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Iraq 2020: Country at the Crossroads

Executive Summary

As is well known, Iraq is currently suffering from external shocks including the collapse of oil prices, Covid-19, and the reemergence of ISIS. At the same time, the country is facing internal challenges including widespread corruption, lack of access to essential services, massive unemployment and underemployment, political instability and a serious budget crisis. If Iraq is to avoid a political and economic crash in 2020/2021 then the government must respond effectively to this complex combination of external and internal shocks. This paper identifies the most serious challenges facing Iraq and recommends specific policies to deal with them.

The primary requirements for Iraq to successfully navigate the current chaotic situation are five. First, the nation's leadership must publicly demonstrate – by actions as well as words – that they are dismantling the barriers between themselves and the Iraqi people. Second, the political community must make difficult decisions in a timely manner. Muddling through is no longer an option. Third, Iraq must deal with Covid-19 without crippling the existing non-oil economy. Fourth, priority must be given to the creation of private sector jobs to reduce the economy's dependency on crude oil exports. Finally, it is critical to deal with the current severe budget crisis without endangering economic growth and job creation. This paper doesn't directly address the problems of corruption, physical security, and monetary/exchange rate policy since there are other organizations that are more capable of providing advice on these issues.

The detailed policy initiatives discussed in this paper will not succeed without a dramatic change in the planning, presentation, and execution of economic policy in Iraq. At a minimum, there must be strong support for the necessary policy initiatives by elected officials and bureaucracy as well as transparency to build public support and restrain corruption. It is critical that the authorities accept limits on government involvement in directing economic activity. And it is important to remember that there is no fiscal space for new spending – initiatives must either generate new revenues or require minimal additional financial support.

The Iraqi leadership should expect unforeseen opportunities and challenges to appear. In response to these unforeseen events, the Iraqi government should be prepared to act with both judgement and creativity. More than in previous periods, the future of Iraq is in the hands of Iraqis. Over the next several months and years, Iraq will make – or fail to make – critical irrevocable decisions. Countries with long histories of stable government and economic prosperity can afford to ignore changing circumstances and make unrealistic decisions. Iraq cannot.



Iraq is currently suffering from a complex combination of political, economic, and social shocks. Unless the people of Iraq act quickly and wisely, the collapse in oil prices and the subsequent budget crisis, the devastation caused by Covid-19, and the residual ISIS insurgency combined with internal political instability and the interventions of foreign powers point to a grim future for Iraq's 40 million people.

External Shocks

Oil prices fell to less than \$30/barrel (Brent Blend) in mid-March 2020 and are expected to remain at this level for the rest of the year. Reduced Asian demand and increased supply from the United States and Iraq itself point to a decade or more of sub-\$60/barrel oil. Iraq is more dependent on natural resource exports – crude oil in Iraq's case – than any other country in the world. In 2019, oil accounted for over 60% of the country Gross Domestic Product, 92% of the government's total revenue, and almost 99% of the country's exports.¹ As a result, Iraq's economy still lives or dies on the world demand for and supply of oil.

Reported **Covid-19** deaths in Iraq, 102 as of May 5th which is equal to 2.7 deaths per million, are relatively low compared to those of Iraq's neighbor to the east. Iran has reported 6,418 deaths for a death rate per million of 78.5.² However, Iraq's estimates of Covid-19 infections and fatalities are probably too low for several reasons. There is a shortage of both testing kits and trained personnel to both administer and interpret them. Also, although the border between Iraq and Iran is officially closed, there are unofficial border crossing points leading to a high probability of the movement of infected persons across the border. Finally, the large number of Iraqis who work in the informal economy do not have the option of avoiding contact. If they don't work, they don't eat.

