



SUMERIA

Sumer Foundation
for International Affairs

مؤسسة سومر للشؤون الدولية



**KONRAD
ADENAUER
STIFTUNG**

Final Report

**The Program to Supporting the Integration of
the Iraqi Economy into the Global Economy**

**Based on the Directions of the White Paper on
Economic and Financial Reform**

2022

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About the Konrad Adenauer Foundation



The Konrad-Adenauer-Stiftung (KAS) is a German political foundation whose civic education programs aim at promoting freedom and liberty, peace and justice. The KAS Syria/Iraq Office deals with the political and social situation in both countries, questions regarding the stability of the region, the refugee situation and security implications arising from the Syrian civil war and the emergence of the Islamic State. In addition to strengthening political dialogue within the region and between Europe and the Middle East, KAS work focuses on reconciliation and civil society support, good governance and rule of law, as well as research and analysis.

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About Sumeria Foundation for International Affairs



Sumeria Foundation is an Iraqi, independent and nonprofit organization, based in Iraq, Baghdad, and registered in Iraqi NGO Directorate with the No. 1E1611011 on November 03, 2016. Sumeria is committed to spreading the values of peace, tolerance and coexistence in international relations, and strengthening Iraq's relations with its regional and international surroundings by promoting dialogue, communication, research activities, exchanging ideas and adopting common



Introduction

In 2020, the Iraqi government launched the reform White Paper as a result of a financial and structural crisis facing the Iraqi economy that undermined its ability to work effectively, as the White Paper sought to address the problems accumulated for years and ways to transform these challenges into opportunities that can be invested in achieving a healthy and sustainable economy through bold reform measures and packages that enable Iraqis to achieve their aspirations for equal opportunities and decent standards of living. However, the criticism and strong opposition to the White Paper as a result of the lack of knowledge of its contents, makes it necessary to work to spread the concepts of reform contained in the White Paper among the social and academic elites, intellectuals, and workers in the civil society. It is a need to explain the importance of this paper and the solutions and procedures it came with to modify the course of the Iraqi economy and put it on the path of sustainability and dynamism, by diagnosing and addressing the problems facing the Iraqi economy in the short and medium term.

► First Axis: Project Summary

1- Project objectives

The Sumer Foundation for International Affairs has started implementing a project to introduce the effective and influential social groups in society to the concepts and themes of the reform White Paper launched by the Iraqi government. The team at the Sumer Foundation for International Affairs, in cooperation with Konrad Adenauer Stiftung, conducted a series of discussion sessions of eight hours for each workshop to provide the required support and assistance to raise awareness about the white paper, and in light of this, the objectives of the project can be summarized as follows:

First: Introducing the reform White Paper and its concepts and objectives to enhance the effectiveness of the Iraqi economy.

Second: A review of the accumulated and overlapping problems and challenges that the Iraqi economy has been facing.

Third: Introducing the proposed reforms and procedures in the reform White Paper themes.

Fourth: Determining the nature of the challenges, obstacles and proposed solutions for implementing the reform projects mentioned in the White Paper.

Fifth: Including gender and take into account the participation of the vulnerable and poorest social groups of Iraqi society in the reforms of the White Paper in a way that enhances their chances of obtaining an adequate standards of living.

2- The participants in the project

The project started with a series of exercises for (85) participants. The percentages of male and female participants were (77.65%) and (22.35%), respectively, as shown in (Figure_1). The training included special axes related to the reforms of the white paper, which contribute to consolidating the awareness of the important contents of that paper, and building a real partnership with the reform administration cell which briefs the specialized elites of academics and employees working in the public and private sectors.

including the pioneers of some small and medium enterprises, as well as the participation of representatives of community organizations. The participants represented diverse cultural and cognitive spaces, different religions and clans, representing of the Iraqi governorates.. In addition, the project team and the participants discussed the possibility of integrating the Iraqi economy into the global economy because this is a matter of great impact holds its repercussions on the reality and future of the Iraqi economy.

