

Helpdesk Research Report

Poverty eradication in Iraq

Brigitte Rohwerder

28.08.2015

Question

What does the literature indicate are the barriers and opportunities for eradicating poverty in Iraq?

Contents

1. Overview
2. Poverty in Iraq
3. Barriers to poverty eradication
4. Opportunities for poverty eradication
5. References

1. Overview

Despite being an oil-rich, lower-middle income country, poverty remains prevalent in Iraq. This rapid review looks at the recent literature on poverty in Iraq and identifies the barriers to, and opportunities for, poverty reduction and eradication. Much of the information available is based on data gathered in 2012, and therefore poverty is likely to have increased as a result of the impact of the ISIL insurgency and the Syrian crisis. The most recent data gathered by the World Bank in 2014/2015 indicates that this is the case. The majority of the literature uncovered by this rapid review are reports written by the World Bank and UN agencies. There is little engagement with the extreme poor, and some on women, in the available literature.

The literature indicates that:

- 3.9 per cent of people in Iraq are living in **extreme poverty** (2012). 18.9 per cent live **below the national poverty line** (2012), with greater rural poverty than urban poverty. 11.6 per cent of people in Iraq are **multi-dimensionally poor** (2011).
- Poverty is significantly higher among larger households, those with less educated heads, women and the young.
- There are high poverty headcount rates in remote, rural, and sparsely populated areas, although urban and semi-urban areas are often host to more poor people than the poorest parts because of the population size.

- There are **large spatial differences** in poverty across, and within, the governorates of Iraq.
- Poverty reduction has been spatially uneven, falling more in rural than in urban areas in 2007-2012.
- The wider **impact of the current crises** is unknown but in the Kurdistan Region of Iraq they have increased poverty in from 3.5 per cent in 2012 up to 8.1 per cent in 2014.

Barriers to poverty eradication include:

- The **current financial, security and humanitarian crises** are estimated to lead to increased poverty, vulnerability and unemployment; and have a negative impact on economic growth.
- **Legacies** of violence and insecurity continue to contribute to the poverty and growth situation in Iraq today.
- **Economic growth** is driven mainly by oil and mining which employ very few people.
- **Corruption** prevents Iraq from taking advantage of its huge oil wealth.
- The **brain drain** has been a serious impairment to economic functioning.
- **Trade barriers** restrict levels of trade and investment.
- The **absence of a budget law** hinders the government's ability to deliver the services needed for poverty reduction and general development.
- **Unemployment** is very high in Iraq, especially for women and youth, contributing to high poverty levels.
- **Lack of education** contributes to poverty.

Opportunities for poverty eradication include:

- Using **accurate data** to inform poverty policies.
- **Ending conflict/peacebuilding**, which is a pre-requisite for sustained and healthy economic growth.
- **Diversifying the economy** and strengthening the links between growth, employment and earnings.
- **Social safety nets** have contributed to poverty reduction but could be targeted better.
- **Improving labour income**, which has driven poverty reduction between 2007 and 2012.
- **Microfinance** that is *shari'ah*-compliant and accessible to the poor.
- **Government poverty reduction programmes** that include health and education objectives, which have made some progress in reducing poverty.
- **Diversifying household income**, which has helped reduce poverty in some households.
- **Growth in the agriculture sector** could raise household incomes.

2. Poverty in Iraq

Iraq is an oil-rich, lower-middle-income country; however, ongoing conflict, weak governance, poor private sector development, high dependence on oil; and public sector employment continue to pose significant challenges to Iraq's socioeconomic development (Al-Haboby et al, 2014, p. 1; Hasim, 2014, p. 2315; UNDP, 2013, p. 4; UN Iraq, 2014, p. 4; Shlash, 2014, p. 15). Iraq managed to achieve its MDG 1 target of halving between 1990 and 2015 the proportion of people whose income is less than one dollar a day (UNDP, 2013, p. 4; UNDAF, 2014, p. xv). However, despite government efforts to eradicate poverty in Iraq, poverty remains prevalent (Hasim, 2014, p. 2315). While economic growth has lifted many people out of poverty, many remain vulnerable to the risk of falling back into poverty, with 16 per cent of Iraqis having consumption levels of no more than 50 cents per day above USD 2 (El-Gammal, 2013, p. 9; Krishnan et al, 2014, p. 23). A 'large section of the population is caught in the poverty trap with a serious shortage of

employment opportunities – particularly for young people – and a low participation of women in the labour market, accompanying food insecurity and only limited access to basic services’ (UNDP, 2013, p. 4). In addition, the ongoing crises of the ISIL insurgency and the Syrian conflict are likely to have contributed to increased poverty from the levels last measured in 2012, although accurate information is only available for the Kurdistan Region of Iraq.

