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# SUSTAINABLE RECOVERY FROM COVID-19 IN IRAQ: KEY FINDINGS

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## FOREWORD

It has been over a year since COVID-19 was declared a public health emergency of international concern, the highest level of alarm under international law. In Iraq, this came following years of conflict, and on top of political turmoil and civil unrest paired with a significant drop in oil revenue. Since then, the pandemic has both revealed and exacerbated deep economic and social vulnerabilities while hitting the poorest and most vulnerable people and communities hardest, with significant implications for marginalized groups, such as women, girls, youth and internally displaced people (IDPs).

Globally, heavy sacrifices have been and are still being asked from citizens through various containment measures. But these have not always been accompanied by necessary government actions to protect people, especially the most marginalized, from social and economic fallout. In fragile and conflict-affected countries, the lack of large-scale institutional interventions aimed at ensuring no one is left behind has further eroded the social contract. This has worsened existing vulnerabilities while opening room for new ones to emerge.

In Iraq, compounding shocks consistently affect all dimensions of fragility and gradually eat away at the foundations of the social contract. Recovering from COVID-19 requires a multidimensional approach addressing key economic, societal, political, security and environmental drivers. It will be impossible to attain the Sustainable Development Goals (SDGs) and an inclusive development trajectory without tackling these.

Through the Socio-economic Impact Analysis series of reports, UNDP provides multidimensional analysis for a thorough understanding of the impact of the pandemic and related shocks, current and past, on Iraq and its citizens. It recognizes that returning to a sustainable and inclusive development trajectory depends on addressing the root causes of vulnerabilities. It provides a range of policy recommendations for all stakeholders in the recovery from the pandemic and economic crisis, anticipating that this would enable a holistic approach to realizing the SDGs.

This summary report encapsulates the previous analyses in the series. It takes stock of how fragility in Iraq has been affected across all of its dimensions since the start of the pandemic and the economic crisis. We hope it is a useful resource to inform research, policies, strategies and plans in support of the Iraqi people.

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UNDP would like to thank Barbara-Anne Krijgsman as the coordinator for the series and lead author of this report as well as the lead authors of other reports in the series:

- ***The Impact of the Oil Crisis and COVID-19 on Iraq's Fragility***: Barbara-Anne Krijgsman with contributions from independent experts Fadi Hamdan, Wayne Camard and Bryn Welham (**Arabic version**)
- ***The Impact of COVID-19 on the Iraqi Economy***: Bryn Welham (**Arabic version**)
- ***The Impact of COVID-19 on the Environment***: Oli Brown and Brian Wittbold with contributions from independent experts Peter Schwartzstein and Fadi Hamdan (**Arabic version**)
- ***The Impact of COVID-19 on Social Protection***: Lynn R. Brown (**Arabic version**)
- ***The Impact of COVID-19 on Social Cohesion***: Andy McLean and Henry Smith (**Arabic version**)
- ***Key Findings of the Socioeconomic Impact Assessment of COVID-19 on Iraq's Vulnerable Populations***: IMPACT Initiatives (**Arabic version**)
- ***The Impact of COVID-19 on Vulnerable Groups***: IMPACT Initiatives (**Arabic version**)

To conclude, we are grateful for the highly professional work of our editor, Gretchen Luchsinger, the design team at Phoenix Design Aid and the translation services provided by SEDC Center.

# 1. INTRODUCTION

There has been significant global mobilization around looking at frameworks, policies and approaches to mitigate the multidimensional impacts of the COVID-19 pandemic and forestall the loss of development gains. Much attention has been given to recovery strategies and measures to support governments in the complex choices they have had to make to sustain and reboot economies, and assist their citizens in meeting essential needs. Much will depend on vaccination strategies and access to sufficient vaccines to protect populations and open societies.

In Iraq, UNDP advocates for making fragility the key consideration at the heart of recovery responses and strategies. Addressing the root causes of fragility, across different dimensions and along the humanitarian, development and peace spectrum, will achieve sustainable progress especially for people most in need.

This summary report provides the narrative and argument for this approach based on research for the papers in the Socio-economic Impact Assessment series.

# 2. IMPACT ON IRAQ'S OVERALL FRAGILITY

All countries and societies have and will exhibit fragility at some point and to some extent. For Iraq, fragility has been an overriding issue for several decades. Current and past compounding shocks will continue to exacerbate fragility unless its key drivers are systematically addressed.

political, security and societal. This methodology offers a comprehensive and universally relevant perspective since it recognizes that each context has its own unique combinations of vulnerabilities.

The Socio-economic Impact Assessment series looks at how COVID-19 affects the various fragility dimensions in Iraq. It uses five dimensions defined by the Organisation for Economic Co-operation and Development—economic, environmental,

Since the publication of the initial paper in the series, *The Impact of the Oil Crisis and COVID-19 on the Iraq's Fragility*, in August 2020, some of the indicators to analyse fragility have already started to shift toward the high-risk/low-development end of the spectrum, indicating how the situation is worsening.

Figure 1a: Iraq in fragility indicators, July 2020

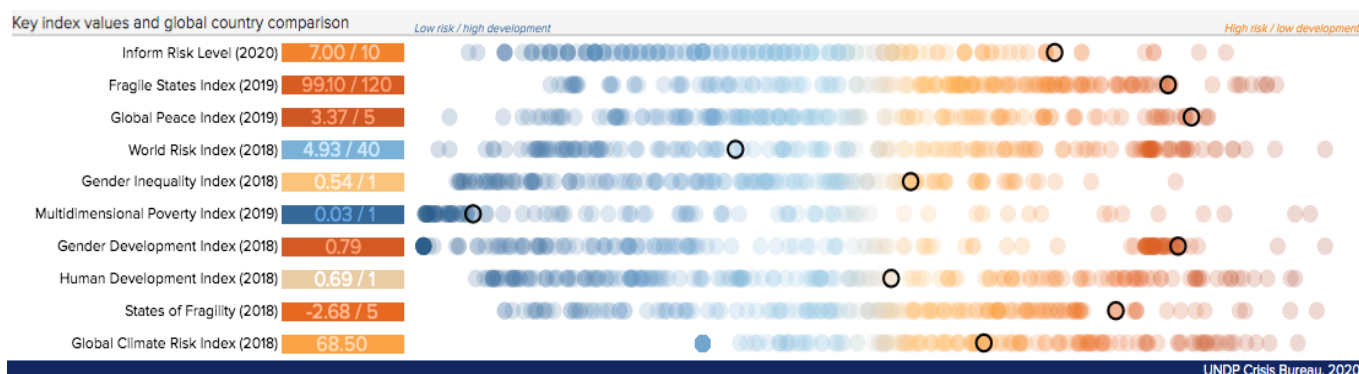


Figure 1b: Iraq in fragility indicators, June 2021



Source: UNDP 2021a.

The Socio-economic Impact Assessment series corroborates this trend. Overall conclusions indicate that COVID-19 has increased inequality with a greater number of people falling below the national poverty line, and vulnerable and marginalized groups such as women, youth and IDPs being disproportionately affected. All fragility dimensions have in fact experienced a noteworthy negative downturn from the pandemic. This further drives existing general scepticism around the capacity of the Government and its institutions to meet the needs and expectations of citizens. Trust and government legitimacy have further eroded; both are important indications of the state of the social contract.

At the time of writing this report, Iraq is well into its second wave of COVID-19<sup>1</sup> and ranks second in the Arab States in the number of cases and deaths.<sup>2</sup> This pattern is likely to continue as long as COVID-19 hijacks the country's socio-economic standing and threatens development gains.

The following summary of the Socio-economic Impact Assessment reports draws on secondary data analysis undertaken from mid 2020 to early 2021 and primary research conducted from 13 December 2020 to 1 March 2021 across all 18 governorates of Iraq. Where relevant, the narratives have been updated with recent developments and data to provide better perspectives on current

issues. Overall, this summary report indicates how the various dimensions of fragility have been affected by COVID-19 and the economic crisis. Section 4 presents policy recommendations aligned to these dimensions.

## 2.1. Economic fragility

Iraq's economy is dominated by oil. As the world's third largest oil exporter,<sup>3</sup> with an 8.3 percent market share worth US\$83.3 billion in 2019, it holds the world's fifth largest proven reserves of petroleum at 144.2 billion barrels.<sup>4</sup> Iraq is also one of the most oil-dependent countries in the world. The hydrocarbon sector accounts for about 60 percent of gross domestic product (GDP), 99 percent of exports and more than 90 percent of central government revenue.<sup>5</sup> Iraq's current political and economic setting displays many characteristics of a rentier state, where economic, social and political relations are all shaped by the dominance of resource wealth.<sup>6</sup>

Prior to the COVID-19 pandemic, estimates showed that close to 20 percent of the Iraqi population lived under the national poverty line of 110,881 Iraqi dinars per month (approximately \$93.14)<sup>7,8</sup> and that 3.9 percent lived in extreme poverty (under \$1.25 a day).<sup>9</sup> A 2020 assessment found that the pandemic could spur national poverty rates as high as 31.7 percent.<sup>10</sup>

## Macroeconomic impact

In early 2020, Iraq faced a significantly worsened economic outlook through ‘twin shocks’ due to the historically unprecedented fall in oil prices and the need to impose a range of restrictions on economic and social activities in a bid to control the spread of COVID-19. While these restrictions have been key to staunching infection, they have substantially reduced activity across the economy, far beyond the oil sector. This came against the backdrop of popular demonstrations in late 2019 to which the Government responded by further expanding public sector employment, with the public sector wage bill growing by 13 percent in 2019 alone.<sup>11</sup> But Iraq’s vulnerability to oil price fluctuations becomes particularly clear when considering that the 2020 budget<sup>12</sup> was based on an assumption of a price of \$56 per barrel, whereas prices in 2020 averaged around \$41 a barrel.<sup>13</sup>

Such a drop in oil revenue generates a significant fiscal deficit and has put Iraq at strong risk of a major financial and economic crisis. Initial estimates indicate that Iraq’s net income dropped 69 percent in 2020 compared to the previous year<sup>14</sup> and that the sovereign credit rating (an indicator of the severity of debt distress) suggests substantial risk.<sup>15,16</sup> Current figures indicate that GDP contracted by 10.4 percent in 2020, with the non-oil economy experiencing a contraction of 9 percent.<sup>17</sup>

The composition of public spending—with a focus on wages, pensions and social transfers—will make it difficult and/or inappropriate to reduce expenditure in any meaningful way over the short term. Especially considering that 60 percent of Iraqi government spending in the first quarter of 2020 was done on the relatively rigid wage and pensions bill. A nearly 40 percent increase in oil revenues since November 2020 has eased the liquidity crisis, however, providing some initial breathing room for the Government.

