

# EDA WORKING PAPER



## **Consolidating the Iraqi State: Challenges and Opportunities**

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## 1. Introduction

Iraq stands at a pivotal moment – once again. In recent months, the military defeat of Daesh has represented a renewed opportunity to reorient the country's trajectory towards long-term stability and economic prosperity. Stressing its commitment to avoid yet another resurgence of extremism and state failure, the Iraqi government unveiled, in June 2017, a 10-year reconstruction plan for the country, aimed at achieving human, social and economic development, as well as the rehabilitation of infrastructure.

The task is daunting. The battle to drive Daesh out of Mosul, Iraq's third largest city, has left much of the city in ruins. The United Nations estimates that nearly a third of the houses there – nearly 8,300 – has been destroyed or suffered major damage; so too has much of the public infrastructure, including roads, bridges, and water and electricity supply.<sup>1</sup> Other cities, like Fallujah, retaken by the Iraqi forces in the Spring of 2015, still wait for essential services to be restored, and homes to be rebuilt.<sup>2</sup> In total, Baghdad estimates that rebuilding the country will cost in the realm of US\$100 billion.

Yet, as the post-2003 period has shown all too clearly, any meaningful form of victory against the current extremist threat in Iraq will require far more than simply attempting to recover to pre-conflict levels. Efforts to rebuild and stabilize the country need also to tackle the broader structural problems and challenges that created the space in which Daesh has thrived. This includes dealing effectively with the cumulative effect of almost half a century of insecurity, sectarian and ethnic fragmentation, weak governance and economic mismanagement.<sup>3</sup> Without this, the military success against Daesh will soon vanish.

It is also widely believed that meaningful efforts to rebuild the state and assert national cohesion represent an important first step towards mitigating the impact of foreign interference in Iraq by its neighbours.<sup>4</sup> In particular, the Iranian influence in Iraqi affairs has been strongly associated with the repeated failure of the post-2003 elites to implement meaningful reforms and win the citizens' confidence in state institutions. As in many other countries in the region, foreign interference in Iraq is enabled by a weak, dysfunctional and divided state.

Accordingly, this EDA Working Paper analyses the broad structural challenges facing the Iraqi state, along with possible solutions, in order to establish clearer priorities and options for dealing with them. It focuses on the ways in which the Iraqi state has been weakened since 2003, and on current challenges and opportunities for effective state-building and better governance. In particular, key elements of structural fragility are identified in the following three dimensions of the state's capacity and sustainability:

- the provision of security;
- public sector governance and oil wealth management; and
- national cohesion and trust among Iraqi communities.

The paper then looks at potential contributions that can be made by regional and international actors to support attempts by the Iraqi government to consolidate the state. This support must be based on a clear understanding of Iraq's priorities and able to make a difference on the ground. At the same time, it is crucial that potential actions by international actors should avoid being based on a too "heavy-handed" approach that would only contribute to further eroding the Iraqi state's strength and legitimacy.

As such, while the international community can play a useful role in helping the Iraqi authorities address current issues of state failure, it should be clear that there are limits to what regional and international actors can accomplish, and that, ultimately, the choice to build an inclusive, viable, and unified state must be made by the Iraqis. In particular, this paper identifies three potential areas for international support to the Iraqi central authority: i) supporting security sector reform; ii) helping enhance basic services delivery and economic diversification efforts, and iii) encouraging efforts to promote an inclusive Iraqi national identity.

## 2. Addressing the Challenges of State Failure in Iraq

The post-2003 Iraqi political elite has failed in the critical task of building an effective and inclusive state. Fifteen years after the removal of Saddam Hussein, Iraq's central government remains largely unable to perform its core functions. This section identifies key structural weaknesses of the Iraqi state. In doing so, it also highlights opportunities for effective state-building and better governance.

### 2.1. The Provision of Security

The weakness of the Iraqi state was first exposed by the collapse of the Iraqi military in Mosul in the Summer of 2014. Once considered one of the most powerful of the Middle East, Iraq's army quickly disintegrated during Daesh's offensive. Tens of thousands of Iraqi troops abandoned their posts and fled, with many soldiers reporting their positions collapsed without a shot fired. They left behind weapons, uniforms and no government opposition to Daesh within Mosul itself.<sup>5</sup> Experts reported that around 60 of the 243 Iraqi army combat battalions were declared missing, and that all of their equipment was lost.<sup>6</sup> By the beginning of 2015, the army strength had dropped from 55 combat brigades with approximately 210,000 troops (2009 figures) to 40 weakened brigades with around 48,000 troops.<sup>7</sup>

Although the recapture of Mosul in October 2017 demonstrated incremental growth in capability, both in terms of combat power and tactics, the Iraqi army continues to be plagued by a broad set of problems. Following the disbandment of the military in 2003, successive Shia-dominated Iraqi governments have been unable to create an integrated national force loyal to a legitimate central authority and capable of providing security under the rule of law across all communities in Iraq.<sup>8</sup> Instead, the army has become a hollow force, riven by cronyism, poor leadership and sectarian splits.