Poverty measures

The percentage of people estimated to be **extreme poor** and living on under USD 1.25 a day in Iraq is 3.9 per cent; rising to 21.2 per cent living under USD 2 a day (OPHI, 2015, p. 2). 18.9 per cent of the population live **below the national poverty line**, as estimated in 2012 (105,500 Dinars per capita per month) (OPHI, 2015, p. 2; Hasim, 2014, p. 2315). One estimate from the Humanitarian Country Team suggests that by 2014, this had risen with 23 per cent of the population now living below the poverty line (Humanitarian Country Team, 2014, p. 21). 30.6 per cent of the rural population lives below the national poverty line compared to 14.8 per cent of the urban population (Hasim, 2014, p. 2315; UNDAF, 2014, p. xv). Other estimates suggest that the real national poverty rate is greater than 35 per cent (Hasim, 2014, p. 2315).

Many people in Iraq experience poor health and education outcomes and limited access to essential services (Krishnan et al, 2014, p. 47). The percentage of multi-dimensionally poor¹ in Iraq is 11.6 per cent (measured in 2011) (OPHI, 2015, p. 2). **Multidimensional poverty** is greater in rural areas (20.5 per cent) than in urban areas (7.7 per cent) (OPHI, 2015, p. 5). According to the 2015 OPHI report, deprivation in education and health are the biggest contributors to multidimensional poverty (OPHI, 2015, p. 6). A previous report by the World Bank suggested that deprivations in health resulted in most poverty in human development (61 per cent), followed by living standards (27 per cent) and education (12 per cent) (World Bank, 2014, p. 2).

Who is poor

Poverty in Iraq has been found by the World Bank to be significantly higher among larger households, those with less educated heads, and varies by the employment sector of the head of household (Krishnan et al, 2014, p. 19, 28-34). The face of poverty, vulnerability and inequality in Iraq, is also said to be predominantly young and female (UNDAF, 2014, p. xvi). Women in Iraq are highly vulnerable to poverty and unemployment as a result of factors such as displacement, widowhood, lack of safe working spaces, harassment and discrimination (International Youth and Student Movement for the United Nations et al, 2014, p. 3; UNDAF, 2014, p. 7). This has resulted in increasing trafficking and sexual exploitation of woman and girls to escape poverty (International Youth and Student Movement for the United Nations et al, 2014, p. 4). Poverty rates among youth are also higher than overall rates, although there are differences between governorates (UNDAF, 2014, p. 10; Shlash, 2014, p. 55).

Poverty mapping

A recent poverty mapping exercise in Iraq indicates that areas with a high poverty headcount rate are typically areas that have been marginalised historically and left out of the development process, and are usually remote, rural, and sparsely populated areas (Vishwanath et al, 2015, p. 21). However, because they are often sparsely populated, areas with the highest poverty rate are not necessarily where most of the poor live and, despite a low headcount rate, urban and semi-urban areas are often host to more poor

¹ A person is identified as multi-dimensionally poor (or ‘MPI poor’) if they are deprived in at least one third of the 10 weighted indicators: years of schooling; school attendance; child mortality; nutrition; electricity; sanitation; water; flour; cooking fuel; assets.

people than the poorest parts because of the population size (Vishwanath et al, 2015, p. 21, 59; Krishnan et al, 2014, p. 25).

The picture presented in the poverty mapping exercise represents the state of Iraq as of 2013 and the country has gone through many changes since then, although less so in the southern governorates (Vishwanath et al, 2015, p. 60, 63). In 2013, with the exception of Nineveh, four of the five poorest governorates in Iraq are found in the south: Qadisiya, Muthanna, Thi Qar, and Missan (Vishwanath et al, 2015, p. 28, 47, 49, 51, 53). Nineveh has the most disproportionate share of poor in the country – while 10 per cent of the Iraqi population resides in the governorate, about 20 per cent of the poor lives there (Vishwanath et al, 2015, p. 28). All the nahiyas (sub-districts) in Nineveh with headcount rate of 50 per cent or more either border Syria or lie close to the Syrian border (Vishwanath et al, 2015, p. 28). Muthanna governorate, located in southern Iraq and bordering Saudi Arabia and Kuwait is Iraq's poorest governorate (Vishwanath et al, 2015, p. 49). Nahiyas bordering Iran tend to be the poorest in their governorates (Vishwanath et al, 2015, p. 54, 57).

The governorates in Kurdistan have some of the lowest rates of poverty in the country, with Sulaimaniya having the lowest poverty rates in the entire country (Vishwanath et al, 2015, p. 28, 29). The neighbouring governorates of Kerbala and Najaf have witnessed a significant decline in poverty rates between 2007 and 2012 (Vishwanath et al, 2015, p. 41, 45). In addition, unlike the other southern governorates, Basra experienced significant improvements in welfare between 2007 and 2012 (Vishwanath et al, 2015, p. 56).

