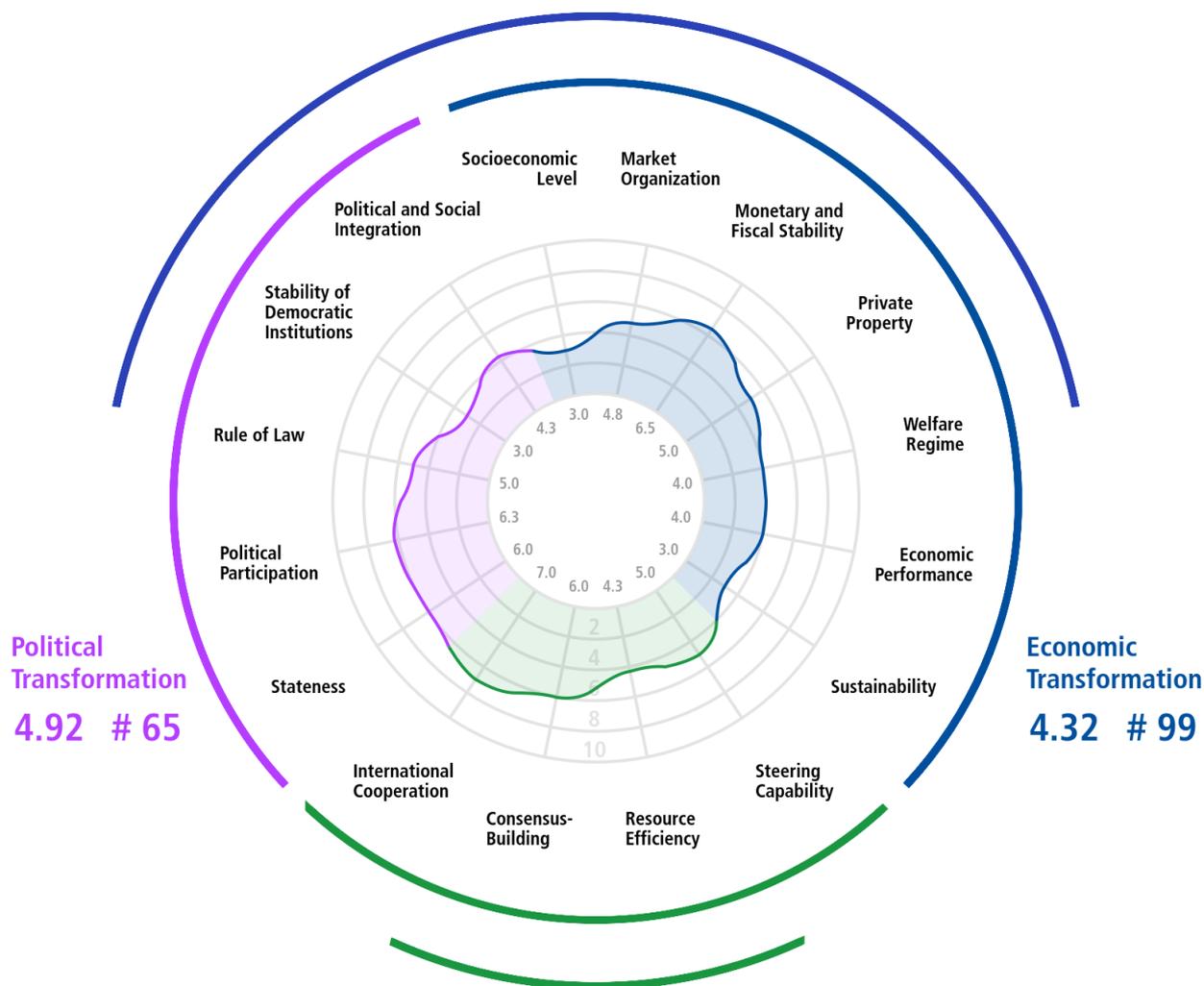


Iraq

Status Index

4.62 # 84

on 1-10 scale out of 137



Political Transformation
4.92 # 65

Economic Transformation
4.32 # 99

Governance Index

5.10 # 46

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sebastian Plate

Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	46.0	HDI	0.695	GDP p.c., PPP \$	14464
Pop. growth ¹	% p.a.	2.1	HDI rank of 193	126	Gini Index	29.8
Life expectancy	years	72.3	UN Education Index	0.569	Poverty ³	% 2.4
Urban population	%	71.9	Gender inequality ²	0.558	Aid per capita \$	44.5

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Iraq's democratic and economic transformation between 2023 and early 2025 has been characterized by relative political stability, an improving security environment and continued, though often unsuccessful, efforts toward economic diversification. The government under Prime Minister Mohammed Shia' al-Sudani has maintained cohesion, avoiding the deadlocks and political crises that defined previous years. Unlike past periods of unrest, major protests have been limited, and the governing coalition has managed to pass budgets and implement policies with less obstruction. While corruption remains a challenge, there have been efforts to improve governance, particularly in economic planning and foreign investment.

Security conditions have remained largely stable, with no significant resurgence of the Islamic State (IS) group or major insurgency threats. While isolated attacks have occurred in rural areas, they have been sporadic and contained, reflecting the continued effectiveness of counter-terrorism efforts. The biggest security challenges have come from geopolitical tensions, particularly the effects of regional conflicts and the presence of foreign military forces. The period has seen escalating attacks on U.S. military installations, primarily by militias aligned with Iran, in response to the broader conflict dynamics in the region. Despite these tensions, Iraq has managed to prevent a full-scale escalation on its territory.

Economically, Iraq has benefited from stable oil revenues, though it continues to struggle with dependency on hydrocarbons. The government has pushed for diversification, including infrastructure development, energy sector reform and trade partnerships, particularly with Gulf states and China. The currency fluctuations that caused inflationary pressures in 2023 were addressed through interventions that stabilized the Iraqi dinar. While investment in non-oil sectors remains limited, Iraq has taken steps to attract private sector participation and reduce reliance on public sector employment. Major projects in transportation, energy and housing indicate a longer-term vision for economic transformation.

Climate change remains a critical issue, with worsening water shortages affecting agriculture and urban life. The government has sought international cooperation, particularly with neighboring countries, to address water-sharing disputes and invest in sustainable solutions. Renewable energy projects, including solar power initiatives, have been launched, though implementation remains slow.

Overall, Iraq's trajectory between 2023 and 2025 has been defined by political stability, economic adjustment and security management, but sustainability is questionable, particularly in the economic and environmental realm.

History and Characteristics of Transformation

The 2003 U.S.-led invasion dismantled Saddam Hussein's Ba'athist regime, formally ending decades of centralized authoritarian control. Beginning in 1979, Hussein's dictatorial rule ruined the country's economy and political relations through major wars with Iran (1980 – 1988), Kuwait (1990 – 1991) and Iraq's Kurdish population, which included the "Anfal" gas attacks in 1988. On a positive note, Iraq has experienced multiple peaceful transfers of power since 2003, with elections conducted properly and leadership changes occurring without military coups or outright authoritarian takeovers. However, the Ba'ath regime was replaced by sectarian violence and an unprecedented wave of terrorist attacks. The Sunni elite, which had profited from the Ba'ath regime, opposed the post-2003 political process, in which political power shifted to the Shi'ites, who comprise about 60% of Iraq's population. There was also a cementing of Kurdish autonomy in the northern Kurdistan Region of Iraq (KRI). Many Sunni-dominated cities boycotted the 2005 legislative elections and the public referendum on the 2005 constitution.

Iraq adopted a parliamentary system under the 2005 constitution, establishing a federal structure with power-sharing arrangements among its major ethno-sectarian groups: Shi'a Arabs, Sunni Arabs and Kurds. The uncompromising de-Ba'athification process left thousands of former civil servants unemployed. This prompted the Sunni armed opposition to launch an insurgency a few months after U.S. troops had occupied the country. With the help of foreign jihadis, particularly with support from the Syrian regime, they turned against Iraq's Shi'a community in an attempt to inflame sectarian violence.

The bombing of the al-Askari shrine in 2006 unleashed a wave of sectarian violence, eventually triggering a U.S. military surge in 2007. The parallel Sunni Awakening, a movement among Sunni tribes to fight the foreign jihadis, helped decrease sectarian tensions and establish a period of relative security in Baghdad and the Sunni areas. President Obama's decision to withdraw U.S. troops in 2011, however, reignited sectarian tensions, which were further fueled by then-Prime Minister Nuri al-Maliki's centralized policies. Instead of meeting the demands of sit-in protests in Sunni and Kurdish cities such as Ramadi, Fallujah, Samarra, Mosul and Kirkuk, the government ordered a crackdown on these protests, detained thousands of predominantly Sunni protesters and accused them of terrorism.

Amid this tense atmosphere, the Islamic State (IS) group recruited new members, including many young Sunnis, and gained increasing control in Sunni areas around Mosul, Iraq's second-largest city, from 2014 onward. The IS occupation of nearly one-third of Iraqi territory for more than three years left lasting scars on Iraqi society. Four military divisions of the Iraqi armed forces collapsed during the IS invasion. Grand Ayatollah Ali al-Sistani issued a fatwa urging Iraqis to unite in the fight against IS. In collaboration with coalition forces and Kurdish troops, the newly formed Popular Mobilization Forces (PMF) ultimately succeeded in driving out IS by December 2017, ending its reign of terror marked by horrific crimes against humanity, including the killing of tens of thousands of civilians, the displacement of more than 3.2 million people, mass rape and genocide against Iraq's Yazidi population. In addition, the conflict inflicted massive financial losses on the country and an estimated 250,000 homes were destroyed, amounting to a cost of \$7.5 billion. The electricity sector suffered estimated losses of \$12 billion. Amid this collapse, the Kurdistan Regional Government (KRG) conducted a referendum on potential independence for the Kurdistan Region of Iraq (KRI) in 2017. Although the majority of Kurds voted in favor of independence, the referendum was rejected by the majority of Western and regional powers, and no further progress toward formal independence has since been made.

The deep-rooted sectarian divides and the legacy of the IS occupation continue to shape Iraq's political and social environment. Close relations with Iran, especially through the Coordination Framework dominated by factions aligned with Iran, have played a key role in shaping Iraq's political trajectory. Since 2022, this alliance has been a dominant force in Iraq's political landscape. However, Iran's weakened position in the region following the October 7, 2023, attack by Hamas on Israel and its subsequent regional consequences has shifted the balance of influence, and Iraq's political dynamics are beginning to shift anew.

