STUDY

# THE PROSPECTS OF ESTABLISHING A SOVEREIGN WEALTH FUND IN IRAQ

**Mohammed Hussein Baraka**

October 2020

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Al-Bayan Center for Planning and Studies

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## About the author

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## Table of Contents

## Introduction

Throughout history, financial crises have been met with innovative reform plans that help develop the resilience of a country's economic system, except when it comes to Iraq. All major oil producing countries have developed sovereign wealth funds to help mitigate the effects of potential price drops on their economies, but Iraq has yet to do so. This has not only resulted in temporary budgetary issues for Iraq, but has also allowed serious economic challenges to become entrenched in both the political and social structures of the country. A first glance at the current economic crisis would suggest the need for a sovereign wealth fund (SWF) to overcome the impact of oil price drops. However, Iraq's economic challenges stem from legacy issues. Therefore, can a SWF help alleviate these historical challenges and bring about reform? In effect, can a tool for financial diversification become a means for political and socio-economic reform?

Like previous crises that Iraq has faced, this current situation has been met with a promise of reform directed at overcoming immediate fiscal constraints, as well as help redirecting the economy as a whole. However, the difficult political and social climate derails any reform plans without political will. And while previous attempts have been heavy on rhetorical promises, they always fell short due to these entrenched issues. However, the economic crisis of 2020 leaves no room for manoeuvrability in that the financial reforms that are so desperately needed, also require political-economic reforms. In turn, the political-economic reforms themselves require financial reforms in order to succeed. This conundrum thus necessitates a dual approach, which resolves both problems simultaneously.

This paper will examine the viability of establishing a SWF to aid in the proposed reform plan the government intends to implement. In effect, arguing that a SWF can be a means for political-economic change. A SWF in Iraq should go beyond the conventional usages seen around the world and instead, be used as a tool for economic reform. The main challenges to Iraq's economy are not the immediate crisis but in fact the underlying structural deficiencies and most notably the relationship between the state, the citizen and the economy.

In order to do so, this paper will examine both the financial and economic crisis in Iraq to try and identify some of the more troublesome issues that plague it since 2003. This will demonstrate that while Iraq's economy is still in transition, it will not be able to progress without dealing with specific political economy issues that are a prerequisite for lasting reforms. This can be achieved by pumping financial resources from outside into the budget so that the government can direct its finite resources to implementing economic reform. Initially, this new fund needs to be a short-term measure and then later on develop into a long-term investment mechanism to support sustainable development projects. As such, this paper will examine the various types of SWFs that are being managed around the world and their viability in dealing with Iraq's current challenges. In concluding, this paper recommends that the Iraqi government develop a novel hybrid SWF which starts off as a stabilization fund dealing with the short-term challenges and then transitions into a development fund aimed at overcoming long-term challenges. A standalone economic reform program is both difficult to sell considering Iraq's political and social climates, and not sufficient to overcome the current crisis and prevent future ones. This is the main reason a SWF is needed, but also why it will help compliment any economic reform program.

## Examining the current economic crisis in Iraq

The Iraqi economy is currently facing an existential crisis, which at a first glance can be described as being the result of three simultaneous shocks. The first is the global COVID-19 pandemic, which for a country such as Iraq, has had detrimental consequences. The lack of public funds has strained the health care system, which has struggled to contain the spread of the virus as numbers of infections continuously increase[1]. It has also impacted the economy as a whole. While challenges shared by many countries due to restricted trade are also prevalent, the effect has been acute in Iraq, which saw a steep increase in the national poverty rate, going from around 20% before the pandemic, to as high as 34%, according to Ministry of Planning estimates[2].

The second issue is the drastic fall in oil prices at the beginning of the year. Iraq averaged monthly oil revenues of $6.5 billion in 2019, while only $3.1 billion in 2020 thus far. These amounts, which make up around 92% of government revenues, are not sufficient in covering the monthly public sector wage bill, which is roughly $4.1 billion, let alone the $6.9 billion total monthly government expenditures. This particular crisis leads to the third issue, which is the ongoing OPEC+ agreement to reduce oil production by 23%. This decision was pivotal in stabilising falling oil prices, but it did not take into account that Iraq is more dependent on oil revenues than most, if not all, other participants. Indeed, in April 2020, when the deal was reached, Iraq generated its lowest revenues of $1.5 billion this year[3].