Poverty reduction

Poverty reduction has been spatially uneven, falling more in rural than in urban areas (falling by 8 per cent compared to 2.5); and more in the governorates excluding Baghdad and Kurdistan (Krishnan et al, 2014, p. 19). The fall in poverty has been accompanied by a greater spatial concentration in poverty with 58 per cent of Iraq's poor in 2012 living in Baghdad, Nineveh, Thi-Qar, Qadisiya and Missan, compared to 40 per cent in 2007 (Krishnan et al, 2014, p. 19). In Nineveh, Muthanna, Thi-Qar, Qadisiya and Missan, poverty increased significantly between 2007 and 2012 (Krishnan et al, 2014, p. 24). In 2012, the spatial distribution of extreme poor was also concentrated in Nineveh, Muthanna, Thi-Qar, Qadisiya and Missan (Krishnan et al, 2014, p. 24). In those governorates where poverty increased, generally rural poverty rose faster than urban poverty; while in governorates where poverty fell, rural areas witnessed larger reductions in poverty than urban areas (Krishnan et al, 2014, p. 25).

The World Bank report looking at poverty in Iraq between 2007-2012, attributes the spatial disparities 'in part to economic revival in relatively stable and peaceful governorates in the Centre, in the Kurdistan region and in Basra, in part by the immediate effect of the post-2003 violence (which continues to this day) in Baghdad and the Northern governorates, and to the continued neglect of the southern governorates' (Krishnan et al, 2014, p. 112).

Kurdistan: impact of the current crises

Much of the information available about poverty in Iraq draws upon data gathered prior to the current crises and therefore the current picture is likely to be slightly different. However, the World Bank has recently carried out an assessment of the impact of regional crises, including the Syrian civil war and the ISIL insurgency, on the Kurdistan Region of Iraq (Kulaksiz et al, 2015). 1.5 million refugees and internally displaced persons (IDPS) have settled in Iraqi Kurdistan resulting in a humanitarian crisis; at the same time as a drop of about 90 per cent in fiscal transfers from the central government in Baghdad starting in early 2014 (Kulaksiz et al, 2015, p. 1, 2; UN Iraq, 2014, p. 7-8). The influx of refugees and IDPs represents a 28 per cent increase in the population and large numbers residing in many of the same host communities

place stains on the local economy and access to public services (Kulaksiz et al, 2015, p. 2). The conflict against ISIS has fragmented the local, national, and regional markets, and alternative trade routes have come at a cost (Kulaksiz et al, 2015, p. 5, 6). The ISIL crisis has also created greater uncertainty and inhibited investment and growth (Kulaksiz et al, 2015, p. 5). The construction sector has been particularly hard hit by the stall in public investment projects (Kulaksiz et al, 2015, p. 5). The fiscal crisis has meant that the government has accumulated large wages and salaries arrears (Kulaksiz et al, 2015, p. 5). Financial support from the Ministry of Natural Resources has managed to prevent economic collapse; however, government borrowing has increased with subsequent concerns in relation to implications for fiscal sustainability (Kulaksiz et al, 2015, pp. 5-6).

At the macroeconomic level it is estimated that the combined fiscal and refugee and IDP crises have depressed economic activity, and GDP growth declined from 8 per cent in 2013 to 3 per cent in 2014 (Kulaksiz et al, 2015, p. 2). Prices and unemployment have increased, at the same time as refugees and IDPs entering the labour market have pushed wages down (Kulaksiz et al, 2015, p. 3). The standard of living was observed to have deteriorated, and 'a noticeable proportion of the population has fallen into poverty or is vulnerable to falling into poverty' (Kulaksiz et al, 2015, p. 7). The study estimates that **the poverty rate in the Kurdistan Region of Iraq has increased from 3.5 per cent in 2012 up to 8.1 per cent in 2014** (Kulaksiz et al, 2015, p. 3, 7). There are concerns in relation to food security, adequate housing and shelter, access to health services, education, and water and sanitation (Kulaksiz et al, 2015, pp. 7-9). The World Bank estimates that stabilising the 'combined effects of the Syrian refugee crisis and the arrival of IDPs in sectors related to human development, including health, education, social safety nets, and food security, will require about USD 846 million (3.5 per cent of GDP) in 2015' (Kulaksiz et al, 2015, p. 7). Roads have also been damaged and the energy sector faced increased demands and price rises (Kulaksiz et al, 2015, p. 9, 11).

In response to the impact of the crisis on the livelihoods of people in the region, the 'federal government had started the implementation of a new Social Protection Law, which stipulated an increase in the social allowance to reach on average ID 420,000 per household monthly' (Kulaksiz et al, 2015, p. 7; World Bank, 2014, p. 21).

3. Barriers to poverty eradication

The current crises

The increased levels of violence in Iraq from 2013 onwards, combined with a legacy of severe economic and social fragmentation, has led a World Bank report to suggest that ending extreme poverty and boosting shared prosperity is likely to be challenging (Krishnan et al, 2014, p. 2). Without growth and peace and security poverty reduction and broad-based prosperity will be difficult to sustain, yet these two preconditions seem to be a challenge for Iraq (Krishnan et al, 2014, p. 2).

