's capability to implement any long-term plans are closely related to its financial capacity, which is overly dependent on the income Iraq can generate from global oil sales. Shortages of funds are a major cause of lack of implementation.

The PMF remains the federal government's primary counterinsurgency force, which achieved noticeable successes in the defeat of the IS. However, there is a significant likelihood that the PMF will continue to violate human rights.

Al-Kadhimi has been unable to protect the protesters from attacks and individual misbehavior of some officers in the police, the army and certain factions within the PMF. That said, the government was able to disassociate itself from the brutal acts committed against demonstrators; in a widely recognized move, al-Kadhimi has met with relatives of killed demonstrators to express his sympathies and promise credible investigations.

The federal government has taken successful steps in tackling corruption and improving the supply of electricity and water. al-Kadhimi signed a memorandum of understanding with the UNDP on anti-corruption strategies and has arrested convicted officials.

Following a CoR resolution concerning the withdrawal of foreign troops from Iraq, something al-Kadhimi described as "catastrophic," his government played an active role in the subsequent U.S.-Iraqi Dialogue. The talks resulted in the U.S. promising to leave some hundred GIs in the country for cooperation with the Iraqi army regarding training, rehabilitation, armament, and technical support.

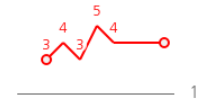
While al-Kadhimi can be considered a pragmatist, the government's effectiveness is undermined by the CoR and its fragmented politics. However, al-Kadhimi has learned from past experiences not to compromise on the state's hard position against militant non-state actors that try to undermine the state's power. Unlike past governments, his government has been the first to undertake serious steps toward transparency and accountability, albeit actual anti-corruption successes have remained limited.

The government also started to address deep-rooted sectarian politics. Indeed, al-Kadhimi is widely supported by the Sunnis and the Kurds, something that was hard to imagine with previous prime ministers from the Dawa party. Al-Kadhimi was also able to sustain the good relationship between the central government in Baghdad and the KRG in Erbil, a step initiated by his predecessor, Adel Abdul-Mahdi.

Implementation

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Policy learning

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Al-Kadhimi was able to negotiate an extension of the EU Assistance Mission (EUAM Iraq) until April 30, 2022. The mission began in October 2017 following a request from the Iraqi government to support the country's national security strategy. According to the Council of the EU, EUAM Iraq will for the first time establish a project cell for identifying and implementing projects, which will also provide advice on projects implemented by EU member states and partner countries.

While the government has certainly learned to improve its oil marketing, it has been unable to take advantage of previously high oil prices to develop a stronger and more diverse economy, since it has largely neglected the non-oil sector. This has impeded sustainable socioeconomic development.

15 | Resource Efficiency

Politics in post-2003 Iraq is based on consensus (“muhasasa”), which in fact undermines government efficiency through the politics of proportionality. The high degree of fragmentation within the CoR serves to block many policy initiatives and hinders the government's effective use of resources. The country continues to suffer from large networks of patronage and nepotism, which take advantage of the absence of the rule of law and institutionalized policies.

More than 40% of Iraq's employees work in the public sector, primarily in the public administration. Recruitment of personnel is often based on kinship and wasta (nepotism). Some reports – albeit questionable – indicate that four million employees engage in productive work for only ten minutes per day. With a weak private sector, this creates a significant burden on public expenditure, making the country's public spending (in relation to tax income) high, according to international standards.

Economically, Iraq remains heavily dependent on the oil sector, which leaves the country vulnerable to volatility in international oil markets. The government's chief priority has been to develop the oil sector. However, in doing so, it has neglected non-oil sectors, which has impeded the sustainability of the country's economic development. To compound this, former governments have been unable to take advantage of higher oil prices to develop a stronger and more diverse economy.

Efficient use of
assets

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Within the highly divided and fragmented domestic politics of Iraq, encapsulated by a power struggle between the different political parties, a coherent government policy is difficult. Prime Minister al-Kadhimi lacks political backing inside the CoR. While al-Kadhimi attempts to pursue balanced policies, such as allocating a fair share of the budget to the Kurdish region, borrowing and taxation proposals are blocked by the CoR. Al-Kadhimi certainly favors policies following horizontal forms of coordination, displayed in his government's COVID-19 preventive policies. Such a leadership style, while different from his predecessors, is often criticized by the main Shi'i parties, who see their interests challenged.