As such, the speedy collapse of the Iraqi army in Mosul in 2014 appears, in many ways, symptomatic of the problems faced by the Iraqi state as a whole.<sup>9</sup> First, in spite of the considerable financial and technical efforts that have been made to rebuild the security apparatus, widespread corruption has crippled the Iraqi military's capabilities and combat-effective resources, and led to a sharp decline in quality and morale. Tackling this issue, a 2014 government audit revealed that more than half of the army's forces were "ghost soldiers", existing on paper only<sup>10</sup> and defrauding an estimated 25% of the Ministry of Defence's annual budget.<sup>11</sup> Funds earmarked for soldiers' food and fuel were also embezzled, with reports suggesting that soldiers in Mosul had to buy their own supplies from local markets and cook the food themselves.<sup>12</sup>

Beyond corruption, the Iraqi army also suffered from political constraints on professionalism and military effectiveness. This was especially true during Nouri Al Maliki's tenure as prime minister. Indeed, after he took power in 2006, Maliki worked successfully to coup-proof himself. He staffed his security forces with loyalists, separated key army units from the military chain of command, and built up forces under the Interior Ministry to counterbalance the army.<sup>13</sup> Political competitions with rival groups also led him to appoint many commanders on a temporary basis to bypass parliamentary review and confirmation.<sup>14</sup>

Maliki further cemented his grip on the security forces. With his own political vulnerability in mind, he established the Office of the Commander in Chief as the “home” of the Iraqi Special Operations Forces and other elite intelligence and security forces, and moved the organization into the Office of the Prime Minister. Originally envisaged by US advisors as a coordinating forum that the prime minister would chair, the Office then began to directly issue orders to senior commanders and battalion leaders, thereby undermining the Ministry of Defence’s command and control of the army.<sup>15</sup>

The politicization of the army leadership corroded the military’s effectiveness at all levels, and created the institutional conditions that left the Iraqi army vulnerable to the sudden collapse it experienced in June 2014. This was clearly visible when the top commanders in charge of defending Mosul decided to abandon their troops as Daesh was advancing on the main army base, further weakening the morale of the Iraqi soldiers and their desire to fight.<sup>16</sup>

The problem of state control over militias has also resurfaced. In its fight against Daesh, Iraq’s security apparatus fragmented into groups under, parallel to, and apart from the state, of which the Popular Mobilization Forces (PMF or al-Hashd al-Shaabi), an umbrella organization made up of some 60 militias, with about 60,000 fighters in total, became the most significant (Box 1).<sup>17</sup>

At first, Prime Minister Al-Abadi’s call for the PMF to participate alongside the Iraqi military in operations against Daesh provided much needed capabilities. This enabled the advance to retake the cities of Ramadi in October 2015, Fallujah in June 2016 and Mosul in July 2017 – even though the PMF’s role was reduced in the more recent battles.

### **Box 1: The Popular Mobilization Forces**

In June 2014, with Baghdad under threat, Grand Ayatollah Ali al-Sistani issued a *wajib al-kifai* fatwa, calling on all able-bodied men to defend “their country and their people and their holy places”. Although Sistani explicitly asked volunteers to join Iraqi-government forces, the main beneficiaries of this popular mobilization have been the militias run by Shia religious parties.

The volunteers have also included Iraqi Christians, Shia Turkmen, as well as tribal sheikhs from the Al-Anbar province, who turned to the PMF for funding and support, whereas Mosul’s Sunni worked more closely with Kurdistan’s Peshmerga.

Shia-dominated militias within the PMF can be divided into three sometimes competing camps, based on their respective allegiances to ayatollahs Khamenei and Sistani, and Muqtada al-Sadr. The pro-Khamenei camp includes in its leadership former prime minister Maliki, the Badr organization’s Hadi al-Ameri, Asaib ahl al-Haq’s Qais Khazali, and Abu Mahdi al-Muhandis.

The problems of raising a primarily Shia force controlled by Shia militias soon became apparent, however. As the militias began to retake Sunni-dominated areas previously controlled by Daesh, reports of summary executions and human rights abuses began to emerge. This raised doubts about the sustainability of the victories against Daesh, making it even more difficult for Baghdad to find Sunni allies for the fight against the jihadists.<sup>18</sup> In addition, conflicting interests between the PMF and the central government became more acute, with some of the militias manoeuvring to position themselves favourably in anticipation of the post-Daesh period, as part of a growing intra-Shia power contest. Together, these elements have further contributed to eroding the central government's ability to maintain a monopoly on the legitimate use of force within its own territory. In short, the PMF have become as much part of the problem of state failure in Iraq as they were initially part of the solution.