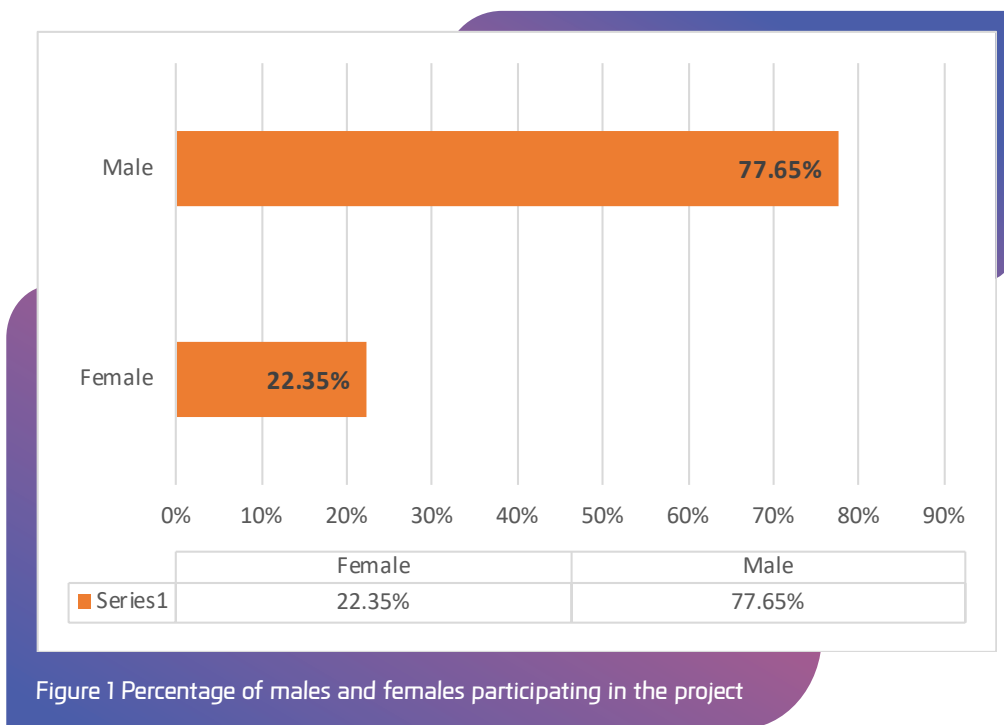


Figure 1 Percentage of males and females participating in the project

The percentage of those aged between (25–35) years constituted about 70% of the total participants, which were distributed over (10) Iraqi governorates (Baghdad, Kirkuk, Anbar, Basra, Wasit, Najaf, Dhi Qar, Babil, Karbala, Salah al-Din) as in (Figure_3). Their fields of work varied between government employees, private project owner, a combination of both or unemployed, as shown (Figure_4), where all participants received eight hours of training that covered the topics of the White Paper, which were presented and discussed, as well as documenting the participants' observations and suggestions.