Following the defeat of **ISIS** in Mosul in December 2017, insurgent violence has decreased sharply. From 13,183 in 2017, violent deaths decreased over 80% to only 2,392 in 2019. This is the lowest annual total of violent deaths in Iraq since data collection began in 2003.³ However, while ceasing to be a "state", ISIS and associated groups continue to make periodic terror attacks against markets and other places where Iraqis gather. There have been recent incidents that point to an acceleration of the pace and scale of ISIS terror attacks. These include a reemergence of ISIS in Diyala, Salah ad Din, and Anbar provinces.

¹ IMF (2019) *Iraq: 2019 Article IV Consultation*, July 2019.

² World Health Organization (2020) *Coronavirus (Covid-19) Update*, As reported by Real Clear Politics on May 6, 2020.

³ Iraq Body Count, Downloaded on April 16, 2020

Internal Challenges

Iraq is burdened with large-scale **corruption**. According to Transparency International, the country ranked 162nd out of the 180 countries evaluated.⁴ Ubiquitous corruption not only burdens business but also undermines confidence in the government and its ability to provide services to the population and achieve economic growth.

Access to **essential services** continues to suffer from problems of quality and access. Despite large investments over the last decade and a half, most of the population still does not have access to 24/7 electricity, clean water, or medical services.

Iraq suffers from massive **unemployment and underemployment**. Since the collapse in oil prices beginning in 2014, the government has been unable to fulfill its traditional role of “employer of first resort”. One study found that over 80% of young men in Baghdad are unemployed or underemployed including over 40% of recent college graduates.

In times of **political instability**, the standard response of the Iraqi political class has been to muddle through. However, the current political crisis is unprecedented. Inside the Green Zone, political leaders struggled to form another government after the resignation of Prime Minister Adel Abdul-Mahdi. And since October 2019, there have been major protests against corruption and lack of essential services. The government response to these mostly peaceful protests in Baghdad and other major cities has combined a confused outreach to the protestors and violence.

With the collapse of oil prices, there is a severe **budget crisis leading to** an estimated budget deficit of 29% or more⁵. The expected 2020 revenues will be insufficient to pay the \$52.1 billion (61.6 trillion dinars) needed for salaries and pensions much less security related expenditures, public health and education costs, ration costs, contractual payments to the international oil companies, or debt service.

Options for funding this deficit are limited. There is little appetite for Iraqi government bonds in either domestic or international markets. In view of the worldwide Covid-19 related economic downturn, it is unlikely that substantial nation-to-nation aid will be available. Finally, Iraq cannot continue to monetize government debt without endangering the stability of the dinar/dollar exchange rate. Iraq’s international reserves totaled \$67.6 billion at the end of 2019, but by the end of February 2020, had fallen to \$59 billion.⁶ Without an unlikely substantial increase in revenues, the government of Iraq must plan for an immediate large reduction in expenditures.

⁴ *Transparency International* (2019) Downloaded on April 27, 2020.

⁵ World Bank (2020) *Iraq Economic Monitor: Navigating the Perfect Storm (Redux)*, May, p. ix.

⁶ World Bank (2020) *Iraq Economic Monitor: Navigating the Perfect Storm (Redux)*, May, p. 9.

Call for Action

- The current multifaced crisis is an opportunity for critical policy changes that have been avoided in the past
 - Consequences are severe if there is a failure to develop a practical political/economic development strategy Because of the severe time constraint, it might be best to have a special group with both public sector and private sector representation create this strategy for dealing with the current crisis. Iraq cannot afford to wait for the long bureaucratic process of writing a sixth 5-year Development Plan that would be outdated before it is published.⁷ It is time for top politicians and government leaders to accept a new reality
- What must be done
 - Nation’s leadership must publicly demonstrate – by actions as well as words – that they are dismantling the barriers between themselves and the Iraqi people
 - Political community must make difficult decisions in a timely manner
 - Iraq must deal with Covid-19 without crippling the existing non-oil economy.
 - Priority given to the creation of private sector jobs to reduce oil dependency
 - Critical to deal with severe budget crisis without endangering economic growth and job creation.
 - The future is always unknown.
- Requirements for successful policy initiatives in 2020 Iraq
 - Strong support by elected officials and bureaucracy
 - Transparency to build public support and restrain corruption
 - Accept limits on government involvement in managing directly economic activity
 - There is no fiscal space for new spending – initiatives must either generate new revenues or require minimal additional financial support.

