

Case-study:
**"Poverty and living standards in Iraq
in light of the repercussions of the Corona crisis"**



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Dr. Ziad Tariq Hussein Al-Rubaie (Central Statistical Organization)

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First Edition 2020 AD
Size: 14.5 x 21
Number of Pages: 57
Published and Distributed by:
Al-Rafidain Center for Dialogue RCD



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ص.ب. 252

00964782622246



info@alrafidaincenter.com



www.alrafidaincenter.com



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حي الخور - شارع طويق الامارات



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About Al-Rafidain Center for Dialogue

Al-Rafidain Center for Dialogue is one of the qualitative centers in Iraq that gather on its platform the political, economic and academic elites active in directing visions and influencing decision-making and public opinion. It is an independent THINK TANK. It works to encourage dialogues on political, cultural and economic affairs between the Iraqi elites aiming at strengthening the democratic experiment, achieving societal peace and assisting state institutions in developing themselves by providing strategic expertise and visions. Therefore, it represents a salon for dialogue characterized by objectivity and impartiality, using its outputs to lobby decision-makers and direct public opinion towards building a state of institutions within the framework of democratic system, rule of law and respect for human rights.

The Center was established on February 1, 2014 in the holy city of Najaf in the form of a virtual group in the cyberspace that includes a limited number of politicians, academics and intellectuals. The idea later developed to be legalized by registering the Center in the non-

governmental organizations (NGO) Department of the Secretariat-General of the Iraqi Council of Ministers.

Today, "Al-Rafidain Center for Dialogue" includes in its interactive sides more than seven hundred Iraqi members of all political leanings, academic disciplines and religious confessions. It can be compared to a "miniature Iraq" in which everyone has agreed to adopt dialogue as a cornerstone to face problems and produce strategic solutions that are attuned to the Center's vision in building a prosperous nation. There are also 30 employees of various disciplines working in the administrative divisions of the Center.

In a little while, the Center has been able to achieve a set of achievements by harnessing various energies and employing their outputs for the benefit of the Iraqi issue, taking advantage of modern technologies in electronic communication with the elites in the decision division, and bypassing the barriers of geography, time and security imperatives that may impede direct dialogue.

The center was not satisfied with electronic communication. Rather, it held a series of activities on the ground, including a number of seminars,

conferences, workshops and specialized dialogue sessions in multiple areas. These includes but not limited to: developing the banking sector and the stock market, maturation of national reconciliation projects, settlement among the parties and mediation in crises between the central and regional governments, improving service sectors and elimination of administrative bureaucracy and red tape and achieving water and food security. In addition to extrapolating many delicate dossiers such as constitution, oil, foreign relations, Popular Mobilization, border crossings, investment, social welfare and other.

Meanwhile, being the first-ever in Iraq, and the most extensive and organized, aiming at enrich dialogue between decision-makers on issues of concern to the country, promote discussions on them, and exchange of experience with experts and academics, Al-Rafidain Forum for Dialogue is a milestone among the activities of the Center.

Vision, Mission and Goals

The Vision of the Center:

The Center is the station at which the views of the elites and decision-makers of all political, religious and national spectrums converge, providing a positive dialogue environment that promote the creation of common spaces between those opinions, and contribute to building a prosperous country.

The Mission of the Center:

Encouraging and developing objective and serious dialogues between Iraqi elites and decision makers, enhancing the democratic experience, and achieving community peace and sustainable development in Iraq.

The Goals of the Center:

The Center seeks to achieve a set of goals, including:

- Achieving and sustaining social peace by encouraging constructive dialogue and intellectual exchange among the Iraqi elites, within comprehensive national rules and frameworks.
- Promoting a sense of national responsibility in society by shaping public opinion towards sustaining the democratic experience and maintaining a balanced relationship and mutual trust between the elites on the one hand and state bodies and organizations on the other hand.
- Assisting state institutions and bodies in developing solutions to the problems facing their work by providing strategic studies, consultancy and visions by specialized researchers.
- Expanding the base of commonalities between the political and social entities by providing a neutral and objective dialogue environment that guide the dialogue in favor of the public interest to the country and citizens.

The means:

In order to achieve its goals, the Center uses the following means:

- Holding specialized conferences, symposia and forums in the political, social, economic and cultural spheres, providing appropriate media coverage and following up to their outputs.
- Issuing written and translated books, magazines, newspapers, publications and research in Arabic or other languages, and publishing them on paper or electronically.
- Concluding agreements and partnerships for cooperation and signing memorandums of understanding with local and international institutions, organizations, and centers that have orientations and goals in line with those of the Center.
- Concluding agreements with high-level universities and colleges in Iraq and abroad on holding joint scientific events that contribute to achieving the goals of the center.

- Establishing scientific, intellectual and cultural research and studies communities and forming permanent or temporary specialized committees that enhance the movement of scientific research so as to contribute to the achievement of the goals of the Center in issues related to Iraq and the Middle East.
- Holding dialogue and understanding sessions between the different, whether their differences are ethnic, racial or political, to develop mechanisms for understanding the other as an introduction to discovering national commonalities and making them the springboard for a constructive and creative dialogue to achieve social integration.

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First:**Introduction**

The Iraqis are living a complex crisis due to the combination of several political, economic and health factors. These factors have resulted in a complex crisis that imposes pressure on people's living conditions as a result of the partial disruption of economic and social activities and events since early this year, even before the start of the quarantine due to measures to confront the Corona pandemic, as well as the closure in the governorates of southern Iraq by demonstrations that led to the resignation of the government of Adel Abdul Mahdi. Then came the repercussions of the Corona crisis, which produced unprecedented global and local results, which led to the collapse of the oil price. Within days, oil lost three-quarters of its price that was before the crisis, so oil revenues declined to the extent that the government was unable to secure the salaries of employees and retirees, while it has not yet announced any economic rescue plan.

