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# Encouraging the Productivity of the Impoverished Class Instead of Poverty Alleviation

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## A brief overview of the Iraq Policy Program

The Iraq Policy Program aims to bridge the gap between youth elites and decision-makers by training young elites to effect positive change through influencing the decision-making process. The program aims to empower participants to prepare policy papers and propose policy alternatives aimed at enhancing system performance and supporting its legitimacy. This program enables participants to communicate with decision-makers and understand the main difficulties and problems affecting the implementation and follow-up of public policies. Additionally, the program seeks to provide participants with a realistic understanding of the decision-making environment in Iraq, as well as an understanding of the opportunities and challenges of change.

## The program stages

**Preparation:** Assisting participants in acquiring the fundamental skills to prepare policy papers and effective advocacy campaigns.

**Discovery:** Clarifying important public policies in Iraq by experts through stakeholder engagement, frameworks and institutional procedures, practical realities, and discussions surrounding each public policy, as well as reform prospects.

**Engagement:** Training participants to develop promotional campaigns and coordinate meetings with government officials to initiate their campaigns.

**Enrichment:** Supervising participants to prepare a policy paper in their area of interest to enrich dialogues, develop policy alternatives, which can help address current challenges.

## About the Center

The Platform for Sustainable Development is a registered center with the Non-Governmental Organizations Department at the General Secretariat of the Council of Ministers under the number (1S2106012). It serves as a space for thought, dialogue, and action towards positive change.

## Vision

We seek to establish a platform for dialogue and policies that contribute to achieving the Sustainable Development Goals in Iraq.

## Mission

Filling the gap between the state and society to ensure the essence of democracy by engaging citizens in the decision-making process through training, monitoring, analysis, research, awareness, and advocacy.

## Strategic Goals

- Preparing a youth elite that rises to its social responsibilities through studying problems, proposing policy alternatives, and working towards their implementation.
- Utilizing knowledge outputs and encouraging youth to work towards achieving the Sustainable Development Goals
- Presenting statistics and issues that occupy the political arenas and societal circles to reflect a deeper understanding of the Iraqi reality.
- Creating a network of active, informed, and committed citizens dedicated to the project of building the Iraqi government.

## Executive Summary:

Poverty is a social and economic phenomenon that afflicts nations and societies, and it represents a complex problem with serious political, economic, and social dimensions. Poverty is one of the most significant obstacles to development due to its impact on human security within society. Therefore, eradicating poverty is a high-priority requirement for sustainable development. However, advanced countries with large economies have managed to reduce poverty rates, raise the poverty line, and mitigate its effects on vulnerable groups.

Political and security instability, wars, economic imbalances, financial corruption, and administrative mismanagement have contributed to the widespread prevalence of poverty in Iraq. This has resulted in a cumulative nature of poverty, despite the numerous policy programs aimed at addressing it. In 2022, the poverty rate reached 25%, and it continues to increase. The significant population growth, limited resources, and lack of effective resource management further exacerbate this issue.

**This paper proposes policy alternatives that involve adopting a new vision to reduce poverty rates. It suggests that the government should subsidize the social security contributions paid by employers to their employees for a period of 5 years. This measure aims to encourage employers to hire the impoverished and lift them to higher living standards while enabling them to acquire new skills that will help them integrate into the labor market in the future. This alternative policy would be implemented through an electronic system, providing better job opportunities for youth with higher returns and lower costs. This paper will discuss the policy alternatives and assess the feasibility of implementing this alternative on a national level.**





## Introduction:

Poverty is a global phenomenon recognized and experienced by all nations. There is hardly any country that is exempt from it. It gnaws at the core of societies, contributing to the creation of numerous societal problems since it represents a state of not being able to achieve a certain level of material living standards, which are considered the minimum reasonable and acceptable in a given society within a certain time frame. It is a state of deprivation in many basic needs of life, such as food, health, shelter, and education.

Poverty is a complex, multifaceted, and intertwined global problem due to the multiplicity of factors and variables associated with it. These factors are influenced by the interaction of economic, social, and political factors within society. Poverty is more than just a lack of income, resources, or a sustainable source of livelihood. It encompasses dimensions such as hunger, malnutrition, limited access to education and basic services, social discrimination, social exclusion, and the absence of opportunities for participation in decision-making processes.