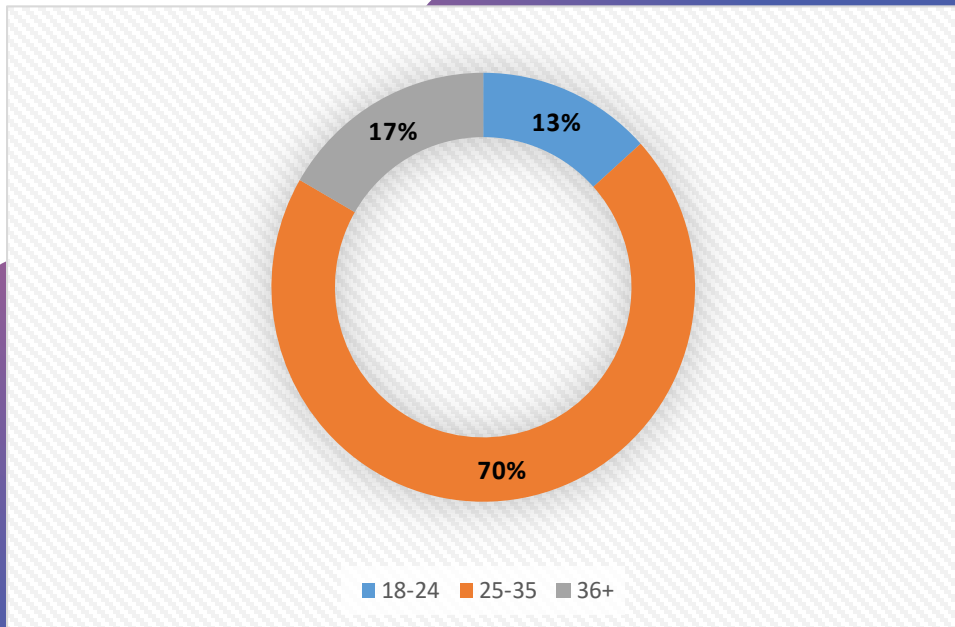


Figure 2 Age groups involved in the project

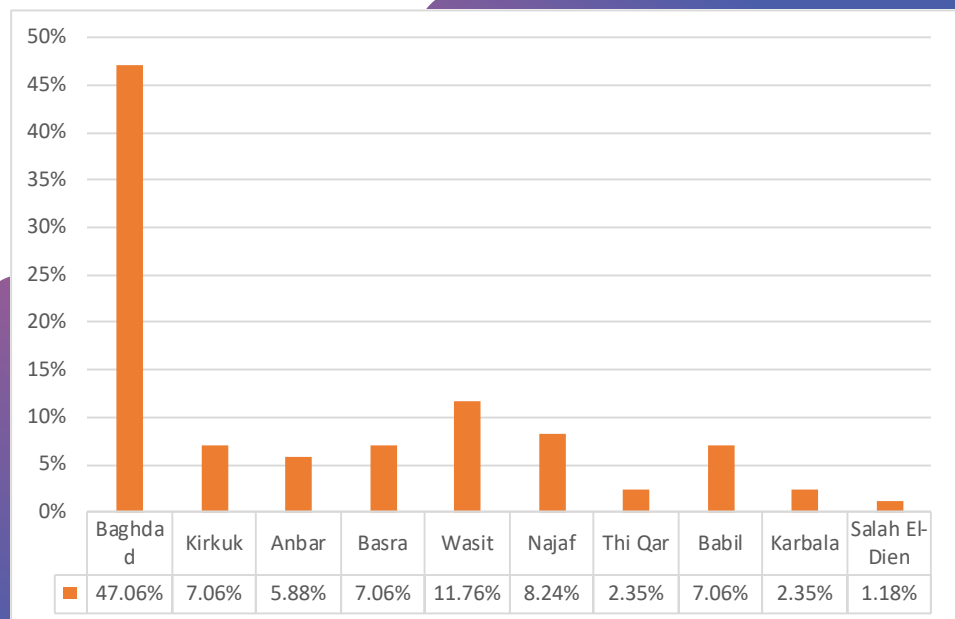
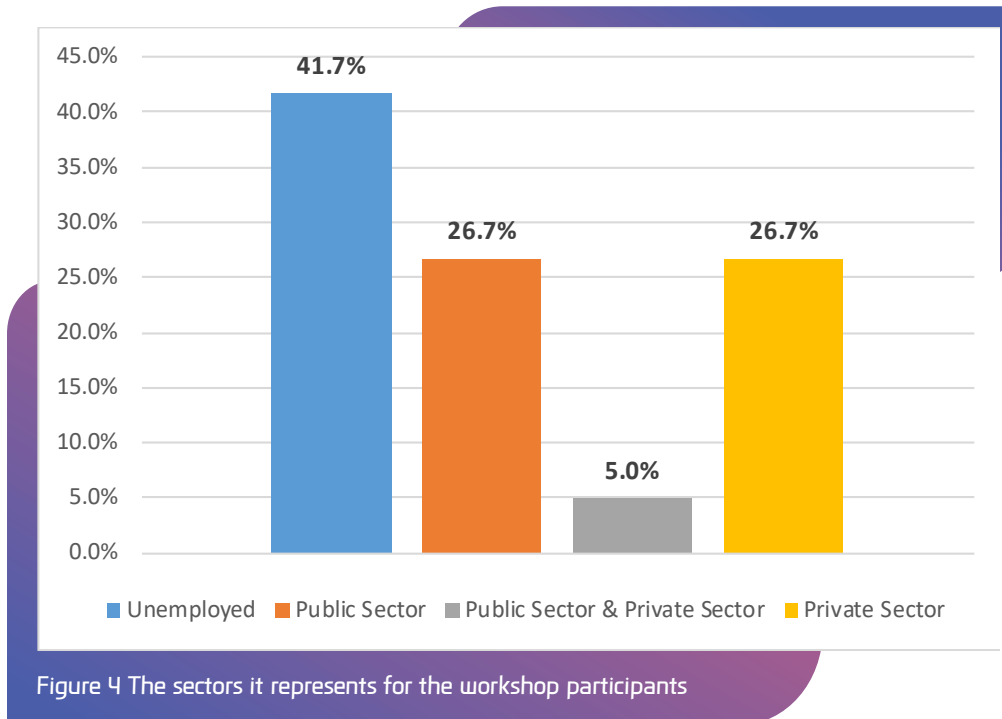


Figure 3 Distribution of project participants to the governorates of Iraq (excluding the governorates of the Kurdistan Region)



In a related context, the participants of both sexes received, during the training hours, a package of concepts and definitions included in the government reform paper, in addition to addressing the background and reasons behind the economic problems in Iraq, which prompted the government to adopt the white reform paper as a new approach, where the participants accepted a formal understanding of all aspects of the reform paper, and the timeframe specified for implementing its axes and dimensions it is working on, in addition to the relationship of the White Paper with the National Development Plan (NDP). After long and purposeful discussions and the participants' familiarity with the axes of the White Paper and its reform packages, the project team establishing an opinion survey form that was distributed to the participants in the training workshops to assess their opinions and assessments about what was stated in some of the reformist White Paper's terms, especially that attendees represented a diverse level of knowledge and science between (Ph.D., master's, bachelor's, diploma) at varying rates (23.3%), (51.7%), (23.3%) and (1.7%), respectively, as shown (Figure_5). All this qualified them to express opinions and advice, which we will discuss later in the body of the report results. This assessment helps us to deconstruct the most important observations and effects recorded by the participants in the White Paper.