The Government has taken a number of robust steps since the end of 2020. An ambitious *White*

*Paper for Economic Reforms*<sup>18</sup> was published, laying out a roadmap for economic reform with two key aims: addressing the budget deficit, and putting the economy and the federal budget on a sustainable path. Initial steps towards this plan saw the Central Bank of Iraq announce, in December 2020, that it was devaluing the Iraqi dinar by over 20 percent with the aim to save approximately \$8.3 billion.<sup>19</sup> This was the biggest devaluation since 2003, and was aimed at helping to pay the wage bill for about 3 million state employees.<sup>20</sup> The impact of this policy decision can already be felt as it drove up import prices for essential commodities and raw materials, which immediately boosted inflation. As of January 2021, Iraq’s import dependency for cereals had reached 40 percent.<sup>21</sup>

In the first quarter of 2021, the Government announced it is preparing to implement the White Paper reforms. Parliament approved a 2021 budget of \$89.65 billion based on a \$45 per barrel oil price and with a projected deficit of \$20 billion slashed from an initially calculated amount of \$49 billion.<sup>22</sup>

Facing an immediate challenge of financing its deficit, Iraq is already discussing this with providers of external assistance, and with domestic and international market actors for options to access finance.<sup>23</sup> In late 2020, the Government borrowed over \$25 billion from the Central Bank of Iraq to cover the fiscal deficit and pay civil service employees.<sup>24</sup> More recently, the Iraqi Finance Minister was reportedly in talks with the International Monetary Fund (IMF) for a \$6 billion loan package.<sup>25</sup> Overall, the approved budget includes loans from various lenders such as the IMF, the World Bank and other international and national banks, at a volume of \$11.25 billion, representing 12.5 percent of the budget.<sup>26</sup> Spending on recovery and structural measures will be critical for reducing economic vulnerabilities in the face of COVID-19, yet there will be insufficient fiscal space for these. Some room for optimism comes from the fact that the oil price has stayed above \$55 per barrel since January and even hit a high in March of \$68,<sup>27</sup> which could mean more fiscal space and more options for recovery. This could sustain the recent forecast that GDP growth

could rise to 1.9 percent in 2021 and 6.3 percent on average over the subsequent two years.<sup>28</sup>

In general, Iraq's current macro-fiscal economic situation is daunting. 'Do nothing' is not an option given the massive imbalance between public revenue and expenditures. Yet despite the need for reform, significant cuts to public expenditure are neither feasible nor desirable given its role in protecting vulnerable households. This suggests a short-term government agenda focused on rapidly identifying additional deficit financing options; avoiding an unplanned monetary adjustment; and improving the quality and targeting of public expenditures where possible.

In the longer term, the Government should develop plans to: institute credible fiscal rules to better manage the impact of changing oil prices; invest in private-sector development and economic diversification to boost employment; develop incentives to progressively bring workers and firms into the formal sector; rationalize the public-sector wage bill; and redesign public assistance schemes to focus on the neediest households and informal workers. These decisions, if well planned and implemented, could support the achievement of estimates of a gradual decrease in the poverty rate by 7-14 percent.<sup>29</sup>

### **Income, employment and livelihoods**

Overall, unemployment increased from 12.76 percent in 2019 to 13.74 in 2020<sup>30</sup> with indications that this could increase to up to 16 percent in the next two years.<sup>31</sup> Surveyed households experienced a decrease in average monthly employment income over the pandemic. Prior to the start of the pandemic in February 2020, the average reported income from employment was 594,239 dinar (\$412.70) per month.<sup>32</sup> This had decreased by 16 percent (97,301 dinars or \$67.60) by December 2020. The decline was greater in the Kurdistan Region of Iraq, compared to Federal Iraq.

Those in casual work were more likely to be in a precarious employment position than those in

permanent positions. Considering that vulnerable and marginalized groups such as IDPs, youth and women form a very large share of casual workers, they have been disproportionately affected.

Reduced working days in an average month was the predominant reason for loss of income (66 percent of households). This likely relates to casual workers because workers in permanent positions were not as susceptible to fluctuations. Other reasons for income loss were receiving lower income in the same job (34 percent), a household member having lost his/her job (21 percent) and having a lower income from a different job (8 percent).<sup>33</sup> The share of households with decreased working days in an average month was highest in Baghdad (81 percent), followed by Al-Basrah (80 percent) and Kirkuk (80 percent).

### **The private sector and small and medium enterprises**

The share of small and medium enterprises reporting a risk of permanent closure of their business halved between June and December 2020. After big losses at the beginning of the pandemic, employment began to recover between June and November but did not reach pre-pandemic levels by the end of the year.<sup>34</sup> Employment was already a challenge in Iraq before COVID-19 hit. In 2019, the labour force participation rate was one of the lowest in the world and below the regional average, at around 50 percent, with female labour force participation estimated at only 20 percent.<sup>35</sup>

The predominantly informal private sector has suffered most. Many daily labourers have had a harder time finding work due to movement restrictions and curfews. The retail, hospitality, accommodation and other consumer-focused services were severely impacted by lockdown measures.<sup>36</sup> Agriculture and factories in rural areas were among the most negatively impacted sectors.

While formal unemployment initially fell by 27 percent, a subsequent reduction in movement



restrictions helped owners of small and medium enterprises to reopen their businesses, resulting in a 27 percent increase in employment from June to August 2020 and 4 per cent rise from August to November 2020.<sup>37</sup> The number of male and female employees, including full- and part-time, decreased on average by 7 percent between February and November.<sup>38</sup>

Coping mechanisms that businesses adopted to stay afloat during the pandemic temporarily widened the gender gap in the labour market. Studies have shown that 38 percent of females stopped receiving salaries temporarily and 10 percent were laid off, while 25 percent of males stopped receiving salaries temporarily and 4 percent were laid off.<sup>39</sup> Of employees asked to work at home, 48 percent of males retained full employment compared to 31 percent of females.<sup>40</sup>

Fostering private sector development at the scale and pace required to generate revenues to fund public services independent of the oil sector is a long-term ambition. Without an appropriate environment for enterprise creation and expansion of the private sector, the Iraqi economy will remain highly vulnerable to economic and other shocks.<sup>41</sup>

## 2.2. Societal fragility

Successive wars and the occupation of the Islamic State of Iraq and the Levant (ISIL) before its territorial defeat in 2017 left Iraq short of much needed investments in essential infrastructure and services. A lack of infrastructure reconstruction and rehabilitation and limited human capital impede delivery of almost all services. With some notable exceptions, health care, education, electricity, housing, water and other sectors cannot deliver quality services at pre-2014 levels or cope with Iraq's growing population. The nascent private sector has been unable to fill the gaps.<sup>42</sup>

Iraq's recovery prior to the spread of COVID-19 was largely underway, albeit slowly and with uneven advancement across social sectors, and with many challenges.<sup>43</sup> The conflict with ISIL

created a generation of children and young adults whose education was interrupted, some of whom aged out of mainstream education during the war.<sup>44</sup> Insufficient health care was a core complaint among recent protestors in Iraq, and clips of families unable to obtain cancer treatments for their children, let alone purchase unsubsidized treatments, featured frequently on television news stations in 2019.<sup>45</sup>

The war caused major damage to water, sanitation and hygiene systems and services. Although significant efforts have been made to restore services, the bulk of infrastructure is still either partially damaged, destroyed or otherwise in need of rehabilitation. On another front, the social protection system should respond to both increasing demand and growing risks, but in practice, programmes cover only 17.3 percent of the poor.<sup>46</sup>

The impact of the pandemic on access to essential social services, in an already strained environment, is a major issue especially for vulnerable households bearing the brunt of shocks and for women. By weakening access to quality health and educational services, the pandemic has exacerbated existing inequalities.<sup>47</sup> Approximately 700,000 households face challenges in reaching health facilities.<sup>48</sup> As of June 2020, there were signs of restricted access to water, electricity and waste management services, among others.

### Social protection

Increasing needs for social protection have converged with a significant decline in fiscal space. Social protection programmes are a significant expenditure, representing 15 percent of the 2019 government budget (approximately \$17 billion), up from between 7-12 percent from 2007 to 2015. In the 2021 budget, however, spending on social protection programmes saw a notable decline to only 5 percent of the total (approximately \$4.5 billion). Curtailing programmes and inhibiting a move towards comprehensive, shock-responsive social protection systems including social

protection floors will likely prove a significant barrier to recovery and the mitigation of future crises.<sup>49</sup>

The Government has provided one-off schemes such as the Minha programme, which offers a temporary monthly grant to those affected by the nationwide curfew and other restrictions, with a focus on people working in the informal sector. Other schemes have included a three-month deferral of payments for loans from the Government's Housing Fund and from the Central Bank for medium, small and microenterprises.<sup>50</sup> These are standalone measures, however, and it is uncertain how they will address the longer-term needs of the most vulnerable. With insufficient funding and ballooning needs, alternatives will need to be actively pursued.