The current financial, security and humanitarian crises are estimated by UN Iraq (2014, p. 10) to lead to increased poverty, vulnerability and unemployment, especially in the Sunni-majority governorates such as Anbar, where the negative economic indicators (e.g., unemployment, inflation, etc.) are estimated to be twice the national rate. Population displacement and lack of investment in services as a result of the conflict are expected to contribute to the rise in poverty and unemployment (UN Iraq, 2014, p. 10). UN Iraq (2014, p. 11) suggests that the current security and fiscal situation impairs Iraq's 'long-term development prospects, hindering national or foreign investment for economic diversity and employment creation, crucial to overcoming poverty rates'.

Quantitative evidence gathered by the World Bank indicates that while development efforts by the government and other actors can mitigate the negative role of violence on economic growth, the required effort is substantial (Krishnan et al, 2014, p. 12). Their work also indicated that violence disproportionately affects growth in poorer parts of the country (Krishnan et al, 2014, p. 17).

Legacies

A recent World Bank report analyses the legacies which contribute to the poverty and growth situation in Iraq today (Krishnan et al, 2014, p. 10). These include the invasion of Kuwait and subsequent sanctions which lasted for years; constricted space for market allocations; pronounced spatial divergence across the governorates; catastrophic decline in agriculture; the dominance of state owned enterprises; and severe economic and social fragmentation (Krishnan et al, 2014, pp. 10-11). The legacy of violent conflict has, directly through the loss of life and livelihoods and the displacement of people, and indirectly, through the destruction of infrastructure and markets, limited the access and quality of health, education and basic services, by adversely affecting rule of law and governance, and by severely constraining economic activity (Krishnan et al, 2014, p. 77).

The World Bank study also indicates that three decades of violence and insecurity have stalled progress in human development and service delivery, and the nation faces a significant deficit in human capital, with far-reaching consequences for the economy and for future generations (Krishnan et al, 2014, p. 75)

The economy

Economic growth² in Iraq was driven mainly by growth in mining or oil which employ only one per cent of the labour force and across other sectors, in general, employment generation has remained low despite output growth (Krishnan et al, 2014, p. 125). The size of the oil sector could hamper efforts to diversify the economy as it inhibits the expansion of more labour intensive non-oil sectors, which could create sustainable jobs and reduce poverty (IAU, 2012, p. 1).

The IMF estimates that growth rates have been negatively affected by the ISIL crisis, with estimates for 2014 revised from 5.9 per cent to minus 2.7 per cent; and from 6.7 per cent to 1.5 per cent for 2015 (UN Iraq, 2014, p. 6).

Corruption

A paper from the Woodrow Wilson Center indicates that corruption a serious problem in Iraq, preventing the country from taking advantage of the huge oil wealth accumulated in the last few years due to rising oil prices (Sassoon, 2012, p. 3). Bureaucratic officialdom, combined with corruption, has made it harder to start businesses or to reach decisions on economic grounds rather than through favouritism (Sassoon, 2012, p. 3). Partly as a result after more than a decade of 'so-called neo-liberalism intended to encourage entrepreneurship, no real private sector has emerged in Iraq and most contracts are obtained through government patronage' (Sassoon, 2012, p. 4).

² In general, economic growth in a country can translate into welfare improvements for its citizens through two main channels: by enhancing the demand for labour, capital and other inputs and therefore employment and earnings; and by boosting the resources available to the government to transfer, redistribute and provide services to the population (Krishnan et al, 2014, p. 17).

Brain drain

The brain drain, as a result of hundreds of thousands of competent and educated Iraqis fleeing the sectarian violence after 2003, has been a serious impairment to the functioning of public services and of economic functioning overall (Sassoon, 2012, p. 4).

Trade barriers

Iraq's trade barriers, mainly regulatory and bureaucratic practices, restrict the level of trade and investment (Krishnan et al, 2014, p. 9).

Absence of a budget law

The absence of a budget law has hindered both the development of Iraq's oil sector and the government's 'ability to deliver services, generate employment, and initiate investment projects on infrastructure, namely: electricity, transport, health, education, sanitation and other basic social services essential for poverty reduction and general development' (UN Iraq, 2014, p. 10).

Unemployment

Employment levels in Iraq are some of the lowest in the region (World Bank, 2014, p. 2). At least one of every three women aged 15-29 is unemployed, with female employment rates estimated to be as low as 15 per cent (IAU et al, 2012, p. 1; UN Iraq, 2014, p. 10; UNDAF, 2014, p. xv; World Bank, 2014, p. 6). There has been a regression in the number of educated women and a sharp decrease in their employment, with little incentives for households to invest in more schooling for girls (Sassoon, 2012, p. 5; UNDAF, 2014, p. 7). Without the active economic participation of women, it is difficult to see how Iraq can grow and develop (Sassoon, 2012, p. 5). Youth unemployment in Iraq is much higher than general unemployment (30 per cent compared to 11.1 per cent in 2012) and more young Iraqis are set to enter the labour market with 39 per cent of Iraq's population under 15 (IAU et al, 2012, p. 1; UN Iraq, 2014, p. 10; UNDAF, 2014, p. xv).