Concerns over Iraq's sovereignty are growing, particularly as Iraq seeks to navigate its position in this changing regional order. Iran's diminished regional power has affected its ability to project military and economic influence, prompting Iraq to increasingly balance its ties with Iran against the need to assert more independence in its foreign and domestic policymaking. These shifts have the potential to reshape Iraq's role in broader regional dynamics, as Iraq faces pressures to maintain its sovereignty while managing its complex relations with neighboring powers, including Iran, the United States and regional Arab states.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Since late 2022, Iraq has experienced an unprecedented level of security stability, marking a significant departure from previous review periods. The incremental consolidation of territorial control by state forces since the military defeat of IS in 2017, along with a far more stable political climate following the election of the Sudani government, has contributed to this markedly improved security environment. Suicide bombings have become almost nonexistent across Iraq and the past couple of years represent the longest period of stable security since the 2003 invasion.

Despite these gains, the Iraqi state's monopoly on the use of force remains incomplete. One of the most pressing security challenges has been containing the activities of so-called "resistance factions" closely aligned with Iran. These armed groups have previously launched attacks on U.S. and coalition targets inside the country. Following Hamas' attack against Israel on October 7, 2023, these groups carried out multiple drone attacks against Israeli targets, threatening to draw Iraq into the broader regional conflict. However, by late 2024, such fears had receded, as these "resistance factions," under pressure from the Iraqi government and the religious establishment in Najaf, ceased their activities in anticipation of an incoming Trump administration.

The persistence of other armed non-state actors – such as IS remnants in desert regions, the Kurdistan Workers' Party (PKK) and influential tribal groups – continues to challenge state authority. Externally, Iraq remains vulnerable to military interventions from Iran, Israel and Türkiye, complicating efforts to assert full state control over its territory. Türkiye has continued to launch periodic attacks on PKK targets in northern Iraq, which have on numerous occasions resulted in civilian casualties. In January 2024, Iran launched a ballistic missile attack on a target in Erbil, claiming it was an Israeli intelligence facility, a claim that the Iraqi government later dismissed.

Question
Score

Monopoly on the
use of force

6

'06 _____ '26 10



The relationship between federal forces and the Kurdish Peshmerga has also remained a focal point. While both sides have increased cooperation in counter-terrorism efforts, jurisdictional disputes and unresolved constitutional questions continue to cause friction.

International concerns over the Popular Mobilization Forces (PMF) persist, despite their official status as part of the Iraqi state under the command of the prime minister, who serves as commander in chief of the armed forces. Since their formal integration in 2018, they have been legally recognized as a state security entity with government-funded salaries and logistics. While the PMF operates under Iraq's military leadership and coordinates with the Joint Operations Command, questions remain over the extent to which all factions within the force adhere to the chain of command.

Public trust in the military and police has continued to rise during the review period. A 2024 Arab Barometer poll found that public confidence in Iraq's institutions was highest in the armed forces (77%) and police (71%). After falling 11 percentage points between 2018 and 2022, the share of those saying the government is doing a very good or good job at providing security and order has again risen to 65% – slightly surpassing 2018 levels. This confidence is similarly high in the Kurdistan Region of Iraq (63%).

In recent years, Iraq has experienced relative political stability, influencing perceptions of citizenship and the legitimacy of the nation-state. While the formal concept of Iraqi nationality remains strong, divisions persist over state identity, particularly regarding the relationship between religion and governance. Major societal groups including Arab Sunnis, Arab Shi'ites and Kurds generally recognize Iraq as a nation-state, but their visions for its structure and governance differ.

The nature of Iraqi statehood remains contested in the KRI, where secessionist aspirations persist. However, enthusiasm for independence has waned since the failure of the 2017 independence referendum and, more recently, the halt of independent oil exports following a 2023 ruling by the Paris Court of Arbitration.

Meanwhile, some historically stateless populations such as the Faili Kurds, who were systematically stripped of their citizenship in the 1980s, and Kuwait's Bidoons have long faced obstacles to naturalization. However, a 2021 UNHCR survey found that only a small share of these communities residing in Iraq continue to face uncertainties regarding their nationality status.

Recent polling data from Arab Barometer suggest a growing sense of national identity, particularly among younger Iraqis, who increasingly identify with the Iraqi state rather than sectarian or ethnic affiliations. However, enduring grievances related to governance, security and economic inequality continue to shape differing perspectives on the legitimacy of Iraq's political system.

State identity

7



1

While Iraq has made strides in fostering a more inclusive national identity, unresolved ethnic, sectarian and legal issues continue to undermine consensus on the country's social contract.

Iraq's legal framework and political institutions continue to balance secular governance with religious influence, as religious values remain a factor in shaping laws and policies. The Iraqi constitution, while upholding democratic principles and human rights, also designates Islam as a primary source of legislation. This dynamic was evident in 2024 through debates over personal status laws.

In January 2025, the Iraqi parliament amended the Personal Status Law of 1959 to allow individuals the option of applying religious law to their marriages, a proposal that has sparked debate for more than a decade. However, a clause within the amendment explicitly states that the minimum age of marriage cannot be lower than what was established by the 1959 law.

Although the government operates as a parliamentary democracy, religious authorities and politically influential religious parties continue to play a significant role. Many of these parties dominate Iraq's political landscape, frequently incorporating religious rhetoric and slogans into their platforms.

At the same time, secular political actors and civil society groups continue to advocate for greater separation between religion and state. Their efforts have challenged the use of religious narratives in governance, pushing for a more neutral legal framework.

While Iraq formally upholds democratic governance and legal pluralism, religious doctrine remains a central force shaping both law and policy.

Iraq's administrative structures deliver most basic public services, but their effectiveness remains uneven, with significant regional disparities and governance challenges.

In taxation, the state has historically struggled with enforcement beyond the oil sector, which accounts for about 90% of government revenue. While formal tax structures have improved compliance in recent years, enforcement gaps persist. In 2023, customs revenue in Iraq rose by 28% compared with 2022, reaching IQD 1 trillion. In January 2025, the head of the Customs Authority announced that total customs revenue in 2024 had doubled from the previous year, reaching IQD 2.1 trillion. However, many businesses continue to evade taxes through bribery or regulatory loopholes. Disputes between Baghdad and the KRG over budget allocations further complicate financial administration, as the KRG operates a separate tax system.

Infrastructure administration follows a similar pattern of mixed performance. According to the World Bank, Iraq has near-universal access to electricity, with 100% of the population connected to the grid. However, power cuts remain widespread, forcing many Iraqis to rely on private generators. Likewise, while 99% of the

No interference of religious dogmas

5

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1

Basic administration

6

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1

population has access to water sources, only 60% (as of 2022) has access to safely managed water. Basic sanitation is almost universal at 98.5%, yet only 52.8% of the population has access to safely managed sanitation.

Despite these challenges, Iraq has seen a notable expansion in health care infrastructure, with new hospitals opening in recent years, particularly in urban areas. However, the public health care system remains underfunded and suffers from mismanagement. Corruption in the Ministry of Health and inefficiencies in medicine procurement continue to undermine service quality.

Education also faces significant challenges, including outdated curricula and poor infrastructure. While Iraq maintains a functioning public university system, regional disparities remain stark, particularly in conflict-affected areas.

2 | Political Participation

Iraq held provincial elections in 2023 and regional elections in 2024, both of which received improved assessments of fairness and transparency. The 2023 provincial council elections, held in December, were the first since 2013 and were widely seen as a test of Iraq's democratic institutions. These elections were conducted peacefully and without significant accusations of fraud, marking a notable improvement over previous elections. Despite technical advancements in the voting process – including biometric registration – turnout remained relatively low, reflecting persistent public apathy and distrust in elected officials.

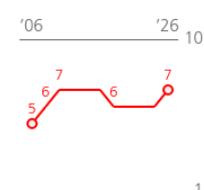
In the KRI, parliamentary elections were repeatedly postponed, because of political disputes between the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK) over electoral rules and seat allocations. The elections were finally held in October 2024 and proceeded without major reports of fraud or manipulation.

The most recent national elections, held in 2021, implemented a single non-transferable vote (SNTV) system for the first time, leading to significant shifts in electoral outcomes, including the election of individual candidates and small parties to the parliament. A deadlock in the government formation process eventually resulted in the Sadrist bloc withdrawing from parliament, with its seats largely reallocated to parties within the Coordination Framework, which now forms the largest bloc. Since then, the parliament has amended the electoral law and returned to a proportional representation system.

Iraq's Independent High Electoral Commission (IHEC) is generally regarded as more professional and less politicized than its predecessors. In January 2025, its term was extended for two years to oversee preparations for the national parliamentary elections expected to take place in October 2025.

Free and fair elections

7



The most decisive factor in governance is the influence of political parties, which is largely determined by their parliamentary strength. Iraqi politics revolves around power-sharing among dominant parties, which form shifting alliances to secure government positions and control state resources. This also applies to governance in the KRI. The two dominant parties, the PDK and PUK, control separate areas that are mutually respected, though their relationship remains tense.

The dominance of political parties means that even the prime minister, although formally the head of government, operates within constraints set by the ruling coalition. Since 2022, the Coordination Framework, an alliance of Shi'a parties, has been the primary power bloc. This coalition, which includes State of Law, Fatah and other factions, played a central role in appointing Prime Minister Sudani in 2022. His government has largely functioned within the political constraints imposed by these parties and the broader governing coalition known as the State Administration Alliance.

While parliamentary seats dictate formal power, paramilitary groups also exert significant influence. Many of these groups, particularly those with political wings, shape policies related to security and other sectors. Their presence in the parliament, combined with their ability to mobilize outside formal institutions, gives them leverage beyond their seat count. The government's ability to control these groups is limited, as efforts to impose stronger oversight on their finances, recruitment or operations have repeatedly stalled due to opposition from allied political parties.

External influences, particularly from Iran and the United States, as well as from Türkiye in the case of the KRI, further complicate governance. Iran exerts influence through its backing of key political factions and paramilitary groups, ensuring that any government must account for Tehran's interests. This influence extends to decisions on energy policy, military cooperation and Iraq's regional positioning. The United States also retains significant influence through its military presence, political ties and economic leverage, particularly in Iraq's oil sector and financial system.

All Iraqis are constitutionally granted the right to freedom of association and assembly, though enforcement varies. The right to form political parties is regulated under Law 36 of 2015, which provides a legal framework for political participation. Additionally, the 2017 law on unions and professional associations represented a step toward expanding civic engagement, though its implementation has faced challenges. In practice, public demonstrations generally require official approval.

During the current review period, Iraq has not seen significant mass demonstrations, though smaller protests have occurred, primarily by groups demanding jobs or advocating for civil rights. Instances of protest suppression have been minimal. In the KRI, protests have been more frequent due to economic difficulties, though violent crackdowns have been rare.