The Government will need to mobilize external resources to enhance access to affordable health care, close gaps in social protection and extend financial protections. It must also take measures to support enterprises in retaining workers, thereby preventing unemployment, and to provide income security to unemployed workers, especially in the informal sector.<sup>51</sup> First steps forward occurred in March 2021 when the Government began developing an actionable roadmap for 2021-2025 to implement its vision to reform social protection as outlined in the White Paper.<sup>52</sup>

### **Food security and coping mechanisms**

With increased demand for and a lessened supply of food, prices rose, leaving some Iraqis facing hunger. Measures to control the spread of COVID-19 also hindered food access.<sup>53</sup> While prices of basic food items (flour, rice, sugar) have remained stable, recent data estimate that around 6 percent of the population (2.4 million) still has insufficient food consumption.<sup>54</sup>

To cope with rising food costs, households reduced food intake especially in rural areas (42 percent) compared to urban areas (26 percent). Differences by location could indicate either that

urban populations decreased their food purchases to a greater extent, or that urban households had less scope to reduce. Other coping mechanisms used to bridge financial gaps included loans or debts (23 percent of households), borrowed money (23 percent of households) or reimbursement of loaned money to pay debts.

There were minor differences in types of coping mechanisms reported by female- and male-headed households. A higher proportion of female-headed households (41 percent) bought less food compared to male-headed households (28 percent).<sup>55</sup> The proportion of households that did not buy necessary non-food household items or clothing was consistent across both groups, which could suggest that while the types of coping mechanisms varied in some cases, the overall need for them was consistent.

### **Gender-based violence**

At the individual level, lockdown measures, reduced mobility and subsequent increased time spent in potentially unstable homes, along with a scale-down of in-person resources to prevent and respond to gender-based violence, coalesced and contributed to the reported rise in cases, primarily of domestic-based violence. Among service providers who respond to gender-based violence, 65 percent reported an increase in one or more types of violence during the pandemic. They also reported a 50 percent reduction in response services.<sup>56</sup>

### **Essential social services**

Essential social services have been widely affected by measures to contain COVID-19. The suspension of classes and feeding programmes in schools has impacted student retention, learning and nutrition. A lack of clean water and adequate sanitation services makes it more difficult to comply with COVID-19 hygiene measures prescribed by the Government. On a more positive note, most essential social services have continued to function in IDP and refugee camps and areas with

a high density of displaced populations, albeit at limited capacity.<sup>57</sup> Although the gaps in health and education services did not disproportionately impact Iraqi women, shortfalls indirectly burden primarily female caretakers as they step in to meet ongoing needs.

## **Health**

Community and individual health in Iraq are already severely challenged by conflict, displacement, concurrent disease outbreaks and frequent natural disasters. The added burden of COVID-19 is expected to be profound. Demographic factors such as age and gender, population concentrations of IDPs and refugees, and poor living conditions are other factors affecting health. Risks are compounded by a significant shortage of essential medical staff, medicines, medical supplies and equipment, which in some cases has made health-care workers and security personnel highly vulnerable to COVID-19.

According to the Health Inform Index 2021, Iraq ranks poorly in access to health care, with a score of 5.6 out of 10.<sup>58</sup> While 56 percent of households did not experience a change in access to medical care,<sup>59</sup> 44 percent reported that it became harder to access health services as a result of the pandemic. Shares in both cases were consistent across rural and urban locations.<sup>60</sup> Diminished access is a particular concern for vulnerable groups, posing the risk of widening existing inequalities. The latest Human Development Index indicates an overall loss of 19.4 percent in human development due to inequality in Iraq,<sup>61</sup> with a 15.9 percent loss due to increasing inequality in life expectancy.<sup>62</sup>

Without accessible medical services, lay caretakers—nearly always female<sup>63</sup>—must manage increased logistical obstacles to obtaining services, fill gaps from missed services and care for household members with unique medical needs, all while performing other types of unpaid labour that increased as a result of COVID-19 restrictions.<sup>64</sup>

COVID-19 has caused major disruptions to a variety of essential health services, as the priority has been to reduce the loss of life from the pandemic. Immunization services, for one, have been interrupted or are suboptimal, increasing the risk of vaccine-preventable disease outbreaks. In the first half of 2020 alone, over 160,000 children did not receive their measles vaccinations.<sup>65</sup> Reduced accessibility to health services and disruptions in wider health supply chains are likely to result in greater non-COVID-19 mortality rates. Loss of income may further increase financial barriers to health care.

## **Education**

In response to the first identified case of COVID-19 in Iraq, the Government closed all schools in February 2020, affecting the education of approximately 10 million children.<sup>66</sup> At the national level, 23 percent of households with school-age children (6-17 years old) reported that at least one child was not attending school regularly (at least four days per week) from December 2020 to March 2021. At the regional level, stark differences are noticeable. In the Kurdistan Region of Iraq, 48 percent of households reported that at least one child was not attending school regularly compared to 14 percent in Federal Iraq. No significant differences were found between male and female children.

The lack of attendance directly correlated to the COVID-19 pandemic for 45 percent of households. They cited reasons including school closures (71 percent), the complexities of homeschooling and lack of required equipment (16 percent) and movement restrictions or lack of homeschooling programmes (13 percent).

In late November 2020, the Government reopened in-person learning with elementary school pupils attending classes one day a week and older students attending twice a week to maintain smaller class sizes and social distancing.<sup>67</sup> The rest of learning was supposed to take place at home, online. As around 50 percent of Iraqis do not have

Internet access, however, many students were unable to continue their education.

All students lost learning opportunities in 2020; some may continue to struggle as online learning requires a different learning style than in-person learning. Others will not re-enrol in formal education, whether remote or in-person. Such widespread disruptions in education are likely to translate into future knowledge gaps and economic productivity losses.

### ***Water, sanitation and hygiene, and waste management***

The pandemic has had minimal impacts on water, sanitation and waste, with 84 percent of households reporting no negative changes. Yet 11 percent did not have access to sufficient water for drinking and domestic purposes, with the share rising to 17 percent in rural locations compared to 9 percent in urban areas. Only 4 percent of households did not have access to a functional sanitation facility and only 2 percent in the previous month lacked a handwashing facility with soap.

Since the start of the pandemic, 75 percent of households saw no change in water use, while it increased for 24 percent<sup>68</sup> and decreased for less than 1 percent. With household members likely to be at home more often during the pandemic, and 97 percent of households always or mostly having access to sufficient water for drinking and household purposes, the limited increase may indicate households adjusting water usage. It may suggest that frequent handwashing to limit the spread of COVID-19 has not become a common practice or that households do not see this as significantly increasing their water usage.

## **2.3 Environmental fragility**

Iraq was facing serious environmental challenges even before COVID-19. These included water scarcity, deteriorating water quality, degraded landscapes, air pollution and poor waste management. Root causes encompassed the

legacies of conflict and past decisions, weak governance and corruption, as well as the impacts of climate change, a carbon-intensive economy and low renewable energy provision, and rapid, unplanned urbanization. Addressing these issues has continued to be a challenge because of political, governance and economic reasons.

The pandemic has further affected environment sustainability. Temporary improvements in air quality resulted from reduced traffic and the cessation of some industrial activities, but there were also many anecdotal reports of significant increases in unrecyclable plastic waste as a result of discarded personal protective equipment, including latex gloves, gowns, face shields and masks. This could lead to uncontrolled dumping or open burning posing risks of possible secondary transmission of diseases, damage to ecosystems and the release of harmful toxins into the environment.<sup>69</sup> There seem to be no available data on the total quantity of extra waste produced or its disposal, however.

The pandemic could add to Iraq's long-standing challenges in providing sufficient, high-quality fresh water as public health experts have frequently emphasized the importance of hygiene in protecting against viral transmission. Over the long term, upstream countries sharing water systems with Iraq may see increased water demand to meet personal hygiene needs and improve food security, which could negatively affect Iraq.<sup>70</sup>

Indirect environmental impacts comprise reduced environmental monitoring, environmental deregulation, and the prospect of reduced funding and limited political attention to future environmental initiatives. Ultimately, these 'invisible' challenges may be far more significant than the more visible but temporary direct impacts of the pandemic.

Planned and necessary investments in renewable energy and climate action as well as environmental activities will likely be delayed or cancelled given pandemic impacts on public and private budgets.<sup>71</sup>

Even so, some activities have continued with the Government stating that, despite COVID-19, Iraq will head into a new, greener era, starting with the preparation of the country's Nationally Determined Contribution under the Paris Agreement on climate change. This intention was further reflected in the draft 2021 budget with an increase in expenditure for environmental action compared to the 2019 budget.<sup>72</sup>

Over the long term, it will be critical for Iraq to deal with environmental problems such as desertification, water scarcity and environmental degradation. If left unchecked, these could further undermine the agricultural sector and imperil Iraq's food security, which could fuel domestic instability.<sup>73</sup>

While there is no environmental 'silver lining' from COVID-19, the pandemic has underlined the inextricable link between the health of the planet and the health of its human population. Growing poverty and worsening socio-economic indicators increase the vulnerability of communities to climate change, food insecurity and environmental degradation. The crisis reminds us of the urgency of rebalancing our relationship with nature, and 'building forward' better and more sustainably.