In recent years not enough new jobs were created to absorb all the new participants to the labour market (Krishnan et al, 2014, p. 125). Many of the new jobs were in the public sector and the expansion of the public sector is said to have 'adversely affected the labour market in Iraq by creating economy wide disincentives to labour force participation; inhibiting the development of the private sector; and distorting incentives to invest in education' (Krishnan et al, 2014, p. 126).

An unsuccessful government measure includes the adoption of short-term policies to alleviate income poverty by absorbing some of the openly unemployed into part-time marginal jobs, in positions such as guards, cleaners, or painters of bridges and pavement (Shlash, 2014, p. 53). This has resulted in their underemployment (Shlash, 2014, p. 53).

Lack of education

Youth participants in the 2014 Iraq Human Development Report attributed poverty to lack of education (Shlash, 2014, p. 87). The World Bank study of poverty in Iraq between 2007 and 2012 found that 'the share of the poor who belong to households whose heads have primary education or less has increased: these households account for more than 80 per cent of the poor in 2012 and face poverty rates upwards of 20 per cent' (Krishnan et al, 2014, p. 30).

4. Opportunities for poverty eradication

Using data to inform policy

The absence of data about poverty in Iraq has hampered the ‘ability of Iraqi policymakers to understand the extent of the problem, analyze their causes, and devise appropriate policies’ (Vishwanath et al, 2015, p. 1). However, the Iraq Household Socioeconomic Survey (IHSES) was carried out in 2006/07 and 2012/13 in all 18 governorates, collecting information on income, expenditure, employment, housing, education, health, and other socioeconomic indicators (Vishwanath et al, 2015, p. 1). Recently an additional poverty mapping exercise was carried out by the World Bank which shows that there are pockets of poverty and islands of prosperity within Iraq (Vishwanath et al, 2015, p. 1, 21).

Poverty maps enable policy makers to see correlates of poverty such as poor supply of public services, weak infrastructure network, low access to markets and other opportunities for commerce and mobility, and deliver interventions tailored to fit local needs (Vishwanath et al, 2015, p. 60). However it should be noted that correlation does not equal causation and the maps are not suited for analysing the impact of an intervention (Vishwanath et al, 2015, p. 60). The World Bank’s poverty mapping indicates that the ‘design and placement of programs and policies depend on whether the national priority is to target poor areas or poor people’ (Vishwanath et al, 2015, p. 59).

An official poverty line was constructed on the basis of the 2006/07 IHSES, which also formed the basis for Iraq’s National Strategy for Poverty Reduction 2009 (Vishwanath et al, 2015, p. 1; PRSHC, 2011, p. 81). To account for differences in tastes and habits in consumption, regional poverty lines for Kurdistan, Baghdad, and Rest of Iraq were also constructed (Vishwanath et al, 2015, p. 13). The government of Iraq is committed to regular household expenditure surveys and comprehensive poverty assessment reports to measure and understand the causes of poverty (Vishwanath et al, 2015, p. 63). In addition it has also committed to understanding the changing poverty landscape by conducting expenditure surveys at high frequency and using advanced imputation methods to estimate poverty (Vishwanath et al, 2015, p. 63). Vishwanath et al, (2015, p. 63) believe that this will help them to be ‘prepared and devise appropriate response in crisis and emergency situations’ (Vishwanath et al, 2015, p. 63).

Ending conflict/peacebuilding

The World Bank report looking at poverty in Iraq during 2007-2012 suggests that ‘establishing and maintaining peace and security across the nation is a pre-requisite for sustained and healthy economic growth’ (Krishnan et al, 2014, p. 191).

Diversifying the economy

The World Bank report looking at poverty in Iraq during 2007-2012 indicates that ‘modest poverty reduction in the face of strong economic growth suggests that the relationship between growth, employment and earnings is weak’ (Krishnan et al, 2014, p. 123, 125). As a result, ‘Iraq will need to strengthen the natural links between growth and welfare through better management of oil resources, non-oil diversification of the economy, bridging spatial inequities, private sector development and implementing a well-designed and comprehensive safety net system’ (Krishnan et al, 2014, p. 191).

The World Bank study looking at the impact of the crises in the Kurdistan Region of Iraq recommends that the government needs to develop longer-term strategies to address structural development issues, as the

refugees and IDPs are likely to remain for an extended period (Kulaksiz et al, 2015, p. 12). This includes diversifying the economy and developing a dynamic private sector (Kulaksiz et al, 2015, p. 12).