With Daesh militarily defeated,<sup>19</sup> the government now faces the daunting task of rebuilding its security forces. While there are some well-performing and cohesive units within the Iraqi military, in particular the special operation forces, important efforts must be made to reform the military and rebuild inclusive and professional security forces, with sufficient capability to deter external attacks and prevent the rise of any new extremist forces.

#### **The Provision of Security: Key Priorities**

- Rebuilding a robust, inclusive and cohesive force capable of providing security under the rule of law.
- Addressing the problem of widespread corruption in the security forces.
- Integrating chains of command and re-establishing state control over the use of force within the Iraqi territory.

There are significant challenges ahead. The rehabilitation of the armed forces will require rebuilding the officer corps, restoring effective command and control structures, reviving unit morale and cohesion, ending corruption and clientelism, establishing cross-sectarian trust among the rank-and-file, and institutionalizing the government's political oversight.<sup>20</sup> As such, broader security sector reform is arguably no less urgent than military rehabilitation, and perhaps even more significant for the purposes of achieving national reconciliation and building a viable Iraqi state.

An important starting point, in this regard, was Prime Minister Al-Abadi's adoption of a three-point strategy to reform and rebuild the army. Firstly, Al-Abadi disbanded the Office of the Commander in Chief, the institutional vehicle used by Maliki to concentrate military power in his own hands (see above). He also purged the army's senior ranks of corrupt, incompetent and politically tainted officers, sacking 320 senior officers in late 2014, many of whom had been responsible for areas of north-western Iraq in which the army performed poorly.

Secondly, he sought to tackle widespread corruption in the security forces, through a formal investigation into the "ghost soldiers" practices. Thirdly, Al-Abadi pushed for the creation local National Guards, which, he hoped, would create a more religiously balanced security force and diminish the perceptions among Sunnis of a Shia-dominated army, aligned with Shia parties. After prolonged negotiations, the National Guard bill was passed by the parliament in February 2015.<sup>21</sup>

As mentioned, the future of Iraq's security sector is also intimately linked to that of the PMF. Challenges here include the alternatives of either demobilizing or integrating the PMF units into the wider force. Thus far, Al-Abadi has rejected calls, including from the US Secretary of State Rex Tillerson<sup>22</sup>, to disband the militias, preferring instead to recognize the PMF as a legitimate, state-affiliated institution. This was illustrated by his Order 91 of February 2016, defining the PMF as a state security institution, which was codified by the parliament in November the same year. Grand Ayatollah Sistani backed this measure, mentioning that the militias' weapons must be subjected to state control, and opposed their disbandment. In March 2016, the Iraqi prime minister also disclosed a plan to include 20,000 to 25,000 PMF fighters in the armed forces. Other options discussed include the possibility of integrating fighters on an individual basis, rather than assigning entire groups to new divisions, so as to avoid divided loyalties between the government and militia fighters' former paramilitary affiliations.<sup>23</sup>

However, PMF fighters' integration into the state security apparatus remains unlikely, as Iranian-backed militias - having secured their independent position in the 2016 law - appear unwilling to consider this option, at least in the short term. Indeed, emboldened by their victories and great popularity among Iraqi society, they expect to capitalize on the legitimizing effects of defeating Daesh in the upcoming elections as part of a coalition called Al-Tahaluf Al-Fatah (Conquest Alliance), led by PMF commander Hadi Al-Ameri, who has close ties to Iran's Islamic Revolutionary Guard Corps (IRGC).<sup>24</sup>

In this regard, the future of the PMF is increasingly related to the triangular intra-Shia political power struggle, which in recent years has pitted Nouri al-Maliki, closely linked to pro-Iranians factions, against Moqtada Sadr, who has called for disbanding the "imprudent militias", and Prime Minister Al-Abadi, who before the current electoral campaign advocated reducing and controlling the PMF.<sup>25</sup> These divergent plans reveal a fierce competition for resources and for control over the security of Iraq. However, regardless of which group gains the upper hand in the coming parliamentary elections, increased state control over the PMF is likely to require extensive and prolonged negotiations with all parties involved. Indeed, past experiences (for instance in Afghanistan or Somalia) suggest that such organized force with significant foreign support will not disband or integrate without a political bargain of some sort, irrespective of any laws that are put in place.

