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Policy Report  
**Poverty and the Food  
Ration Card: Analysis of  
Impact and Future  
Challenges**

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# Introduction

The food ration card system is one of the largest public distribution systems in the world. Initially, it covered all Iraqi citizens regardless of their specific circumstances and living conditions. Over the years, since its implementation in 1990 until today, this system has evolved through accumulated experience. It no longer includes all Iraqis but rather most of them, excluding employees in the public sector whose monthly income exceeds (2) million dinars, as well as those working in the private sector who are officially registered. However, it currently faces a significant challenge due to rising demands for reform to make it more targeted towards the poor, transforming it into an important and effective tool in combating poverty in Iraq.

The rationale behind this is the flaws that have affected it, as well as its high cost which limits the possibility of developing other services such as education and healthcare. It's worth noting that the previous regime attempted to link the ration card with healthcare services by establishing a health card system, but it faced difficulties and eventually failed, leading to its cancellation. Moreover, this system encountered logistical difficulties in the distribution process, especially amidst the deteriorating security situation, with fleets of trucks belonging to the Ministry of Trade being subjected to terrorist attacks, looting, and theft. Additionally, it faced several problems including the poor quality and cancellation of some distributed items, as well as shortages, which affected the achievement of its main objectives, namely achieving fairness in the distribution of food items and reducing the severity of poverty.

The voices calling for reforming or abolishing the ration card system have not succeeded in reducing the temptation of citizens to prefer the ration card system. Following the fall of the previous regime, some proposed replacing the food ration with a cash alternative provided to the beneficiary families of the ration card system. However, a study conducted in 2005 showed that more than 95% of Iraqi households prefer to continue receiving food items through the ration card rather than replacing it with cash.

Regarding the expenditure on the food ration card system, it represents a significant burden on the general state budget due to the large number of beneficiaries. The allocations for the food ration card in the 2023 budget amounted to 3.6 trillion dinars, which is approximately less than 2% of the total public expenditure. In light of all this, this report will attempt to review the previous and current governmental measures to reform the food ration card system, analyze these measures, and propose necessary policy recommendations regarding them.



# Root of the Problem: The Food Ration Card System

The establishment of the food ration card system was initially a response to the exceptional circumstances resulting from the comprehensive international sanctions imposed on the country following the events of August 1990. Despite the challenges encountered during the implementation of the food ration card, it has evolved into one of the largest distribution systems in the world. Initially covering all Iraqi citizens regardless of their specific circumstances or living conditions, over the years, it has been refined to exclude most individuals with a monthly income exceeding 2 million Iraqi dinars, as well as those officially employed in the private sector.

However, despite its origins as an emergency measure, the food ration card system has persisted for approximately 33 years. It now constitutes a significant portion of the government's annual expenditures and serves as a primary driver of food prices in the local market. Any shortcomings in the distribution of one or more items covered by the card lead to price hikes for those commodities in the local market. Moreover, the availability of food in the country heavily depends on this system.

The long duration of the food ration card system and its urgent need at the time of its inception have entrenched the belief among Iraqi families in its exceptional importance. It has created a reliance among middle and low-income households on its provisions. Given the vast resources at the disposal of the state, primarily derived from oil revenues, distributing food items has become a politically favorable role for the government. Despite the reluctance of post-regime governments to maintain the system, they have found it challenging to make drastic changes due to the political significance attached to it, despite the difficulties in sustaining its operations amidst the aforementioned challenges.

## Poverty in Iraq

Over the past three decades, Iraq has witnessed a series of major events that have impacted the social, health, and economic conditions of its citizens. Studies and reports from Iraqi authorities continue to indicate a persistent increase in poverty rates. The latest data from the Iraqi Ministry of Planning reveals that poverty affects approximately 25% of the total population, meaning that more than 10.7 million Iraqis live below the poverty line out of a total population exceeding 43 million citizens.

The Ministry of Planning has indicated that poverty in the country is increasing due to rooted economic reasons, including housing, healthcare, education, income levels, and food. Additionally, security, political, and social factors contribute to the rise in poverty. Some Iraqi provinces have experienced a significant increase in poverty rates, with Muthanna Governorate topping the list with a poverty rate exceeding 50%. This is followed by Qadisiyah, Thi Qar, and Maysan, where poverty rates range between 45% and 48%. In other provinces, poverty rates vary between 20% and 37%.

With the rising inflation rates in Iraq, inflation in food prices can have a devastating impact on poor families. International statistics indicate that an average low-income person in the country spends about two-thirds of their income on food, whereas this figure represents approximately 25% of the income of their high-income counterparts.