This study seeks to analyze and anticipate the effects of the triple crisis on people's living conditions, especially those related to the conditions of the poor.

Second:**The Features of the Triple Crisis**

Iraq is witnessing a triple crisis as a result of the combination of three variables, which are:

(1) Political Crisis

On October 1, 2019, the governorates of central and southern Iraq witnessed a massive wave of youth protests due to the deteriorating economic conditions, in which the protesters demanded real and radical comprehensive reforms, fighting corruption, holding the spoilers accountable, eliminating unemployment and improving the reality of services provided to citizens. Simply, they demand a decent life that meets their basic rights, needs and aspirations, even if they are minimal, and enhances their belonging to the country.

Iraq has not witnessed such a wave of peaceful protests that no party, governmental or religious party has called for since 1958, because most of the protesters were young people who were born and raised in the new democratic system and did not feel the injustice of the despotism and the abhorrent dictatorship that was ruling Iraq. On the other hand, they experienced other suffering, represented by the shock of the occupation and its consequences and repercussions, as well as the information and communications revolution, and the

information and news provided by social media sites that were the main engine for launching these protests and an easy and available means for coordination and close ranks. In short, it is a generation different from those who preceded it in thought and behavior, and they did not accept for themselves to be far from the scene of current events in Iraq.

(2) Corona crisis

The spread of the Corona virus (COVID-19) in Iraq coincided with an unprecedented decline in crude oil prices and a sharp deterioration in Iraq's revenues from its oil exports, on which it depends in financing the general budget by up to 95% and in the formation of the gross domestic product by more than 40%.

The first infection was recorded in Iraq on 24 February 2020, and it was not surprising on more than one level because of Iraq's proximity to Iran, which was one of the virus hotspots in the world. Everyone believed that the emergence and spread of the virus in Iraq is only a matter of time. Within three months, the number of injuries in Iraq reached (4,272), while the total deaths amounted to (152) deaths and (2585) people recovered,⁽¹⁾ and the numbers are still increasing.

Table (1): Corona infections, recovery cases and deaths until May 23, 2020.

Governorate	Infections		Deaths		Recovery cases	
	No.	%	No.	%	No.	%
Baghdad	2093	49.0	90	30.5	904	35.0
Basra	742	17.4	18	6.1	501	19.4
Najaf	318	7.4	6	2.0	299	11.6
Erbil	234	5.5	1	0.3	210	8.1
Sulaymaniyah	207	4.8	4	49.8	156	6.0
Karbala	135	3.2	8	2.7	118	4.6
Al Muthanna	117	2.7	4	1.4	95	3.7
Dhi Qar	92	2.2	4	1.4	72	2.8
Kirkuk	72	1.7	2	0.7	59	2.3
Wasit	59	1.4	2	0.7	35	1.4
Maysan	51	1.2	2	0.7	28	1.1
Babylon	48	1.1	5	1.7	39	1.5
Diyala	44	1.0	5	1.7	21	0.8
Dohuk	20	0.5	0	0.0	19	0.7
Diwaniyah	12	0.3	1	0.3	11	0.4
Nineveh	12	0.3	0	0.0	6	0.2
Saladin	11	0.3	0	0.0	9	0.3
Anbar	5	0.1	0	0.0	3	0.1
Total	4272	100.0	152	100.0	2585	100.0

Source: Prepared by researchers based on the data of the daily epidemiological situation of the Ministry of Health

After the first infection was recorded in Najaf governorate, the General Directorate of Education in the governorate announced the suspension of official working hours in all schools until further notice. This was followed by other measures in a number of governorates, including Muthanna, where the Health Department announced the allocation of five hundred

million dinars to purchase medical supplies and finance its plan to combat the Corona virus in the governorate. On February 25, it was announced that official working hours would be suspended in all Iraqi schools and that tourist trips would be suspended in the provinces of the region at the behest of the General Authority for Tourism.

On February 26, a decision was issued by the Crisis Cell to suspend work hours in all educational and pedagogical institutions and close cinemas, clubs, cafes and forums for a period of ten days, at a time when the pace of the epidemic situation began to exacerbate in a creepy way. On the fifth of March, the Husseini shrine decided not to hold Friday prayers in the city of Karbala due to the outbreak of the epidemic. The crisis cell decided to prevent movement between the governorates from the fifteenth of March until the twenty-fifth of it, with the exception of emergency cases and the movement of employees whose departments decide the need for their services as well as the transfer of foodstuff. On the seventeenth of March, the Crisis Cell decided to impose a curfew in Baghdad that continues until the evening of the twenty-fourth of March and suspend official working hours in all ministries and governmental and non-governmental institutions, with the exception of the security, service and health

agencies, the media and the movement of foodstuffs. It also authorized the governors the powers to impose a curfew in their governorates. With the increase in the number of infections in Iraq, the Crisis Cell decided on March 22 to extend the curfew until March 28 to limit the spread of the epidemic. Then the crisis cell decided to extend the curfew several times due to the epidemiological situation announced by the Ministry of Health. On March 26, the cell decided to extend the curfew until April 11, and on April 7, the cell decided to extend the curfew until April 19. On April 22, the cell decided to ease the curfew measures by converting the total curfew into a partial curfew starting from seven in the evening until six in the morning. This coincided with the beginning of the blessed month of Ramadan and the expectation of an escalation of religious and social activity after breakfast, as well as the return of work after in state institutions and departments by a percentage of 25-50%. Then the curfew hours were extended by one hour, meaning that the curfew began at six in the evening instead of seven.