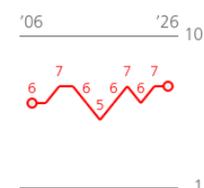
Effective power to govern

6



Association / assembly rights

7



Article 38 of the Iraqi constitution formally guarantees freedom of expression, the press and peaceful assembly. However, in practice, these rights are often undermined by government authorities, armed groups and legal frameworks that criminalize defamation. Enforcement is inconsistent, and authorities frequently use vague laws to suppress criticism of the state.

State censorship is limited, but self-censorship is widespread among certain media outlets. The Communications and Media Commission (CMC), Iraq's media regulatory body, has issued suspensions and warnings to outlets deemed in violation of its standards.

The situation in the KRI is particularly poor, with independent journalists increasingly targeted and threatened with arrest and legal action. In 2024, several Kurdish journalists were detained amid growing tensions in the run-up to the Kurdistan parliamentary elections, fueled by rivalry between the KDP and PUK.

Iraq's penal code criminalizes defamation and insulting public officials, provisions that have been used to intimidate journalists and activists. Efforts have been made to introduce freedom of information laws, but a draft bill is still under debate in the parliament. Government transparency is poor and access to official documents remains difficult.

Iraq's media landscape is diverse but highly polarized. Many outlets are affiliated with political parties or powerful business interests, which dominate the industry. Independent media struggle to compete with these well-funded broadcasters and face financial pressures. While digital media and social platforms provide an alternative space for discussion, elites are also active in this space.

3 | Rule of Law

The 2005 constitution outlines a parliamentary system with executive, legislative and judicial branches. However, institutional dysfunction, political interference and the influence of non-state actors undermine the balance of power.

The executive branch, led by the prime minister, holds significant authority, particularly over security and policymaking. However, the prime minister often struggles to enforce policies due to resistance from entrenched political factions and armed groups.

The legislative branch, the Council of Representatives (CoR), is frequently paralyzed by political divisions. While the parliament has the authority to check the executive, its effectiveness is weakened by partisan deadlock. This was exemplified by the absence of a parliamentary speaker for over 18 months following the removal of Mohammed al-Halbusi, after the Federal Supreme Court revoked his parliamentary membership in November 2023 for forging official documents.

Freedom of expression

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Separation of powers

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The judiciary, though formally independent, is susceptible to political influence. The Federal Supreme Court plays a critical role in adjudicating constitutional matters but has been accused of favoring ruling parties in controversial decisions. Judges handling sensitive cases, such as those related to corruption, have faced intimidation. In the KRI, the judiciary is even more directly controlled by ruling parties, making impartial judicial review particularly difficult.

Iraq's judiciary is divided into two branches: the ordinary judiciary (which includes the Supreme Judicial Council, Court of Cassation, Vice-Chief of the Court of Cassation, Public Prosecution, Judicial Supervisory Authority and the Court of Appeal) and a constitutional jurisdiction (the Federal Supreme Court). According to Article 19 of the constitution, the judiciary is independent and bound only by the law. However, powerful political elites and parties have politicized it, resulting in a weakening of its independence and functionality.

International assessments reinforce these concerns. Freedom House's 2024 report highlights how political interests compromise the judiciary's autonomy, undermining its ability to operate independently. Similarly, the U.S. Department of State's 2024 Investment Climate Statement points to the legal system's lack of sophistication and vulnerability to political pressure, further obstructing judicial independence.

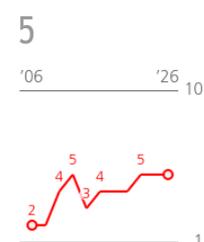
However, recent improvements have been observed by international donors. For example, a 2024 UNDP report that monitored trials in Iraqi courts identified an increase in prosecutions and convictions of senior officials, greater judicial efficiency, and a reduction in pretrial case returns. While civil society engagement remained limited, fair trial rights showed an improvement.

The prosecution and penalization of public officials who exploit their positions remains inconsistent and subject to political influence, despite legal frameworks that technically allow for accountability. Corruption remains deeply entrenched in both grand and petty forms, with bribery, nepotism and embezzlement still widespread. While some high-profile cases have led to arrests or dismissals, enforcement is selective and often dictated by shifting political alliances rather than adherence to the rule of law.

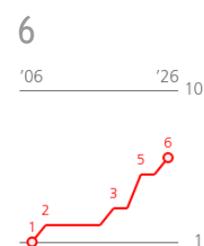
The Federal Commission of Integrity (COI) and the judiciary are tasked with investigating and prosecuting corruption. However, their effectiveness is severely undermined by political interference, weak enforcement mechanisms and a culture of impunity. During the review period, COI reported thousands of corruption-related cases, yet many either stalled in the courts or resulted in lenient sentences that failed to serve as meaningful deterrents.

One of the most notorious corruption scandals in recent years, the so-called "heist of the century" in 2022, involved the embezzlement of about \$2.5 billion from Iraq's tax authority. Despite widespread public outrage, key political figures suspected of

Independent judiciary



Prosecution of office abuse



involvement have largely evaded accountability. Some arrests and convictions have been made, including the sentencing in absentia of the alleged mastermind, Noor Zuhair, to 10 years in prison in November 2024. While partial recoveries of stolen funds have been achieved, the investigation has failed to produce the structural reforms necessary to prevent similar schemes in the future.

There has been some progress during the review period in curbing petty corruption, particularly within civil registry and administrative service agencies, through the introduction of online appointments and electronic payment systems for passport renewals and other government services. The “Ur” e-government portal has expanded its range of services – minimizing waiting times and bypassing bureaucratic hurdles. This has curtailed opportunities for extortion by certain employees. Additionally, the implementation of the Secured Documents System, which replaces paper-based issuance with electronic methods using QR codes, has further reduced exploitation and corruption.

Furthermore, a UNDP report published in early 2025 found that Iraqi courts made significant progress in combating grand corruption cases during the period from 2023 to 2024. The study analyzed 170 cases at the Central Anti-Corruption Court and 80 court verdicts, revealing an increase in prosecutions of high-ranking officials, including members of parliament, ministers and governors; a higher conviction rate due to improved case preparation; and a decline in reliance on general amnesty and trials held in absentia, reinforcing the integrity of judicial decisions.

Iraq’s legal framework formally guarantees civil rights, but enforcement remains inconsistent. The constitution affirms protections for personal liberty, due process and equality before the law. Article 37 prohibits arbitrary detention, forced labor and torture, while Article 14 guarantees equal treatment regardless of gender, ethnicity, religion or belief. However, systemic issues undermine these protections and avenues for redress are often ineffective.

While reports of state-led abuses have declined, allegations of torture and inhumane treatment persist, particularly in terrorism-related cases. The notorious Abu Ragheef Committee – which was established under former Prime Minister Mustafa al-Kadhimi, and accused of extrajudicial detentions and torture – was dissolved following a March 2022 ruling by Iraq’s Federal Supreme Court. The court found the committee unconstitutional, citing violations of human dignity and judicial overreach. In June 2023, Prime Minister al-Sudani endorsed recommendations to investigate grievances against key figures, following an earlier Washington Post exposé that detailed the committee’s use of incommunicado detention, torture and sexual violence to extract confessions from officials and businessmen.

Accountability mechanisms remain weak. The Iraqi Human Rights Commission has been inactive since its board’s term expired in 2021, with the parliament failing to appoint new members. This vacancy has further impeded oversight and limited institutional efforts to address rights violations.

Civil rights

3

'06 _____ '26 10



1

In 2023, President Abdul Latif Rashid revoked a decree recognizing Cardinal Sako as the head of the Chaldean Catholic Church in Iraq amid apparent rivalry with other Christian factions. However, he was reinstated a year later by Prime Minister al-Sudani.

Meanwhile, Yezidi, Turkmen and Shabak minorities continue to grapple with the aftermath of the IS genocide, with about 2,600 Yezidis still missing, many feared to be in captivity or unaccounted for. A reparations program that distributes salaries to survivors has been underway since March 2023, but it has operated with limited human and financial resources.

In August 2023, the CMC issued a directive ordering media outlets to replace the term “homosexuality” with “sexual deviance” in their published language. The government also banned the use of the term “gender” in official communications, expressing a preference for the term “women’s empowerment.”

4 | Stability of Democratic Institutions

Democratic institutions exist in form, but their effectiveness is constrained by systemic corruption, political fragmentation, significant influence from authoritarian-minded political actors and external pressures. While the parliament, judiciary and executive authorities operate within a constitutional framework, their independence and efficiency are often undermined by entrenched corruption and elite power struggles.

Coalition governments are built on fragile alliances among religious and ethnic blocs, making decision-making slow and ineffective. The October 2021 elections, followed by a yearlong deadlock, exemplified this dysfunction. The Coordination Framework, a coalition of Shi’ite parties, managed to form a government only after Muqtada al-Sadr’s bloc withdrew from politics in protest.

Public administration is heavily bureaucratic and plagued by mismanagement. The public sector is overstaffed, with many positions awarded through patronage rather than merit, resulting in inefficiency and weak service delivery. While attempts at reform have been made, such as digitizing government services, progress remains slow.

Performance of democratic institutions

3

'06 '26 10



Government bodies – such as the executive, parliament and judiciary generally – operate within the framework of a formal democratic system, but their credibility is undermined by persistent corruption, weak rule of law and political interference. The Council of Representatives, for example, is often viewed as a tool for elite bargaining rather than a fully representative legislative body. While elections continue to be held, voter turnout has declined – dropping to just 41% in the 2021 parliamentary elections – reflecting widespread disillusionment with the process.

While political parties advocate for institutional reform, the political landscape remains largely dominated by established factions that prioritize maintaining their influence over strengthening democratic governance. Independent candidates have made gains in recent elections, but they remain vulnerable to extortion and marginalization, and are occasionally co-opted by entrenched political elites.

Nonetheless, key political actors broadly recognize the legitimacy of Iraq’s democratic institutions, including the constitution, the Federal Supreme Court and the legislative function of the parliament. This commitment is reinforced by the religious establishment in Najaf, which has consistently advocated for democratic norms, including the peaceful transfer of power. Even groups linked to non-state armed actors have, in recent years, turned to legal mechanisms to resolve disputes – such as contesting election results and addressing disagreements over military bases in Kirkuk – demonstrating a degree of engagement with institutional processes despite ongoing challenges.

5 | Political and Social Integration

Iraq’s party system remains fragmented and polarized, though most established parties have deep social roots and stable electoral bases. While many parties maintain strong sectarian, ethnic or tribal ties, these affiliations have not translated into coherent, long-term platforms capable of uniting broader societal interests. Instead, the political landscape is dominated by patronage networks, elite bargaining and short-term maneuvering.