Prime Minister Abadi is working to alleviate the fiscal deficit and other economic concerns, as well as the current security crisis, by pushing for reforms in the security sector, including more transparent and effective spending; working to overcome long-lasting disputes with the Kurdistan Region to bring in oil revenue to make up for the current deficit; and solving issues hindering the passing of the Federal Budget Law, essential for restoring its image in the international markets, bringing back necessary foreign investment, and re-starting domestic investment projects (UN Iraq, 2014, p. 11).

Social safety nets

Social safety net (SSN) programmes can contribute to poverty eradication. There are currently a number of different elements of the formal social protection system provided by the Government of Iraq: the Public Distribution System (PDS); the Social Protection Net (SPN) and other cash transfer programmes; housing and employment assistance services; subsidised consumption items (such as electricity and fuel); and job-related benefits such as pension scheme (Hasim, 2014, p. 2317; UNDAF, 2014, p. 12; World Bank, 2014, p. 4).

PDS is a primary social protection system in Iraq, providing every Iraqi with a monthly food ration for a small nominal fee, and covering 99 per cent of the poor (Hasim, 2014, p. 2317; World Bank, 2014, p. 12, 37). Its existence has resulted in the relative absence of extreme poverty in Iraq (PRSHC, 2011, p. xxi). However, it is expensive and very ineffective as a social security scheme as it does not target the poor or vulnerable households and has caused some distortions in the food market that have depressed food prices and hurt poor rural farmers (Hasim, 2014, p. 2317; World Bank, 2014, p. 14). **SPN** targets individuals belonging to particular groups that are believed to be vulnerable including the disabled, orphaned children, divorced or widowed women, married male university students, families of the imprisoned and missing persons, those unable to work due to terrorism and the internally displaced; although reports indicate that the programme is ineffective in its targeting and only reaches less than 10 per cent of the poor (Hasim, 2014, p. 2317; Krishnan et al, 2014, p. 7, 171; World bank, 2014, pp. 12-13). **Pensions** primarily assist those living above the poverty line (Hasim, 2014, p. 2318; World Bank, 2014, p. 7).

Additional forms of government assistance include fuel subsidy programs, agriculture subsidy programs, migration and displacement assistance, housing assistance, employment assistance, microfinance programs, and pensions (World Bank, 2014, p. 23). Although the subsidies are currently inefficient they do assist lower income households (World Bank, 2014, p. 27).

Informal social protection or private transfers include 'gifts from other households, remittances from abroad, alms, and assistance from other sources such as non-governmental organizations (NGOs)', which account for 17 per cent of all transfers (World Bank, 2014, p. 10, 11). In general however, 'private transfers are distributed unevenly: their outreach is relatively small and cover a minority of poor households' (World Bank, 2014, p. 11).

Impact on poverty reduction

The World Bank report looking at poverty in Iraq between 2007 and 2012 suggests non labour income components and public and private transfers including pensions and domestic remittances contributed to poverty reduction (Krishnan et al, 2014, p. 113). Domestic and international remittances contributed to 13 per cent of the total reduction in poverty, most from domestic remittances (Krishnan et al, 2014, p. 113).

Pensions and other public transfers like social safety net compensations explained almost 27 per cent of the reduction in poverty (Krishnan et al, 2014, p. 113).

A report looking at social safety nets in MENA also found that social safety nets in Iraq reduce poverty rates by at most three per cent (El-Gammal, 2013, p. 7). The widespread presence of food ration cards reduces poverty rates by more than 30 per cent (El-Gammal, 2013, p. 8). One explanation for the decline in poverty rates among very large households and households headed by women between 2007 and 2012 is suggested to be the Government of Iraq's social protection scheme which targets widows and divorced women, among others and where grants are increased with family size (Krishnan et al, 2014, p. 30). A World Bank study indicates that improved targeting is required for social safety net programmes to benefit more of the poor (World Bank, 2014, p. 51).

However, the 2014 Iraq Human Development Report indicates that the current social safety nets, social funds, and other welfare schemes are not enough to eradicate poverty (Shlash, 2014, p. 121).

Improving labour income

The World Bank report looking at poverty in Iraq between 2007 and 2012 suggests that poverty reduction was 'mainly driven by changes in labour income, i.e., growth in earnings rather than growth in employment' (Krishnan et al, 2014, p. 113). In some of the areas where poverty fell, changes in labour income and employment explain more than the half of the reduction in poverty, while in the others, they represent the second most important factor, explaining more than a quarter of the reduction in poverty (Krishnan et al, 2014, p. 113). Demographic changes, however, have worked in the opposite direction, limiting poverty reduction, by increasing household dependency ratios (Krishnan et al, 2014, p. 120, 122).