## Background:

Poverty rates in Iraq have been on the rise, especially in recent years. Despite various policy programs aimed at addressing poverty, they have not tackled its root causes but rather addressed the resulting consequences. In the context of this issue and its various dimensions, this paper seeks to answer the following questions:

- What are the causes of poverty in Iraq?
- What are the key indicators of poverty in Iraq between 2017 and 2022?
- To what extent have strategies played a role in reducing the poverty rate?
- What are the challenges facing the implementation of poverty reduction strategies?

The Iraqi Ministry of Planning/Central Statistical Organization launched the first Poverty Reduction Strategy for the period 2010-2014. The strategy achieved some positive results, with cumulative GDP growth reaching 64%, and the average per capita growth rate at 7.6% annually. This growth led to a reduction in poverty rates, with the poverty level decreasing from 22.9% in 2007 to 18.8% in 2012.



However, despite the economic growth witnessed in Iraq from 2007 to 2012, the terrorist organization ISIS's occupation of large areas of the country had significant repercussions, contributing to increased poverty rates. This prompted the government to work on another strategy covering the years 2018-2033. According to government estimates of poverty levels, poverty rates in Iraq have increased since 2014. Per capita GDP decreased by 28.5% from \$6,500 in 2012 to \$4,630 in 2015.

The Iraqi government estimated that poverty within internally displaced households increased to 38% in 2014. Meanwhile, the poverty rate in conflict-affected provinces in Iraq, such as Anbar and Ninawa, reached 41% in 2014. This had a negative impact on families and made them more susceptible to falling into the trap of poverty and resorting to negative coping mechanisms.

Figure (2): Financial allocation for poverty reduction strategies (2012-2016) (2018-2022)

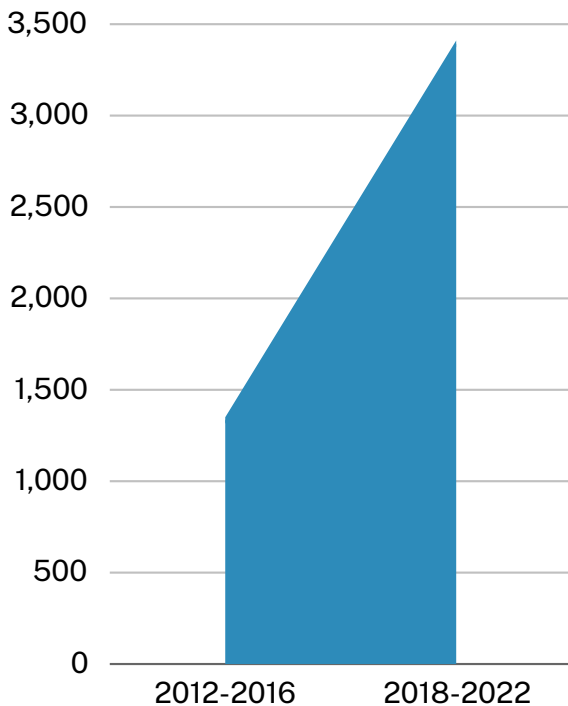
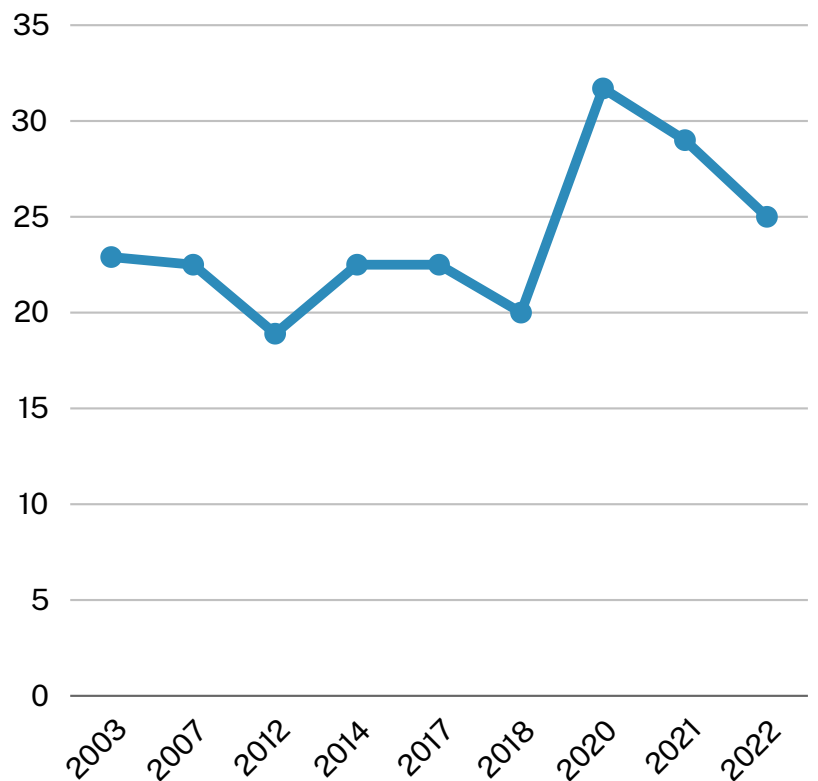