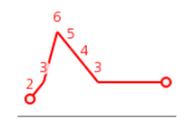
Clientelism continues to shape Iraq’s political system, undermining party stability and discouraging programmatic policymaking. Most major parties function primarily as vehicles for distributing state resources to their patronage networks rather than as institutions with clear ideological or policy commitments. This reliance on patronage also fuels fragmentation, as internal power struggles over resource allocation frequently lead to factional splits.

The 2021 parliamentary elections produced a highly fractured legislature, with more than 30 parties winning seats and no single bloc coming close to a majority. Voter volatility remains high, with turnout fluctuating significantly between elections. The 2021 elections saw turnout at just 41%, reflecting widespread public disillusionment with the political system.

Commitment to democratic institutions

3

'06 '26 10



Party system

4

'06 '26 10



In the KRI, the party system is dominated by two long-standing factions: the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). Their political strength is only marginally shaped by electoral outcomes. Instead, it is rooted in their control over distinct geographic areas – Erbil and Duhok for the KDP, and Sulaymaniyah for the PUK – as well as their distinct external alliances, with the KDP aligned more closely with Türkiye and the PUK with Iran. The rivalry between the two is not grounded in ideological or sectarian divisions, but rather reflects territorial interests, and competition over resources and international backing. A broad array of associations and interest groups mediate between society and the political system, but they remain weakly institutionalized. These groups include unions, professional syndicates, religious organizations, tribal networks and civil society organizations (CSOs), though their influence is uneven due to structural and political barriers.

The Iraqi Federation of Trade Unions (IFTU) and other professional syndicates operate within a constrained space, often overshadowed by government-aligned or politically co-opted entities. Public sector unions in particular function more as bureaucratic extensions of the state rather than as independent advocates for workers' rights.

Civil society organizations are active in human rights advocacy, anti-corruption efforts and service provision, particularly in areas neglected by the state. However, their policy influence remains limited. Many CSOs rely on foreign funding, which exposes them to accusations of serving external agendas and undermines their legitimacy among nationalist factions.

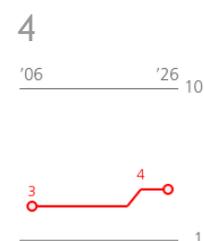
Religious institutions and tribal networks play a significant role in bridging society and the political system, often filling governance gaps left by the state. The Marja'iyya (Shi'a religious leadership) has historically influenced political outcomes, particularly in times of crisis, such as during the 2019 protests, when it called for the resignation of Prime Minister Adil Abdul Mahdi following the government's violent response to demonstrators.

Coordination among various interest groups remains weak, with divisions along ideological lines. However, some established coalitions within civil society have successfully advocated for issues such as civil rights and electoral reform.

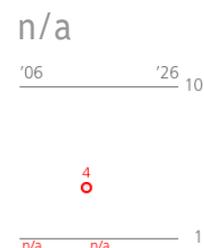
In recent years, Iraqis have demonstrated a complex relationship with democratic norms and procedures, balancing support for democratic ideals with frustration over their implementation.

Despite these concerns, confidence in certain institutions has risen. A 2024 Gallup poll found that 69% of Iraqis expressed confidence in the national government – the highest level since 2008. Trust in the local police and military stood at 85% and 87% respectively, while confidence in the judiciary reached 62% – marking its highest level in more than a decade. However, while confidence in the parliament increased by 15% compared to 2023, it still remains low at 38%.

Interest groups



Approval of democracy



According to the 2023 Arab Barometer survey, 68% of Iraqis believe democracy is the best form of government, despite its flaws. However, this conviction has declined by 15% since 2011, possibly due to skepticism about democracy's ability to deliver tangible benefits. In the same survey, more than 70% of Iraqis said democracy does not guarantee a strong economy or stability.

According to the Iraq Public Opinion Report 2024, published in December 2024, there have been notable shifts in public perceptions of democratic institutions in Iraq. Trust in the government has increased to 34% in 2024, up from 26% in 2022. Similarly, confidence in the legal system remains unchanged since 2018 at 42%. However, trust in the parliament remains low at 21%, with little change from 19% in 2022. Additionally, trust in civil society organizations has declined from 41% in 2022 to 34% in 2024. These figures indicate a nuanced landscape in which certain democratic institutions make modest gains in legitimacy, while others continue to encounter significant public skepticism.

In recent years, Iraq has experienced notable progress in social self-organization and the development of social capital, reflecting a growing sense of solidarity and trust among its citizens. Polling data, including from the Arab Barometer, consistently indicate that fears of ethno-sectarian violence continue to decline, with economic concerns now taking precedence over fears of civil conflict.

Youth-led initiatives have played a central role in this shift. The establishment of national volunteer platforms has encouraged young Iraqis to participate in community work, including social, educational and humanitarian projects. These platforms offer structured opportunities for volunteers to contribute their skills, fostering a culture of civic engagement and cooperation. However, the success of these projects does not always appear sustainable, as the European donor community, in particular, pressures women's organizations to promote LGBTQ+ rights. Adopting this latter agenda would make organizations empowering women a target of patriarchal forces at both the state and societal levels.

Cultural revival efforts further underscore the expansion of social self-organization. In cities recovering from conflict, local writers, artists and historians have come together to restore cultural institutions, organize public events, and create safe spaces for intellectual and artistic exchange. These efforts help rebuild social ties, and provide avenues for collective healing and the preservation of identity.

Women-led initiatives have also gained momentum, providing economic opportunities, legal support and social services to vulnerable populations. Often led by local activists, these initiatives focus on empowering women through entrepreneurship, vocational training and advocacy efforts, further strengthening community resilience and social cohesion.

Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Significant portions of Iraq's population experience deep social exclusion due to persistent poverty and the unequal distribution of state resources. The urban-rural divide remains stark, with poverty disproportionately concentrated in rural areas where access to essential services, infrastructure and employment opportunities is limited.

Some provinces face significantly higher levels of deprivation than others. In response, the government established a development fund in 2023 to allocate additional capital investment to the most deprived provinces – aiming to improve infrastructure and service provision.

According to data from the National Census conducted in November 2024, Iraq's poverty rate declined from 21.5% in 2022 to 17.6% in 2024. Poverty assessments use a national poverty line that reflects the cost of a minimum basket of food and non-food items necessary to meet basic needs. This improvement is attributed to targeted anti-poverty measures implemented over the past two years.

Based on the latest available data from 2022, Iraq's Human Development Index (HDI) stands at 0.673, placing it in the “medium” human development category and ranking 128th out of 193 countries. The Gender Inequality Index (GII) score is 0.558, highlighting significant gender disparities in reproductive health, empowerment and labor market participation.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	209691.9	287372.2	268881.1	279641.3
GDP growth	%	1.5	8.0	0.5	-1.5
Inflation (CPI)	%	6.0	5.0	4.4	-12.3
Unemployment	%	16.2	15.5	15.4	15.5
Foreign direct investment	% of GDP	-1.3	-0.7	-2.0	-2.7
Export growth	%	-15.0	7.2	12.1	-0.1
Import growth	%	7.7	27.9	0.5	23.9
Current account balance	\$ M	24565.0	58009.5	28374.6	-

Question
Score

Socioeconomic
barriers
3

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Economic indicators		2021	2022	2023	2024
Public debt	% of GDP	54.7	39.0	42.1	46.5
External debt	\$ M	25362.9	22725.9	20331.4	-
Total debt service	\$ M	4121.3	4640.9	4481.4	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	17.7	13.8	17.5	20.3
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.6	2.2	-	-
R&D expenditure	% of GDP	0.0	-	-	-
Military expenditure	% of GDP	2.3	1.8	2.1	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market-based competition in Iraq remains constrained by significant structural and institutional barriers, despite efforts to liberalize certain sectors. The state's substantial presence in key industries such as energy, banking and telecommunications, along with a regulatory framework favoring established players, continues to hinder new market entrants.

Entry and exit barriers remain high. Complex licensing requirements, bureaucratic red tape and widespread corruption make it challenging for businesses – especially small and medium-sized enterprises (SMEs) – to enter the market. Obtaining permits and approvals often involves navigating an inefficient and opaque bureaucracy, discouraging new investment. In many cases, political connections play a decisive role in determining which firms gain market access.

A major obstacle to formal market development is the large informal sector, which accounted for 67.5% of total employment in 2021 (ILO). This sector has remained broadly stable in size, with limited progress in formalization due to weak enforcement of labor and tax regulations, limited social protections and low trust in government institutions. The dominance of informal labor undermines productivity, reduces tax revenues and exposes workers to precarious conditions without legal protections or benefits.

Market
organization

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However, there have been recent improvements aimed at reducing bureaucratic hurdles. In 2023, new digital platforms were introduced to streamline the business registration process, allowing entrepreneurs to submit applications more efficiently. The federal government has also implemented measures to digitize company registration, aiming to reduce costs and save time.

Investment freedom in Iraq presents a mixed picture. While there are no outright bans on foreign ownership in most sectors, investment laws and inconsistent enforcement create a challenging environment for foreign firms. The National Investment Law permits both domestic and foreign investors to qualify for incentives, and foreign investors are allowed to trade shares and securities listed on the Iraqi Stock Exchange (ISX).

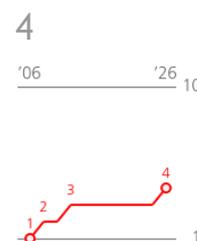
Iraq has a legal framework for competition regulation, but its enforcement remains weak. The Competition and Antitrust Law, passed in 2010, regulates market competition by prohibiting monopolization in trade and production, price-fixing, and anti-competitive agreements. It also forbids market division based on geography, hoarding materials critical to competitors and other discriminatory practices. However, institutional and political challenges have limited its effectiveness.

State intervention in the economy remains high, with many sectors dominated by state-owned enterprises or businesses with close government ties. Subsidies, tax breaks and exemptions often favor specific firms, creating an uneven playing field. Large-scale mergers and acquisitions, particularly in telecommunications, oil and banking, frequently proceed with minimal scrutiny, as politically connected businesses operate with little oversight.

While Iraq has legal safeguards against anti-competitive behavior, enforcement remains hindered by political interference, weak institutional capacity and the entrenched dominance of state-backed enterprises. As a result, monopolistic and cartel-like practices persist with little accountability.

Article 4 of the Competition and Antitrust Law mandates the establishment of a competition and antitrust council to oversee enforcement. Although this body was legally required more than a decade ago, it was only officially established in 2024. Its effectiveness in addressing Iraq's competition challenges remains uncertain, particularly given the historical lack of regulatory independence and enforcement power.

Competition policy



Iraq has taken significant steps toward liberalizing its foreign trade. In July 2024, after a 16-year hiatus, Iraq resumed its World Trade Organization accession talks, signaling a renewed commitment to integrating into the global trading system. The Iraqi government has highlighted substantial economic and legislative reforms aimed at aligning with international trade standards.