Iraq is ranked one of the worst offenders in the world for corruption. Corruption is structural and endemic, meaning that piecemeal attempts to tackle it are often ineffective and are obstructed by vested interests, even if political will exists at the highest level. As a result, most integrity mechanisms have remained largely ineffective.

Backed by public demands, al-Kadhimi has bolstered the state's anti-corruption policy. He signed a memorandum of understanding with the UNDP and the EU Delegation to Iraq to support his anti-corruption efforts and promote transparency and accountability in the country. In addition, he formed a special committee – with the continued work of the country's main anti-corruption body, the Commission of Integrity – to investigate cases of corruption and exceptional crimes. The committee includes high-ranking representatives of the Iraqi National Intelligence Service, the National Security Agency, and the Commission of Integrity. Genuine changes as a result of these initiatives will not be immediately visible and will need time to emerge.

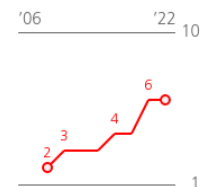
The Commission of Integrity declared that it “was able to return or prevent the waste of 1,250 trillion Iraqi dinars (\$1 billion),” as quoted by the Middle East Monitor. According to the same source, the commission charged 8,891 people with corruption charges in 2020; 854 were convicted via court rulings during 2020. Among those convicted were reportedly more than 60 current and former ministers.

16 | Consensus-Building

While the level of democracy is low in the country, it is hard to classify Iraq as an authoritarian republic. Although the ruling political parties misuse their power and often display authoritarian tendencies and behavior, they come to power through elections, rather than overtly coercive means. Most of them exercise power by the virtue of the votes they received. Thus, Iraq can arguably be defined as a hybrid regime where elections – irrespective of some irregularities – are decisive, but where the government's dominance results from flaws in the political culture. This is primarily due to the consensus-based power-sharing system, wherein the state's democratic institutions are countered by the anti-democratic behavior of the IS,

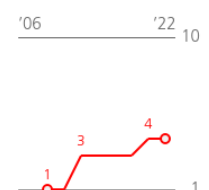
Policy coordination

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Anti-corruption policy

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Consensus on goals

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PMF, and a number of political parties. This is not to say that these parties, especially Islamic parties, do not subscribe to democracy. Rather, Islamic parties in Iraq often disagree with each other. Shi'i parties especially have been influenced by the authoritarian political Islam experience of Iran. Coupled with an anti-U.S. stance, Iran has reinforced the authoritarian tendencies of those parties and actors that it has close ties with to undermine the U.S. role in Iraq.

Weak institutions of accountability allow corruption to thrive, and wealthy businesspeople and influential policymakers alike are involved in a form of clientelism or patrimonial capitalism – where businesspeople are often politicians and have ties with influential officials within the political system. Official auditing is avoided through informal power networks. Indeed, *wasta* (nepotism) is the prime channel through which economic networks operate in Iraq. This includes informal relations that are beneficial to both sides, which are often the basis for economic interaction. This does not mean that market economic principles are not endorsed. Instead, there is a systemic monopoly over market activities. Political elites, lawmakers, and bureaucrats at the federal and regional levels often hinder contracts and tenders, unless they stand to personally benefit from the proposed projects.

Democratic forces in the country are generally weak and have not been able to counter the anti-democratic practices of powerful political parties and actors. The defeat of the IS was one of the largest boosts to democracy and the democratic forces in Iraq. The danger posed by the IS, 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 poses a threat to democracy in Iraq, as it has been accused of committing war crimes and pursuing a policy of ethnic cleansing in Sunni areas under the pretext of counter-terrorism operations. Some of the leading political coalitions, including the Alliance toward Reform (“Sairoon,” dominated by the Sadrists) and the Conquest Alliance (“Fatah,” dominated by PMF), frequently engage in populist politics as a means to broaden their support base. Often, this can run contrary to the imperatives of reform, as well as serve to stifle democratization.

The political cleavages in Iraq are reflected by its ethno-sectarian politics. While the majority of political parties in power have had the leverage to depolarize structural conflicts, they have exploited the country’s political instability in order to increase their power and further their interests. They must therefore be seen as forces for the status quo.

The country is an ideal case study for the greed thesis of the political economy of conflicts. The structural changes required to de-escalate conflicts and establish the rule of law often weaken the interests of those powerful political parties which dominate economic activities. This is why al-Kadhimi, who attempts to restore the power of the state in the face of non-state actors, faces robust challenges from powerful political parties.