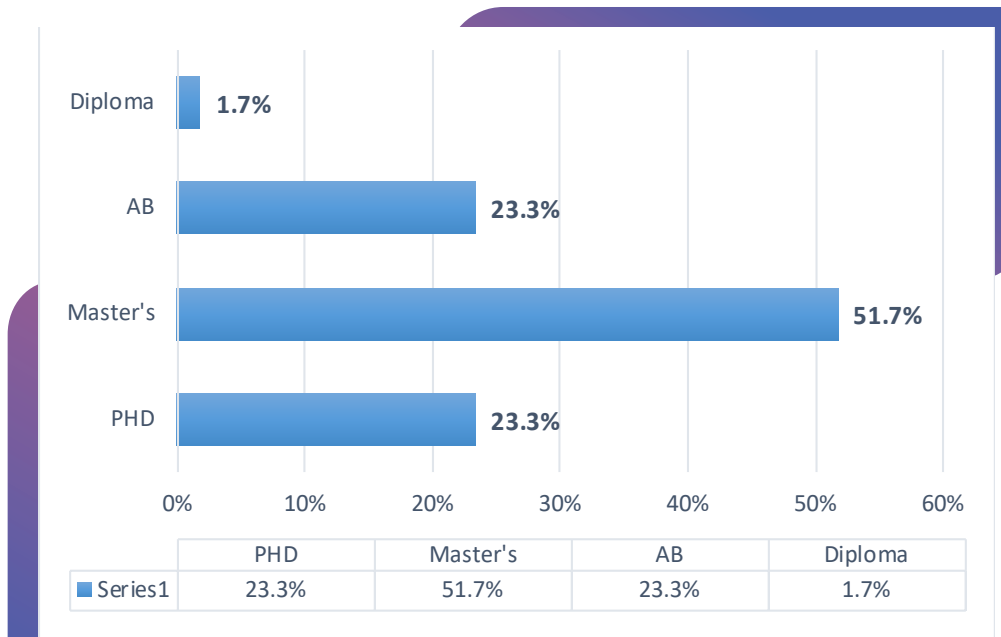


Figure 5 Educational attainment of project participants

▶ The Second Axis: The Results, an Overview

The participants in the project, after extensive workshops to learn about the economic reforms package adopted by the government's White Paper, raised a set of points supporting and opposing the contents of the White Paper, and the remarks were often comprehensive to the sectors covered by it. However, it put the main sectors in the spotlight of discussion, especially that these sectors are closely related to the general needs of society, the state, and institutions. Discussions over these sectors included controversial paragraphs in the white paper and elaborated on building realistic treatments that fit the nature of the economic challenges of society and decision makers. As a result, the impact of these discussions may result in a disparity of opinions about the feasibility of the White Paper and its contents: yet, everyone agrees on the necessity of initiating economic reform because it is the real entrance to social and perhaps political stability. Throughout this paper, we aim to point out the most important issues expressed by the participants, their support or rejection of what was stated in the White Paper, the effect of these issues on the following aspects:

1. Citizens' Trust in Government Institutions and Reform Measures

The relationship of the Iraqi citizen with the state and its institutions is characterized by a state of distrust as a result of the political and economic events that have accumulated during the past decades, which requires building integration and trust between the two parties establishing a serious social contract that paves the way for major reforms that include all the structures of administrative, financial and economic

institutions in general. Initiating any economic reform process in the size of what was stated in the White Paper, it will achieve reforms at the expense of the weak and poor social groups as long as mismanagement and lack of experience in managing programs to protect these segments is still beneath the required level.



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Because we are in a changing world: The White Paper did not take into account the changes in the internal and regional environment, as well as the international changes and challenges and, the economic and political crises facing the whole world reflects on the general situation in Iraq. Contrary to the contents of the White Paper, such as appointments and assignments to some ministries, the government's efforts in the field of economic reform do not differ from the governmental programs that were introduced in previous ministerial sessions as shown in, (Figure 6) as shown in the presence of other variables in which rapid developments hinder the achievement of the reforms of the White Paper.