Although the number of infections does not show the extent of the problem, the government announced the start of measures to contain the crisis by implementing comprehensive curfew on social activities and events and applying social distancing measures since

mid-March. This led to the suspension of most economic and social activities, which left the poor groups without income, especially since the government's measures did not include compensation for those with lost income, except for the announcement of a very small financial grant of 30 thousand dinars. The number of families applying for the government emergency grant reached (2.758.694) families, which is equivalent to (13.017.339) people, according to a statement by the Ministry of Planning⁽²⁾.

(3) The crisis of the collapse of oil prices

As for oil, the price of Basra Light Crude was about \$54.5 a barrel when the first infection was recorded. However, it started declining gradually to reach \$32.7 on March 9, to rise slightly to \$43.25 on March 13, and then decline sharply on April 21, as it reached \$20.59 per barrel, reaching \$34.29 on May 15.⁽³⁾

According to the statistical data of the Ministry of Oil / Oil Marketing Company (SOMO), the total oil exports and revenues generated in the past four months were as follows:

- January: The amount of exports of crude oil reached (102485591) barrels, and these exports

achieved revenues of (60.163) billion dollars, and the average price per barrel reached 60.139 dollars.⁽⁴⁾ The Ministry of Oil announced the additional revenues achieved through the export of instant crude oil shipments, with price premiums last January of (1938889) barrels, with total revenues of (120321471) dollars.⁽⁵⁾

- February: The amount of exports of crude oil reached (98347884) barrels, with revenues reached (5052528) thousand dollars. The daily average for export amounted to (3391) thousand barrels, and the average price per barrel amounted to (51,374) dollars.⁽⁶⁾
- March: The amount of exports of crude oil reached (105118523) barrels, with revenues reached (2962429) thousand dollars. The average price per barrel amounted to dollars (28.128) thousand barrel.⁽⁷⁾
- April: The amount of exports of crude oil reached (103144911) barrels, with revenues reached more than (1423499) thousand dollars. The average price per barrel amounted to (13,801) dollars. The daily average for export amounted to (3438) thousand barrels.⁽⁸⁾

Accordingly, oil revenues in the first four months of the year 2020 amounted to approximately (15.7) billion

dollars, or (18.7) trillion Iraqi dinars (see the following table):

Table (2): Oil exports and revenues in the first third of the year (2020)

Month	Exports (barrels)	Average oil price (Dollar)	Oil revenues (thousand dollars)	Oil revenues (thousand dinars) ^(*)
January 2020	102485591	60.139	6163383	7334425770
Additional Shipments	1938889	60.139	147120	175073181
February	98347884	51.374	5052528	6012508320
March	105118523	18.228	2962429	3525290510
April	103144911	13.801	1423499	1693963810
Total	411035798	43.00	15748959	18741261591

(*) The exchange rate of the dinar to the dollar was calculated at (1,190) dinars per dollar.

Sources: January 2020

<https://oil.gov.iq/index.php?name=News&file=article&sid=2535>

February 2020

<https://oil.gov.iq/index.php?name=News&file=article&sid=2539>

February 2020

<https://oil.gov.iq/index.php?name=News&file=article&sid=2578>

April 2020

<https://oil.gov.iq/index.php?name=News&file=article&sid=2580>

Third:**The complex crisis and its main economic repercussions**

The conclusion we reach from the previous presentation is that we are facing a complex crisis that has led to negative results and promises other more severe than it:

- The decline in economic activity, expressed in gross domestic product.
- High rates of poverty.
- The deterioration of the living conditions of the majority of the population.
- Exacerbation of the fiscal deficit in the federal budget.
- Threatening the food security of poor and fragile families.
- Exacerbating the problem of unemployment.
- More pressure on the health system, which is already suffering due to the financial crisis and the diminishing of its resources and investments.

Figure (1): The complex crisis and its main economic repercussions

Health Crisis

Political Crisis

Financial Crisis



Current Situation

Decline in economic activity	High rates of poverty	deteriorating living conditions	Exacerbation of the deficit in the federal budget	Threatening the food security	The unemployment	The pressure on the health system
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Source: Prepared by the researchers.

Fourth:**The impact of the crisis on GDP**

In order to estimate the effects of the dual crisis in the Iraqi economy, we will try to build hypothetical scenarios for the status of the GDP for the year 2020 under specific assumptions:

- The GDP volume achieved in 2019 amounted to about 262.9 billion dollars, according to the available data for the output estimates issued by the Central Bureau of Statistics in the four seasons of that year.⁽⁹⁾
- The export levels of crude oil this year will be similar to the levels of last year 2019 in the first third of the year and will decrease by 1,060 barrels per day starting from May 1, according to the OPEC agreement (+).
- The price of Iraqi exported oil will drop this year to \$30 per barrel in the first scenario, to \$36 per barrel in the second scenario, and to \$20 per barrel in the third scenario.
- The economic activities comprising the non-oil GDP will decrease by 15% or 25%.
- The lack of an economic rescue plan.

In light of the aforementioned assumptions, the GDP growth rate will decline as shown in the following table.

