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Policy Report

**Poverty and Social  
Welfare: Building a  
Comprehensive System to  
Reduce Poverty and  
Enhance Well-being**

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## Introduction:

Poverty is witnessing a significant evolution in our present time, as it is considered a global problem with socio-economic ramifications and multidimensional political implications. It has impacts on human life in health, social, and educational aspects. The phenomenon of poverty has emerged in Iraq since the 1990s due to internal and external wars, as well as the economic blockade imposed on the country by international organizations. Therefore, eliminating poverty is an economic and political necessity, and the Iraqi government has undertaken various programs to alleviate poverty, including social protection programs, food ration cards, loans for small and medium-sized projects, and others. These programs are linked to the structure and culture of society, affecting and being affected by an interactive set of economic, political, social, and cultural determinants.

The manifestations of poverty are reflected in material and social deprivation and the deterioration of life quality, such as low income, high unemployment, malnutrition, disease spread, illiteracy, lack of adequate housing, high child mortality rates, and shortened life expectancy, among others. Thus, poverty is a multi-faceted social phenomenon, marginalizing a segment of society and depriving it of participating in decision-making and accessing various social services, as it is defined as "the economic condition in which an individual lacks sufficient income to obtain the necessities of food, clothing, healthcare, and all essentials, i.e., the inability to meet basic needs."

The fifth installment of the Iraq Poverty Reduction Strategy Paper (2018-2022) focused, among its activities, on building an effective social protection system for the poor. At the forefront of these projects is the development of targeting and systematic integration of the food ration card and social protection, emphasizing the importance and effectiveness of this project in alleviating poverty for a large segment of Iraqi society. Additionally, it plays a crucial role in poverty alleviation and improving living conditions for the poor by providing financial support through cash assistance and helping to secure their basic needs, especially food, and Healthcare, social protection contributes to establishing the foundations of equality, social justice, and reducing poverty and marginalization in society.

## Background:

Iraq has faced significant challenges, including terrorism, economic corruption, and economic rentierism. The country experienced disintegration and collapse following the 2003 US invasion. The Iraqi economy has been plagued by widespread corruption across various sectors, with successive Iraqi governments unable to address the economic imbalances. Subsequently, terrorist organizations proliferated, leading to conflicts, destruction, displacement, and significant financial expenditure on military operations.

The government faced serious challenges from 2014 to 2018, particularly in combating terrorism represented by the Islamic State (ISIS), which required significant financial allocations amidst a financial crisis due to declining oil prices. The government also struggled to provide services to citizens and combat corruption. As a result, more than 6 million citizens were displaced to safe provinces, and the percentage of widows among Iraqi women reached 40%. Poverty increased dramatically after 2014, exceeding 30%, compared to the previous rate of no more than 13%. Unemployment also rose to 31%. The budget for 2013 amounted to over \$118 billion, but the same allocations were used in 2014 due to the non-approval of the budget law at that time.

In late 2019, the COVID-19 pandemic had negative impacts on various aspects of economic, social, and health life worldwide. This pandemic posed an emergency threatening public health and depended on various determinants, including the availability of health, economic, and social infrastructure. Global economic activity declined rapidly due to the health precautionary measures imposed by countries. Most global economic sectors suffered losses amounting to billions, leading to a decline in economic growth rates and deterioration in sustainable development indicators. The health precautionary measures led to increased unemployment and poverty rates among society segments, with border closures, market closures, and suspension of official working hours. This prompted the Iraqi government to establish a crisis cell to coordinate efforts and combat the pandemic, applying appropriate measures to mitigate its effects. The government also took several measures to provide financial assistance to help citizens and provide them with health protection and care through various possible means to minimize the damage they suffered.

During the period from 2018 to 2020, the government developed a strategic plan to reduce poverty for the years 2018-2020, including implementing agendas for social and economic development through a four-year development plan.

The 17 Sustainable Development Goals (SDGs) adopted by the United Nations aim to address various global challenges, including poverty alleviation, sustainable development, and environmental protection. The plan aimed to reduce poverty by 25% by 2022 and eventually reduce it by 50% in the long term by 2030.

However, the emergence of the COVID-19 pandemic posed both health and economic challenges, along with the devaluation of the Iraqi dinar against the US dollar from 1182 dinars to 1460 dinars due to the decline in oil revenues resulting from the oil price slump. The government attributed this to bridging the gap caused by inflation in the 2021 budget. This measure significantly affected citizens as the prices of essential goods and commodities in the markets increased, with 80% of market needs being imported.

Table (1): Most Impoverished Provinces in Iraq

The Poorest Provinces	Poverty rate
Al-Diwaniyah Governorate	47,7%
Maysan Governorate	45,4%
Nineveh Governorate	37,7%
Thi Qar Governorate	23,9%
Diyala Governorate	22,5%
Muthanna Governorate	52,1%

Source: Ministry of Planning, Central Statistical Organization

It became difficult for people with limited incomes to purchase their essential needs and food requirements. The increase in local production, which relies on imports, led to a widespread increase in poverty rates. As a result, the prices of food items rose by 14-20%, leading to an increase in the poverty rate to over 30%.

The table above illustrates the most impoverished provinces in Iraq.