Governments often mitigate the impact of rising inflation rates on poor families through social protection policies. However, amid different circumstances compared to previous periods of food price inflation, government financial resources have been drained due to various public financial measures implemented during crises such as the COVID-19 pandemic and previous financial and security crises following the occupation of Iraqi territories by terrorist groups.

## **Previous Government Measures to Reform the Food Ration Card System and Address Poverty**

The government, through the Ministry of Trade, initiated a plan to withhold the food ration card from employees whose salaries exceed 1.5 million dinars. However, this measure did not achieve a significant reform, as it only affected 60,000 high-ranking employees and even employees of the second rank.

In 2009, a high-level committee was formed to reform the food ration card system, chaired by the Secretary-General of the Council of Ministers. The committee made several recommendations:

- **Targeting System Adjustment:** Gradually reducing the number of beneficiaries of the food ration card from 2010 to 2014, transitioning eligible recipients to the social protection system, and exempting rural areas from targeting measures due to high poverty rates.

- Modification of the Distributed Items List: Reducing the number of rationed items over five years (2010-2014) to include only five items: flour, rice, sugar, vegetable oils, and infant formula.
- Maintenance of the Centralized Management System: Continuing to adopt the current management system while allowing local administrations to play a role in monitoring, evaluation, and decision-making regarding the reduction of beneficiaries only for people in need. The government did not adhere to targeting the deserving recipients effectively. We previously mentioned adopting a resolution in the 2012 budget project to transfer the distribution process to the provinces. Among the government's measures to reform this system was distributing ration card items to families below the poverty line and targeting the poor through electronic food cards in alternative food baskets.

The Ministry of Trade's actions included preparing a plan within fifty days of approving the federal general budget in 2009. This plan directed ration card allocations to the neediest segments and excluded those with monthly incomes exceeding one and a half million dinars, whether they were state employees, private sector employees, professionals, traders, industrialists, or others. This adjustment aimed to align the targeting system with achieving this goal. However, this decision was only implemented in the 2010 budget.

Most measures aimed to alleviate the suffering of the poor. Since most rationed items are imported using foreign currency, they deplete the country's foreign currency reserves, which should be directed towards productive investment projects, public debt repayment, reconstruction, and reducing pressure on the general budget.

Government spending on the ration card system can be observed through the general budget for the period 2012-2004.

Table (1) illustrates the financial allocations for supporting the ration card system during the period 2012-2004.

Year	The amount allocated to the ration card system (in trillion dinars)	The percentage of support to total public expenditure (%)
2004	6	16.8
2005	6	16.7
2006	4.5	9
2007	3.9	7.5
2008	7	8.6
2009	4.2	6.9
2010	3.5	4.1
2011	3.5	3.7
2012	4	3.9
2013	4.9	3.5
2014	-	-
2015	2.5	2
2016	2.5	2.3
2017	1.7	1.6
2018	1.5	1.4
2019	1.5	1.1
2020	-	-
2021	0.794	0.06
2022	-	-
2023	3.6	1.8

Source: General Federal Budget for the years 2023-2004

From the data in Table (1), it can be observed that the expenditure on the ration card system allocated in the general budget during the period 2023-2004 fluctuated, rising and falling in different years. However, what is noticeable is that the allocations for the ration card system were affected by the financial changes and challenges faced by Iraq after the financial crisis caused by the terrorist groups of ISIS occupying Iraqi territories. It decreased further in 2021 due to a change in the government's policy towards increasing allocations for social welfare instead of the ration card.

Then, the allocations increased again in 2023 after the government adopted an expansionary policy in the system by increasing the number of allocations throughout the year, as well as the number of distributed items.

Despite the shortages in materials and the decline in the quality of its items, the ration card system remains of great importance to citizens. Theoretically, it ensures at least 2200 calories per person per day, especially with the rise in poverty rates in Iraq to more than (25%). Each Iraqi receives a monthly food basket of several food items mentioned above at a nominal cost of around 750 Iraqi dinars paid by the individual according to the results of the social and economic survey of the family, equivalent to approximately 0.64 US dollars, managed by the Ministry of Commerce and distributed through (55,580) agents, including shopkeepers or stores spread throughout Iraq.

It is worth noting that the ration card system has an impact on the movement of food prices in the market. Shortages in the distribution of one or more items of ration card goods reflect an increase in the prices of those goods in the local market. Moreover, the provision of food in the country largely depends on this system, and the government's commitment to providing its items has contributed to reducing market prices below the general level of prices in neighboring countries.

## **Current Government Measures:**

Due to the many financial and administrative problems in the current food ration program, some of which are due to the nature and complexity of the program itself, many opinions have emerged about the food ration system, mostly revolving around two opinions, one calling for its abolition.