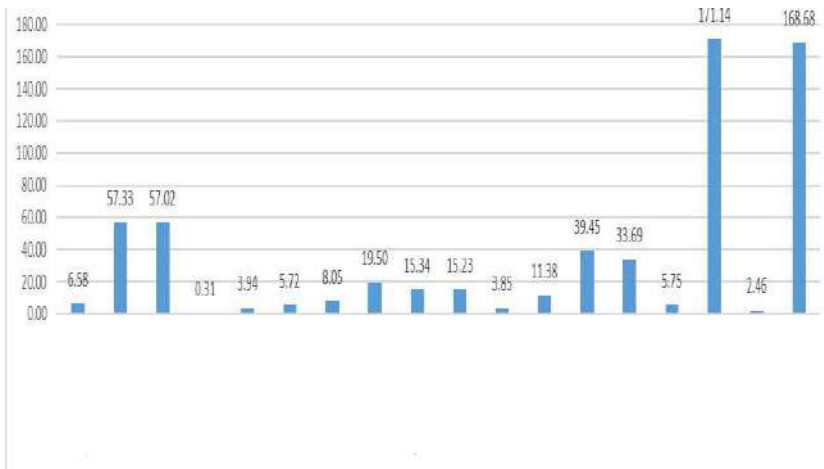
(1) Scenario One (Base): The drop in oil prices to (30) thirty dollars per barrel

Here, the curfew measures taken by the government are sufficient and that economic activity gradually resumes its effectiveness, starting from the beginning of May, with the continuation of wide social distancing during the coming months until November. It is expected that social activities and events will continue to be restricted and travel between governorates restricted. Accordingly, it is expected that the economic activity will continue to contract, driven by the strength of low oil prices, the reduction of government spending and the possibility of the government reducing the salaries of public sector employees. The double effect resulting from the drop in oil prices to \$30 and the decrease in other economic activities by 25% from 2019 due to the effects of (Corona) is that the gross domestic product for the year 2020, will estimate at 169 trillion dinars. In other words, the double crisis will cause the GDP for the year 2020 to decrease from the year 2019 by 36%.

Table (3): Summary of the first scenario (the base)

Presentation	Indicators
Economic shutdown measures	Completely from mid-March to the end of April and partially until November (six months)
Travel ban, including external travel	100%
The effect on economic activity	Continuing suspension of internal and external tourism activities. A decline in service activities.
Oil revenue	(42) trillion dinars
The effect on GDP (2020)	GDP of (169) trillion dinars drop by (36%) compared to the last year
barrel of oil price	30 dollars
Decreased growth of other economic activities	25%

Figure (2): GDP in Iraq in 2020: Base Case Scenario



Agriculture, forestry, hunting and fishing	Minining and Quarrying	Crude Oil	Other types of minining	manu facturing industry	Electricity & water	building and Constructi on	Trans portation, comm unications and storage	Wholesale and retail trade, hotels and the like	Money, insurance and real estate services	Banking and insurance	Domicile Ownership	Social and Personal Development Services	Personal Services	general government	Total by activities	Minus the calculated service fee	GDP
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Source: the Researchers' estimates

(2) Scenario Two (The Best): Oil prices rise to (36) barrels per day

That is by ending social distancing measures and resuming economic activity. It seems that the government is moving to adopt the Chinese experience in confronting the epidemic by moving to reducing

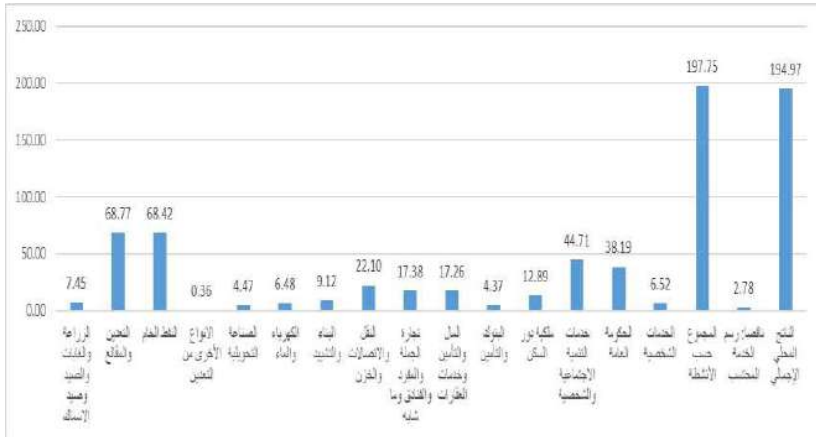
quarantine procedures and gradually starting measures to end social distancing until the end of May. However, this requires economic measures to support the economy, provide liquidity, generate short-term job opportunities, and enhance economic recovery by ending the measures of economic shutdown and boosting economic growth in the second half of this year. The improvement in the conditions of the global oil market and the rise in prices, and consequently the increase in Iraq's financial returns, may lead to this scenario.

The effect of the relative rise in world oil prices to \$36 a barrel and the decrease in various other economic activities by 15% compared to 2019 is represented in that the gross domestic product for the year 2020 will be about 194.9 trillion dinars. In other words, the double crisis will cause the GDP for the year 2020 to decrease from the year 2019 by 26%.

Table (4): Summary of the second scenario (The best case)

Presentation	Indicators
Economic shutdown measures	Ending the economic shutdown at the end of May
Travel ban, including external travel	Liberalization of travel procedures, including travel abroad
The effect on economic activity	Partial return to tourism activities. Full return to service activities.
Oil revenue	(46) trillion dinars
The effect on GDP (2020)	GDP of (195) trillion dinars drop by (26%) compared to the last year
barrel of oil price	36 dollars
Decreased growth of other economic activities	15%

Figure (3): GDP in Iraq in 2020: The best case Scenario



Agriculture, forestry, hunting and fishing	Mining and Quarrying	Crude Oil	Other types of mining	manufacturing industry	Electricity & water	building and Construction	Transportation, communications and storage	Wholesale and retail trade, hotels and the like	Money, insurance and real estate services	Banking and insurance	Domestic Ownership	Social and Personal Development Services	general government	Personal Services	Total by activities	Minus the calculated service fee	GDP
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Source: the Researchers' estimates

(3) Scenario Three (The Worst) Corona pandemic return:

The drop in oil prices to (20) dollars per barrel.