## 2.4 Political fragility

In recent decades, Iraq's political system has been weakened by a concessional democracy system with a sectarian quota. In principle, this should benefit a multiethnic and multisectarian country, but in practice it has hampered meaningful governance reforms. The muhasasa<sup>74</sup> political system introduced after 2003, which allocates positions under quotas based on ethnosectarian identity, has been criticized for deepening sectarian divisions and creating competition for control over state resources.<sup>75</sup>

### Trust deficit and the social contract

A significant State-society trust gap remains one of the greatest challenges to Iraq's COVID-19

response and recovery efforts. Many Iraqis appeared cautiously optimistic about the federal Government established in August 2020. The pandemic has hindered its efforts to foster public trust, however. There are allegations that the previous Government responded too slowly to the pandemic, and perceptions by some citizens that not all communities have been treated equally in the response.<sup>76</sup> There are also reports that lockdown measures have been used to justify restrictions on freedom of speech, freedom of movement and freedom of opinion, especially related to popular demonstrations. Such issues have further deepened divides between the State and society, intensifying criticism around the failure to deliver on people's expectations for security, welfare and prosperity.

The lack of trust, compounded by cultural attitudes, has led to reports of families refusing to turn over sick members, particularly women,<sup>77</sup> to medical teams visiting households with confirmed or suspected cases of COVID-19.<sup>78, 79</sup> In Baghdad and Basra, fear in poorer areas has reportedly caused some to believe that being taken into quarantine is synonymous with being arrested, leading people to prohibit their family members from going to the hospital.<sup>80</sup> There have also been increased attacks on health-care workers, particularly in Thi Qar, Basra and Baghdad as they are blamed for the deaths of COVID-19 patients.<sup>81</sup> These incidents not only undermine social relations between the health-care sector and society, but also between health personnel and the Government, as workers are already under significant pressure to treat COVID-19 patients. With elections slated to take place in October 2021, there is added pressure on the current Government to make good on its promises and commitments for recovery.

### Social cohesion

Tensions among different parts of the country in terms of the perception and reality of income distribution may become more explicit if resources to tackle the direct and indirect consequences of COVID-19 are perceived as benefitting some

areas, particularly those liberated from ISIL, and population groups. A public health requirement for targeting such resources, for example, may not be accepted without highly effective public communications strategies, and may be seen by those who do not 'benefit' as discriminatory. This issue has implications for international support and highlights the importance of conflict sensitivity and 'do no harm' principles in response strategies. It also suggests the value of a broader understanding of social cohesion that ventures beyond a narrow focus on tensions created by ISIL.

On a more positive side, the surge in local civil society provision of aid to vulnerable families and advocacy for social solidarity and other community-driven initiatives to combat COVID-19 created important space to foster and facilitate dialogue on existing and emerging issues. Neighbours were also important sources of assistance to each other. Public support for civil society has generally increased since the October 2019 protests, and the perception that these groups are either beholden to ethno-sectarian agendas or lack capacity has declined.

Overall, however, COVID-19 has and will continue to have immediate and longer-term effects on social cohesion in Iraq, predominantly by exacerbating existing tensions. National and local government responses, and the roles of the international community and civil society organizations will determine the extent to which the pandemic disrupts social cohesion and opportunities for reconciliation and social peace. The principle of 'do no harm' is crucial, and should be fully considered in developing response strategies and interventions. This will help ensure that unintended negative consequences are fully understood and will not foment violence or instability, or widen the social cohesion deficit.

## **Corruption and governance**

At the subnational level, Iraq has not finalized all decentralization and governorate reforms, particularly within disputed areas. The post-

war public sector suffers from a bloated public administration, limited accountability and transparency, and low efficiency. Levels of corruption are high, inequality in access to basic services is increasing, access to justice and the rule of law is limited, and public participation in governance processes is meagre.<sup>82</sup>

Growing discontent led to large demonstrations and protests, and violent confrontations with security forces and armed groups.<sup>83</sup> Protesters' demands have centred around calls for the termination of the *muhāsasa* system, protection under the rule of law, an end to corruption, access to quality essential services, decent livelihoods, a reformed Constitution and new elections.<sup>84,85</sup> On 7 May 2020, Iraq confirmed Mustafa Al-Kadhimi as the new Prime Minister. This came after a political deadlock left the country without an established Government for six months.

Upon his appointment, Prime Minister Al-Kadhimi announced an ambitious reform programme<sup>86</sup> with first priorities being to address the COVID-19 pandemic and the demands of demonstrators. The Government has consistently promised improvements in social cohesion, including by pledging to tackle corruption and increase trust in institutions. The fifth pillar of the White Paper aims to improve governance among other priorities.<sup>87</sup> The Government will need to make difficult decisions while walking a very narrow political tightrope but the resolve of the Prime Minister seems to endure as he stated that he wants to "reduce the burden on the citizen."<sup>88</sup>

Despite efforts to establish the institutional and legislative base to address corruption, it remains acute. In Iraq, as in many rentier states, subjective political criteria define the distribution of resource wealth to secure the loyalty of particular groups.<sup>89</sup> To address this challenge, a series of arrests and convictions of senior Iraqi officials have occurred in the last six months<sup>90</sup> but public scepticism remains as some figures considered obvious choices for such measures do not seem affected.<sup>91</sup>

## Relations between Federal Iraq and the Kurdistan Region of Iraq

There is limited evidence of coordination in the responses to COVID-19 between Federal Iraq and the Kurdistan Region of Iraq. The pandemic in general has become yet another distraction in resolving disputed internal boundaries and establishing the future relationship between the Kurdish Regional Government and the Federal Government.

Given pressing needs to respond to COVID-19, maintain the economy, preserve the public sector and deal with increased security issues, there is a danger that the relationship between the two governments will no longer be a priority, and social divisions will become further entrenched.

## 2.5 Security fragility

Iraq struggles with protracted insecurity and political instability stemming from complex dynamics at the national and governorate levels, and interacting with instability at the regional and international levels. In the centre and north of the country, the rise and fall of ISIL has fragmented state security. Despite Iraq's declared victory over ISIL in December 2017, insecurity has remained constant throughout much of the previously occupied territories. Where there has been a generally sharp reduction in terror-related attacks against civilians and Iraqi Security Forces within population centres since then,<sup>92</sup> small-scale attacks attributed to ISIL sleeper cells are reported almost weekly in certain governorates.<sup>93</sup>

In 2016, the government spearheaded the development of its National Security Strategy and its corresponding Security Sector Reform Programme to address many past and future challenges. The aim is to reform institutions and strengthen mechanisms and capacities in areas such as, among others, criminal justice and law enforcement, critical infrastructure protection, border strategy, and defence and internal strategy. Recent initiatives seek to improve

gender parity across the security apparatus. Implementation is ongoing.

## ISIL

In the wake of COVID-19 and the drawdown of United States forces, security gaps have worsened, allowing ISIL to move more freely, conduct prison breaks, carry out more sophisticated attacks and smuggle fighters across borders.<sup>94</sup> In April 2020, ISIL launched new offensives in Iraq and Syria as the COVID-19 pandemic distracted coalition and local security forces; ISIL also sought to energize fighters and followers to instigate bolder attacks.<sup>95</sup> This happened while a large number of Iraqi security forces were redeployed to urban locations to impose curfews and assist with COVID-19 response efforts. There were 228 ISIL attacks between July and September 2020.<sup>96</sup> Operation Inherent Resolve estimated that, at the end of 2020, there were between 8,000 and 16,000 ISIL fighters in Iraq and Syria, down from 14,000 to 18,000 in January 2020.<sup>97</sup>

ISIL seems to have lost significant popular support, however, and the Prime Minister has vowed that paramilitary groups that threaten the rule of law will be brought to justice.<sup>98</sup> This will be vital for the State to maintain control and avoid local armed groups competing with state security forces and with one another. COVID-19 has provided room for different armed groups and security actors to gain a stronger social presence.<sup>99</sup> Some have become particularly active in supporting communities, ensuring lockdown measures and assisting with health-care facilities.<sup>100</sup> As a result, some communities have started to look favourably on these groups.

The underlying conditions that permit terrorist organization to act across Iraq have yet to be adequately tackled;<sup>101</sup> current conditions provide a suitable context for ISIL to re-emerge.<sup>102</sup> It is crucially important to step up reconstruction and stabilization efforts, build public trust, and take a comprehensive approach to social cohesion that

addresses political, economic, social and security tensions contributing to insecurity.<sup>103</sup>

## Security forces

The relationship between security actors and the public has become increasingly fraught over the past year, due in part to perceived heavy-handed policing responses to the public protests in 2019 and 2020, and the perception that armed volunteer groups are taking roles in politics and the provision of services and public goods.

The mixing of the medical response and a securitized lockdown has created notable clashes among medical teams, police and citizens, and appears to have further frayed relations between citizens and state security forces,<sup>104</sup> particularly in working-class neighbourhoods of major cities. While the local police have engaged more actively with communities in a non-confrontational manner (e.g., in Anbar and Ninewa),<sup>105</sup> this is not the case everywhere or with all law enforcement entities. It is vital to ensure that security forces enforce lockdown measures with respect for the rule of law, human rights and human dignity, as not doing so is likely to stir more violent conflict.

Should the pandemic not be contained in the short term, all of the security issues above, coupled with the looming economic crisis and potential delays in public sector salaries, and lack of social protection coverage for most employees, might adversely affect the integrity of law enforcement officers, rendering them open to influence by criminal groups<sup>106</sup> as well as corruption.<sup>107</sup> This may further erode the State's capacity and legitimacy, and increase risks to the security of people and property.<sup>108</sup> For recovery and response measures to succeed, State-society relations, public buy-in and public trust will be essential, and need to be restored.

## Rule of law

The crisis has posed myriad challenges to the justice system. Curfews and lockdown measures

have interrupted day-to-day functions of the judiciary, judges, prosecutors and lawyers, leading to predictable postponements and delays, including in court hearings and case filing, as well as access to lawyers for persons detained for curfew breaches and other alleged offences.