Despite these efforts, Iraq remains in the accession process and is not yet a WTO member. Consequently, comprehensive data on Iraq's most-favored-nation (MFN) applied tariff rates is limited. However, available information indicates that Iraq's applied tariff rates have been relatively low. For example, World Bank data suggest that Iraq's tariff rates have been minimal in recent years.

Regarding non-tariff measures, specific information about Iraq's use of import quotas, export limitations, export subsidies or contingency trade barriers is limited. The ongoing WTO accession process is expected to address these issues, with Iraq seeking to align its trade policies with WTO norms, which typically discourage such protectionist measures.

Iraq's banking system and capital markets remain underdeveloped, despite regulatory reforms and government efforts to modernize the financial sector. The financial system is dominated by state-owned banks, notably Rafidain Bank, Rasheed Bank and the Trade Bank of Iraq, which together hold approximately 85% of the sector's assets. Private banks face challenges such as low capitalization, limited market penetration and public distrust.

However, in the past two years, there has been a notable increase in the rollout of point of sale (POS) systems across the country, which has facilitated electronic transactions and reduced reliance on cash. The growing acceptance of digital payments is further demonstrated by the mobile POS payments market in Iraq, which is projected to reach a transaction value of approximately \$16.23 billion by 2025 with an annual growth rate of nearly 25%.

The Central Bank of Iraq (CBI) mandates a capital adequacy ratio (CAR) of at least 12%, exceeding the Basel III minimum of 8%. However, enforcement is inconsistent, particularly among state-owned banks burdened with non-performing assets and legacy liabilities. As of 2019, Iraq's capital-to-asset ratio stood at 13.5% (World Bank), reflecting moderate capitalization in the banking sector overall. While some private banks meet or exceed the CAR standard, many operate with weak risk management frameworks, leaving capital buffers insufficient to absorb economic shocks.

Non-performing loans (NPLs) remain a major concern. In recent years, the NPL ratio in Iraq's banking sector has fluctuated between 10% and 15%, though actual figures may be higher due to underreporting. State-owned banks hold the majority of these bad loans, while private banks struggle with loan recovery due to weak judicial enforcement mechanisms. The absence of a robust credit registry and effective collateral enforcement procedures further complicates lending operations.

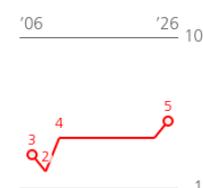
Liberalization of foreign trade

5



Banking system

5



Supervision and disclosure rules have improved, with the CBI implementing stricter reporting standards. Between 2023 and 2024, the CBI significantly strengthened anti-money-laundering and counter-terrorism financing compliance frameworks. A 2024 mutual evaluation of Iraq's banking system by the Financial Action Task Force acknowledged major progress in combating illicit finance.

In line with these measures, Iraq adopted the SWIFT system in 2022. Compliance with SWIFT regulations is now required for banks to access U.S. dollars. In January 2025, the CBI shut down the U.S. dollar auction system – a mechanism that had been a source of illicit finance and corruption.

8 | Monetary and fiscal stability

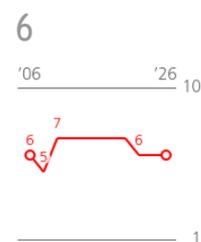
The Iraqi dinar is officially pegged to the U.S. dollar. However, in February 2023, the CBI adjusted the peg from IQD 1,450 to IQD 1,300 per \$1 in order to address the widening gap between the official and parallel market rates. This helped reduce inflation to around 4% by the end of 2023, aided by lower global food prices and the normalization of trade finance. Nevertheless, the parallel market rate remained about 15% off the official rate, reflecting ongoing inefficiencies and limited market confidence in the exchange rate regime.

The CBI is nominally independent, with a legal mandate to maintain monetary and exchange rate stability. However, in practice, its independence is constrained by political influence and coordination with fiscal authorities, especially given the state's heavy reliance on oil revenues and U.S. dollar inflows. Iraq does not have an explicit inflation-targeting framework; instead, monetary policy is primarily oriented toward exchange rate stability as the main anchor for inflation control.

Inflation in Iraq has generally been moderate, but it has exhibited volatility in response to exchange rate adjustments and external shocks. For example, following a devaluation of the Iraqi dinar in 2020, annual inflation surged to more than 6% in 2021 before gradually declining. The CBI's use of monetary tools remains limited, with interest rate policy playing a secondary role due to Iraq's underdeveloped financial system and limited transmission mechanisms.

To further stabilize the currency and curb illicit financial flows, the CBI banned cash withdrawals and transactions in U.S. dollars effective January 2024. This measure is also aligned with U.S. efforts to enforce sanctions on Iran and tighten oversight of cross-border transactions.

Monetary stability



Iraq's fiscal position in 2023 and 2024 has been significantly bolstered by high oil prices, which have provided the government with substantial revenue streams. The government's expansionary budget, which increased both current and capital expenditures, has been largely sustained by strong oil earnings. In 2023, Iraq benefited from an average oil price well above the conservative \$70 per barrel assumption in its budget, leading to stronger-than-expected revenues and helping cushion the fiscal deficit.

Despite the projected widening deficit – 7.7% of GDP in 2023 and an expected 8.0% in 2024 – the availability of oil revenues has enabled the government to maintain spending levels without facing immediate financial distress. Public debt stood at 44.5% of GDP in 2023 (World Bank), reflecting a relatively moderate debt burden by regional standards. External debt totaled approximately \$22.6 billion in 2022, indicating that most of Iraq's debt remains domestically financed. Foreign reserves surpassed \$100 billion in early 2023, providing further macroeconomic stability. The fiscal breakeven oil price remains high. However, sustained global oil demand has given the government room to finance its budgetary commitments without resorting to excessive borrowing.

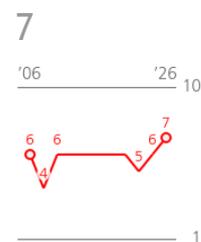
This period of strong oil revenue has also allowed Iraq to undertake fiscal reforms, including a major push to expand non-oil revenues. According to publicly available data from the Ministry of Finance, the government successfully tripled non-oil revenues in 2024, primarily by increasing customs enforcement and broadening the tax base. While non-oil revenues traditionally accounted for only about 5% of total government revenues, they reached 11% in 2024, marking a significant step toward fiscal diversification. However, the country's fiscal health remains highly dependent on oil price fluctuations – reinforcing the need for further structural reforms to ensure long-term sustainability.

9 | Private Property

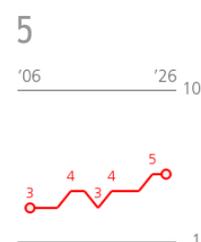
Legal frameworks in Iraq formally establish property rights, outlining laws governing acquisition, use and sale. However, enforcement is undermined by bureaucratic inefficiencies, and a judiciary vulnerable to political and sectarian pressures. Land ownership disputes – especially in areas formerly controlled by the IS – remain unresolved due to overlapping claims, unclear documentation and slow restitution processes. These issues are particularly acute in disputed territories, such as Kirkuk and Sinjar, where competing claims by Arab and Kurdish authorities have created enduring legal ambiguity.

A recent case near Kirkuk highlights these challenges: Christian communities have protested the expropriation of archaeological lands, citing a lack of transparency and exclusion from decision-making processes. The incident underscores broader concerns about property rights violations in areas with weak legal oversight and competing political interests.

Fiscal stability



Property rights



While foreign investment in real estate is permitted, investors face significant regulatory hurdles, bureaucratic inefficiencies and political interference. Large-scale real estate developments, particularly in high-end areas, are often dominated by politically connected businesses, limiting opportunities for smaller investors. Meanwhile, rapid urban expansion has led to conflicts over land zoning and planning regulations.

Despite these obstacles, efforts to digitize land records and modernize registry systems have been introduced, though progress remains slow. The government has also attempted to curb illegal land squatting, but enforcement is inconsistent due to political constraints.

Private companies in Iraq operate under a legal framework designed to permit and protect their activities. The Investment Law No. 13 of 2006, amended by Law No. 50 of 2015, allows for full foreign ownership in most sectors, offers tax exemptions and provides land leases at favorable rates. However, the legal and regulatory environment remains complex, with inconsistencies in enforcement and bureaucratic delays deterring investment. Corruption continues to be a major concern, undermining the effectiveness of these legal protections.

Despite these challenges, Iraq has taken steps to improve the operating environment for private businesses. In May 2023, the Council of Representatives passed the Social Security Law for private sector workers, significantly extending legal coverage to informal and self-employed workers. This reform aims to reduce labor informality and strengthen social protections for nonpublic sector workers – a crucial step toward fostering a more inclusive labor market.

Nevertheless, the private sector still contributes only about 40% of Iraq's GDP (World Bank, 2023), highlighting its marginal role in the broader economy. State-owned enterprises dominate key industries, including the electricity and banking sectors, despite ongoing discussions about privatization. Efforts to privatize parts of the electricity and banking sectors have faced resistance due to entrenched political and economic interests, as well as public skepticism over the benefits of private control. Notably, the privatization of electricity collection services in some districts has led to improved revenue collection and more consistent service.

Foreign investment remains concentrated in the oil sector, where contracts are often structured as technical service agreements rather than production-sharing agreements. Beyond the oil sector, private businesses struggle with access to credit, high operational costs and competition from informal markets. These challenges hinder the diversification of Iraq's economy and limit private sector growth.

Private enterprise

5

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10 | Welfare Regime

Iraq's welfare system is predominantly state-funded, relying heavily on oil revenues rather than taxation or significant redistribution mechanisms. This dependence makes social safety nets highly vulnerable to fluctuations in oil prices. There is no structured pay-as-you-go or investment fund model to support welfare programs, raising concerns about long-term sustainability. Private sector contributions to social protection remain minimal, and – while common – charitable efforts are largely unregulated and inconsistent.

The pension system largely focuses on public sector employees and is financed through the state budget, with limited coverage for private sector workers. While the government administers both civilian and military pension schemes, benefits are often generous relative to contributions, adding to long-term fiscal pressures. Coverage gaps remain wide, especially for informal and self-employed workers, although the 2023 Social Security Law aims to gradually extend pension entitlements to private sector and informal workers as part of broader reforms.

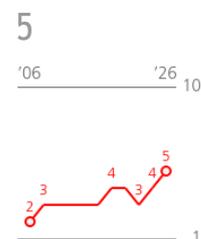
The health care system is nominally universal and publicly provided. However, it suffers from severe underinvestment, staff shortages and outdated infrastructure. In addition, although basic services are theoretically free at the point of use, patients often experience shortages of medicine and must make out-of-pocket payments or pay informal fees to access quality care. Wealthier Iraqis increasingly seek services in the private sector or abroad, creating further disparities in access.