Microfinance

One paper proposes that Iraq needs an insurance service which is accessible to poor and low-income households in Iraq to protect them against the financial consequences of death and illness (Hasim, 2014, p. 2315, 2318). Currently insurance and *takaful* (Islamic alternative to conventional insurance) penetration rate is estimated at only 0.08 per cent in Iraq (Hasim, 2014, p. 2316). It suggests that a *microtakaful* (*shari'ah*-compliant form of micro insurance) model, integrating the *microtakaful* scheme with the financial supports available from the Government, Islamic institutions of *zakat* and *waqf*, contributions from the international *zakat* organisations and donations into a cooperative common pool of funds managed by the *takaful* operator or a *microtakaful* institution, could be used to compensate participants in the event of loss (Hasim, 2014, p. 2315, 2323). *Microtakaful* is suggested to be especially important as a form of social protection for people working in the informal sector or excluded from formal social security schemes (Hasim, 2014, p. 2317). It needs to be integrated into existing social security systems in Iraq (Hasim, 2014, p. 2324).

Government programmes

Several programmes have been implemented with the aim of reducing poverty in Iraq; and while they have made some progress, currently these plans have not reached all their objectives (Hasim, 2014, p. 2315).

The **National Strategy for Poverty Reduction** focuses on improving the productivity of the poor to deal with low incomes that lead to poverty; improving public health care to prevent the exacerbation of poverty; extending compulsory education to the intermediate level and improving its quality to increase returns to education; expanding the supply of affordable housing and creating better living environments for the poor; improving social protection programmes so that they target the poor; and reducing inequalities

between men and women to counter exceptionally low female labour force participation (PRSHC, 2011, p. 82-84).

The Government has developed a new **National Development Plan (NDP)** for 2013-2017 which sets out an ambitious agenda for inclusive development, and is supported by the United Nations Development Assistance Framework (UNDAF) 2015-2019 (UNDAF, 2014, p. xv). The NDP aims to reduce national poverty rates further to 16 per cent and includes specific measures to address the high levels of vulnerability experienced particularly by women (especially women in rural areas), children, youth, and displaced people; through targeted credit or loan opportunities, for example (UNDAF, 2014, p. 16). The UNDAF also focuses on the most vulnerable, including women, children, youth, and the displaced; and targets the geographic areas of most significant deprivation (UNDAF, 2014, p. xvi).

Diversified household income

In Kurdistan, the North and the Centre, overall, within the 2007 to 2012 period, rural poverty reduction was driven by households who were diversified— with at least one member employed in agriculture, and at least one working off the farm (Krishnan et al, 2014, p. 148).

Agricultural sector

Based on findings produced under the Harmonized Support for Agriculture Development project, the agricultural sector in Iraq has been recognised as a key sector for potential growth, poverty reduction and empowering women (Al-Haboby et al, 2014, p. 1). High numbers of women are employed in the agricultural sector; up to 81 per cent of employed women in rural areas work in it for instance (UNDAF, 2014, p. 7). Though, it should be noted that in 2012, ‘among households whose heads are employed in agriculture or in construction, poverty is 33 per cent, higher than among households with heads who are not employed’ (Krishnan et al, 2014, p. 31). However a policy note from the International Food Policy Research Institute (IFPRI) and the International Center for Agricultural Research in the Dry Areas (ICARDA) suggests that an increase in agricultural growth could raise household incomes as a result of a falling prices and an increase in wages and land rents (Al-Haboby et al, 2014, p. 2). Both rural and urban populations, and male- and female-headed households benefit from agricultural growth in Iraq (Al-Haboby et al, 2014, p. 2). Incomes are estimated to rise by an average of 3.4 per cent and 2.8 per cent for urban and rural female-headed households, respectively as a result of agricultural growth (Al-Haboby et al, 2014, p. 3).

However, in order to reach these positive outcomes, Al-Haboby (et al, 2014, pp. 3-4) recommend that the following policy actions should be taken: achieve yield targets for wheat and vegetables and fruits; and efficiently market additional agricultural products domestically to compete with imports.

5. References

Al-Haboby, A., Breisinger, C., Debowicz, D., El-Hakim, A.H., Ferguson, J., Telleria, R., & van Rheenen, T. (2014). *Agricultural Growth Is Good for Poverty Reduction and Female-Headed Households in Iraq*.

International Food Policy Research Institute (IFPRI). Retrieved from:

<http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/128177>

El-Gammal, Y. (2013). *Working paper on MENA Regional Social Safety Net (SSN) Note*. The Second Arab Conference on Development and Employment. Retrieved from:

http://alolabor.org/final/images/stories/ALO/Forums_and_conferences_Arabic_and_International/2014/Riyad_24_26_02_14/Work_Paper/G_3/G_C_1_En.pdf