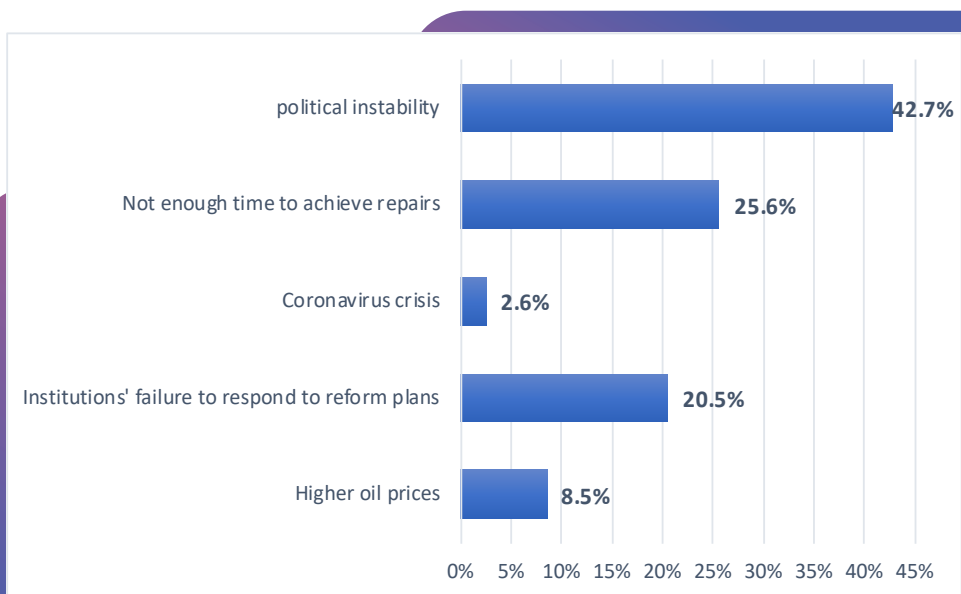


Figure 6: Variables that hinder the achievement of reforms in the White Paper



2. The Relationship of External and Internal Public Debt with Economic Reforms

Adopting stimulus measures for the productive sectors and finding a combination of financial and monetary policies is important and necessary to overcome the severe economic crises facing the state, in order to ensure the pressure of total spending and provide the necessary financial liquidity for the state to confront the economic imbalances and budget deficit. However, facing this requires a much more serious approach.



It is not possible to talk about economic reforms without having a clear policy on how to confront the public debt, especially external debt and external borrowing, as they are also governing expenditures that are determined within the items of the state's general budget.

Otherwise, the accumulation of debts, in addition to previous unpaid debts, will lead to an increase in spending in future budgets and an increase in future deficits. Therefore, it is not possible to talk about economic reforms thus having a clear policy on how to confront the public debt, especially external debt borrowing, as they are also governing expenditures that are determined within the items of the state's general budget.

3. Absence of Media Focus on the Axes of The White Paper

The incomprehension of the White Paper's stakeholders prevailed along its content and posed an indirect obstacle to achieving its reconsiderations. Hence there should be focused media and educational campaigns targeting the stakeholders, primarily its concerned with marketing their content to society such as (universities, civil society institutions, social groups poor, media professionals and institutions, and the like.) Therefore, the absence of media marketing for the White Paper made interaction with its reform measures, despite their importance, not commensurate with the challenges and problems addressed in the paper. This context is closely related to the economic culture of society, and the size of the promises and hopes made by previous governments regarding reform and change, which forged even those interested in the economic and political situation. From academics, researchers and intellectuals, to do not examine the recommendation of the paper, which is illustrated in (Figure 7).

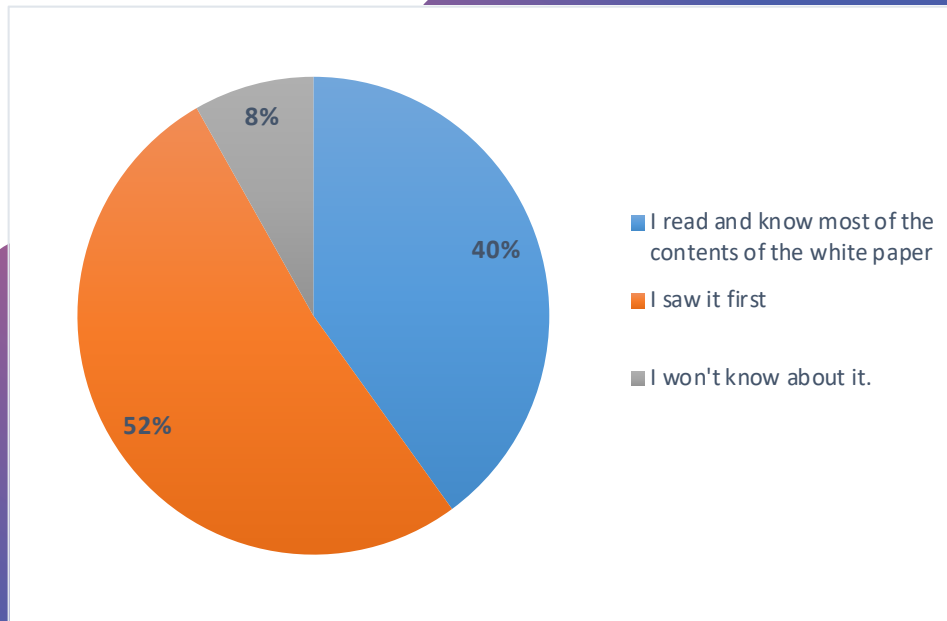


Figure 7: Percentage of participants' familiarity with the contents of the white paper.