Lockdown measures to tackle COVID-19 have reduced access to justice, which also adversely affects social cohesion. Formal courts have been closed and legal proceedings paused or significantly delayed outside urgent cases.<sup>109</sup> This has had a particular impact on women unable to access family courts. While the judiciary committed to "continue to dispense custody and dowry payments to affected women," at the time of writing, the extent to which this has been done is unknown. There were some reports of single mothers unable to access any child maintenance support during the pandemic.<sup>110</sup> The COVID-19 response must involve appropriate local solutions to ensure due process and guarantee access to justice for all.

## 2.6 Vulnerable groups

### Women and female-headed households

Women have been disproportionately impacted by the secondary effects of COVID-19, including through sharply rising rates of gender-based violence.<sup>111</sup> Female-headed households experienced a greater decline in income from employment (casual and permanent) than male-headed households, and women have been particularly affected in relation to freedom of movement and access to COVID-19 or other health care, such as for sexual and reproductive health.

Overall, given the very limited presence of women in positions of power, women have been largely absent from decision-making and leadership roles guiding responses to the pandemic and its secondary impacts.<sup>112</sup> This poses a significant risk that responses will fail to recognize the specific needs of women and could even widen gender inequality.



## Children and youth

School and university closures and limited access to online education, either due to a lack of online classes or insufficient infrastructure and equipment, has significantly impacted children and youth. There are mounting concerns around how this generation will be able to catch up on gaps in knowledge and skills. Youth were also impacted by income loss as the informal sector has been hard hit by the economic downturn and largely employs younger workers.

On the Human Development Index, the loss in human development due to pre-existing inequality in education in Iraq was already 29.7 percent before COVID-19.<sup>113</sup> The current generation could lose necessary life skills and tools to successfully navigate the transition to adulthood and sustainable livelihoods if policies, tools and mechanisms are not in place to allow them to continue their education

## Displaced populations

Of the 6 million people displaced during the conflict with ISIL, 4.7 million have returned to their areas of origin while 1.3 million remain displaced.<sup>114</sup>

During the pandemic and due to the shutdown of government and some services provided by international organizations, documentation was difficult to obtain, including the United Nations High Commissioner for Refugees form or residency card. Compounding the challenge of accessing the proper office was the high cost of a mandatory COVID-19 test—31,500 dinars per family member, around \$22. This likely created an economic barrier for many families. Refugees in rented houses were reportedly among the groups most unable to access documentation due to the cost, since many depend on income from daily labour, which was difficult to obtain during restrictions.<sup>115</sup>

The ability to obtain and retain proper identification is vital for displaced populations to benefit from both national social protection programmes and

other types of assistance such as humanitarian aid. For example, registration in the Public Distribution System, which supplies basic food rations to the majority of Iraqis, is based on locality.<sup>116</sup> If a ration card holder is displaced, they cannot use their card until they have been reregistered in their new location by an office that must be open. Over 2020, 14 IDP camps and 2 informal sites were closed, affecting more than 34,000 people, and in some cases with reportedly little advance notice. This could have caused households to move quickly without proper documentation to areas where they are unfamiliar with the process to obtain documents and where offices may be managing closures during lockdowns.

Displaced communities, including IDPs and refugees, had greater declines in mean household income (28 percent and 32 percent, respectively) than non-displaced households (27 percent for returnee and 14 percent for host community households). This is likely due to the fact that IDPs predominantly work in the informal sector and are more likely to suffer wage losses, exclusion from jobs and an inability to meet basic needs.<sup>117</sup>

Tension towards IDPs and returnees increased during COVID-19. Concerns about camp closures to prevent the spread of the virus, additional stigma against IDPs due to the belief that they are diminishing public resources and may carry the virus, disputes over identity and perceptions around Islamic State affiliation are heightening their vulnerability.<sup>118</sup>

Such pressures are compounded by a lack of resources in some areas for social cohesion activities to facilitate returns. In Nineveh, the local governorate has articulated a clear vision for returning IDPs, but reportedly does not have a budget to implement the strategy. Lockdown restrictions have also halted social cohesion efforts. In Anbar, after such measures for IDPs and host communities stopped, communities reportedly became even more segregated and tensions grew.

### 3. MULTIDIMENSIONAL FRAGILITY WILL REQUIRE INTEGRATED APPROACHES

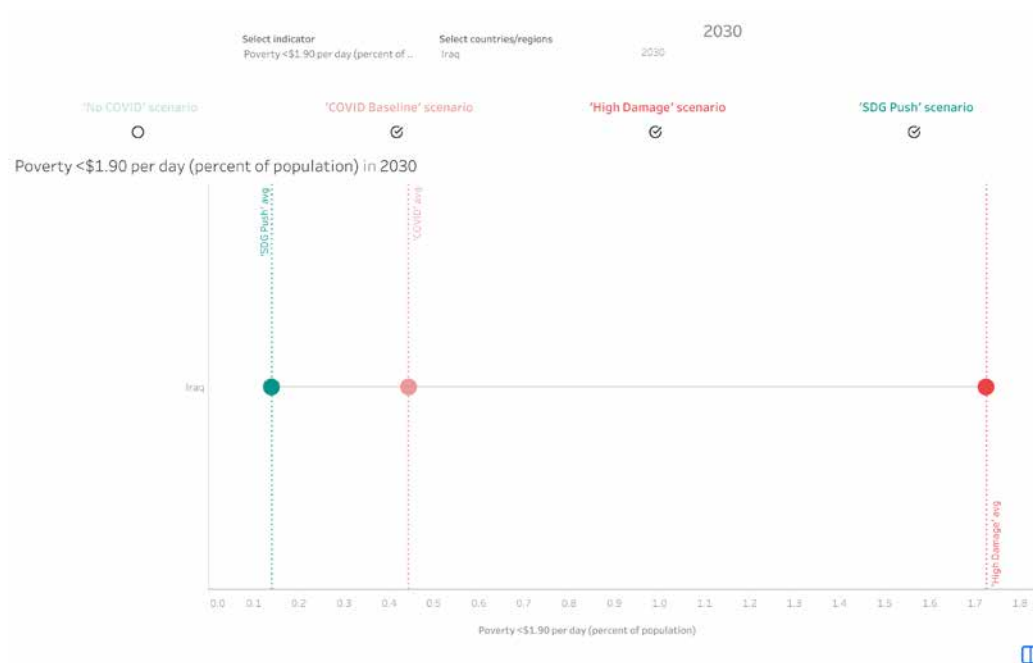
The Socio-economic Impact Assessment series clearly tracks how COVID-19 has negatively affected people in Iraq and the drivers of fragility. Over the medium to longer term, if not addressed, these drivers will deepen poverty, increase inequality and hamper the return to progress on the SDGs.

Through modelling, UNDP found that a significant push to invest in the SDGs would have a concrete and measurable impact on the poorest communities and individuals.<sup>119</sup> In the short term, this implies major efforts to plan and develop responses that address drivers of fragility across the various dimensions, and ensure Iraq can build forward better while leaving no one behind. This will be of particular importance to groups disproportionately affected by the pandemic. Both the Government of Iraq and the United Nations system have taken steps in this direction.

The United Nations in Iraq, with technical support from UNDP, developed its Socio-economic Recovery Plan<sup>120</sup> from May to July 2020. Designed to support the Government, it sets forth priorities in five interlinked areas: health first, protecting people, economic response and recovery, social cohesion and community resilience, and support to macroeconomic growth. The aim is to take a coherent approach to addressing key risks and vulnerabilities, and contribute to long-term resilience and stability while supporting progressive achievement of the SDGs.

Towards the end of 2020, the Government started developing its own National Recovery Plan with support from UNDP. It seeks a balance between rapid response and recovery while managing current risks and anticipating future ones. It is modelled after the United Nations plan and uses the same five pillars. Much of the focus has been on

Figure 2. Scenario planning for an impact on poverty



Source: UNDP 2021f.

the feasibility of priorities and the measurability of impacts as the Government realizes the importance of being able to provide concrete, immediate and demonstrable support to its citizens. The plan prioritizes groups disproportionately affected by the crises, in particular, women, youth and IDPs. Currently in its final stages, the plan will span 24 months and is expected to be published in the second half of 2021 once it is approved by the Council of Ministers.

### 3.1 UNDP strategic engagement on fragility in Iraq

UNDP has initiated a number of steps to address and/or integrate fragility in existing work in Iraq. These can be categorized as follows.

#### **Integration of a fragility approach in strategies, plans and programming, such as:**

- National recovery frameworks such as the National Recovery Plan and the United Nations Socio-economic Recovery Plan were anchored in multidimensional analysis and prioritize key vulnerabilities. This permits a focus on priorities where needs are highest while sustaining a holistic approach.
- The fundamental pillars of the current social contract have been further weakened by the pandemic, which has contributed to increased fragility. UNDP is currently reviewing the state of the social contract to identify primary issues and define paths to catalyse a strengthened and reimagined social contract.
- A large-scale durable solutions strategy has been developed and launched jointly with the International Organization for Migration (IOM) together with a number of joint programmes with United Nations and non-governmental organizations. These take a multidimensional approach to addressing needs specific to displaced individuals and communities. Both the strategy and programmes build on the humanitarian, development and peace nexus

- A United Nations system-wide approach was spearheaded to address the specific needs of vulnerable groups such as families with a perceived affiliation with ISIL. Their stigmatization often results in economic and social exclusion, and extrajudicial violence in the form of revenge killings, physical assaults, property destruction as well as forced displacement.<sup>121</sup> An integrated, joint and principled approach for these fragile groups is crucial to ensure their reintegration.