The Public Distribution System provides subsidized food rations to most of the population. Originally a universal program, it has undergone gradual reform to focus more on low-income households. Recent efforts have also led to progress in the rollout of digital ration cards in cooperation with international organizations, improving efficiency and accessibility.

The Social Safety Net offers cash transfers to low-income families, and its coverage expanded significantly between 2023 and 2024 to include an additional 900,000 families. However, the amount of support is often insufficient to lift recipients out of poverty and the bureaucracy involved in accessing aid remains a major hurdle.

Subsidies on fuel, electricity and essential goods continue to be widespread, though they tend to benefit wealthier Iraqis more than those in greater need. Educational and health-related waivers exist in principle, but public services suffer from chronic underfunding, unreliable delivery and frequent reliance on informal payments or political connections for access. Small-scale empowerment programs operated by NGOs and international organizations provide some relief, but often they are unsustainable and fail to reach those most in need.

Social safety nets



Equality of opportunity in Iraq exists in legal frameworks but faces challenges in implementation. The Iraqi constitution guarantees equal rights regardless of gender, ethnicity, religion or political affiliation. However, practical access to education, employment and political participation varies based on social background and regional differences.

The literacy rate in Iraq stands at 86% overall (2017), with a notable gender gap – 91% for men compared to 76.3% for women. While gender equality has seen progress, particularly in education, disparities persist across all levels. The gross enrollment ratio is 103.7% at the primary level but drops sharply to 50.5% at the secondary level and just 15.5% in tertiary education. Gender parity is limited: the female-to-male enrollment ratio (GPI) is 0.8 in primary, 0.7 in secondary and only 0.6 in tertiary education.

Women hold parliamentary seats due to quota laws, but female participation in the labor force remains extremely low, at just 13.9%, which is among the lowest globally and typical of an oil-dependent economy. Persistent challenges also hinder women’s career advancement and access to leadership roles. Social norms continue to influence career choices and workplace discrimination exists, although it is not systemic.

Religious and ethnic minorities such as Yazidis and Turkmen have legal protections and representation in government. However, they still face economic and social disadvantages, particularly in areas recovering from conflict.

Political affiliation can influence access to government employment, but merit-based hiring exists alongside party influence, particularly in health care and education. Corruption remains an issue in public sector hiring, affecting equal opportunity across different backgrounds.

11 | Economic Performance

While GDP growth has been positive in some recent years, Iraq’s heavy dependence on oil continues to expose the economy to significant volatility. Employment remains constrained by informality and public sector dominance, while inflation – though relatively moderate, averaging around 4% in 2023 – remains sensitive to external shocks such as fluctuations in global commodity prices and regional instability.

However, GDP per capita contracted by 5.1% in 2023 (World Bank), reflecting the disconnect between headline oil revenues and broader economic welfare. The decline was primarily driven by reductions in oil output under OPEC+ production quotas as well as stagnation in the non-oil economy. GDP per capita has seen periods of improvement in the past due to rising oil prices and increased production, but economic diversification remains weak. The oil sector still accounts for roughly 90%

Equal opportunity

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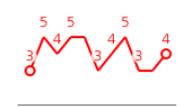
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Output strength

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of government revenue and about 42% of GDP. While non-oil sectors – such as construction, telecommunications and logistics – have shown some resilience, they remain underdeveloped relative to their potential. Agriculture contributes less than 4% of GDP, hampered by outdated infrastructure, water scarcity and reliance on imports. Manufacturing also struggles due to inconsistent policies and competition from foreign goods – an outcome closely tied to the country’s oil dependence. As the value of the Iraqi dinar tends to be inflated by oil income, export-oriented industries are disadvantaged, while domestic agriculture and manufacturing are undercut by cheap imports. Most of these structural challenges are typical of oil rentier economies, where resource wealth suppresses the development of a diversified, competitive private sector.

Iraq’s current account balance remains highly dependent on oil exports and higher global prices have supported a trade surplus. In 2023, oil exports exceeded \$90 billion, providing fiscal relief but leaving the country vulnerable to price shocks. Foreign direct investment outside the oil and gas sector remains weak due to regulatory hurdles, security concerns and an unpredictable business climate. Domestic investment is largely driven by government spending, but inefficient budget execution and corruption continue to limit effective capital allocation.

There has been notable progress, particularly in non-oil revenue, which surged in 2024 to three times its 2022 level. This improvement is largely due to the enhanced collection of customs revenue and tax fees, reflecting efforts to strengthen public finances. However, challenges remain in ensuring sustainable revenue growth beyond oil and improving the overall business environment.

12 | Sustainability

Environmental concerns in Iraq have been addressed inconsistently, with some policy advancements but largely inadequate responses to worsening ecological challenges. While the government has expressed commitments to CO₂ reduction and renewable energy adoption, implementation has been slow due to structural weaknesses, economic reliance on oil revenues and competing fiscal priorities. Iraq’s tax and energy policies still heavily favor fossil fuel consumption, with limited integration of environmental priorities into broader economic planning.

Since ratifying the Paris Agreement in 2021, Iraq has set emission reduction targets, but these commitments have not led to substantive policy changes. The country lacks a carbon tax or incentive framework to drive businesses and households toward sustainable practices. Subsidies for fuel and electricity remain in place, encouraging high energy consumption, while financial incentives for energy efficiency and renewable energy investments remain limited.

Environmental
policy

2

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Iraq has taken steps to attract foreign investment in renewable energy, particularly solar power. Agreements with companies such as TotalEnergies for large-scale solar installations signal progress, but implementation has faced bureaucratic and financial delays. As of 2024, renewable energy accounts for only a small fraction of the country's electricity generation – far from meeting national targets.

Water scarcity and desertification remain among Iraq's most pressing environmental challenges, and are exacerbated by upstream dam projects in Türkiye and Iran. The government has engaged in regional negotiations and launched afforestation initiatives, yet a cohesive long-term water management strategy is still lacking. One of the starkest examples of Iraq's environmental crisis is the degradation of the southern marshlands, a UNESCO World Heritage Site. Once among the world's most biodiverse wetlands and the heartland of Marsh Arab culture, the marshes are rapidly drying due to a combination of drought, upstream water restrictions and poor local governance. This ecological collapse threatens not only biodiversity but also a unique way of life that has persisted for millennia – illustrating how environmental protection in Iraq is also a matter of safeguarding cultural heritage.

Public awareness of environmental issues is growing, particularly among younger generations and civil society organizations. Iraq has increased its participation in international climate forums, including actively engaging in Conference of the Parties (COP) meetings. Institutional restructuring has also taken place, with the Ministry of Environment now operating independently from the Ministry of Health – signaling a more specialized approach to environmental governance. However, meaningful policy shifts and enforcement mechanisms remain insufficient to address Iraq's accelerating ecological challenges.

Iraq has undertaken initiatives to improve its educational infrastructure, and support for research and development (R&D) during the review period, yet significant challenges persist. In 2024, the government inaugurated 790 new schools across the country as part of a framework agreement with China to build 1,000 schools, aiming to address overcrowding and reduce the prevalence of triple shifts in schools.

Despite these efforts, public education in Iraq remains underfunded, with only 5.7% of the government budget allocated to the sector. This lack of investment has resulted in inadequate infrastructure, insufficient teacher training and outdated curricula.

The literacy rate was reported at 88% in 2024, suggesting progress; however, challenges remain in ensuring equitable access to quality education across different regions and socioeconomic groups.

Iraq's investment in R&D remains low. While recent data is scarce, Iraq has historically underinvested in R&D compared to global averages. Concrete measures and substantial investment are necessary to build a robust research infrastructure and foster a culture of innovation.

Education policy /
R&D

4

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Notably, Baghdad University's College of Political Science was ranked globally for the first time in January 2025 and the rise of private universities, including the American University in Baghdad, is providing alternative approaches to higher education.

Governance

I. Level of Difficulty

Iraq's political leadership operates within significant structural constraints that limit its governance capacity. Dependence on oil revenues, demographic pressures, weak infrastructure and ongoing security challenges create an environment that is difficult to reform in the short term. Climate change has emerged as an additional constraint, intensifying water scarcity, accelerating desertification and increasing the frequency of extreme weather events. These environmental stresses place further pressure on already strained public services, displace rural populations and heighten the risk of conflict over resources – especially in vulnerable areas such as southern Iraq and the disputed territories.

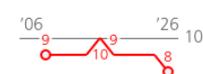
The country's labor force continues to face challenges due to an education system weakened by decades of conflict, sanctions and underfunding. Iraq ranks low on the U.N. Education Index, reflecting outdated curricula, a lack of vocational training and a persistent brain drain as skilled professionals seek opportunities abroad. Despite recent efforts to improve educational infrastructure, systemic reforms remain slow.

Severe infrastructural deficiencies affect nearly every sector. Electricity shortages remain chronic, with domestic power generation struggling to meet demand. The government continues to rely on imports from Iran, while inefficiencies in distribution and maintenance cause frequent outages. Transport infrastructure, including roads, bridges and public transit, remains inadequate, hampering economic development and service delivery.

Although security conditions have improved compared to the period of IS control, they remain a major structural challenge. Militia groups retain significant influence, political rivalries create instability and corruption within security forces undermines the rule of law. Targeted violence, including assassinations and tribal conflicts, continues to disrupt governance efforts. These factors contribute to an unpredictable political climate that constrains long-term planning and economic stability.

Structural
constraints

8



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Iraq's civil society has shown resilience and adaptability, with traditions of civic engagement persisting despite challenges. The 2019 Tishreen protests highlighted a strong culture of public participation, as demonstrators organized aid networks, legal support groups and independent media platforms. These efforts reflect a growing civic awareness, particularly among young people, who continue to push for accountability and reform.

Iraq has thousands of registered NGOs working on humanitarian aid, human rights and community development. While some rely on international funding, many locally driven initiatives have emerged, focusing on education, environmental protection and women's empowerment. Volunteer-led projects, such as community cleanups and literacy programs, demonstrate a commitment to social progress.

Social trust is mixed, with skepticism toward political institutions but strong mutual aid networks in times of crisis. During natural disasters and economic hardships, local organizations and informal groups step in to provide assistance – reinforcing solidarity within communities.

Civil society associations, including cultural and professional organizations, continue to grow, with digital platforms playing a key role in mobilization. Independent media and advocacy campaigns have gained influence, promoting civil society dialogue and policy engagement. While challenges remain, Iraq's civil society is dynamic, with a clear trend toward greater participation and grassroots-driven change.

Iraq continues to navigate political and social challenges, but its resilience and evolving civic engagement offer reasons for optimism. While political rivalries persist, the government under Prime Minister Sudani has maintained political stability, primarily because the governing coalition made up of Shi'a, Sunni and Kurdish parties has remained cohesive.