4. Governing Challenges That Require Economic Reform

The White Paper addressed the economic challenges and problems clearly and explicitly, but it did not draw recommendations that fit the size of some of those challenges realistically and left them subject to future conditions and changes. Policies or procedures capable of reducing the high fertility rate to (3.7) children born to each woman, for example, should be given priority or be placed it in a study separate from the White Paper to better address and reduce its risk. The White Paper only highlights this challenge. challenge, where it is expected that the Iraqi population will grow 25% by 2030 to reach (50.2) million people. With limited resources and a (62%) increase in the percentage of those who need a job, this will result in an unprecedented pressure on the Iraqi economy.



The White Paper addressed the economic challenges and problems clearly and explicitly, but it did not draw recommendations that fit size of some of those realistically and left them subject to future conditions and changes.



Moreover, the entry of (5) million new people into the labor market by 2030, in addition to the failure of the private sector and its limited ability to absorb job seekers, requires finding innovative solutions with a greater focus on small and medium enterprises along with mechanisms to support them away from the procedural complications and administrative obstacles. This is emphasized in the case of young business owners. This pushes for the need to establish business incubators and accelerators to support entrepreneurial projects that have become a major focus in the economy. There is also a need to restructure faculties in Iraqi universities so as to make their outputs adapted to the needs of the labor market.



Finding innovative solutions with a greater focus on small and medium enterprises along with mechanisms to support them away from the procedural complications and administrative obstacles. This is emphasized in the case of young business owners. This pushes for the need to establish business incubators and accelerators to support entrepreneurial projects that have become a major focus in the economy.

As for the public sector, which is over-employed, the government empowered to carry out economic reforms was supposed to send to the Iraqi Council of Representatives a draft law that includes ceasing the creation of grades and new jobs and stopping appointments within Owners' movement on vacant grades (resignation, dismissal, retirement, death) in all government institutions by 2030, excluding a few specific service institutions, such as the Ministry of Health, for example. The head of the higher institution has the right to dispose of it according to the institution's needs, which will contribute to enhancing state revenues on the one hand and reducing inflation in the public sector on the other hand. This will reflect positively on supporting the private sector and curtailing the culture of employment in the public sector. Perhaps the most important sectors to focus on in the future are the sectors that encourage investment and enhance the efficiency of the private sector in absorbing the unemployed and relieving pressure on government institutions, as shown (Figure 8).

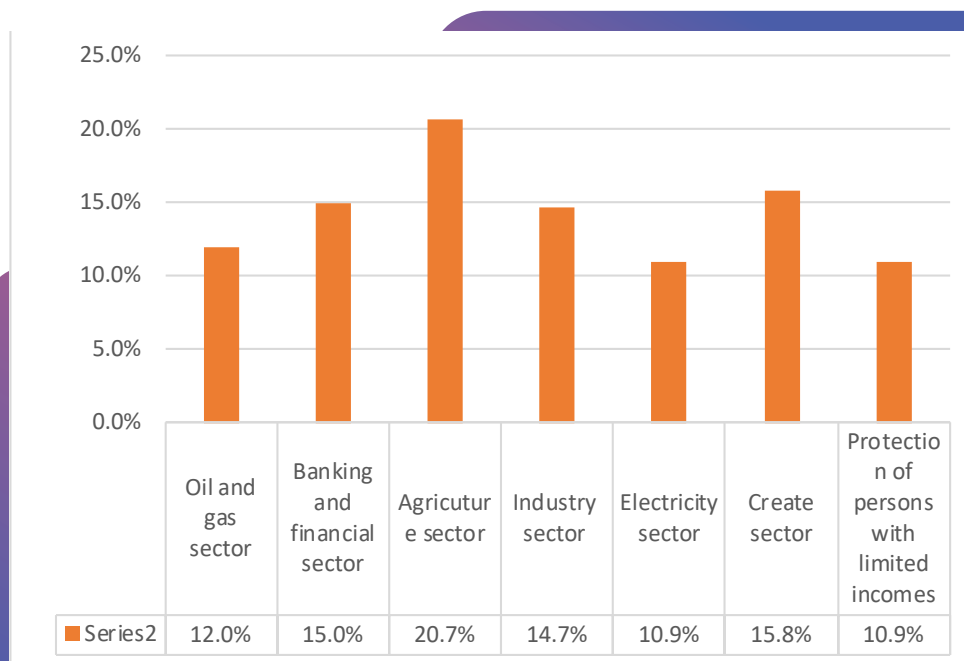


Figure 8 The sectors that should focus more on economic reforms

5. Degrees of Institutions' Commitment to Economic Reform Packages

Compliance with the decisions and economic reform packages included in the White Paper by government institutions was inadequate, as some institutions refrained from implementing those reform measures, while others objected to accepting the decisions, and delayed the implementation of what was required which resorted to procrastination. Moreover, the White Paper did not have a legislative and political cover from the active and influential forces because it was not discussed in Parliament. In other words, the White Paper was written at a critical time by a transitional government to confront the liquidity crisis and budget deficit; yet, economic reform process often requires a national consensus on its provisions, which explains the weak response to what was stated in the White Paper. Nevertheless, it can be said that the government broke the restrictions of apprehension about economic reform and began the first step towards achieving it so that subsequent governments would have premises on which to place structures, and in general, clear and transparent reports were not issued about the percentages of achievement of the terms of this paper.