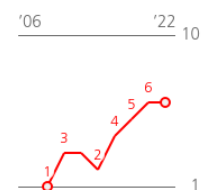
Anti-democratic actors

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Cleavage / conflict management

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NGO activities are relatively new and underdeveloped in Iraq. The sector has been hijacked by existing political parties in order to strengthen their grip on power. As Iraqi historian Mehiyar Kathem explained to al-Fanar Media: after NGOs had “learned the language of democracy, civil society and independence,” they gradually “became an extension of the political contest going on in the country.”

The security situation in Iraq is also a factor in civil society participation, as assassination operations – often carried out by militia members – have in some cases targeted civil society activists.

Reconciliation remains one of the biggest challenges for Iraq and the current government led by Mustapha al-Kadhimi. The problem is that reconciliation in Iraq requires transitional justice. The intention of the de-Ba’thification law was to implement political reforms, but instead it resulted in a sort of collective punishment. It arguably contributed to the rise of IS.

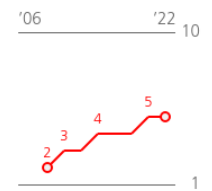
While some alleged IS members have been fairly tried, the lack of judicial integrity means that (also potentially innocent) people have been subject to unfair trials founded on baseless accusations. At the same time, some defendants may benefit from the controversial General Amnesty Law 27/2016, which 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. Some have had no fair opportunity to defend themselves, while others have been spared punishment entirely.

The IS targeted the ethnoreligious Yazidi minority in particular, abducting or killing more than 6,400 people and forcefully taking children from their parents, according to the Office for Yazidi Abductees Affairs. Even after the 2017 victory over the IS, abuses and human rights violations continued in Iraq. The PMF, which works as a peacekeeping group, has perpetrated atrocities against civilians. There are thousands of cases of war crimes and alleged IS members in prison being subject to torture. Such a fateful counterinsurgency and violation of human rights could lead to the re-emergence of IS. The current challenges of the COVID-19 pandemic, the financial crisis, and general political anxiety have overshadowed this critical issue. However, the problem persists, and the likelihood of reconciliation in the short-term is low.

There have been a few attempts at reconciliation. For example, the Sulaymaniyah-based Patriotic Union of Kurdistan (PUK) handed over 176 Arab prisoners to Iraqi forces in Kirkuk who were arrested during the fight against IS between 2014 and 2017 as a step toward restoring normal life and peaceful coexistence.

Civil society participation

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Reconciliation

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17 | International Cooperation

Iraq works with the international community to implement international laws and conventions related to combating terrorism, the financing of terrorism, and money-laundering. Iraq has been an active member of the international coalition against the IS, 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 having an association with extremist groups.

Iraqi armed forces have undertaken intensive counter-terrorism training led by coalition forces, especially the U.S. army. Al-Kadhimi's cabinet enjoys significant support from the U.S. and Western powers. The Iraq-NATO cooperation training program, signed in 2012, is still operational. Al-Kadhimi has also strengthened the role of the EU Assistance Mission (EUAM) in Iraq by setting up a project cell for identifying and implementing cooperation projects.

Similarly, the KRG's peshmerga have received training from the U.S., Germany, and the UK. The peshmerga training programs are led by international partners to professionalize and unify the Kurdish forces, which have traditionally been divided between the KDP and PUK factions. Arming the Kurdish forces, however, has recently caused discontent within Iraq's pro-Iran forces.

International cooperation is also carried out with U.N.-affiliated and other humanitarian and development organizations to manage the IDPs and refugee crisis in Iraq, including in the fields of health, education, and development.

Although Iraq gained international trust after the defeat of IS in December 2017, there is a growing fear that the country is beginning to lose it. Indeed, the government is unable to maintain its monopoly over the use of legitimate force. The PMF has become a source of danger to the government and is seen as attempting to create a "state within a state," similar to what the IRGC is in Iran or Hezbollah is in Lebanon.

Al-Kadhimi's government has tried to assure the diplomatic missions in Iraq that the PMF is under control and does not threaten the Green Zone or the foreign embassies. Past attacks on the U.S. embassy, and PMF threats to attack other foreign embassies have however raised questions over the country's trustworthiness.

Iraq is part of the Russia-Syria-Iran-Iraq coalition quadruple alliance (RSII) which was established following Iraq's agreement to share intelligence with the three countries – notably all U.S. rivals – in the fight against IS. Unsurprisingly, this provoked major protests from the U.S. side, and indeed, RSII remains a puzzle to many, who perceive it as a strategy to keep the U.S. at a distance than to effectively fight IS.