This is not the first time Iraq has come under economic constraints due to falling oil prices or external challenges. The global oil price crash in 2014 and the accompanying war against the so-called Islamic State in Iraq and Syria (ISIS) strained the then newly established government, which faced the dual tasks of domestic and military spending. In fact, Iraq's dependence on oil to finance its budget has made it more susceptible to previous oil price drops and economic crises. Despite the similarities to 2014, the current situation is more problematic due to a number of differences. The first of these is the large discrepancy between military and financial international support that Iraq garnered then, as a result of the war against ISIS, with the lesser support it now receives. The second was the relative political and social stability that allowed the government in 2014 to exercise some form of leadership in areas of the economy, without exceeding pressures. Both of these lifelines are absent in the current crisis. The COVID-19 pandemic induced global recession has also lessened international support.

The true nature of the current crisis and its significance lies in the structural deficiencies that underpin Iraq's economy. Some of these issues are farther reaching than the 2003 regime change, but have certainly been exacerbated by the new political order that was subsequently established. The first of these is defining the role of the state in the economy. While this is beyond the scope of this paper, the failure to successfully transition from a socialist system into a free market economy has only entrenched the role of the state in the economy and resulted in the widening of an economic gap in society.

This can be characterised by the over-inflated bureaucratic system Iraq has developed and the large monthly wage bill it has to deal with. Back in the 1970s, and during economic prosperity in Iraq, the country functioned in a strict socialist manner. The state operated a vast amount of state-owned enterprises and was involved in all economic and non-economic

1. WHO COVID-19 Dashboard for Iraq, accessed via: https://app.powerbi.com/view?r=eyJrIjoiNjljMDhi-YmItZTlhMS00MDlhLTg3MjItMDNmM2FhNzE5NmM4IiwidCI6ImY2MTBjMGI3LWJkMjQtNGIzOS04MT-BiLTNkYzI4MGFmYjU5MCIsImMiOjh9

2. Ministry of Planning in Iraq, https://mop.gov.iq/activities_minister/view/details?id=1216

3. SOMO data, Ministry of Oil, Iraq, accessed via: https://somooil.gov.iq/exports

sectors. This required continuous human capital inflow to maintain its operative capacity and as such, Iraq implemented a central hiring system, whereby all university graduates were allocated state jobs. This may have been a viable option at the time when Iraqi industry was at its peak and highly competitive in the region, in addition to its population being a quarter of its current size[4]. After the collapse of the previous regime such a hiring system is unsustainable given a decade of sanctions, an abrupt redirection towards a free economy and relentless population growth.

Subsequent governments have continued to over-stretch the capacity of the public sector by continuously hiring well beyond capacity, let alone efficiency parameters[5]. From 2003 to 2015, public sector employees increased from 1.2 million to over 3 million[6]. Today, that number is purported to be around 4.3 million. In 2019, salaries and pensions accounted for 55 trillion Iraqi dinars, which made up for 83% of total revenues, or 92% of oil revenue. This left very little for investment or other government expenditures, such as the social safety net, infrastructure, reconstruction projects and many more essential government programmes. In 2019, salaries and pensions accounted for approximately 25% of Iraq's Gross Domestic Product (GDP). Since oil accounts for a significant percentage of GDP, in light of the current drop in oil prices, this percentage would significantly increase in 2020. Despite all these alarming figures, public sector cuts, civil service reduction and salary amendments remain acknowledged but unaddressed in any government economic reform plan.

The second issue that has become an area of economic and political contestation is the financial relationship between the federal government in Baghdad and the Kurdistan Regional Government (KRG) in Erbil. The constitution that was approved by a national referendum in 2005 tried to lay out the foundations for the administration of semi-autonomous regions within a federal structure. However, the absence of a number of crucial laws, such as an oil and gas law, has led to contesting interpretations, resulting in a lack of economic cooperation. These political differences are historically rooted, yet with the recent economic crisis, the main focus has been on the financial rights and responsibilities of both sides. Indeed, the most recent negotiations between Baghdad and Erbil over the 2020 federal budget allocations have brought to question the essence of this relationship. On the one hand, the KRG is functioning as a financially independent entity, with its own oil sale contracts, customs tariffs and administration and even tax levies. On the other hand, it still requests a share of the federal budget, which it continues to receive albeit at a fraction of what is requests, in the form of financial federalism. This issue has become even more problematic with the current financial crisis, which has strained both parties and put to question the fairness of this deal, especially amongst southern provinces who feel they are subsidising the KRG's independent actions.