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6. Social Strata and Groups Affected by the White Paper Reforms

The problems of the Iraqi economy are not the result of today, but rather have been deeply rooted to Iraq's dependence on oil as a basic source for creating budget while neglecting all other sectors. Achieving competitiveness in the Iraqi economy and building a sustainable economy require gradual work. It is not by surprise that, the devaluation of the dinar to the dollar, for example, by (23%) of its value caused inflation and reflected negatively on the reality of the poor and poorest social strata, as prices of basic consumer goods and products have risen to more than (50%) .



Achieving competitiveness in the Iraqi economy and building a sustainable economy requires gradual work.

As for workers in the public sector (employees), most of them began to adapt their lives to the new income that was affected by the devaluation of the dinar twice: once as a result of inflation and price increases disproportionate to the change in the value of the dinar, and again due to the decline in the value of their income compared to the dollar . As a result of the devaluation of the currency, the reforms targeting the employee segment only, and workers in the private sector, such as traders, contractors and importers, were not isolated from the changes produced by the white paper in the Iraqi economy, as shown (Figure _9).

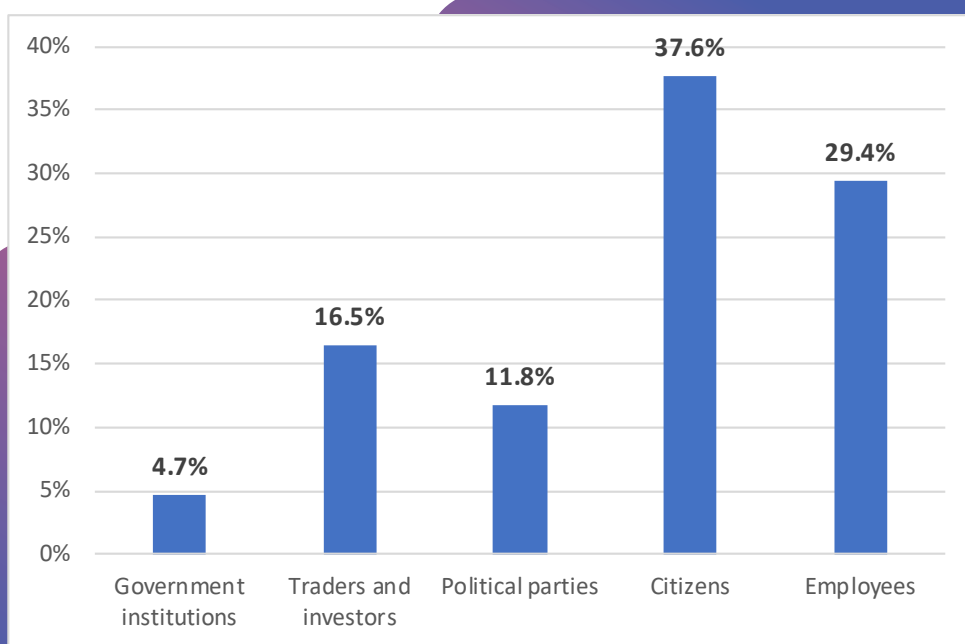


Figure 9 Social strata and groups affected by economic reforms

There is no risk in saying that the quest to privatize some of the services provided by the state to citizens free of charge or semi-free, such as electricity, ration card and water, cannot succeed for many reasons, the most important of which is the weak response from the stakeholders and the inability of the administrative and technical institutions to privatize these sectors as there is no data which would support supports moving in this direction. For example, that the privatization of the electricity sector requires the provision of specialized companies to carry out these tasks, In addition to mismanagement and the lack of data on the actual needs of energy in each governorate or sub-district, as well as with regard to the ration card, the implementation of withholding the ration card for families whose income ceiling exceeds a certain level requires clear and transparent data, otherwise fraud will be an obstacle to this procedure.

7. Lack of Data and Reliance on Estimates in Building Economic Reforms

Iraq lacks a unified database on the basis of which reform measures and procedures can be taken, and perhaps this matter constitutes a real obstacle to any reform endeavor, especially in the financial and administrative systems, as it requires, before initiating any economic reform process in a country with many crises such as Iraq, the collection of the largest number of data by activating the data and information portal, activating the statistics departments, and listing and classifying all data. And then the process of planning and implementing reforms begins.