Parliamentary disputes and factionalism remain, yet Iraq's political system has proven adaptable, with peaceful transfers of power despite tensions.

Societal divisions still shape political dynamics, but large-scale conflict has not returned. Sunni-majority regions seek greater political inclusion, while Baghdad and the KRG continue negotiations over budget and resource sharing. In addition, though Intra-Kurdish competition remains, cooperation persists in key areas.

Security has improved significantly, with IS largely contained and state forces maintaining stability. Although localized violence and militia influence remain concerns, Iraq is experiencing its most secure period since 2003. Regional tensions exist, but diplomatic efforts are ongoing.

Civil society traditions

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Conflict intensity

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II. Governance Performance

14 | Steering Capability

Governments in Iraq are typically formed through broad coalitions that allocate ministries based on sectarian and partisan quotas rather than policy expertise. This system often results in ministers prioritizing the interests of their political blocs over cohesive national reform, leading to fragmented governance and inefficiency.

Despite these challenges, Prime Minister Sudani has placed significant emphasis on a detailed government program aimed at addressing economic development, public services and anti-corruption efforts. His administration has introduced a structured policy framework with clear priorities, including infrastructure improvement, job creation and financial reforms. Unlike previous governments, which often struggled with policy continuity, Sudani has pushed for systematic implementation, with periodic evaluations to track progress.

In December 2024, Iraq approved a new national development plan, marking a significant step toward long-term economic and social reforms. The plan outlines strategies for diversifying the economy, reducing reliance on oil revenues and improving governance. While implementation will still face political and bureaucratic hurdles, the structured nature of the plan reflects a growing recognition of the need for institutional stability and strategic policymaking.

Although informal decision-making structures and political appointments continue to pose obstacles, efforts to professionalize state institutions are gaining attention. Bodies such as the Prime Minister's Advisory Commission continue to provide expert input and efforts are underway to strengthen Iraq's civil service.

The Iraqi government has shown mixed effectiveness in pursuing its strategic priorities, making some progress in infrastructure and economic reforms while facing persistent challenges in corruption, governance and service delivery. Prime Minister Sudani's administration has set ambitious goals, particularly regarding economic diversification, tackling corruption and improving public services. However, execution has been inconsistent due to structural inefficiencies and political constraints.

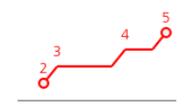
On infrastructure, the government launched large-scale housing projects, including al-Jawahiri city, aimed at addressing Iraq's housing deficit. While construction began in 2023, bureaucratic inefficiencies and funding delays have slowed progress. In the energy sector, the government aims to achieve electricity self-sufficiency, though power distribution remains unreliable due to outdated infrastructure and mismanagement.

Question
Score

Prioritization

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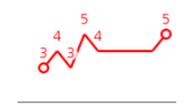
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Implementation

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While technocrats and reformists within the administration push for change, entrenched political elites prioritize power consolidation, which weakens institutional capacity and delays long-term policy success. Thus, implementation remains inconsistent and often politically motivated.

The Iraqi government has struggled to institutionalize innovation and flexibility in policymaking, with most policy adjustments being reactive rather than strategic. Adaptation typically occurs in response to immediate security, economic or social crises rather than through a structured process of evaluation, international cooperation or academic input. Policy learning remains fragmented, lacking a systematic approach to long-term governance improvements.

Weak monitoring and evaluation mechanisms further hinder effective policy implementation. Although Iraq has several oversight bodies, such as the Federal Board of Supreme Audit and the Integrity Commission, these institutions are politically constrained and rarely enforce accountability at higher levels of government. There is little evidence that policy failures are systematically assessed and, when adjustments do occur, they are often driven by public outcry or external influence rather than internal performance reviews.

International cooperation has influenced certain areas of policymaking, particularly in financial and energy reforms. Collaboration with the IMF and World Bank has led to fiscal adjustments, subsidy reductions and banking reforms. However, the sustainability of these measures remains uncertain, as political resistance frequently results in policy reversals or partial implementation. The reliance on external actors highlights the government's difficulty in independently sustaining reforms, with entrenched political interests often prioritizing short-term stability over long-term institutional change.

15 | Resource Efficiency

The Iraqi government struggles to efficiently utilize its human, financial and organizational resources, with persistent inefficiencies in administrative personnel, budget management and overall governance structures.

Administrative personnel expenses remain high, yet service delivery does not match the level of spending. Public sector employment absorbs a significant portion of Iraq's budget, with more than 50% of government expenditures dedicated to salaries and pensions. However, these funds do not translate into effective service provision due to bloated bureaucracy, patronage networks and poor performance oversight.

Budget execution is another area of concern. While Iraq's budgets typically project high revenues due to oil exports, actual expenditures frequently deviate because of corruption, mismanagement and delayed disbursements. The country's financial planning remains unstable, with oil price fluctuations creating significant gaps between expected and actual revenues.

Policy learning

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Efficient use of assets

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Decentralization efforts have been inconsistent, with local governments often lacking financial autonomy or the capacity to manage funds effectively. Moreover, while legal frameworks exist to empower local administrations, implementation is weak and oversight mechanisms remain insufficient. Institutional reforms have been attempted, including digitalization efforts and the restructuring of ministries, but progress is slow due to political resistance and entrenched interests.

The Iraqi government faces significant challenges in coordinating conflicting policy objectives and developing a coherent framework. Deep-seated political fragmentation, institutional weaknesses and external pressures create an environment where policy trade-offs are difficult to balance, horizontal coordination is limited and responsibilities are often unclear or contested.

Ministries and key state institutions are typically controlled by different parties that use them as sources of patronage rather than as mechanisms for unified governance. This results in conflicting priorities, as different political factions pursue policies serving their constituencies rather than national interests. For example, economic policy frequently suffers from contradictions between state-driven welfare programs and IMF-backed fiscal discipline measures, as certain political actors push for populist spending, while others advocate for austerity to meet international obligations.

Horizontal coordination between ministries is weak. Government departments often operate in silos, leading to duplication of efforts or outright policy paralysis. The oil sector exemplifies this issue – while the federal government seeks to centralize revenue management, the KRG pursues its own oil deals independently, leading to prolonged legal and financial disputes.

Responsibility is further complicated by overlapping mandates. This is evident in anti-corruption efforts, where multiple agencies – including the Integrity Commission, the Federal Board of Supreme Audit and the judiciary – have jurisdiction but often fail to cooperate effectively.

Anti-corruption mechanisms exist, but their effectiveness remains constrained by weak enforcement, political interference and systemic challenges. While institutional frameworks are in place, achieving consistent accountability and prosecution remains difficult. However, recent efforts by the Sudani government have achieved some positive developments.

State spending is subject to auditing by the Federal Board of Supreme Audit (FBSA), which frequently uncovers financial irregularities. The Integrity Commission has issued arrest warrants for high-profile figures, but prosecutions often stall due to political pressures and legal loopholes. Nevertheless, in 2023/24, the commission reported recovering significant sums of misappropriated funds and referred dozens of cases for prosecution, marking an increase in activity compared to previous years.

Policy
coordination

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Anti-corruption
policy

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During the review period, the government has taken more visible steps against corruption. Prime Minister Sudani has prioritized the extradition of former officials wanted for corruption, securing cooperation from the UAE, Oman and Jordan. While progress has been modest, these extraditions signal a shift toward holding officials beyond Iraq's borders accountable. Additionally, the government has evaluated nearly 450 directors across various ministries, resulting in more than 75 dismissals, demotions or transfers – an unprecedented move aimed at improving governance within the bureaucracy.

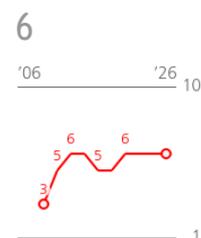
Political finance is formally regulated under the Political Parties Law (No. 36 of 2015), which includes provisions requiring parties to disclose their funding sources and campaign expenditures. However, enforcement of these rules remains weak and oversight mechanisms are underdeveloped, allowing informal financing networks and opaque funding flows to persist.

Access to public information is receiving increasing attention. Although Iraq does not yet have a comprehensive freedom of information law, the parliament continues to debate draft legislation aimed at improving transparency and public access to official documents. In practice, some ministries and oversight bodies have started publishing more data online, including federal budget information via the Ministry of Finance.

16 | Consensus-Building

Iraq's political landscape is complex, with major political actors navigating a balance between democratic governance and entrenched power structures. While the constitutional framework remains democratic, the system is shaped by political competition, coalition-building and elite negotiations. The parliamentary system has facilitated multiple peaceful transfers of power – a significant achievement in a region where such transitions are often contested violently. However, democratic consolidation remains a work in progress, with political practice often influenced by ethno-sectarian alliances and patronage networks. Despite internal divisions, most political actors continue to engage with democratic mechanisms, recognizing elections and parliamentary processes as the primary means of securing power. While mass protests – such as the 2019 Tishreen movement – have highlighted public frustration with corruption and elite dominance, they have also contributed to electoral reforms, including changes to the voting system that provided greater space for independent candidates in the 2021 elections. These reforms, though imperfect, reflect an ongoing national debate about improving governance and political representation. The influence of external actors and internal militia groups presents challenges, as some factions prioritize maintaining their networks over strengthening democratic institutions. However, there is no widespread push for a return to autocracy and political actors across different factions continue to operate within Iraq's democratic framework. The continued operation of the parliament, judiciary and electoral processes – despite political crises – demonstrates resilience, even as consensus on deeper democratic reforms remains a work in progress.

Consensus on goals



There is greater though still incomplete consensus on a market economy as a long-term goal, but structural obstacles remain. Iraq's rentier economy, heavily dependent on oil, creates strong incentives for maintaining state control over key economic sectors, particularly employment and resource distribution. While some political actors advocate privatization and economic liberalization, these efforts face resistance from entrenched interests that benefit from state patronage and a bloated public sector. The powerful political parties and their affiliated business networks often exploit state resources rather than support true market competition. Foreign investment is welcomed in principle but is frequently stymied by bureaucratic inefficiency and corruption. There is no dominant economic ideology opposing market principles, but the practical commitment to implementing reforms necessary for a functioning market economy – such as reducing state dominance, encouraging entrepreneurship and tackling corruption – is weak.

Reformers in Iraq face significant challenges in excluding or co-opting anti-democratic actors, as power is deeply entrenched in patronage networks, political militias and external influences. While Iraq has maintained a formal democratic structure, efforts to promote democratization – such as strengthening the rule of law, independent institutions and political accountability – often encounter resistance from factions that benefit from the status quo.

While full exclusion of anti-democratic forces remains unlikely, incremental reforms and external diplomatic pressure – particularly from the United States and international financial institutions – have helped shape a political landscape where democratic mechanisms remain functional, even if constrained. Reformers continue to operate within these limits, leveraging negotiations rather than outright confrontation to push democratic progress.