Dismantling the Barriers between Iraq’s Leadership and the Iraqi people

There is a widespread belief in Iraq that elected officials as well as the leadership of the political parties, ministries, and state-owned enterprises constitute an elite whose primary focus is maintaining their high living standards and other privileges rather than seeking to improve the welfare of the rest of the Iraqi people. Objections to this privileged elite is one of the major motivations of the large protests in Baghdad and other cities.

The distrust is reciprocated. Many members of the political elite have expressed through words and actions, their belief that the rest of the population is not to be trusted to make even low-level decisions. If the country’s elite intends to lead Iraq during this complex combination of

⁷ There is a long precedent in Iraq for a special committee to develop such a plan going back to Lord Salter’s *The Development of Iraq: A Plan for Action*, 1955, London: Iraq Development Board.



economic, political, and social shocks, they must first regain the trust of the people. This will require unprecedented actions that can be readily observed and judged by the Iraqi people.

- Reopen the Green Zone, the blatant symbol of privilege.
- An open investigation into the persons who were responsible for the killing of protestors over the last six months. Not just those who fired the guns but those who gave the orders. Since confidence in the probity of the government leadership is currently low, this investigation may require the involvement of an international organization. The results should lead at a minimum to naming of those responsible although prosecution would make a stronger statement that the government supports justice for the victims.
- Reduce the influence of organizations such as religious groups, political parties, and foreign states in the day-to-day operation of the Iraqi government.
- Almost 7,500 national and regional officials are required to submit financial disclosure reports to the Commission of Integrity. According to the Commission, compliance varies greatly among these elected and unelected officials.⁸ Legal action should be taken against those officials who fail to comply.
- Accelerate the slow process of withdrawing most financial privileges from current and former presidents, vice-presidents, prime ministers, and members of the council of representatives. This would include the large allowances for security, transport, hospitality, and accommodation. While there have been high-level discussions proposing across the board cuts in salaries as well as suspending raises and promotions for all state employees; there has been little public discussion of curtailing even some of the more outrageous benefits captured by the elite. As an example, official residencies associated with various government posts are often kept by officials after they leave the posts upon the payment of a symbolic minimal rent. Reducing or stopping these privileges would go a long way in gaining the much-needed trust of the people.

Political community must make difficult decisions in a timely manner

Iraq's politicians have mastered the art of muddling through each crisis, of avoiding hard decisions. Instead, the focus of the political class has been to ensure that each major political group gets its share of political power and accompanying financial rewards. As a result of this focus on personal aggrandizement, Iraq's elected officials have failed to carry out even the basic requirements of the democracy established by the 2005 Constitution.

The Council of Representatives (CoR) was unable to select a new Prime Minister in a timely manner after the resignation of Prime Minister in late November 2019. (Article 76 of the 2005 *Constitution*) The CoR has been unable to approve a 2020 budget. (Article 62) Consequently, in this time of stark political, economic, and social change; Iraq's government expenditures are

⁸ Commission of Integrity (2020) *Annual Report of 2019*, http://nazaha.iq/en_body.asp?id=2496



governed by the 2019 budget when the situation was very different. In addition, the Baghdad bureaucracy continues to dominate the life of the country. It has successfully stalled efforts to achieve the true federalism called for by the constitution. (Articles 105 and 114) There is still not a national oil law as required by Articles 111 and 112. The CoR has even failed to accomplish the technically straightforward duty of conducting a national census which was to be completed “by a date not to exceed the 31st of December 2007.” (Article 140) In view of Iraq’s current complex multi-faceted crisis, muddling through is no longer an option. It is the time for patriots to make hard decisions.