This scenario assumes the continuation of the economic shutdown measures until the first quarter of

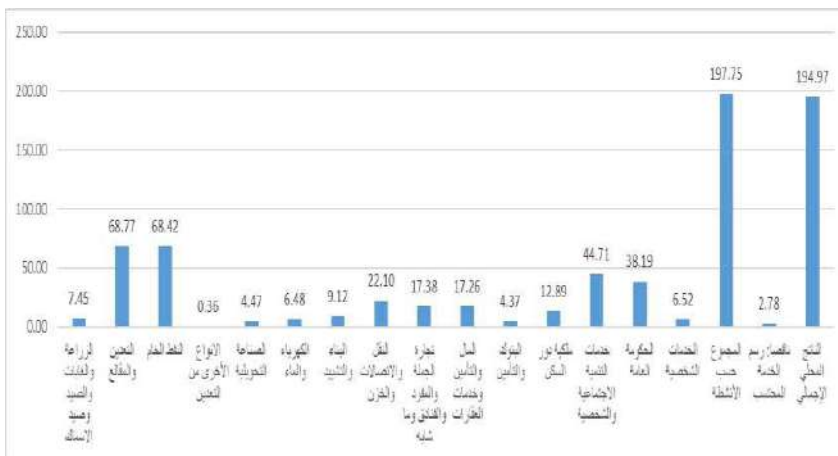
2021 and the expectation of the situation returning to normal starting from the second quarter with the development of drugs to treat the disease and vaccines to enhance immunity. The occurrence of this scenario will mean the entry of the Iraqi economy into a complete collapse.

The impact of the drop in oil prices to \$20 a barrel in other economic activities, and the decrease in their growth by 25% compared to the year 2019 is represented by that the GDP will become 149.6% trillion dinars. In other words, the double crisis will cause the GDP for the year 2020 to decrease from the year 2019 by a percentage of 43%.

Table (5): Summary of the third scenario (The worst case)

Presentation	Indicators
Economic shutdown measures	Completely from mid-March to the end of April, till March 2021
Travel ban, including external travel	100%
The effect on economic activity	Continuing suspension of internal and external tourism activities. A decline in service activities. Scarcity of consumer goods. Rising prices.
Oil revenue	(35) trillion dinars
The effect on GDP (2020)	GDP of (150) trillion dinars dropped by (43% compared to the last year
barrel of oil price	20 dollars
Decreased growth of other economic activities	25%

Figure (4): GDP in Iraq in 2020: The worst case Scenario

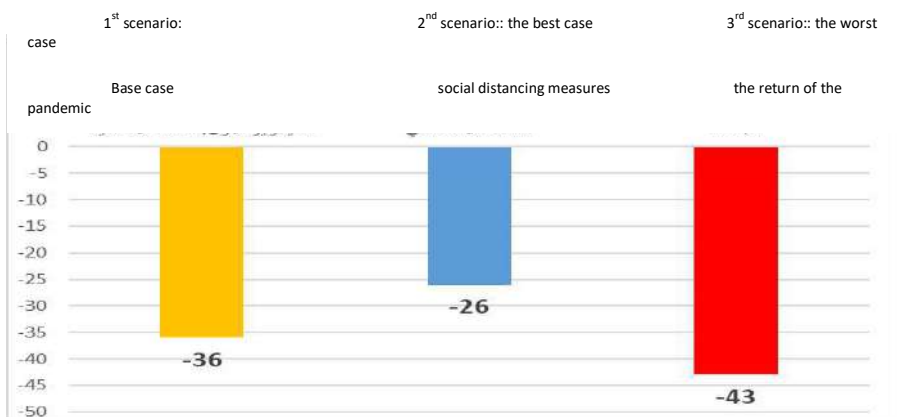


Agriculture, forestry, hunting and fishing	Mining and Quarrying	Crude Oil	Other types of mining	manufacturing industry	Electricity & water	building and Construction	Transportation, communications and storage	Wholesale and retail trade, hotels and the like	Money, insurance and real estate services	Banking and insurance	Domicile Ownership	Social and Personal Development Services	general government	Personal Services	Total by activities	Minus the calculated service fee	GDP
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Source: the Researchers' estimates

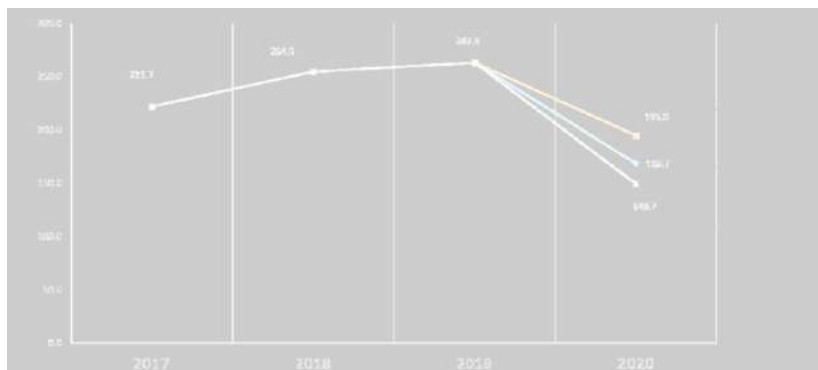
According to the three scenarios, the expected growth rates of the output are shown in the following figure:

Figure (5): The impact of the complex crisis on GDP (2020)



Source: the figure is prepared by the researchers.

Figure (6): Scenarios of GDP in light of the triple crisis



Source: the figure is prepared by the researchers.