With the political contestation growing, the real financial constraint of coming to a long-lasting deal is the fact that the KRG has burdened itself with financial debt vis-à-vis advanced sales to oil traders. These obligations make it economically nonviable for the federal government to take on the sale of KRG oil, which if done through the State Oil Marketing Organisation (SOMO) could raise the price of their oil by up to $8 per barrel[7]. At the same time, the KRG is taking on an unsustainable and massive loss. As such, there is no financial incentive for either side to compromise, which

4. World Bank Data on Iraq, accessed via: https://data.worldbank.org/indicator/SP.POP.TOTL?end=2019&locations=IQ&start=1971
5. Reports suggest that the efficiency of a public sector worker in Iraq stands at around 19 minutes per day.
6. Al-Mawlawi, Ali (2019), Public Payroll Expansion in Iraq, Causes and Consequences, LSE Middle East Centre Report.
7. Iraq averaged an oil price of $61/barrel last year, whereas the KRG sold at around $53/barrel.

risks a continuation of tensions and huge financial losses for both.

The third issue, which draws on from the previous two, is the state of the financial management system in Iraq, specifically the execution of the federal budget. Iraq lacks accurate data, which is one of the tools any reformer needs for developing policy initiatives. This has created difficulties for the Iraqi government on several occasions. For example, difficulties arose with the Stand-By arrangement reviews for the International Monetary Fund (IMF), as well as more recently, when the government had to withdraw a number of recently rolled out fiscal reforms and cost-cutting measures. Coherent data on government employees does not exist and so when the government planned to implement a tax on the allowances of civil servants, it was unclear how much revenue this would bring in. In fact, the most infamous public sector issue is the state's acknowledgement of "ghost employees", yet it does not know how many exist nor has it implemented any measures to eliminate this form of corruption and financial waste. This problem of an archaic financial management system has caused problems within the execution of federal budgets, further exacerbated by a lack of coordination and communication between ministries. Furthermore, the Ministry of Finance does not have a clear understanding of its liquid assets. For example, non-oil revenues are not always deposited into the treasury and investment projects are underfunded and mismanaged.

This issue is also evident in the banking system, which is a main cause for the lack of foreign investment in Iraq. The state-owned banks function as government ATMs, whereby its main activity is loaning money to the government when needed, and as such, have been overburdened by domestic debt with no viable plan to resolve their cash flow issues. This is also true of the National Pension Fund whose assets sit idly in these banks, theoretically, and is the reason why the federal budget has been burdened with paying out pension salaries instead of referring them to the pension fund. This debt issue will only continue to grow in light of the current proposed 2020 federal budget, which projects a deficit of 70 trillion Iraqi dinars, nearly 50% of the entire budget[8].

This is by no means an attempt to understate the adverse effects of the resource curse, which Iraq suffers from. However, any attempt to resolve these issues independently from the overarching political economic discourse that Iraq has taken is destined to fail. The post-2003 political scene that dominates Iraq has benefited from these impediments, by institutionalising the inadequacies of the economy for political gain. When there have been attempts at diversifying the economy, developing the private sector and resolving financial disputes between the federal government and the local authorities, they have stumbled as a result of the issues outlined above. Overcoming the resource curse requires years of transformation, which Iraq cannot afford at the moment. Furthermore, in order to ensure such reforms are implementable, the main political-economic barriers need to be lifted first.

8. This is according to the draft 2020 budget which has been sent to Parliament for approval.

### What kind of fund will work for Iraq?

There are a number of SWFs being managed regionally and globally that can be examined when thinking of a fund structure for Iraq. However, to look at these funds and their ultimate economic goals is to look at the reasons for their establishment. One reason is to help avert economic and financial crises that may result from both internal and external factors, thereby helping cushion the state's economy during recessions similar to the current situation in Iraq. Another reason would be to help rebuild damaged infrastructure or to promote sustainable development through large-scale investments, which would otherwise be difficult to finance. A third reason would be to save for future generations, sometimes specifically in a pensions fund, in anticipation of a growing population that would otherwise burden the state budget. A final reason, often overlooked and relevant to Iraq, is to help support fragile democracies. A SWF can provide both economic and political gains, which will be discussed in subsequent sections.