#### **c. Fragility-based multidimensional UNDP programming, such as:**

- The stabilization approach, which UNDP has been implementing since 2015, is fully grounded in the understanding that, to be effective and sustainable, rehabilitation and recovery have to be addressed from a multidimensional perspective. The approach catalyses holistic interventions across fragility dimensions, seeking to safeguard against targeted drivers of fragility such as, among others, the risk of violent conflict, government ineffectiveness, socio-economic vulnerability and gender inequality. This builds on the premise that stabilization priorities and needs fall across the humanitarian, development and peacebuilding spectrum, and therefore need an integrated approach.

#### **a. Launch of a number of joint analyses with other United Nations agencies, such as:**

- The Socio-economic Impact Analysis series provides a better understanding of the impact of COVID-19 in Iraq on key fragility drivers through in-depth analysis across various dimensions. The studies built on collaboration with other United Nations agencies.
- At the onset of the pandemic, the Stabilization Forecast was developed jointly with the IOM to provide insights and trends on key drivers of fragility over the subsequent six-month period.

At the global level, UNDP is developing a new Fragility Framework to provide development

solutions for crisis and fragile contexts. This will build on UNDP's multidimensional mandate and deep understanding of fragile contexts and their drivers, and aim at essential, transformational change.

### 3.2. What next in 2021

Significant global concerns remain over how we collectively will recover from the pandemic. The Secretary-General of the United Nations recently stated that: *“The response to Covid and to the financial aspects [of the crisis] have been [...] too limited in scope and too late. [...] the risk is that we compromise the recovery of the economies of the developing world with catastrophic consequences for people's lives, with an increase in hunger and poverty and dramatic problems with health and education systems, in many cases leading to instability, social unrest and, at the limit, conflict. Everything is now interlinked.”*<sup>122</sup>

The greatest impact on Iraqis has come from reduced income. Households nationally linked changes in income and employment to restrictions to curb the pandemic. By contrast, the pandemic has left housing and shelter, water, sanitation and hygiene, and movement intentions of IDPs relatively unscathed.

COVID-19 has created and will continue to create socio-economic fractures throughout Iraq and increase overall fragility. Not all fractures are equal, however. Those most vulnerable before the pandemic—namely, informal sector workers including daily labourers, displaced populations, women, children, youth and persons with disabilities—have borne the hardest impacts. A greater number of female employees of small and

medium enterprises lost wages and permanent employment compared to male employees. A greater proportion of households with members in casual or daily labour suffered income losses compared to those with permanent employment. Displaced individuals and youth were more likely to be engaged in casual labour. A continued negative impact could occur as an increasing number of people, particularly vulnerable people, lose vital wages. As the SDGs becomes less attainable, the risk of an ever-increasing number of Iraqis being left behind will rise.

The Government voted to organize elections on 10 October 2021.<sup>123</sup> It will be up to the incoming administration to implement ambitious recovery priorities despite a sizable budget deficit. The 2021 budget indicates that sectors such as health and education, among others, have had important cuts compared to the previous budget, at 35 percent and 40 percent respectively, despite significantly ramped up needs. Should labour protections continue to be absent, both through the use casual contracts and/or the absence of social protection schemes that include informal workers, vulnerable populations will sink further into precarious circumstances.

There is no easy way back from the effects of the pandemic, as it has shown how frayed the social contract is. At the same time, it opens an opportunity for the Government to offer a strategic and balanced way forward based on priorities and policies that will strengthen trust and social cohesion while rebooting the economy in an inclusive and equitable manner. Packaging this with a demonstration of competence and fairness could mean that the Government will regain a supportive audience among Iraqis.



## 4. SOCIOECONOMIC IMPACT ASSESSMENT SERIES: POLICY RECOMMENDATIONS

## I. Economic dimension

### Short-term recommendations

**Financing the deficit:** The Government should rapidly develop a financing plan to cover the short- and medium-term imbalance between revenue and expenditure. Sources of finance will include: issuing domestic debt, of which around \$13 billion has already been approved by Parliament; accessing foreign debt if acceptable terms can be identified; taking loans from international financial institutions if acceptable terms can be agreed; and bilateral loans from neighbouring countries. The Government reportedly has started pursuing each of these options through various routes.<sup>124</sup> It could also consider, at the extreme, limited direct financing from the Central Bank but only under a clear policy framework that maintains market confidence in the value of the dinar. Macroeconomic solutions must be based on social inclusion and leaving no one behind, and reaching the furthest behind first, moving beyond a traditional macroeconomic efficiency angle.

**The monetary and financial sector:** The Government and Central Bank should rapidly and confidentially review a number of scenarios and policy options for the currency regime, and determine a course of action that will sustain both confidence in the dinar and acceptable levels of foreign exchange reserves without triggering uncontrollable inflation. The bank should continue to provide liquidity through its current facilities, and encourage or formally mandate debt holidays or the rescheduling of debt payments from major non-financial corporations. The Government and the bank should rapidly assess the health of the two State-owned banks and consider extending temporary liquidity loans.

**Expenditure policy:** The Ministry of Finance should quickly review public expenditure to reduce non-essential spending and reprioritize expenditures into health, social protection and support for the wage bill. It should undertake rapid actions to reduce and retarget spending *within* the wage bill to protect low-income workers and pensioners, and reduce spending on high salaries and pensions. The Government should also consider rapid electricity tariff reform given the size of the current subsidies, with a view to raising costs for wealthier and larger consumers. Importantly, the Government should avoid simply not paying its bills since the size of the public sector means that a flood of arrears could paralyse the broader economy.

**Social protection:** The Government should review the Public Distribution System and other social assistance schemes with a view to creating an inclusive cash assistance system. This should be aimed at delivering a minimum level of social protection to vulnerable households, while avoiding a narrow focus on extreme poverty and minimizing exclusion errors. As part of this, the Government should look at innovative means (e.g., mobile phone channels) to provide cash assistance to the most vulnerable, and consider direct food aid to the poorest regions and areas. The Government should take particular care to ensure that distribution channels for social assistance factor in gender issues and specific barriers faced by women and girls. Where appropriate, the Government should consider expanding eligibility for public assistance schemes to informal workers.

**Support for private business:** The Government should introduce further support for small and medium enterprises that provide the backbone of private-sector employment for low-income and vulnerable households. For the small number of formal non-governmental companies, the Government should

consider holidays from pension/social security contributions or other charges in return for no layoffs or other employment guarantees. For both formal and informal businesses, the Government should devise a package of measures, for example, tax holidays, utility payment holidays, potential direct staff salary support or furlough schemes. This could help maximize the number of businesses that can continue operating and providing employment.

### **Medium- to long-term recommendations**

**Commit to a set of credible fiscal rules to better manage the impact of changing oil prices.** The Government should take firm action to end its procyclical fiscal stance. The establishment of stronger fiscal governance institutions to smooth the swings of oil revenue will be critical to avoiding similar macroeconomic problems in the future. It will reduce Iraq's vulnerability to day-to-day changes in oil prices, and allow for more sustainable spending and investment over the long term. It will also send a signal to domestic and international investors that Iraq seeks to operate with lower levels of fiscal risk, and therefore reduce the cost of borrowing overall.

**Invest in private-sector development and economic diversification.** This is a long-term mitigation strategy for most of the problems emerging from the COVID-19 challenge. It would comprise a multifaceted agenda across a range of public policy areas. Building a diversified and gender-inclusive private-sector-led economy that invests in high-growth industries, such as green power generation and digital technologies, is the best 'insurance policy' against future swings in oil prices. Iraq has received a great deal of policy advice on how to build a more dynamic non-oil private sector that can generate wealth, employment and revenue. Putting forward a credible plan to begin this reform agenda would start the process for the long term, and again signal to potential investors that Iraq wishes to do things differently in the future. Other priorities are to support and invest in the informal sector (including medium, small and microenterprises) as the backbone of a diversified non-oil economy, and implement reform strategies to leverage the role of the private sector in spearheading economic growth and the provision of essential social services.

## **II. Societal dimension**

### **Short-term recommendations**

**The Government of Iraq needs to prioritize its scarce budget if it is unable to fully meet its obligations.** First, it should ensure that Social Protection Network beneficiaries receive their transfers in full and on time. Second, it needs to make sure that low-wage public sector employees and retired public sector workers with low pensions, those in the bottom 20-30 percent of the income distribution, are paid in full, with other public sector workers and pensioners receiving fractional payments.

**Public Distribution System rations should be directed towards the poorest governorates and districts** in the north and south of the country when fiscal constraints limit full procurement and delivery by the Ministry of Trade. The ration cards of those in the Social Protection Network should be prioritized so these beneficiaries are assured access to basic foods.

**The conditional cash transfer programme should be scaled up to all Social Protection Network recipients**, after being refined by an evaluation of the pilot. This programme provides a much needed head start for children, and by extension backs future potential and productivity. The programme should also ensure that its methodology and targeting caters to the specific needs of women and female-headed households.

**Establish transparent communication between the Government and citizens** so that everyone understands who receives salaries, subsidies or transfers. This would help to rebuild social cohesion.

**Introduce a public works programme**, especially in areas damaged by the ISIL conflict or where infrastructure is lacking. This programme could provide employment and training to Iraqi youth and the unemployed to both build worker skills and rehabilitate schools, clinics, hospitals and agricultural infrastructure. Employment should be created in a way that encourages a larger share of women to participate in the labour force and addresses known hurdles to women's participation.

**Introduce a nationwide school feeding programme.** If fiscal constraints prohibit this, explore a more targeted launch in the north and south and other vulnerable districts.

**Instigate the design of social insurance programmes**, specifically for those working in the private sector.

### **Medium- to long-term recommendations**

**The most critical need is to establish a social registry** that spans all social protection instruments, including the Public Distribution System, and that can be used in all future shocks to target benefits to those most likely to be affected and in need. Such a system allows interoperability among all programmes, and ensures that Iraqis can access the benefits they need at all stages of life. The social registry should rationalize the current situation of numerous incompatible management information systems.