The allocations for the poverty alleviation strategy in the 2023 budget are as follows:

Table (2): Allocations for Poverty Alleviation Strategy in the 2023 Budget

Provinces	Population estimates for the year 2023	Poverty rate for the year 2018 (%)	The number of poor people	Allocation for poverty/dinar
Muthanna	925440	52,10	482,154	5,903,000,000
Babil	2346696	11,10	260,483	3,189,000,000
Wasit	1566789	18,70	292,990	3,587,000,000
Karbala	1384941	13,80	191,122	2,340,000,000
Diyala	1860536	22,50	418,621	5,125,000,000
Najaf	1672312	12,60	210,711	2,580,000,000
Al-Diwaniyah	1467127	47,70	699,820	8,568,000,000
Baghdad	9235180	9,90	914,283	11,194,000,000
Maysan	1264427	45,40	574,050	7,028,000,000
Basra	3305189	16,20	535,441	6,556,000,000
Thi Qar	2380943	33,90	807,140	9,882,000,000
Nineveh	4238733	37,70	1,598,002	19,565,000,000
Kirkuk	1815834	7,60	138,003	1,690,000,000
Salah ad-Din	1812822	17,90	324,495	3,973,000,000
Anbar	2013300	17,00	342,261	4,190,000,000
Total	37290269		7,789,576	95,370,000,000

Source: Ministry of Planning - Executive Administration for Poverty Alleviation Strategy.

The largest allocations were concentrated in Nineveh province with an amount of (19.5) billion dinars, due to the significant concentration of impoverished populations in the province. This is attributed to the displacement and migration of residents to other areas following the terrorist activities of ISIS, as well as the destruction of their homes. Following Nineveh, Baghdad, Thi Qar, and Diwaniyah provinces received significant allocations.

Regarding poverty rates per population, Muthanna province had the highest percentage at (52%), followed by Diwaniyah province at (47%), Maysan province at (45%), and Nineveh province at (37%)

## Previous Government Measures:

Despite the deteriorating security situation and funding constraints, the implementation of the First Poverty Alleviation Strategy (2010-2014) continued and some results were achieved. The first strategy emphasized dealing with four main challenges: ensuring security and stability, ensuring good governance, ensuring fair distribution, and diversifying income sources in the market economy, as well as mitigating the negative impacts of reform. It represented the first official effort to address poverty, with actual implementation of activities beginning in 2012 due to delays in government formation and the completion of strategy structures.

During the period 2012-2015, 48 activities out of 87 included in the strategy were implemented, with a total of 199 projects executed in 14 non-Kurdish provinces, and the allocation for these activities amounted to approximately 1.6 trillion Iraqi dinars (around 1.3 billion USD) during the period 2012-2016.

The second strategy, the Second Poverty Alleviation Strategy (2018-2022), faced two sets of challenges: old and continuous challenges since the first strategy, and new challenges resulting from the security, political, and economic

situations caused by ISIS occupation and the collapse of oil prices to less than one-third of their 2014 levels. The strategy aimed to reduce poverty rates by a quarter by 2022 through a consultative and participatory process involving all relevant ministries. It clearly defined priorities for improving the access of the poor to basic services, particularly vulnerable groups such as women and children, and aimed to provide.

Sustainable social protection mechanisms aimed at building overall human capital also focus on the needs of returnees and displaced families in recently liberated areas. However, the implementation of this strategy faced real and substantial challenges, including the spread of the coronavirus and the subsequent decline in global oil prices. Additionally, the health measures, including health lockdowns, led to many citizens losing their jobs, resulting in an increase in the number of poor individuals. Furthermore, the economic situation of other poor individuals worsened due to the suspension of funding for the strategy during the year 2020, as a result of the budget not being approved, and its non-approval in 2022.

## Can the government contribute to solving this problem?

Yes, the government can contribute to solving this problem by implementing appropriate policies and programs. Solving it requires cooperation and joint efforts between the government, civil society, and the private sector. These programs include providing direct financial support to low-income families and offering employment opportunities and vocational training.

One program that could help is the Small Income-Generating Projects Fund, which aims to secure new job opportunities and reduce unemployment, especially in the poorest areas. This program also aims to increase productivity, support the national economy, monitor the labor market, assist project owners in obtaining official licenses, and encourage their projects.

Moreover, the increase in the capital of the Unemployed Loans Fund by 400 billion Iraqi dinars in the field of health could have a significant positive impact on enhancing the healthcare system's ability to combat diseases and provide high-quality healthcare to citizens. This increase can provide additional funding for projects and programs aimed at developing and improving healthcare infrastructure, providing modern medical equipment, enhancing medical training, and developing healthcare personnel.

However, the allocated salary of 180,000 dinars in the budget may not be sufficient to meet all the needs, especially of widows, orphans, and unemployed individuals, if it is considered the sole income for the family. It should be noted that the cost of living and prices varies from one region to another in Iraq. While a salary of 180,000 dinars may contribute to meeting some basic needs, it may not be enough to meet all of them. It is preferable to assess the individual needs of each family based on the local situation and actual costs to determine the adequacy of the salary and whether it can meet the basic needs or not.

In conclusion, mechanisms for improving the situation of the poor should shift from a system of full care to an empowerment system, aiming to integrate them into the national economy and benefit from their potential while reducing the burden on the state. This requires the following:

- **Strengthening social protection:** It is essential to enhance social protection programs to reduce poverty and improve social care for individuals and families with low incomes. Providing social security and assistance programs for irregular workers, vulnerable groups and people with special needs is recommended. These programs should include providing healthcare, education, decent housing, food, and cash assistance to the most needy groups. These programs are essential parts of efforts to improve living standards and reduce poverty.
- **Enhancing employment opportunities and vocational training:** Providing employment opportunities and vocational training for the poor individuals is crucial to combating poverty and achieving social development. Governments and private institutions should invest in vocational training programs and skill development for economically disadvantaged individuals, promote suitable and fair employment opportunities, and provide support for small and medium-sized enterprises and entrepreneurship. These activities can be a source of income and enhance the local economy.

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