There are five main types of SWFs: savings funds, pension reserve funds, reserve investment funds, stabilisation funds, and development funds. The way in which these funds are capitalised and managed also vary, however, this paper will not examine them in detail[9], but rather will look at a few regional and global examples and assess their viability when it comes to Iraq.

1. **Savings funds** seek to convert wealth from finite resources into renewable financial assets and are popular amongst oil-rich countries. Ultimately, these are long-term funds that assume the current abundance of oil, or any other commodity, will not last forever, and as such, they seek to save this current wealth for the future. One example of a savings fund is the Kuwait Investment Authority, which established in 1953, is the first SWF[10]. The long-term nature of the fund allows for a broader asset composition, which helps create real expected returns on their investments. This will help mitigate the challenges of the resource curse, only if managed properly and alternative revenue streams were created and supported by other industrial and financial sectors.

A number of problems arise when assessing the viability of a savings funds for Iraq. First, Iraq may be an oil-rich country with high levels of production and export; however, it is already plagued by an over-reliance on oil revenues to fund an inflated budget. Siphoning any of its oil revenues will only exacerbate existing budget deficits. Second, this dependency on oil has undermined other industries in Iraq and creating a savings fund now will not undo the resource curse. In retrospect, it would have been ideal to establish a savings fund back in the 1970s when the Iraqi economy was thriving, before rentierism kicked in. Furthermore, a savings fund requires tremendous state discipline in order for the fund not to be accessed for other purposes, which is likely to happen in a cash-strapped situation, such as the one Iraq finds itself in. Therefore, developing a savings fund for Iraq in the current climate will neither succeed nor will it help overcome the current challenges already outlined.

2. **Pension reserve funds** are similar to savings funds in that they are long-term investments, but for the specific purpose of creating capital to meet the demands of future pensions obligations. They are also different from traditional pension funds in that they do not seek to pay out pensions on a regular basis but rather, they seek to mitigate the pressures of a growing pensioner population, which exceeds the current workforce. An example of such a fund is the New

9. This has been examined in more detail by a previous paper written by Al-Bayan Center: https://www.bayancenter.org/en/wp-content/uploads/2018/12/98767564.pdf
10. https://www.ifswf.org/member-profiles/kuwait-investment-authority

Zealand Superannuation Fund, which was established in 2001.

Despite the current population growth in Iraq, the current workforce drastically exceeds those of old-age pensioners, with roughly 60% of the nearly 40 million Iraqis having been born after 1991. This means that Iraq faces a greater challenge in creating sustainable jobs and growing its economy than providing for its pensioner population. There may be some mismanagement of the current pension fund, but this can be remedied without having to resort to establishing a dedicated pension reserve fund at this moment.

3. **Reserve investment funds** attempt to make use of high foreign reserves held by countries through high-risk, high-reward investments. These kinds of funds are usually paired with other forms of investments or funds, to not affect the overall investment portfolio of a country, while also overcoming the burden of holding these reserves without any return. An example of such a fund is the State General Reserve Fund of Oman, which invests its surplus oil and gas revenues to achieve sustainable returns.

However, such investments and activities require high expertise and a strong economic infrastructure which Iraq lacks, in addition to its reserves in the central bank being currently utilised for deficit reduction, thus making reserve investment funds a nonviable option.

4. **Stabilisation funds** provide short-term relief for countries going through financial crises such as the one Iraq faces. This is done by insulating the economy from the falls in commodity prices by injecting cash into the budget when revenues drop[11]. This fund also helps in overcoming the burdens of the resource curse by drawing down on the revenues gained from high commodity prices and re-injecting them into the economy when prices drop. This will aid in the development of other industries and help the economy grow. Traditionally, these funds are capitalised from the commodity the national economy is reliant on, however, the current low prices of oil and their relation to the proposed 2020 federal budget does not allow for any revenues to be drawn out in this manner. This will mean that the fund will have to be capitalised in another way.

Stabilisation funds can also give oil countries an advantage when it comes to price wars and the negotiation of deals. This was recently seen with the Saudi-Russian overproduction of oil in the beginning of 2020, which drastically brought down the global price of oil, but left these two countries unscathed because they had surplus financial reserves in the form of stabilisation funds, which they tapped into while countries such as Iraq struggled. Because of its over-dependence on oil and weak financial capital, Iraq was forced into the OPEC+ deal unable to negotiate any good terms for itself. Having a stabilisation fund and some form of budgetary security may have allowed Iraq and other countries to demand a fairer split of the burden rather than settle for an equal distribution of 23% cut in production.