**Use the social registry to horizontally expand the Social Protection Network** and ensure that the application portal is always open for new potential beneficiaries.

**Reassess the adequacy of the size of the Social Protection Network transfer and increase it if necessary.** If fiscal space constrains an adequate transfer level, then a stepwise phase of increases should be planned. A system should be created that links the transfer level to an index of inflation.

**Supply chain management for the Public Distribution System should be switched to the private sector from the Ministry of Trade.** This is critical to jump-start the agricultural sector, and the associated supply chain from farmers to retail outlets. It should also reduce supply chain disruptions, and distortionary agricultural prices as a result of set prices by the ministry. There would be significant reductions in the need for ministry employees, generating cost savings in the long run, although undoubtedly much of the reduction in staff would be handled by retirement where the system is generous.



**The Public Distribution System ration card should move to an electronic card delivery system,** linked to the Social Protection Network through the social registry, and built around unique national numbers for individuals as opposed to governorate and district-specific numbering. Beneficiaries could use their smart cards in an array of stores anywhere in the country, avoiding disruptions when they are displaced for any reason.

**The benefits under the Public Distribution System should be rationalized.** This will be very sensitive unless well communicated and transparent. Targeting the programme could begin by gradually reducing eligible beneficiaries based on income levels, aiming initially for 70 percent of Iraqis and then 50 percent. This would release some fiscal resources for other programming. A list of foods for beneficiaries to purchase with a smart card could be tailored to higher nutrient foods that the poorest and most vulnerable Iraqis cannot otherwise afford.

**Revisit the proposed 2016 public employee pension reform** and approve steps to address the high accrual rate as well as the low pensionable age and years of service.

**Establish a digital hub** that builds on the social registry to deliver a one-stop shop for any Iraqi to register for, process changes in and secure their social protection benefits.

### III. Environmental dimension

#### Short-term recommendations

- **Mainstream environmental sustainability into recovery:** It is critical that the Government, with the support of international partners, mainstreams environmental sustainability throughout its recovery plan. There are many different ways to do this, but some particularly relevant ones include:
  1. Integrating solar solutions into recovery and stimulus plans to reduce energy costs and build economic resilience.
  2. Harness nature-based solutions and waste recycling options as sources of new small and medium enterprise growth and livelihoods.
  3. Mainstream decentralized water solutions and improved water conservation measures into recovery plans and investments; this should aim to address water access needs for regenerating livelihoods and social services such as health facilities and schools.
  4. Anchor special provisions in public policies to address the specific needs of displaced people and marginalized populations as groups disproportionately affected by environmental and health hazards.<sup>125</sup>
- **Secure international resources for environmental protection:** With an extremely challenging financial outlook, the Government should prioritize efforts to secure additional international support through mechanisms such as the Green Climate Fund and the Global Environmental Fund

that would support some environmental recovery work. For example, it could seek green funds for renewable energy. It could aim to:

1. Mobilize public and private finance for debt-for-nature swaps or debt-for-climate swaps with lenders.
  2. Encourage investments to enhance waste systems as well as local governance for safe management and disposal of medical and plastic waste.
  3. Design capital injections for banks to promote the financing of a climate-resilient recovery.
- **Improve the management of solid and medical waste:** Even before the COVID-19 pandemic, Iraq lacked a framework for integrated solid and medical waste management. The Government should assess national waste management capacity to inform an integrated waste management system, particularly for hazardous waste. Implementing this would help reduce air and land pollution, generate decent jobs in the non-oil sector and contribute to non-renewable energy, thereby promoting sustainable production and consumption patterns.

### **Medium- to long-term recommendations**

- **Improve environmental governance:** A long-term structural issue is to improve the management of key natural resources in a transparent, sustainable manner. Ways to achieve this include:
  1. Foster dialogue and develop mechanisms to improve institutional cooperation at the national, governorate and municipal levels to address environmental mainstreaming across relevant policy domains.
  2. Encourage greater civil society engagement in developing local initiatives to address environmental challenges.
  3. Invest in the preparedness and capacities of environmental agencies.
  4. Provide sufficient financial investment and capacity-building for environmental monitoring at the local level.
  5. Enhance regulatory oversight at the national and municipal levels.
- **Encourage climate-friendly, sustainable long-term growth:** The oil industry is a losing bet in Iraq. The pandemic provides an opportunity to double-down on the imperative to diversify away from reliance on oil revenues and promote a more sustainable, circular-economy approach. Doing this requires some bold steps:
  1. Provide fiscal stimulus for renewable energy firms as new job-creators.
  2. Integrate green energy conditions into fiscal stimulus for energy-intensive sectors like heavy industry, transport and construction.
  3. Prioritize new investments in renewable energy solutions for community services for poor and displaced communities, and to power key services like water systems, communications services and waste management.

4. Promote a circular-economy approach that encourages reuse and recycling while regenerating small and medium enterprises and informal livelihoods.
- **Bring back nature:** Nature-based solutions offer low-cost ways to generate jobs, provide clean water, improve disaster resilience and support biodiversity. Practically speaking, nature-based solutions can be integrated into recovery plans as follows:
    1. Include biodiversity actions in stimulus packages for agriculture.
    2. Implement nature-based solutions to restore oases, marshlands and other ecosystems as a way of also restarting community livelihoods and building resilience.
    3. Expand and support protected areas wherever possible as carbon sinks, and providers of ecosystem services and goods.
  - **Build community resilience:** The pandemic has powerfully demonstrated the importance of individual, community and national resilience to disasters and unforeseen shocks. The recovery plan should look to bolster multi-hazard resilience.
    1. Build the capacities of Iraqi institutions to deal with systemic multi-hazard risks, such as inter-linked epidemics, disasters, conflicts and food insecurity.
    2. Integrate climate and disaster risks into capacity development in crisis management institutions.
    3. Expand use of multidimensional risk assessments and early warning to inform integrated responses to climate, health and economic crises.
    4. Broaden use of adaptive social protection tools and weather-indexed insurance to climate proof recovered livelihoods.
    5. Include women in decision-making, planning and implementation of all steps towards community resilience, considering their central role at the community level.
  - **Foster regional cooperation:** Effective cooperation and collaboration with Iraq's neighbours is crucial to stability and sustainability across the region. The Government and international partners should redouble efforts to sustain dialogue and cooperation with neighbouring riparian states on subregional approaches to water security and management, and reinforce efforts to engage neighbouring countries in dialogue and cooperation in managing the causes and consequences of dust storms.

## IV. Political dimension

### Short-term recommendations

- **The response to COVID-19 should not detract from progress in delivering on government commitments made in the wake of recent popular protests.** The underlying social cohesion challenges highlighted by the protest movement and exacerbated by COVID-19 demonstrate the need for a more inclusive national dialogue process. International support could help facilitate this.
- **The Government's commitment to a new election cycle should be maintained.** A transparent, free and fair electoral process is vital; international support for monitoring will help build public confidence. This is in line with the expectations of the protest movement, which has been highly critical of the current system. A new election cycle perceived as fair and legitimate would significantly strengthen vertical social cohesion and demonstrate to protesters that their demands are being heard.
- **Support to the COVID-19 response should be inclusive and conflict sensitive, and do no harm.** Care should be taken in national and international responses to COVID-19 not to deepen existing social divisions, and, where possible, to use COVID-19 responses to promote peace and reconciliation. Support should be seen as fair and equitable by different communities and in different parts of the country. It should involve local peace committees and other groups in promoting social cohesion through decision-making on service provision, rigorously avoid risks of fuelling large-scale corruption, and prevent parastatal or non-state actors from entrenching themselves further in service provision. Participatory methods should be used to identify responses and encourage community involvement where appropriate (for instance, in cleaning communal areas and providing support to those in isolation).
- **Clear and consistent COVID-19-related communication to citizens and the establishment of local dialogue forums are vital.** Coherent public messaging from all levels of government and the security forces is needed to explain the reasons for COVID-19 containment measures. Local dialogue among government officials, security force representatives and community leaders can provide a channel for developing and communicating key messages, and an opportunity for citizens to highlight their concerns and solutions.

### Medium- to long-term recommendations

- **Catalyse greater efforts to establish a foundation for State-society trust through an enhanced social contract for Iraq.** This can be done by strengthening accountability measures for public and private institutions; spearheading social and economic policies with a concrete impact on individuals and communities, especially the most vulnerable; and improving service delivery for citizens.
- **Long-term strategic partnerships between the Government of Iraq and the international community could cultivate an environment enabling an inclusive national approach to social cohesion.** In addition to backing responses to COVID-19, international support for social cohesion and reconciliation should be maintained and predictable for the coming years. A more coherent and complementary approach among development partners could support government reconciliation priorities and processes addressing the main factors undermining social cohesion. This could

build on joint strategies and plans, political support for the Government and commitment to multiyear funding. Ultimately, such measures will only be sustainable with significant government commitment and buy-in to a national process.

- **Foster an enabling environment for civil society to play its role**, such as by participating in the development and implementation of government policies, upholding accountability measures and reaching the furthest behind, since civil society seems to have better and more direct access to these groups.
- **A strategic approach requires covering all parts of the country and leaving no one behind, as well as maintaining special attention to areas formerly occupied by ISIL.** The liberated areas will remain a vital focus for social cohesion efforts, but there are important horizontal and vertical social cohesion challenges in all parts of the country. A particular focus should go to marginalized groups and communities disproportionately affected by deterioration in social cohesion.
- **Ensure the development, modernization and implementation of the necessary legislative framework to create a regulatory environment for social cohesion and peaceful coexistence.** Several bills developed by the Parliament Permanent Committee on Reconciliation, Tribes and Religions to promote peaceful coexistence and counter hate speech, among others, have not yet been passed. This should be prioritized.
- **Support and empower national and subnational institutions mandated to address social cohesion and community reconciliation so they can operate within a consolidated, inclusive and shared vision.** This would address current fragmentation. It includes support at the operational and policy levels; a clear definition of roles and responsibilities; and guaranteed links among relevant national and subnational institutions to ensure complementarity and coordination, and avoid competition. Sufficient resources will be required to bring this process to fruition.