Fifth:**Poverty and living standards before the crisis**

Poverty in Iraq is a problem that extends for years. However, its measurement began with the individual efforts of experts and academics in the seventies, eighties and nineties of the last century, in light of the abnormal conditions that the country experienced in those decades. Especially that these estimates of poverty and the poor were based on economic and social surveys of the family, which were not originally intended to measure poverty in Iraq. As for the field surveys dedicated to measuring poverty were carried out by the Central Statistical Organization, they were for the years 2007, 2012, 2014, 2018, which is the Poverty Monitoring and Evaluation Survey (SWIFT)⁽¹⁰⁾, and the latest results were as follows:

The results of the socio-economic survey in Iraq in 2012 revealed an increase in some indicators, especially with regard to spending. The cost of the food poverty line (extreme poverty line) increased from 35,796 thousand dinars in 2007 to 50,470 thousand dinars in 2012, which is sufficient to meet the minimum food needs, which are equivalent to 2337 calories. Similarly, the cost of covering basic non-food needs increased from 39,026 dinars in 2007 to 55,027 dinars in 2012⁽¹¹⁾ due to

the high cost of living. The inflation rate rose during the same period at an annual rate of 6.8% and a cumulative rate of 39%.⁽¹²⁾

The poverty rate according to the national poverty line decreased from 22.4% in 2007 to 18.9% in 2012 (a decrease of 16%). In 2014, the poverty rate increased to 22.5%, then returned and decreased in 2018 to 20.5%. Meanwhile, other measures of poverty, such as the poverty gap measure and the poverty severity measure, did not improve much. With a decrease in the poverty rate in 2018 compared to 2017, the number of the poor did not decrease, but rather rose from 6.6 million poor in 2007 to 7.4 million poor in 2018 due to the high rate of population growth among people in general and the poor in particular.

Table (6): Poverty indicators in Iraq in the years 2007, 2012, 2014, 2018

Year	poverty line (Dinar)	head count indicator (%)	number of poor (person)
2007	76896	22.4	6648768
2012	105500	18.9	6465123
2014	105500	22.5	8101125
2018	110880	20.5	7370430

Source: Central Statistical Organization, Directorate of Living Conditions.

The poorest, most unemployed and deprived governorates were the protesting governorates, and they had the highest unemployment rates. In the southern governorates: Maysan, Al-Muthanna, Qadisiyah, Basra and Dhi Qar, there are the highest poverty rates, according to official estimates issued by the Ministry of Planning since 2008, where poverty reached 34.6% in 2007 and decreased slightly to 33.6% in 2012 and to 31.1% in 2018. This is a higher rate than the governorates that were subjected to terrorism (Nineveh, Anbar, Saladin), where the poverty rate in the year 2108 was about 27.5%. Most of what was achieved during these years was the redistribution of poverty towards the convergence of the high rates, as the poverty rate in the governorates that were exposed to ISIS terrorism increased by more than five percentage points since 2012.⁽¹³⁾

Unemployment rates in the southern governorates are more than 10%. Maysan has the highest unemployment rate in 2016 (about 17.06%), in Dhi Qar and Muthanna the rate is close to 15%, and in Basra the unemployment rate exceeds 12% and is close to this percentage in Qadisiyah.⁽¹⁴⁾

As for Baghdad, it has about half the number of the poor, and the unemployment rate is 9.8%. It has borne most of the burdens of terrorism over the past years. The data compiled by the writer of these lines indicate that 7,591 terrorist operations occurred in it, meaning that each square kilometer of it witnessed two terrorist operations during the period 2003-2017, which imposed great sacrifices on its residents.⁽¹⁵⁾

Table (7): The evolution of poverty trends in the years 2007-2018 ranked according to the change in the poverty rate in the last year by governorate

Governorate	2007	2012	2018
Maysan	25.3	42.3	45.4
Nineveh	23	34.5	37.7
Qadisiyah	35	44.1	47.7
Dhi Qar	32	40.9	33.9
Muthanna	48.8	52.5	52.1
Erbil	3.4	3.6	6.7
Kirkuk	9.8	9.1	7.6
Baghdad	12.8	12	9.9
Sulaymaniyah	3.3	2	4.5
Dohuk	9.3	5.8	8.6
Anbar	20.9	15.4	17
Wasit	34.8	26.1	18.7
Diyala	33.1	20.5	22.5
Najaf	24.4	10.8	12.6
Basra	32.1	14.9	16.2
Saladin	39.9	16.6	17.9
Karbala	36.9	12.4	13.8
Babylon	41.2	14.5	11.1
Iraq	22.9	18.9	20.5

Source: The Higher Committee for Poverty Reduction Policies and the World Bank, Poverty Reduction Strategy in Iraq 2018-2022, p. 33.

Republic of Iraq, Ministry of Planning, Central Statistical Organization, Poverty Monitoring and Evaluation Survey in Iraq 2018.

Sixth:

Poverty and living standards under the triple crisis

The government has not announced its plan to save the Iraqi economy, according to the advanced scenarios. This includes the need to inject the economy with more social spending and provide financial resources to the groups affected by the triple crisis, especially the Corona crisis. It requires confronting the conditions of those directly affected by it and those indirectly affected by voluntary quarantine procedures and disrupting work in the private sector, which promises negative effects on earnings and daily wage workers, as well as the need for more health spending to care for pandemic patients. International health reports indicate that the cost of health care for patients is estimated at \$34.927, equivalent to 41.3 million dinars per person. Assuming that this cost continues throughout the duration of the pandemic, the treatment costs for every 1,000 infected people will reach 41.3 billion Iraqi dinars, while the costs exceed one trillion dinars for the treatment of 25

thousand people, meaning that the cost of treating each 100,000 person is more than four trillion dinars.