5. **Development funds** have become popular only recently after the global economic crisis of 2008. This required investment in domestic markets as opposed to seeking foreign assets and diversification of resource streams. Therefore, the main goal of a development fund is to allocate resources for socio-economic projects that will help boost the economy, such as infrastructure projects. An example of this is the Mubadala Investment Company in the United Arab Emirates, which seeks to meet the macroeconomic goals of the state by supporting key

11. Al-Hassan, Abdullah et al. (2013), Sovereign Wealth Funds: Aspects of Governance Structures and Investment Management, International Monetary Fund (IMF) Paper.

development projects and has also been involved in the sale of government assets to the private sector to further increase its capital.

There is no doubt Iraq desperately needs a development fund to address the impact of years of failed investment projects, and more urgently, to meet the reconstruction needs of liberated areas. Considering that Iraq suffers from the resource curse, the obvious benefit of a SWF would be to help diversify its economy. However, there are deeper implications on the political stability of a transitional economy. For instance, when it comes to the resource curse, the increase of the oil sector and the decline of other industrial sectors in Iraq has generated large revenue but not significant employment or encouraged supply chains that facilitate further industrialisation. As a result of oil sales, Iraq has sought to strengthen its national currency by maintaining a high and rigid value of the Iraqi dinar leading to a decrease in the profitability and competitiveness of other industries, and as such, a failure to diversify. This has been exacerbated by the fact that Iraq has a weak institutional foundation, built around rentierism, and as a result led to an adverse effect on the socio-political stability of the country, personified by a placated population when it comes to reforming the economic environment[12]. Furthermore, these large resources that should bring about prosperity to a country often end up doing the opposite, which is why 60% of the world's poorest live in resource rich countries.

The Iraqi economy has been infiltrated by the political discourse. The political elite have continued to exploit it for personal and party gain, but it has also created a socio-economic culture of reliance on the state based on an outdated social contract. These political issues are to some extent both the causes of the failing economic order and a result of it. It can be said that the abundance of oil has led to less economic growth, lesser development outcomes and less democracy, and that any SWF initiative in Iraq should try to address these three issues.

There is an urgent need for a SWF that can help enable economic reform in Iraq. There are many opportunities for economic reform to take place through investment, diversification, growth of the private sector and economic harmonisation with the KRG that will boost trade. However, they are all threatened by these real political-economic challenges. In order for any reforms to take place, firstly, Iraq needs to create some fiscal space but also address these real political economy challenges. It needs to cut public expenditure by implementing a number of expenditure reforms and alternative revenue generation measures that will impact the number of civil servants on the government payroll. It also needs to reconcile its financial debt issues, especially with the KRG, and it needs to modernise the financial system and counter the political exploitation of the economy.

These challenges have a political dynamic and implementing any of the aforementioned funds may not be able to alleviate Iraq's current predicament. Therefore, Iraq initially needs a hybrid model with a novel objective of helping support the implementation of economic reforms. At the outset this will start out as a stabilization fund that will deal with the short-term issues and then transition into a development fund to look at overcoming long-term challenges.

12. Protestors to this day campaign for public sector jobs, un aware that their claims to public employment is empowering the political elite and at the same time intensifying the economic crisis.

### What are the chances of implementation?

This financial crisis, in this regard, is a blessing in disguise, as it will bolster the required political will to enact economic reform. However, a SWF is not a panacea, it should be used as a means to overcome the most troublesome barriers in order for the economy to begin its modernisation process. In other words, it needs to be coupled with other complementary economic reform initiatives. Such an opportunity already exists in the form of the proposed White Paper reform agenda being prepared by the government.

This paper will create the fiscal space necessary for greater economic reforms to be implemented and also to stop the immediate bleeding of the financial system[13]. There is also the proposed law for the Council of Construction, which is currently pending in Parliament. This law will help establish a fast track mechanism for expedited strategic construction projects and it is planned to be funded by oil revenues[14]. Finally, the newly established Iraqi National Oil Company (INOC) will help harmonise the oil industry and help bring in further investment into this sector that will add further revenue to the state. All of these opportunities may help in the case for establishing a SWF by arguing that the fund will aid in the implementation of the White Paper initiatives. It will help the Council of Construction by funding specific projects and it will be closely related to the INOC with regards to the capitalisation of this fund.