## V. Security dimension

### Short-term recommendations

- **A more strategic national approach to social cohesion should be developed alongside immediate and short-term responses to COVID-19 and its effects on relations within society.** This approach should be conflict-sensitive, people-centred and inclusive, with a dual focus on horizontal and vertical factors affecting social cohesion. It should combine urgent responses to the political context as well as longer-term commitments to providing services and opportunities that will reset the social contract, and relationships between communities, the government and citizens at large. Several actors currently work on social cohesion, but the absence of an overall national framework to guide these efforts has hindered positive results. Developing such a strategy could significantly contribute to social cohesion and reconciliation.
- **Work with the Government to enforce lockdown measures that respect the rule of law, human rights and human dignity.** Put the community at the centre, and support solutions that avoid impediments to due process, guarantee access to justice in cases of abusive behaviours and diminish impunity.

- **Support for local peace committees and tribal dispute resolution structures should continue despite COVID-19 restrictions.** Community-led resilience and response systems can be essential tools in strengthening social cohesion among and within communities. They deserve more investment. The local peace committees and tribal dispute resolution structures in particular are uniquely placed due to their connections with local communities and understanding of local dynamics. Initiatives could include considering travel permissions and permits to allow meetings to take place under COVID-19-safe protocols, or facilitation of online meetings.

### **Medium- to long-term recommendations**

- **Support global advocacy to temper regional dynamics and find neutral avenues to solutions for peace in Iraq and the region.**
- **Increase investments in security sector reform to enable Iraqi security forces to more efficiently address risks posed by armed groups such as ISIL.** Pair these with increased social spending at community level to diminish the prominence of ISIL.
- **Despite the pressures of responding to immediate COVID-19 priorities, and the political demands articulated through popular protests, the Government should maintain existing commitments to reconciliation.** This should include maintaining progress where possible on the return and reintegration of ISIL-associated families and IDPs, which should be seen in the context of the re-emergence of ISIL in parts of the country and the need to counter current rejectionist narratives. Demonstrating a commitment to social peace and reconciliation will undermine a core element of the ISIL message. Preparations to support the return of Popular Mobilization Forces volunteers to their communities, particularly in the south of the country, should be continued.

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## ENDNOTES

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- 5 World Bank 2017.
- 6 For an expanded discussion, see Moaddel, ed. 2007.
- 7 World Bank 2021.
- 8 Rohwerder 2015.
- 9 Ibid.
- 10 Ministry of Planning, World Bank and UNICEF 2020.
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- 12 The Government was operating under the prolongation of the 2019 budget, since the 2020 budget was cancelled. Efforts focused on the preparations of the 2021 budget.
- 13 OPEC 2021.
- 14 UNESCWA 2020.
- 15 UNDP 2021e.
- 16 Iraq is not eligible for debt relief or restructuring under the G20 Debt Service Suspension Initiative established in late 2020. See: [https://www.undp.org/content/undp/en/home/news-centre/news/2021/UNDP\\_study\\_debt\\_relief\\_developing\\_economies.html](https://www.undp.org/content/undp/en/home/news-centre/news/2021/UNDP_study_debt_relief_developing_economies.html).
- 17 World Bank 2021a.
- 18 Government of Iraq 2020b.
- 19 Rudaw 2021.
- 20 *The Financial Times* 2020.
- 21 WFP 2021.
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- 23 For example, see Al-Ansary 2020.
- 24 Rudaw 2021.
- 25 Reuters 2021.
- 26 The 2021 budget indicates the following loans: \$1.2 billion from the World Bank to finance the budget deficit, \$4.1 billion from the IMF to finance the budget deficit, and \$2.75 billion from other international banks and financing institutions to finance the budget deficit, development projects and improved security. Further, upon the Cabinet's approval, the Minister of Finance will be able borrow: \$6.63 billion in loans to implement development projects (of which \$722 million is allocated to the Ministry of Health); \$1.8 billion to finance infrastructure projects embedded in a framework agreement signed between China and Iraq (of which \$100 million is allocated to the Ministry of Health); \$1 billion with a guarantee or financing from the Export-Import Bank of the United States to implement infrastructure projects according to the agreement signed between the bank and Ministry of Finance; and \$355 million from Iraqi governmental banks (Rasheed, Rafidain and the Trade Bank of Iraq) to complete housing projects by the Ministry of Housing and Municipalities.
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- 33 Multiple answers could be selected so findings may add up to more than 100 percent.
- 34 IOM 2021.
- 35 World Bank 2021b.
- 36 UNDP 2020a.
- 37 IOM 2021.
- 38 Ibid.
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- 40 Ibid.
- 41 Dorsch, Dunz and Maarek 2015.
- 42 Ibid.
- 43 *Credendo 100* 2019.
- 44 UNHCR 2020a.
- 45 Aboulenein and Levinson 2020.
- 46 Alzobaidee 2015.
- 47 UNDP 2021b.
- 48 FAO, World Bank and WFP 2020.
- 49 ILO 2020a.
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55 Based on the confidence interval of this assessment, the differences reported in these figures are likely to be statistically significant despite comparing groups not formally stratified as part of the sampling methodology.

56 Gender-Based Violence Sub-Cluster Iraq 2020.

57 UNHCR 2020.

58 INFORM 2021.

59 A chi square test has found that there is a no discernible difference between these stratifications, and that findings could be the result of a random distribution of responses.

60 Ibid.

61 UNDP 2021b.

62 Ibid.

63 Sharma Chakrabarti and Grover 2016.

64 Lungumbu and Butterly 2020.

65 WHO 2021a.

66 Barbarani 2020.

67 Ibid.

68 The 24 percent is a compound of households reporting that their water usage increased (21 percent) and those reporting that their water usage increased a little (3 percent).

69 Ibid.

70 United Nations System in Iraq 2020.

71 UNDP 2020b.

72 The Iraqi government did not pass a budget in 2020 due to political turbulence at the time but passed the 2021 budget in March 2021.

73 United Nations System in Iraq 2020.

74 The sectarian-based quota system in Iraq permits government institutions to be run by political groups based on an agreed allocation. The system risks impacting social cohesion as it permits the allocation of power and official functions to groups with mutual interests, potentially to the exclusion of others.

75 UN-Habitat, IOM and UNDP 2020.

76 Bahiya 2020.

77 This was mentioned in interviews as part of the research for the [Impact of Covid-19 on Social Cohesion in Iraq](#).

78 Mansour, Skelton and Hussein 2020.

79 UN-Habitat, IOM and UNDP 2020.

80 Ibid.

81 Al-Ruabie 2020.

82 Abel et al. 2016.

83 UN-Habitat, IOM and UNDP 2020.

84 Hasan 2019.

85 The New Arab 2020.

86 Government of Iraq 2020a.

87 Government of Iraq 2020b.

88 The Arab Weekly 2021a.

89 Commissions of Integrity at the Federal and Kurdistan Regional Government levels were established as well as the Iraqi Anti-Corruption Academy, integrity investigative judges, the Inspector General Offices (recently abolished) and the Higher Anti-Corruption Council as the overarching policy and coordination body. Related legislative reforms were introduced, but were relatively limited in scope. These included the first national anti-corruption strategy for 2010 to 2014 (mostly focusing on investigation, awareness-raising and capacity development). Efforts to develop a third strategy have lingered since, with the Kurdistan Regional Government seeking to develop its own anti-corruption strategy. Iraq's efforts to investigate thousands of corruption cases, including high-profile ones, have had relatively limited results in terms of convictions secured and assets recovered.

90 The Arab Weekly 2021

91 Middle East Eye 2020.

92 Department of State and Overseas Security Advisory Council 2020.

93 Rubin, Jakes and Schmitt 2020.

94 Middle East Institute 2020.

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96 Wilson Center 2020.

97 Department of Defense, Department of State and USAID 2020.

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99 Hasan and Watkins 2020.

100 UN-Habitat, IOM and UNDP 2020, p. 11.

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- 105 UNDP 2020.
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- 108 Tilly 1985.
- 109 Tarzi 2020.
- 110 Ibid.
- 111 Oxfam 2020.
- 112 Mercy Corps 2020.
- 113 UNDP 2021b.
- 114 UNOCHA 2021.
- 115 UNDP 2020b.
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- 117 UNICEF 2020.
- 118 UN-Habitat, IOM and UNDP 2020.
- 119 UNDP 2021.
- 120 United Nations System in Iraq 2020.
- 121 For more, see UNDP 2021d.
- 122 *The Financial Times* 2021.
- 123 Al Jazeera 2021.
- 124 For example: on domestic borrowing, see <http://www.thenational.ae/world/iraq-government-gets-parliament-s-nod-for-massive-borrowing-1.1039314>; on domestic and foreign borrowing, see <http://www.reuters.com/article/us-mideast-crisis-iraq-finance/iraq-says-discussing-6-billion-bond-issue-with-banks-idUSKBNOLZ1DR20150303>; on general financing options, see <http://www.ft.com/content/0832f9c0-00ff-45a7-bd87-of45a48a37f5>; on reducing payments to official creditors, see <http://www.iraq-businessnews.com/2020/04/19/covid-19-iraq-asks-imf-for-debt-deferment/>; and on seeking bilateral loans from other countries in the region, see <https://english.alaraby.co.uk/english/news/2020/5/24/saudi-arabia-signals-warming-ties-with-neighbouring-iraq>.
- 125 UNDP 2020a.



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