Iraq's political leadership has made notable progress in managing cleavage-based conflicts, fostering dialogue among key factions and maintaining relative stability despite deep societal divisions. While historical ethno-sectarian tensions remain, recent years have seen a greater emphasis on political inclusion, compromise and institutional mechanisms to prevent conflict escalation.

Since 2023, the government has strengthened dialogue with Kurdish leaders, leading to temporary agreements on oil revenue sharing and increased financial transfers to the KRG, reducing the risk of economic-driven tensions. Sunni representation in government has also been maintained, with efforts to address post-IS reconstruction and reintegration of displaced communities.

Additionally, efforts to professionalize security forces and limit militia interference in state institutions have reduced the risk of armed conflict among rival political actors.

Anti-democratic actors

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Cleavage / conflict management

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In Iraq, the political leadership's engagement with civil society actors in policymaking remains selective and inconsistent. Although formal mechanisms exist, they are often constrained by political fragmentation, weak institutionalization and security concerns. The extent of consultation varies across different stages of policymaking and depends on the issue at hand, with some sectors seeing more engagement than others.

In agenda-setting, civil society actors have significant influence over public discourse, particularly through media, think tanks and advocacy campaigns. However, political parties frequently set agendas based on elite negotiations rather than broad civil society participation.

Deliberation and decision-making remain highly centralized within political parties and governing elites. Parliamentary committees sometimes consult experts and organizations, but the process is neither systematic nor transparent.

Policy implementation involves increased participation from certain civil society organizations, particularly international NGOs and local charities engaged in humanitarian aid, reconstruction and social services. Government agencies often partner with these organizations to address gaps in service delivery, especially in conflict-affected areas.

In performance monitoring, civil society actors play a crucial role in exposing governance failures, corruption and human rights violations. Investigative journalists and watchdog organizations such as the Iraqi High Commission for Human Rights attempt to hold authorities accountable.

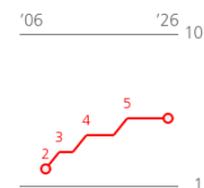
Iraq's political leadership has made significant progress in addressing past injustices and fostering reconciliation, particularly with the passage of key legislation in January 2025. These measures have provided legal pathways for justice, compensation and reintegration.

The second amendment to the General Amnesty Law, passed in January 2025, marked a major step in addressing grievances related to wrongful convictions and harsh sentencing practices. The law allows individuals convicted of certain crimes, including those related to terrorism, to request retrials if their confessions were obtained under duress. This provision aims to correct past judicial errors, ease prison overcrowding and provide a fairer legal framework, particularly for those who may have been convicted without due process.

On the same day, Iraq's parliament passed a law facilitating the return of properties confiscated during the Ba'athist era to their rightful Kurdish and Turkmen owners in Kirkuk. This law reverses past policies that transferred land from these communities to Arab settlers, addressing a long-standing grievance that has fueled ethnic tensions in the region. The restoration of property rights represents a crucial step in promoting reconciliation and restoring trust between communities that have suffered from historical displacement.

Public consultation

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Reconciliation

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In addition to these legal measures, the government continues efforts to support victims of IS and past regimes, including financial compensation and programs for reintegration.

17 | International Cooperation

Iraq's political leadership has increasingly sought to align international support with a long-term development strategy, but implementation remains inconsistent. The approval of the National Development Plan (2024 – 2028), developed in cooperation with UNDP and USAID, marks a major step toward structured economic diversification, energy sector reform and institutional modernization. This plan outlines clear priorities, and defines the role of international partners in supporting infrastructure, financial reform and human capital development.

Despite this framework, execution has been uneven. Iraq has made progress in financial sector modernization through World Bank-backed initiatives, including digitizing public payrolls and enhancing economic transparency. However, major infrastructure and energy projects – such as reducing gas flaring and expanding domestic refining – have faced delays due to bureaucratic inefficiencies and entrenched political interests.

Iraq's international partnerships have also shifted. In 2024, the government agreed to phase out the U.N. Assistance Mission for Iraq (UNAMI) by October 2025 while maintaining cooperation with U.N. country missions. Meanwhile, Iraq is negotiating new bilateral security agreements with the United States and extending cooperation with NATO, signaling a strategic pivot toward the Western camp.

While Iraq's leadership has articulated a long-term strategy, short-term political calculations and governance challenges still slow its implementation. However, ongoing international engagement and incremental reforms indicate a shift toward greater policy alignment – even if progress remains gradual.

Iraq's government engaged more actively with the international community in 2023/24, seeking to present itself as a credible and reliable partner. However, compliance with international commitments remains inconsistent, with progress in some areas alongside persistent challenges in others.

On governance and economic cooperation, Iraq has strengthened ties with multilateral institutions such as the IMF and the World Bank, particularly regarding financial sector reforms and anti-corruption initiatives. However, foreign investors still face regulatory uncertainty and disputes over oil contracts, particularly in the Kurdistan Region of Iraq, continue to complicate Iraq's business climate.

In security cooperation, Iraq has maintained partnerships with the United States, NATO and regional allies. The government has agreed to the phase out of the international coalition's presence, while negotiating bilateral security agreements and emphasizing its intent to take greater control over national defense. However, the

Effective use of support

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Credibility

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presence of armed factions outside direct state control continues to raise concerns among international partners. Iraq has actively contributed to counter-terrorism efforts, including intelligence-sharing and financial sanctions against extremist-linked individuals and entities.

On human rights and labor issues, Iraq remains a signatory to key international conventions but faces criticism for inconsistent enforcement. While efforts have been made to improve working conditions and adhere to ILO standards, informal employment remains widespread. Iraq has also pledged to uphold press freedoms and judicial independence, though reports of arbitrary detentions and restrictions on dissent persist.

Iraq continues to engage on climate and environmental issues, having signed multiple agreements including the Paris Climate Agreement. However, implementation remains limited, with policymaking largely reactive to crises, such as droughts and desertification, rather than proactive, for example, in advancing sustainability initiatives.

Iraq's political leadership has shown growing willingness to cooperate with neighboring countries, actively engaging in economic, security and diplomatic initiatives.

Economic partnerships have been a key focus. Iraq has strengthened ties with Gulf states, Türkiye and Iran through energy agreements and trade initiatives. The Development Road project, which aims to transform Iraq into a regional trade hub by connecting Basra to Europe via Türkiye, underscores Baghdad's ambitions for regional integration. Iraq has also advanced electricity grid connections with Saudi Arabia and Kuwait to reduce dependence on Iranian imports, though energy ties with Iran remain crucial due to existing infrastructure and geopolitical constraints.

On security, Iraq has pursued a balanced approach. It continues to coordinate with Iran on border security and Kurdish insurgent issues, while engaging in cautious dialogue with Türkiye over its military incursions into northern Iraq. Iraq has also expanded counter-terrorism cooperation with Saudi Arabia and Jordan, signaling an effort to build trust despite past tensions.

Diplomatically, Iraq has positioned itself as a regional mediator. Baghdad played a key role in facilitating the Saudi-Iranian rapprochement and continues to host the Baghdad Conference for Cooperation and Partnership, bringing together regional and international stakeholders. In 2024, Iraq took an active role in the League of Arab States' discussions on Gaza, advocating for regional stability and humanitarian solutions.

Despite these efforts, Iraq's ability to sustain regional cooperation is hampered by the broader U.S.-Iran rivalry. While Baghdad has demonstrated a commitment to engaging its neighbors, long-term regional integration remains dependent on overcoming internal and external constraints.

Regional cooperation

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Strategic Outlook

Iraq's primary challenges remain governance inefficiencies, economic stagnation, corruption and security risks from armed groups. Political fragmentation weakens institutions, while overreliance on oil revenues makes the economy vulnerable to shocks. Ongoing disputes over federalism, particularly between Baghdad and the Kurdistan Regional Government (KRG), hinder national cohesion. Meanwhile, corruption continues to erode public trust and, despite military advances, IS remnants still pose a threat. Addressing these requires a mix of domestic reforms and international engagement.

To strengthen governance, domestic actors should prioritize electoral integrity, decentralization and judicial independence. Electoral laws must be revised to reduce clientelism and enhance accountability, including stricter regulations on party financing. Decentralization should proceed cautiously, ensuring that local governments have sufficient resources without becoming fiefdoms of political elites. Judicial independence requires shielding the courts from political influence by granting lifetime tenure for judges and insulating the Higher Judicial Council from executive interference.

Economic diversification is key to long-term stability. Iraq should invest in manufacturing, agriculture and renewable energy to reduce dependence on oil. The government must ease restrictions on foreign direct investment, particularly outside the hydrocarbon sector, by streamlining business regulations and combating bureaucratic inefficiencies. Developing public-private partnerships in infrastructure and technology will attract investment while creating jobs. Special economic zones could encourage regional industrialization, particularly in Basra and Nineveh, leveraging Iraq's strategic location for trade.

Anti-corruption efforts require meaningful enforcement rather than symbolic gestures. The Integrity Commission and the Federal Board of Supreme Audit need greater legal authority and independent funding. Iraq should also strengthen whistleblower protections and ensure that recovered stolen assets are transparently reintegrated into the budget. A public online portal tracking government contracts, expenditures and procurement could improve transparency and deter graft.

Security sector reform remains essential to consolidating gains against IS and reducing the influence of non-state armed groups. The government must integrate certain paramilitary factions into formal state structures, while dismantling those that resist oversight. Greater coordination between federal and Kurdish forces is necessary, especially in disputed areas where security vacuums persist. Border security improvements, including biometric tracking and increased intelligence sharing with neighboring states, will limit terrorist infiltration.

International actors should recalibrate their engagement strategies by focusing on institutional capacity building rather than short-term security assistance. The United Nations and European Union should support electoral reforms and judicial independence through technical training and monitoring. The United States and Gulf states can facilitate economic diversification by encouraging investment in non-oil sectors and funding vocational training programs. China's Belt and Road Initiative projects in Iraq should include binding commitments to technology transfer and job creation for Iraqis.

For Baghdad-KRG relations, international mediation could help implement lasting revenue-sharing mechanisms and security cooperation. The United States and European Union should push for an arbitration mechanism to resolve disputes over oil exports and budget allocations, ensuring that neither side unilaterally withholds funds. Meanwhile, diplomatic engagement with Türkiye and Iran should focus on de-escalating tensions over water resources and cross-border security operations.

Iraq's transformation depends on whether it can transition from a crisis-driven governance model to a sustainable institutional framework. By tackling corruption, fostering economic diversification and reinforcing state legitimacy, domestic and international actors can steer the country toward long-term stability.