There are also a number of challenges that may impede the establishment of a SWF. The first and obvious one is the relatively low oil prices, which will make it difficult to direct some of the needed revenue into this fund. Second, is the political challenges, which will almost certainly delay this process at best, but also risk the manipulation of this fund for personal/party gains. It is a testament that the consociational power order in Iraq has impacted not only the political process but also had an effect on the economic discourse of this country. Political parties have divided amongst themselves political positions, but also used these positions to influence economic decisions. This is one of the main obstacles facing economic reform that has already been highlighted. All of these issues put to question both the viability of a SWF and the kind of fund needed to overcome these issues. This is why Iraq needs to use this opportunity to establish a fund that injects money into these key issues, because a political solution will never materialise and may prove counterproductive. Just like the political process has infiltrated the economy, so too must the economy infiltrate the political system to help fix it.

The final issue then relates to how this entity will be funded, especially in light of the current fiscal difficulties. A prudent immediate measure would be to do so through the sale of government assets, namely in the oil and electricity sectors. This will both help generate immediate large-scale funds and aid in the much-needed privatisation of these sectors. A means of capitalising this fund, but also an ends in that it will develop a private sector and loosen the public sectors grip on the economy. This process may not comply with the Santiago principles endorsed by members of the International Forum of Sovereign Wealth Funds per se, however, anything the SWF pays off as economic remedies will be registered as a debt on the government, which the government can pay them back in assets. This process may only be a short-term measure as the number of profitable assets the government currently holds are limited, however, it will help fund the initial stabilisation phase of the fund. Later on, once the economic reforms have started to take effect and the state's revenue streams begin to diversify, oil revenue can be syphoned off for the development phase of the fund.

13. Interview conducted with Minister of Finance Ali Allawi, accessed via: https://gds.gov.iq/iraqs-deputy-prime-minister-and-minister-of-finance-outlines-fiscal-challenges-government-reforms/
14. The draft law was submitted to parliament in 2019 and has been read once and is due to be voted on.

## Conclusion

The Iraqi economy can never be totally disassociated from politics. Historically speaking, the late 1950s saw about the introduction of agricultural reforms, the 1960s was the start of socialist policies, the 1970s was the height of the oil industry and the rentier path the country took, the 1980s was dominated by the war economy, the 1990s was plagued by sanctions, and from 2003 till this day, Iraq continues to struggle with both political and economic transition.

These cumulative policy decisions and problems may have not caused the current economic crisis Iraq is facing; however, they have led to its inevitability. Therefore, as we have seen throughout the years, any economic reform plan is doomed to fail unless it also seeks to address the political-economic issues. This is where a SWF can come into play. Having a SWF to deal with certain difficult obstacles, especially in a country such as Iraq, can help pave the way for real and lasting economic reform.

Iraq needs such a flexible fund, which can pay through the difficult issues and ease the burden off of the budget. In other words, Iraq needs a political SWF so that the economic system can be rid of the negative political infiltration it is currently hindered by. This fund will start off as a stabilisation fund to help with implementing the reform programs of the government and will later move on to become a fully-fledged development fund. Only then can Iraq's economy become more robust and resilient to future crises and grow sustainably to meet the demands of its expanding population.

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This is not the first time Iraq has come under economic constraints due to falling oil prices or external challenges. The global oil price crash in 2014 and the accompanying war against the so-called Islamic State in Iraq and Syria (ISIS) strained the then newly established government, which faced the dual tasks of domestic and military spending. In fact, Iraq's dependence on oil to finance its budget has made it more susceptible to previous oil price drops and economic crises. Despite the similarities to 2014, the current situation is more problematic due to a number of differences. The first of these is the large discrepancy between military and financial international support that Iraq garnered then, as a result of the war against ISIS, with the lesser support it now receives.

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Subsequent governments have continued to over-stretch the capacity of the public sector by continuously hiring well beyond capacity, let alone efficiency parameters. From 2003 to 2015, public sector employees increased from 1.2 million to over 3 million. Today, that number is purported to be around 4.3 million. In 2019, salaries and pensions accounted for 55 trillion Iraqi dinars, which made up for 83% of total revenues, or 92% of oil revenue. This left very little for investment or other government expenditures, such as the social safety net, infrastructure, reconstruction projects and many more essential government programmes. In 2019, salaries and pensions accounted for approximately 25% of Iraq's Gross Domestic Product (GDP).

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