The Baghdad bureaucracy dominance of the everyday life of Iraq must be broken for three reasons. First, there is too much political, economic, and cultural variance among the provinces for a ministry in Baghdad to craft a single policy that will effectively meet the needs of each province. Second, many of the Baghdad ministries are dominated by a political party with a regional power base. It is widely believed that such ministries favor the region where their political support is the strongest. Finally, regardless of the number of kilometers, there is a great psychological distance between Iraqis who live and work outside Baghdad and the ministries that determine so much of their lives. Decisions made at the provincial or even district level are more likely to reflect the true preferences of the people.

- The Prime Minister should be allowed to choose not only his Chief of Staff and but also all of the members of the Prime Minister’s Office.
- The CoR should immediately craft and vote on a 2020 budget that reflects the reality of the country’s revenue collapse. Unless the CoR passes a budget, Iraq cannot legally borrow.
- The CoR must vote on the much-discussed national oil law.
- To ensure that each province is fairly represented as well as to move the Kirkuk issue forward, the CoR should call for and fully fund a 2021 national census, the first real census since 1987.⁹
- Iraq should move towards the true federalism called for in Article 1 of the Constitution.
 - In view of the failure of the CoR to pass any meaningful legislation or even to carry out its constitutional mandates and consistent with Article 65 of the Constitution, a Federal Council should be established including regional and provincial representatives.
 - Share responsibilities for planning and execution of government activities between the national and regional/provincial authorities as discussed in Article 114.

⁹ The 1997 census only covered the 15 non-Kurdish provinces and was probably contaminated by political considerations.

- Provide for the sharing of oil revenues between the national, regional, and provincial governments to allow them to become responsible for providing essential services such as education, police, and health services.
- With the exception of the regulation of the financial system; the regulation of businesses, health, and education should be executed by the provincial or local authorities, not by Baghdad.
- The CoR lacks a non-political, independent, professional secretariat to effectively support its operation. Such a secretariat should be created and empowered in order for it to be able to enforce best practices and proper procedures to reduce political interference.
 - Capacity building efforts in the CoR should shift from training individual MPs to strengthening the secretariat.
- A parliament can only effectively operate in a purpose build environment. Any alternative arrangement such as currently in use in Baghdad cripples the work of parliament and discredits this democratic institution. In addition, a new parliament building will contribute to strengthening Iraq's democratic identity and thereby changing the national narrative. Therefore, when the government has stabilized the budget situation, strong consideration should be given to the construction of the new CoR building using the design already chosen.
- Transparency is critical for all court cases involving senior members of the Iraq government and bureaucracy. It is particularly important that the media be allowed to publicly identify any official who uses a proxy in legal proceedings.
- With the exception of perjury under oath, lawyers representing private citizens or non-governmental organizations must be immune from adverse government-imposed consequences as a result of such representation. They must also be protected from tribal and social revenge.

Iraq must deal with Covid-19 without crippling the existing non-oil economy.

Because of a shortage of testing kits and trained personnel, Iraq may have a much more serious Covid-19 problem than currently reported. In addition, there are nationwide shortages of personal protective equipment (PPE) such as masks and gowns that put medical personnel at risk.

- The scale of the Covid-19 crisis is beyond the current capability of Iraq's public health system. The government should seek private sector partners to help obtain quality care for all infected persons.
- Use the challenge of Covid-19 to bring forward reforms to health services that make the best use of resources, enhance access to health care and ensure good standards of care. In particular, proper professional regulation needs to be a priority.
- Cease censorship of Covid-19 reporting by domestic and international media.
- To reduce any stigma concerning possible Covid-19 infection, senior elected officials and religious leaders should be publicly tested.