Figure (1): Poverty Rate in Iraq (2003-2022)



Source: Ministry of Planning, Central Agency for Statistics and Information Technology



## Causes of Poverty in Iraq

The phenomenon of poverty in Iraq can be attributed to multiple reasons, with the most significant ones being:

- **Wars and Sanctions:** The extensive destruction and devastation suffered by the Iraqi economy's infrastructure over the past four decades, starting with the Iraq-Iran war (1980-1988), through the Gulf War in 1991, followed by successive economic sanctions, U.S invasion of Iraq, and ending with the invasion of ISIS in 2014 and subsequent liberation operations. These factors have led to a decline in development indicators into war expenses and the displacement of millions of Iraqis due to forced migrations, affecting all layers of Iraqi society. This has resulted in the emergence of an economic crisis and a deepening of poverty beyond the poverty line, impacting the implementation of poverty reduction strategies.
- **Corruption:** Despite economic reforms since 2003 that led to a rapid resurgence of the middle class, this significant achievement did not contribute significantly to stability for two main reasons: first, corruption and the accompanying massive media campaign for political reasons created a sense of injustice and poor distribution of wealth; second, the stagnation in economic development and heavy reliance on oil resources.

- **Financial Factors:** Security crises, particularly the war on Daesh, and the health crisis following the global spread of the coronavirus led to a significant drop in global oil prices. This directly impacted budget revenues. These crises also required substantial financial focus to mitigate their multiple effects on the Iraqi population. As a result, the implementation of poverty reduction strategies and improving the living standards of citizens were not among the top priorities of successive governments.

## Implications and Effects of Poverty

Poverty has various implications and effects at both the individual and societal levels, including:

- **Extremism and Terrorism:** Poverty is one of the major drivers of extremism and terrorism. Feelings of injustice can turn impoverished communities into ticking time bombs, ready to explode at any moment. Terrorist groups exploit the conditions of the poor and their inability to meet the basic needs of their families. Thus, impoverished environments are fertile grounds for recruitment by extremist groups. These effects are exacerbated when accompanied by other negative social aspects, such as social injustice, widespread corruption, and inadequate social services.



- **Administrative and Financial Corruption:** The lack of fair wealth distribution, low salaries, and wages in the face of rising prices, increased poverty, high unemployment rates, limited employment opportunities, and poor planning in resource utilization all encourage the spread of corruption. Iraq is classified as one of the most corrupt countries globally, ranking 157 out of 180 countries in Transparency International's 2021 Corruption Perceptions Index. Weak law enforcement jeopardizes the rights of everyone, especially the poor, particularly those important rights related to property.
- **Rise of Drug Trade and Consumption:** Drug trafficking and consumption are more prevalent in impoverished and deprived areas than in areas with higher living standards. These environments become conducive to drug trade and consumption due to various social and economic factors. Although there are no official statistics on the number of drug users in the country, drug abuse is spreading in these communities and among both genders.