The social and economic effects of quarantine and the decline in public spending are not limited to business cessation and unemployment, because the loss of income sources for millions of people can lead to catastrophic repercussions on the vulnerable and poor groups. Here, we recall the characteristics of poverty in Iraq. Poverty analyzes from 2007 to 2018 indicated that what distinguishes poverty in Iraq is that a large proportion of the population approaches the poverty line, which means the fragility of the conditions of millions of people who will end up in the crisis with a decline in their incomes and falling into the poverty pandemic.

The Corona pandemic and the subsequent curfew measures in all governorates to prevent the spread of the disease have greatly affected the economic situation of the Iraqi citizen, especially those with limited income. Thus, the estimate of poverty in light of the current situation was according to three different scenarios that focus on decreasing income or consumption. To estimate the number of poor people in light of the Corona crisis, we make the following assumptions:

- According to a recent study that dealt with the impact of the pandemic on global poverty, prepared by United Nations university⁽¹⁶⁾, a decrease in income or consumption by X% leads to a rise in the poverty line (Z), through the following equation:

$$Z / (1 - X)$$

- The relative importance of the number of the poor according to each governorate came according to the results of the Poverty Monitoring and Evaluation Survey (SWIFT) for the year 2018.⁽¹⁷⁾
- The poverty situation in Iraq is unique. In 2007, most of the poor were close to the poverty line, meaning that there is a positive or negative change in their spending that could rid them of poverty or worsen their living conditions. For example, a 5% increase in the poverty line means a 16% increase in the poverty rate. On the other hand, many non-poor individuals fall close to the poverty line.⁽¹⁸⁾
- The supremacy of the situations illustrated by the three scenarios. We have reached an estimate of poverty in Iraq according to the three scenarios of the impact of the triple crisis described in the third section of this study.

Based on the previous assumptions, we can put the following three scenarios:

- (1) **Poverty under the first scenario (base case): 10% decrease in income or consumption:** The poverty line for the year 2020 is estimated at 123,200 thousand dinars / person / month. Therefore, the estimated poverty rate according to this scenario amounted to 22.8%, meaning that the number of the poor reached about 9120 in light of the population estimates for the year 2020, which is in the range of forty million people. Thus, the increase in the poverty line for this year from the year 2018 by 11% led to a rise in the poverty rate by the same percentage.
- (2) **Poverty under the second scenario (better case): Ending social distancing measures and resuming economic activity: Decrease in income or consumption by 5%:** According to the poverty line for the year 2018, which was estimated at 110,880 thousand dinars / person / month, we find that the poverty line for the year 2020 will be 116,700 thousand dinars / person / month. Hence, the estimated poverty rate according to this scenario amounted to 21.6%, meaning that the number of the poor is approximately 8,640 million people. Therefore, the increase in the poverty line for this year compared to the year 2018 by 5.2% led to an increase in the poverty rate by 5.4%.

(3) **Poverty under the third scenario (worse case, The return of the pandemic): Decrease in income or consumption by 20%:** The poverty line for the year 2020 is estimated at 138,600 dinars / person / month. Hence, the estimated poverty rate according to this scenario amounted to 25.6%, meaning that the number of the poor is approximately 10240 million people. Therefore, the increase in the poverty line for this year compared to the year 2018 by 25% led to an increase in the poverty rate by 24.8%.

Figure (7): Summary of the three scenarios for poverty levels in Iraq for the year 2020

1 st Scenario The base case	2 nd Scenario Better case	3 rd Scenario Worse case
<ul style="list-style-type: none"> • Decrease in income or consumption by 10% • Poverty line is 123200 thousand dinars • Poverty rate 22.8% • Number of poor is 9120 	<ul style="list-style-type: none"> • Decrease in income or consumption by 5% • Poverty line is 116700 thousand dinars • Poverty rate 21.6% • Number of poor is 8640 	<ul style="list-style-type: none"> • Decrease in income or consumption by 20% • Poverty line is 138600 thousand dinars • Poverty rate 25.6% • Number of poor is 10240

Source: prepared by the researchers.

Seventh:

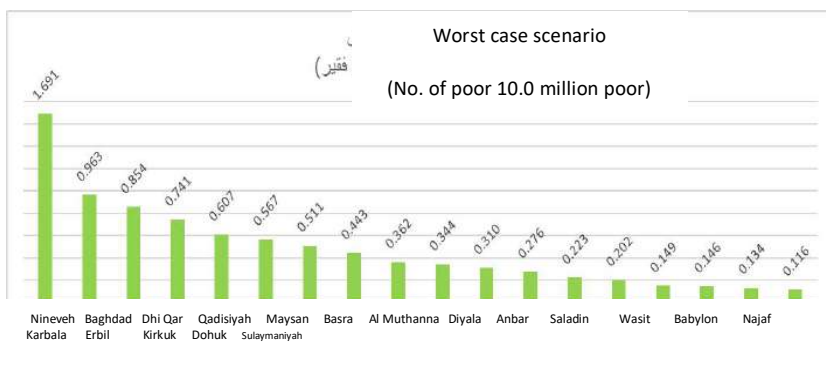
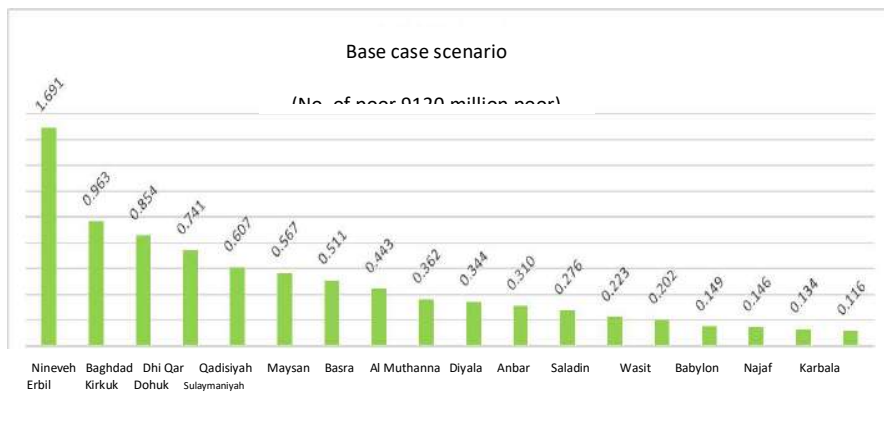
Poverty at the governorate level