- Aggressively seek international support in the form of skilled medical personnel from international organization as well as private charitable organizations.
- Direct students currently in publicly supported medical and nursing colleges to receive instruction in Covid-19 and then assign them to clinics, hospitals, and contact teams.
- Immediately provide financial incentives for the domestic production of PPE. Institute a “safe harbor” to protect domestic producers of PPE from any legal liability not directly connected to the quality of the PPE produced.
- Resist Iranian pressure to reopen the border. Iran has the highest infection rate in the region.
- Based on the very limited infection data, Covid-19 cases are unevenly distributed across the provinces. Institute procedures to limit cross-border infections from one province to another. After, testing, allow provinces with low levels of Covid-19 cases to relax restrictions on businesses and public gatherings.

Priority given to the creation of private sector jobs to reduce oil dependency

Despite the critical need for a vibrant non-oil private sector to create jobs, the Iraqi government’s attitude toward private small and medium businesses is most accurately described as hostile. According to the World Bank’s *Ease of Doing Business Survey*, Iraq ranks near the bottom, 171st out of the 190 countries surveyed.¹⁰ Regulations are particularly bad with respect to “Getting Credit,” where Iraq has the worst regulations in the MENA, and “Resolving Insolvency,” where Iraq is tied for having the worst regulations in the world. In addition, private sector businesses are burdened with the cost of the ubiquitous corruption.

Further burdening the private sector is limited access to financial services. Iraq is severely underbanked with only 4.5 bank branches and 4.0 ATMs per 100,000 population in Iraq compared to the MENA average of 14 and 36 respectively. Iraq also has one of the lowest domestic credit to the private sector by banks, only 9% of GDP. The MENA average is 55%.¹¹

Rafidain and Rasheed banks still suffer from Saddam era legacy bad loans. Although there has not been any reconciliation between these two banks and the CBI since 2003, it is believed that both banks currently have non-performing loans of more than 35% and a negative net worth.¹²

Iraq already has a substantial private sector employing an estimated 20% of the nation’s labor force, but it operates in the informal or underground economy with all of the

¹⁰ World Bank (2020) *Iraq: Doing Business 2020*.

¹¹ World Bank (2020) *World Development Indicators* Table 5.5,

¹² World Bank (2020) *Iraq Economic Monitor: Navigating the Perfect Storm (Redux)*, May, p. 12.



associated inefficiencies. A reduction in the regulatory hostility towards the private sector combined with a reduction in corruption should allow these informal businesses to transition to the formal economy. Such a transition should result in greater efficiency, job creation, and tax receipts.

- Rapidly rationalize the country’s commercial code and other business regulations to reduce hostility towards the private sector. Possibly adopt the commercial code of the UAE.
 - Create a special economic zone to experiment with relaxed regulations.
 - A government guaranteed private sector pension fund supported by contributions from private sector employers and workers already exists, but coverage is limited. To motivate participation, firms that sign up their workers for this fund should receive a tax cut.
- Ensure access to financial services for micro/small/medium enterprises
 - An estimated 50% of Iraqis own a smart phone which should allow a rapid expansion of mobile banking (also known as phone banking) that would allow person-to-person fund transfers. Iraqi regulatory authorities should resist current attempts to restrict mobile banking in order to protect brick and mortar banks.
 - Simultaneously authorize a public credit registry and competing private sector credit registries to allow banks to more accurately evaluate loan risk.
 - Encourage consolidation of private banks. Institute deposit insurance for private sector commercial and Islamic banks and allow them to engage in state transactions. Require that all banks with more than one branch have core banking
 - Create a “bad” bank to absorb the bad assets currently held by Rafidain and Rasheed banks. Impose international standards and training on Rafidain and Rasheed banks and motivate them to engage in providing financial services to the private sector including mortgages.
 - Delink the Ministry of Finance from state and private banks. The Central Bank of Iraq should have sole regulatory responsibility for banks.
 - Iraq should create a development or investment bank to provide funding to private sector initiatives. This bank should not make “first dinar” investments because of the potential for corruption. Rather the development/investment bank should match legitimate private loans and investments.
- Forbid the importation of agricultural and textile products. These two industries are readily scalable, require minimal imports of additional imported machinery, and, with relatively small capital expenditures, will provide jobs for people with limited education.
 - Public Distribution System “baskets” should include 100% Iraqi produced/grown items.
- Increase tariffs on a limited list of luxury goods.
- Convert to public-private partnerships or privatize the provision of municipal services, housing construction, road building and maintenance, and education.