## **Current State of Poverty in Iraq**

**The latest strategy did not achieve its goal of reducing the poverty rate in the country by 25% by 2022. There is a clear combination of internal and external risks, and these risks cannot be eliminated without a viable economic vision capable of building the national economy. Poverty represents an environment for the emergence of risks that produce or generate crises that threaten the state, the system, security, and social values. Managing these risks is linked to the strategic thinking system adopted by the state, which reflects the state's vision and philosophy in classifying the value of danger and its impact on the state's status and effectiveness, while specifying its temporal and spatial boundaries.**



Table (1): Issues, Threats, and Opportunities Facing Iraq

Opportunities	Threats	Measures required
<p>Financial Abundance (Oil) Iraq has an opportunity to implement structural reforms through the financial surplus generated from oil. Iraq's oil revenues in 2022 exceeded \$115 billion, with a daily production of 4.6 million barrels, of which about 3.3 million barrels are exported. These revenues are the highest since 2020.</p>	<p>Alternative Energy The world is shifting towards alternative energy sources, resulting in a decrease in oil prices. This poses future risks to the Iraqi economy, which heavily relies on oil.</p>	<p>Security and Development There is a strong correlation between population density and a country's security. The problem of poverty significantly impacts a state's internal security. Poverty is one of the main factors leading to internal unrest and instability. The high unemployment rate, estimated at around 16.5% in 2022, is related to poverty. However, it does not directly cause poverty, as individuals may work but not earn enough to escape poverty.</p>
<p>Demographic Purge Iraq is currently experiencing a demographic dividend, with a larger population of working-age individuals compared to children, elderly, and dependents. This demographic dividend presents a real opportunity to mobilize the entire society for the development of local industries and businesses.</p>	<p>Extremism Threat Despite security achievements, they are not sufficient. It is necessary to focus on other factors that serve as primary motivations for joining extremist organizations.</p>	<p>Anti-Corruption Efforts Corruption and its impact on the collapse of state institutions push towards an unsustainable economic cycle. In addition to infrastructure collapse and the deterioration of public and private services for the poor, this results from several reasons associated with the nature of corruption, which erodes a portion of the capital allocated for investment.</p>
<p>The current governmental role in combating corruption (dubbed the 'crime of the century'), where a portion of the stolen amount of 1.6 trillion Iraqi dinars was recovered from an Iraqi businessman)</p>	<p>Economic Dependency There are no real productive sectors other than the oil sector.</p>	<p>Services: The reform of social services, including infrastructure, education, and health, has not achieved its goal of reducing poverty in the country</p>



## Policy Alternative:

What the poor and the society need is not just humanitarian aid or assistance, but it is about developing institutions capable of providing services, as well as enhancing capabilities and promoting local production patterns. Each segment should work towards fulfilling its needs through local production or exchanging products with other segments. All projects in Iraq, whether private, mixed, or cooperative, are subject to the provisions of the Retirement and Social Security Law No. 39 of 1971, the Labor Law No. 71 of 1987, and the regulations and instructions issued under them. One of the instructions related to the inclusion of projects under the provisions of the law is for the worker to pay a monthly percentage of 5% of the total wage, and the employer pays a percentage of 12% of the wage. This makes the total paid to the retirement and social security fund 17%. If the state adopts the project and pays the employer's wages for a maximum of 5 years (for the poor only), this will lead to employing a large percentage of youth above the poverty line through practical mechanisms instead of the financial allocations determined by the Ministry of Labor. The ministry estimated that the number of those covered by social care reached two million and eight hundred thousand families, and that the salary scale for those covered by social care,



according to the recent Cabinet decision, starts from 125,000 Iraqi dinars and ends at 325,000 Iraqi dinars, depending on the number of family members specified in the decision.

## FEASIBILITY OF THE ALTERNATIVE:

- Reducing poverty rates, as many of the poor will become productive labor with a wage sufficient to meet their various life requirements.
- Reducing unemployment rates, as different sectors will absorb new labor, especially from the poor who usually do not possess academic qualifications.
- Achieving fairness in distribution, as the poor will receive their share of the state's income by paying their retirement dues for 5 years.
- Reducing the burden on the social protection network, as a significant portion of the poor will transition from being dependent on the state to contributing to the economy.
- Enhancing development opportunities, as it will create a strong economic growth and markets capable of creating job

opportunities and enabling the most impoverished segments to benefit from these opportunities.

- Reducing political bidding, as the alternative will divert the issue of poverty from political bidding used for electoral purposes or party interests, thereby preventing the exclusion of some segments that do not have access to political parties.

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