Before initiating any economic reform process in a country with many crises such as Iraq, it is important to collect the largest number of data by activating the data and information portal, activating the statistics departments, and listing and classifying all data.

Without that, talk of reform will remain mere ambitions written on paper, especially since small and invisible variables in the overall economic activity are what make the difference, so there is no point in building reform policies based on estimates that may be in question.

8. The possibility of integrating the Iraqi economy into the global economy in light of the Reforms of the White Paper

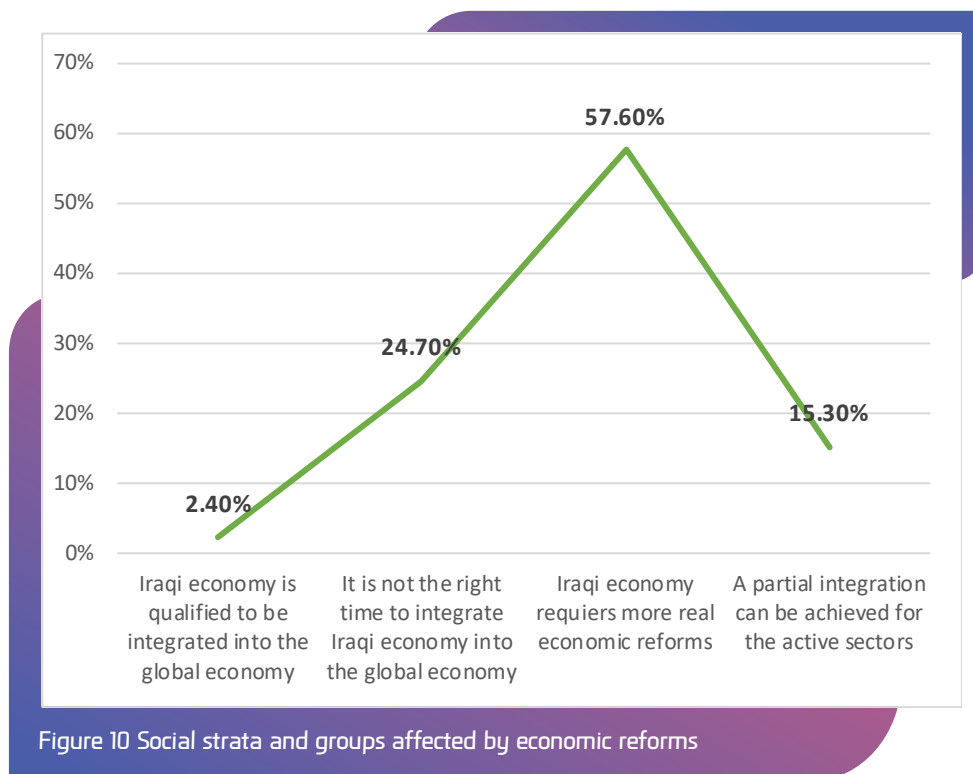
Thinking about integrating the Iraqi economy into the global economy is an important and necessary step to starting an adaptation process for the national economy with the global economy, which can transform the Iraqi economy from a state of stagnation to a state of dynamism and growth. Articulation, expanding the production base, reducing dependence on oil, and securing a more equitable distribution of income and wealth. All attempts to adapt the Iraqi economy to serve factional interests at the expense of the public interest which constitutes another obstacle to achieving this integration.

The process of linking the national economy with the global economy requires a gradual integration that



may include sectors that are ready or have sufficient flexibility to respond to the changes imposed by the global economy at the moment of its downturn and growth. As for the process of integrating the Iraqi economy as a whole into the global economy at present, its repercussions may be negative, especially with the presence of complications which present major political and economic issue that prohibit the achievement of this goal in the foreseeable future, which is illustrated (Figure_10). It is question the readiness and ability of the Iraqi economy to adapt and integrate with the global economy, especially since the banking and financial sectors in Iraq still lack many reforms to reach the level of readiness for that integration.

In general, it can be said: Weak oversight and political instability, along with rampant corruption and the intersection of laws and regulations, are all factors that will not make the task of achieving economic reform and integrating the Iraqi economy into the global economy more than an ambitious attempt amid complex and overlapping crises. The basic sectors to achieve tangible change in the economic reality, and the completion period, as the white paper specified (3-5) years to achieve economic reform, should be put in question as the complex reality indicates a fault to actually achieving it in this time frame.



Conclusions

The white paper has drawn the limits of the economic problems in Iraq and drew attention to the need to rethink the role of the state in the economy, which is difficult to implement as a result of comprehensiveness and lack of focus on several main sectors that drive the Iraqi national economy. Also, it has succeeded in overcoming the liquidity crisis that faced the government during the past two years, broken the barriers of fear of reform, enhanced everyone's awareness of the seriousness of the stifling economic challenges facing Iraq, and paved the way to confront them gradually by providing political cover and popular acceptance in more realistic periods of time.