- A major limitation on the private sector is the low education and limited skill sets of the unemployed.
 - The Ministry of Education currently attempts to not only regulate the quality of non-tertiary education but also build schools, hire teachers, purchase textbooks, and operate the schools. The MoE should be restricted to regulating and funding the non-tertiary education efforts of the provinces, localities, and private sector.
 - Iraq should concentrate public and private resources on first achieving universal literacy especially among the young and then quality universal elementary education and secondary education including vocational training. Education should not only teach theory – a traditional strength of Iraqi education – but also practical applications and encourage critical thinking.
 - Vocational training should be closely coordinated with private sector job requirements to increase the likelihood of productive employment. In other words, subjects taught in vocational training should reflect the “pull” of the private sector, not the “push” of the educational establishment.
 - With the exception of medical schools and military academies, the government should reduce its support for tertiary education until every Iraqi has access to quality secondary education.
 - Relax restrictions on international organizations and other non-governmental organizations to operate schools subject to general curriculum guidance. Also, regulations that restrict online learning should be relaxed.
 - Ministry of Higher Education needs to allow greater independence for universities. The Ministry should move from operational control and focus on ensuring quality assurance and appropriate accreditation.
- Without timely audited balance sheets and income statements that meet international standards, it will be difficult to achieve private sector growth, public sector reform, successful public-private partnerships, and encourage international direct and portfolio investment. In addition, increased transparency makes a valuable contribution in the fight against corruption. At present, access to Iraq by the international accounting and consultancy firms is very limited.
 - The government should revise antiquated accounting regulations which are intended primarily to prevent international competition to Iraqi accountants and auditors. The major international accounting and consulting firms should be given unhindered access to Iraq.
 - Ministries, agencies, and state-owned enterprises should be required to follow the lead of the Central Bank of Iraq and submit to having their accounts audited by one of the Big 4 accounting firms.

Critical to deal with severe budget crisis without endangering economic growth and job creation

The collapse in oil prices is expected to reduce 2020 oil export revenues by an estimated \$70 billion compared to 2019. Low oil prices, the cost of fighting Covid-19, the moribund private sector, and the production of necessary public services has created a severe budget crisis that lacks easy solutions. The government must substantially increase revenues or slash expenses to reduce the looming deficit in the remainder of 2020 or it will face potentially a total breakdown in 2021.

- An immediate freeze of the wage bill and total pension outlays – the largest component of current expenditures – is essential but by itself is insufficient. A more targeted reduction of salaries and privileges of elite government officials needs to be considered.
- Reducing salaries of lower paid government employees should be avoided since such cuts are not only unfair but also will probably increase corruption incentives. However, if such cuts must occur, they should be considered a compulsory zero-interest loan to the government repayable in no more than 4 years
- Because of ministerial and SOE opposition, the decade long biometric census of government employees and pensioners intended to reduce the number of double-dippers and ghost workers is still incomplete.
 - The government should reduce the funds transferred to ministerial and SOE for salaries to an amount equal to the salaries of only those employees recorded on the census.
 - There are widespread reports of “ghost” workers who receive a government salary but do not work and of persons who hold two or more government jobs. After July 1st, any person, regardless of rank or seniority, discovered to be holding two or more jobs should be permanently excluded from any government employment.
- Reduce government subsidies
 - The electrical sector is a major drag on public resources with direct and indirect subsidies accounting for 9.6% of all government expenditures.¹³ Although the estimated cost of electricity is about 10 cents/KWh, the average electricity tariff is only about 1 cent/KWh and few Iraqis pay even that amount. As a result, there is little funding available for grid expansion or improvement. In addition, the low electricity tariff encourages wasteful usage. Therefore, above a certain minimum amount, households should be charged the average cost of producing the electricity they consume.
 - Government agencies, state-owned enterprises, and private sector businesses should be charged the average cost of producing electricity beginning with the first kWh.