Effective use of support

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Credibility

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Irrespective of this, Iraq has been making slow progress in implementing international laws and conventions related to combating terrorist financing and money-laundering. The Iraqi central bank has already strengthened its grip on the national financial system by freezing the capital of several individuals and companies linked to money-laundering activities and association with extremist groups. It is predicted that such progress will continue under the leadership of its new governor, Mustafa Ghaleb, who was appointed by the new prime minister, al-Kadhimi.

The country has received international loans and assistance for rebuilding projects in the post-IS era. All this indicates the (gradually) increasing trustworthiness of Iraq in the international arena. The 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 in the future.

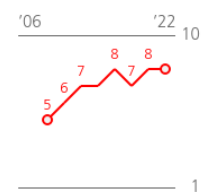
Iraq's government remains vulnerable in the Iran-Iraq-U.S. triangle. While Iraq's central bank froze Iranian assets following U.S. sanctions, the government condemned the U.S. assassination of Qasem Soleimani and Abu Mahdi al-Muhandis. Among other geopolitical considerations, al-Kadhimi's government is caught between the U.S. control over its financial reserves in New York, and the powerful pro-Iran PMF factions inside the country.

However, al-Kadhimi has been able to distance the country from the Saudi-Iranian rivalry, by making sure not to take sides. He has already visited Iran and Saudi Arabia, representing a step to bring stability to Iraq and unify efforts to reconstruct the country. In contrast to many of its neighboring states, Iraq does not currently intend to normalize its relations with Israel.

Iraq has established economic relations with Jordan and Egypt. Such a move is reminiscent of the Arab Cooperation Council (ACC) that was established in 1989 between Iraq, Egypt, Jordan, and Yemen, following the Iran-Iraq war. The country also aims to increase trade with Iran and Turkey to \$20 billion per year.

Regional cooperation

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Strategic Outlook

Iraq faces several challenges at various levels, and it is unlikely that al-Kadhimi's provisional government will have the capacity to tackle them all. The first task is to prepare and hold legislative elections. The elections will likely be postponed to 2022, which carries the risk of provoking new political instability. Another issue facing the government is the PMF. These powerful forces can be expected to remain at the heart of the political scene of the country. The PMF is integrated within the security system, which makes the issue even more complicated.

Al-Kadhimi's government wishes to achieve balanced relations with its neighbors, but the country remains vulnerable to regional interference. Thus, regional issues related to the presence of the PKK inside Iraq, and the water of the rivers running through Iran, Syria, and Turkey, are expected to continue. At the same time, Iraq is seeking to boost its trade relations with Iran and Turkey. The country is also expected to improve its relations with the Arab world, especially Saudi Arabia in the economic field. Iraq is set to remain bound to the U.S.'s Iran sanction policy. It is unlikely that it will normalize its relations with Israel in the near future.

There is an urgent need to adopt a genuine process of decentralization, to integrate the many subidentities in Iraq into a coherent, unified Iraqi identity and to end the majoritarian Shi'a domination of the political scene. However, a process of decentralization will most likely not be initiated in the immediate future.

The government is likely to remain incapable of ensuring the safety of its citizens during protests. Hence, the clash between civil society and religious movements may escalate at some point.

Al-Kadhimi's cabinet has taken important steps to depoliticize the judiciary. Such a policy will probably be continued, as will the government's anti-corruption policies.

Reconciliation, rehabilitation, and the return of IDPs to liberated areas are key requirements necessary to transform the conflict in Iraq. However, it is anticipated that these issues will remain unresolved unless legislative elections and a new democratically elected government is able to transform the political process.

Iraq's dependency on oil will continue, and there is no sign that the country will develop alternative sources of income or even enhance its oil and gas industries. Investment laws, however, may be amended to encourage foreign investment, a step that would ease the financial crisis in the country.

With the availability of three types of vaccines in Iraq, the government will have the ability to contain the pandemic and is expected to order more vaccines for all Iraqis. The costs of the vaccine are covered in the state's oil-based budget.

The education and basic services sectors (particularly electricity), which are already weak, are expected to continue to struggle as they suffer from neglect and a lack of investment. The alarming environmental degradation and drought must be acknowledged by the government and countered with convincing, effective environment protection policies.