We note in the following table that there is a large disparity in the number of poor among the governorates of Iraq, according to the three scenarios. Nineveh Governorate ranked first in terms of the number of poor people, as their number reached 1.7 million people according to the first scenario. The number of the poor in the governorate decreased to 1.6 million people according to the second scenario (the best case), and then it returned to rise according to the third scenario (the worst case) until it reached two million people. The second governorate in terms of the number of poor people is Baghdad governorate, as their number reached about 1 million people according to the first scenario. The number of the poor in the governorate decreased to 0.96 million people according to the second scenario (the best case), and then it returned to rise according to the third scenario (the worst case) until it reached 1.1 million people. The third governorate in terms of the number of poor people is Dhi Qar governorate, as their number reached about 900000 people according to the first scenario. The number of the poor in the governorate decreased to 854000 people according to the second scenario (the best case), and then it returned to rise according to the third scenario (the worst case) until it

reached 1 million people. It should be noted that the three governorates of the region were the least poor in relation to the number of poor people across Iraq.

Figure (8): Estimated number of poor in 2020 by governorate





Source: The researchers' estimates.

Eighth:

The impact on poverty alleviation policies and social protection systems

Efforts to alleviate poverty began since 2009 within the framework of two strategies, the first of which was prepared in that year with technical support from the World Bank. However, its implementation was delayed until 2012, after a General Directorate of Strategies Management was established in the Ministry of Planning. As soon as the work began, Iraq entered into war against ISIS after the occupation of Mosul by the terrorist organization, which aggravated the conditions of the poor and the emergence of the problem of the displaced. Then a second strategy was prepared in 2017, covering the period 2018-2022, and today it is facing this challenge. Instead of working to reduce poverty and its levels, it has to work to ensure that it does not expand and aggravate due to the repercussions of the complex crisis.

Iraq lacks a comprehensive and integrated social protection system. Despite the efforts made since the adoption of Social Protection Law No. 11 of 2014, which marked the beginning of a new phase in the social protection system towards broader inclusion and more institutional stability, the implementation difficulties

have been chasing it since its enactment. Most of the poor are still outside the framework of social protection, as well as millions of workers in the informal (unofficial) sector who suffer from the absence of safety nets and a lack of awareness of their rights.⁽¹⁹⁾

The challenge facing Iraq in light of the complex crisis is the increasing number of people who need support and protection to face the conditions of poverty and deprivation created by the crisis. We have estimated that there are approximately ten million poor people with an equal number of workers in the informal sectors who do not have protection, and the Ministry of Labor was unable to extend their coverage with the Social Security and Work Retirement Fund contributions in the private sector established under Labor Law No. 37 of 2015.⁽²⁰⁾ A large number of them are facing a loss of income sources in light of the partial and complete closure, a decline in their standards of living and a shortage of basic materials.

Ninth:

What to do?

In light of the three scenarios and the triple shock to which the Iraqi economy is exposed, represented by the (Corona) crisis and the crisis of low oil prices, which negatively affected the living standards of the Iraqi citizen as mentioned, the preventive measures by the crisis cell, represented by a partial and total curfew, had led to a significant decrease in income and consumption levels. In addition, the drop in crude oil prices - which is the backbone of life in Iraq - led to a large deficit in the public budget. The government may resort to more austerity measures by significantly reducing public spending and employee salaries or any other measures that would reduce income and consumption.

The new reality requires the government to take a courageous stand to address the repercussions of the crisis and stop the deterioration in the conditions of the poor through:

- Studying the conditions of people and how they are affected by the crisis and identifying the necessary interventions to protect them.
- Accountancy of the financial resources available to it and searching for alternative sources, not only

to secure the salaries of employees, retirees, and those covered by social protection, but it is necessary to seriously think about granting cash subsidies to many people (emphasizing that they be cash). It is possible to benefit from the database provided by the ration card system to include all applicants. The card has already been used to provide grants during the first Maliki government.

- Developing an urgent rescue plan that relies on multiple scenarios to face the repercussions of the complex crisis to ensure stopping the repercussions of the economic recession.
- Ensuring the flow of basic commodities to the market, monitoring local market conditions, and periodic monitoring of the consumer price index.
- Providing the health sector with the requirements to control the disease, benefiting from the good relations with China that can be used to support the health sector, especially since China was the pioneer in this.
- Rationalizing financial resources through:
- Stopping other expenses such as hospitality, fuel, and others.
- Stopping the multiplicity of salaries.

-
- Rationalization of pension contributions for categories that did not submit pension suspensions.
 - Cancellation of exceptional allowances, such as those related to work in the Green Zone.
 - Reconsidering the budgets of foreign missions and reducing them to the minimum.
 - Preparing to reformulate the general budget to show the beneficiaries of the spending directly and indirectly on the basis of the concept of zero budget.
 - National partnership to get out of the crisis by forming a network between civil society organizations that work to alleviate people's burdens in light of this crisis.
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Republic of Iraq - Najaf - Al-Hawra neighborhood - along Al-Iskan Street.



www.alrafidaincenter.com



info@alrafidaincenter.com



009647826222246



P.O. Box 252