¹³ IMF (2019) *Iraq: 2019 Article IV Consultation*, July 2019, p. 16.

- All fuel subsidies to private or public entities should be eliminated. Fuel prices including gasoline, kerosene, diesel, etc. should be market determined.
- Currently, state owned enterprises (SOE) tend to be high cost/low quality producers of goods and services and their direct and indirect subsidies are a substantial drain on the budget. The government should direct that any non-security related SOE with a negative cash flow – which is most of the SOE outside the oil industry - must institute an immediate hiring, raise, and promotion freeze.
- The November 2019 amendments to public pension Law 9/2014 made a bad system worse. As amended, the public pension system is financially unsustainable, increases the inequities between public and private pensions, and fails to provide adequate pensions.¹⁴ To avoid a rapidly growing budget burden for a failing program, the CoR should reverse its 2019 amendments and vote on the draft pension law approved by the Council of Ministers in 2016.
- With the expectation of a decade or more of low oil prices, the priority for capital expenditures should shift from oil investment to non-oil investment that can be expected to directly or indirectly reduce government expenditures or increase revenues.
 - Iraq currently flares (burns off) about two-thirds of its natural gas production. And yet at the same time, Iraq imports electricity at market prices from Turkey and Iran. Iraq should invest in pipelines and other infrastructure that will allow the zero cost – flared – natural gas to be used to produce electricity substituting for government expenditures on imported electricity.
 - The Ministry of Oil and the Ministry of Electricity should be combined into a Ministry of Energy to decrease the lack of coordination and waste that has sharply increased government expenditures.
 - Public investment that directly support private sector growth such as increasing the availability of electricity, road and bridge maintenance, and a nationwide high-speed internet system should be the priority. In addition to job creation, a vibrant private sector will result in higher tax revenues.
- To help fund the deficit, create “oil bonds” for sale to the Iraqi people. Such bonds will be sold at the current Brent blend price of oil. And when Brent blend oil prices reach a pre-announced strike price, the bonds will be automatically redeemed at the purchase price plus half of the price gain.
 - An additional option would be for local banks to issue bonds for specific projects such as housing.
- To reduce the outflow of international reserves from the Central Bank through the daily currency auction, the government should audit invoices and match them with customs

¹⁴ World Bank (2020) *Iraq Economic Monitor: Navigating the Perfect Storm (Redux)*, May, p. 8, box 2.



data. Banks and other institutions with currency auction access that are found to have submitted false invoices should be banned from the auction for a set period of time.

The future is always unknown

Any plan is only as good as its assumptions and data. The Iraqi leadership should expect unforeseen opportunities and challenges to appear. In response to these unforeseen events, the Iraqi government should be prepared to act with both judgement and creativity. More than in previous periods, the future of Iraq is in the hands of Iraqis. Over the next several months and years, Iraq will make – or fail to make – critical irrevocable decisions. Countries with long histories of stable government and economic prosperity can afford to ignore changing circumstances and make unrealistic decisions. Iraq cannot.

This article was written by members of the Iraq Britain Business Council's (IBBC) Advisory Council on behalf of the organization. IBBC is a charitable company in the UK and an NGO in Iraq. At its core lies the purpose of growing the private sector in Iraq by facilitating trade, investment and the transfer of knowledge into the country and by working in close partnership with the Iraqi and British Governments. Please visit www.iraqbritainbusiness.org for detailed information about IBBC and the Advisory Council.

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