And there is an opinion calling for its maintenance and reform, and each of the opinions has its justifications. However, they mostly converge on one goal, which is the necessity of providing food security for citizens. These calls (calls for reforming the card and calls for its cancellation) originated from the reality of what the ration card has reached, which is a non-disease situation for citizens due to the significant shortage in the quantities provided. However, adopting either of the opinions may not achieve the optimal solution to the problem unless it is a well-thought-out decision from all aspects and includes alternatives that provide reassurance to citizens.

Despite the obstacles and negatives surrounding the food ration card system, it has contributed to reducing the poverty rate in Iraq. Table (2) illustrates the current basket of goods distributed under the food ration card system in Iraq.

Table (2) The food basket distributed under the ration card system

Food items	Monthly portion per individual	Daily portion per individual	Calories
Flour	9	300	1065
Rice	3	100	363
Sugar	2	66.7	257
Cooking Oil	1.25	41.7	368
Total	15.25	508.4	2.053

Source: Central Statistical Organization and Information Technology, Modification of the Targeting System for the Ration Card.

The monthly per capita share from the ration card is approximately \$13, which reaches the Iraqi consumer only half of the allocated share from the ministry due to the complexities accompanying the processes of preparing, transporting, and distributing the ration card. Citizens receive flour for only 8-6 months per year, and the rest of the ration items do not exceed 5 months, not to mention the often poor quality of the items.

The current government has improved the ration card system by increasing the variety of food items and adding other types of items to include various types of legumes, infant formula, and tomato paste. It also introduced the system of a separate food basket designated for families covered by the social welfare system, in addition to the basic items in the ration, all as part of the government's efforts to reduce the number of poor and destitute families and families below the poverty line. The government is also making diligent efforts to reduce corruption in the ration card system by automating the ration card issuance and introducing the electronic ration card, which has significantly contributed, albeit partially, to reducing the rampant corruption in this system.

Furthermore, the Cabinet approved a decision in 2023 for the Ministry of Commerce to withhold ration card items from those whose salary exceeds 2 million dinars, and to include all other employees with the full ration card items, after it used to be withheld from employees whose monthly income exceeds 1.5 million dinars. This decision was justified by the directives of Prime Minister Mohammed Shiaa Al-Sudani to increase. The beneficiaries of the ration card items include various segments of the population, among them are the employees whose salaries have been affected by the increase in prices in the local market.



## Evaluation and Analysis:

Despite facing political, economic, and financial crises since 2003, including being placed under Chapter VII of the United Nations Charter, and the severe global onslaught represented by the terrorist Takfiri groups like ISIS, which occupied parts of its territories and controlled some oil resources, and the absence of government oversight on oil smuggling, which is the sole resource relied upon for funding its expenses, the Iraqi government has continued to allocate part of its annual budget to the ration card system. This system has seen fluctuations in financial allocations over different periods. However, it remains crucial as it serves as a vital support mechanism protecting a large segment of the Iraqi society from poverty. Therefore, successive governments have endeavored by all means to maintain government support for this system.

The decision to maintain the current form of the ration card system, with in-kind items covering most of the Iraqi population instead of converting it into cash vouchers for the poor only, carries political dimensions. It also requires political courage since those who make such decisions would suffer electorally due to the damage caused to wide segments of society, especially those who are ineligible to benefit from the system.

## Conclusion:

Despite all the criticisms and shortcomings of the ration card system regarding the quality, quantity, and variety of its items, and despite the relentless attempts to abolish it, and the significant amounts spent to provide items for this system, which drains the public budget of hard currencies, it must continue. This is because it represents a significant nutritional value for a considerable percentage of Iraqi society. Furthermore, it has contributed to maintaining the prices of food items distributed under the ration card system. Additionally, it serves as a cash resource for some poor families whose needs exceed certain items. Therefore, the ration card system serves as a nutritional and financial safety net for 23% of Iraqi households. This system can be considered a mechanism that has helped the government protect middle-income consumers by maintaining the prices of essential food items in local markets from 1990 to the present day. Moreover, it has contributed to achieving justice in the distribution of essential food items in Iraqi society and ensuring that poor families receive a monthly share (food basket) estimated at 2200 calories per person. This system has also helped in preserving poor families from collapsing.

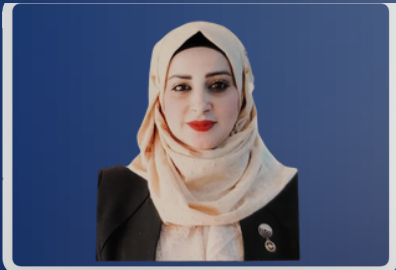
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