- Hasim, H.M. (2014). Microtakaful as an Islamic Financial Instrument, for Poverty Alleviation in Iraq. *Middle-East Journal of Scientific Research*, 21:12, 2315-2325.
<http://dx.doi.org/10.5829/idosi.mejsr.2014.21.12.21794>
- Humanitarian Country Team. (2014). *Iraq: humanitarian needs overview – September 2014*. Humanitarian Response. Retrieved from: <http://www.fao.org/3/a-au679e.pdf>
- IAU et al. (2012). *Sustainable Development, Green Economy and Oil and Gas in Iraq*. IAU et al. Retrieved from: <http://iq.one.un.org/documents/469/Sustainable%20Development%20-%20English.pdf>
- International Youth and Student Movement for the United Nations et al. (2014). *The plight of Iraqi women* (UN General Assembly Human Rights Council, Twenty-fifth session, Agenda item 4). UN. Retrieved from:
http://www.gicj.org/NOG_REPORTS_HRC_25/item_4_The_plight_of_Iraqi_women%20.pdf
- Krishnan, N., Olivieri, S., & Lima, L. (2014). *IRAQ: The Unfulfilled Promise of Oil and Growth - Poverty, Inclusion and Welfare in Iraq, 2007-2012*. The World Bank. Retrieved from: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/02/12/000477144_20150212104819/Rendered/PDF/926810v10ESW0P0C0disclosed020110150.pdf
- Kulaksiz, S., et al. (2015). *THE KURDISTAN REGION OF IRAQ: Assessing the Economic and Social Impact of the Syrian Conflict and ISIS*. World Bank Group. Retrieved from: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/04/21/000442464_20150421160149/Rendered/PDF/940320REVISED0000Box391428BIQ0FINAL.pdf
- Oxford Poverty and Human Development Initiative (OPHI). (2015). *OPHI Country Briefing June 2015: Iraq*. University of Oxford. Retrieved from:
http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCEQFjAAahUKewij7J3A0cbHAhWCQBokHeAtBlw&url=http%3A%2F%2Fwww.dataforall.org%2Fdashboard%2Fophi%2Findex.php%2Fmpi%2Fdownload_brief_files%2FIRQ&ei=7KHdVaPGMIKBaeDbmOAF&usg=AFQjCNGrYmp9RNWtSZo47IR0BRFlGpy4A&sig2=1OqRN-i6LEot6KPJPI4wBg
- Poverty Reduction Strategy High Committee (PRSHC). (2011). *Confronting Poverty in Iraq: Main Findings*. The World Bank. Retrieved from: <https://openknowledge.worldbank.org/handle/10986/2253>
- Sassoon, J. (2012). *Economic Lessons from Iraq for Countries of the Arab Spring* (Middle East Program Occasional Paper Series). Woodrow Wilson Center. Retrieved from:
https://www.wilsoncenter.org/sites/default/files/Economic%20Lessons%20from%20Iraq_0.pdf
- Shlash, A. (2014). *Iraq Human Development Report 2014*. UNDP. Retrieved from:
<http://www.lse.ac.uk/middleEastCentre/publications/IraqNHDR2014-English.pdf>
- UNDAF. (2015). *United Nations Development Assistance Framework: Iraq 2015-2019*. UNDAF. Retrieved from: http://planipolis.iiep.unesco.org/upload/Iraq/Iraq_UNDAF_2015-2019.pdf
- UNDP. (2013). *The Millennium Development Goals in Iraq - 2013 Update*. UNDP. Retrieved from:
http://www.iq.undp.org/content/dam/iraq/docs/mdgs/MDG%20Booklet%202013_C_FIN-EN.pdf
- UN Iraq. (2014). *Iraq's Fiscal and Economic Situation: difficult times ahead*. UN Iraq Joint Analysis Unit. Retrieved from: <http://www.iau-iraq.org/documents/1935/Iraq%20financial%20and%20Economic%20situation%20Nov14%20IAU.pdf>

Vishwanath, T., Sharma, D., Krishnan, N., & Blankespoor, B. (2015). *Where are Iraq's Poor: Mapping Poverty in Iraq*. World Bank. Retrieved from: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/07/03/090224b082fcd8d8/1_0/Rendered/PDF/Where0are0Iraq0ping0poverty0in0Iraq.pdf

World Bank. (2014). *A Stocktaking of Social Assistance Programs in the Republic of Iraq*. The World Bank.

Expert contributors

Sibel Kulaksiz, World Bank

Suggested citation

Rohwerder, B. (2015). *Poverty eradication in Iraq* (GSDRC Helpdesk Research Report 1259). Birmingham, UK: GSDRC, University of Birmingham.

About this report

This report is based on four days of desk-based research. It was prepared for the UK Government's Department for International Development, © DFID Crown Copyright 2015.

The GSDRC Research Helpdesk provides rapid syntheses of key literature and of expert thinking in response to specific questions on governance, social development, humanitarian and conflict issues. Its concise reports draw on a selection of the best recent literature available and on input from international experts. Each GSDRC Helpdesk Research Report is peer-reviewed by a member of the GSDRC team. Search over 400 reports at www.gsdr.org/go/research-helpdesk. Contact: helpdesk@gsdrc.org.