## 2.2. Public Sector Governance and Oil Wealth Management

The Iraqi state's fragility is also associated with long-standing governance problems. The country ranks unfavourably on many key indicators of good governance.<sup>26</sup> In 2015, for instance, the Fragile States Index ranked Iraq as one of its high alert states, meaning that the country lacks many of the basic administrative capacities required for institutional effectiveness and effective governance.<sup>27</sup>

A central indicator of governance and state capacity is the ability of the government to ensure access to basic services - including electricity, sanitation, health care and education.<sup>28</sup> The concept of access comprises equity of access, the quantity and quality of services received, and the consistency of their availability.<sup>29</sup> The Iraqi state performance on this indicator is appalling.

In recent years, Iraqis have witnessed a constant and dramatic deterioration in most basic services. According to the United Nations, nearly half of Iraqis in rural areas are without safe drinking water. The Iraqi government estimates that 24 per cent of Iraqis do not have access to safe water.<sup>30</sup> Nationwide surveys carried out by the Iraqi Ministry of Planning's Knowledge Network showed that the average household received just 7.6 hours of electricity from the national grid each day, with 79 per cent of those surveyed rating electricity services delivery as "bad" or very bad.<sup>31</sup>

The state's incapacity to provide basic services strikes particularly hard in Sunni-majority areas, rural areas, and in communities with large numbers of internally displaced persons, impeding economic recovery and exacerbating frustrations of local populations. Nationwide, Iraqis remain largely dissatisfied with public services. This was visible in 2015, when largescale protests erupted in southern Iraq due to poor services provision and negative perceptions of the general state of governance in Iraq. The protests spread a few weeks later to Baghdad, evolving into a broader campaign for reform of the political system and against widespread corruption in the public sector.

Indeed, for many Iraqis, rampant corruption in government institutions has become intimately associated with the broader problem of state failure. This was highlighted by a 2017 National Democratic Institute survey conducted across Iraq, in which respondents expressed the view that corruption had been a greater cause of the emergence of Daesh than sectarian tension. Similarly, recent polls also suggest that Iraqi citizens and business owners believe that corruption is the most important policy challenge facing the country, ahead of security concerns.<sup>32</sup> Underscoring the magnitude of the problem, Transparency International ranked Iraq as the 7th most corrupt country in the world in 2015.<sup>33</sup> Iraq also scored poorly on the World Bank's measure of the control of corruption, allocating the country only five points out of a maximum of 100 due to failings of the country's anti-corruption institutions.<sup>34</sup>

Over the years, such a high level of corruption has clearly undermined the viability and the capacity of the Iraqi state. In particular, the damage that corruption has inflicted on Iraqi institutions can be attributed to the so-called *Muhasasa* system, which has required that cabinet posts, along with the positions of prime minister and president, fulfil sectarian quotas. In practical terms, this has meant that at the central government level the payrolls and budgets of ministries have become the private fiefdoms of Iraq's main political groups that compete to capture state resources and contracts, fostering private enrichment and corruption, which in turn have severely damaged the institutions and undermine the development of a competitive private sector.<sup>35</sup> In addition, the hiring of unqualified people through nepotism and political favouritism has contributed to weakening the technical capacity and discipline of the civil service and raised expenditures on salaries, crowding out funding for services.<sup>36</sup> Together, these governance failings have severely weakened the state's legitimacy, with more than a third of Iraqis rating the government's performance as either bad or very bad.<sup>37</sup>

In response to growing disillusionment among the population, Prime Minister Al-Abadi proposed in 2015 a far-reaching agenda to address some of the key governance deficiencies. The reform agenda focused on administrative reform by streamlining and “de-sectarianizing” top-level state positions (through replacing cabinet ministers with technocrats), and strengthening the fight against corruption.

The plans, however, encountered tough opposition as political parties would not agree to limit their own influence. Many reform measures got delayed in parliamentary procedures and/or were subjected to successful legal challenges for not respecting proper procedures.<sup>38</sup>

At the end, as one observer pointed out, “Iraq’s dominant political parties and elites rallied effectively, in part around Maliki, to safeguard their personal privileges and political interests”.<sup>39</sup>

In addition, despite the large international financing package which supports the government’s reform effort, most anti-corruption measures implemented in Iraq thus far have been largely punitive and have not been tied to broader issues in career management,

wages, and proper fiscal controls, thereby having little positive effect and often becoming nothing more than political weapons used against adversaries.<sup>40</sup>

Undermined by governance problems, the Iraqi government has similarly failed to manage its oil revenues equitably and sustainably. Instead of representing a viable source of broad-based economic development, the country’s immense oil wealth has fostered import dependence, a skewed labour force, and a crippled private sector, with negligible positive links to the rest of the economy.<sup>41</sup> In addition, competition over the control of resources has exacerbated Iraq’s ethnic and sectarian struggles, further weakening the state’s capacity and legitimacy. Dominated by short-term needs and rent-seeking, oil revenue management has also reinforced the reluctance of successive Iraqi governments to devise a long-term diversification strategy.

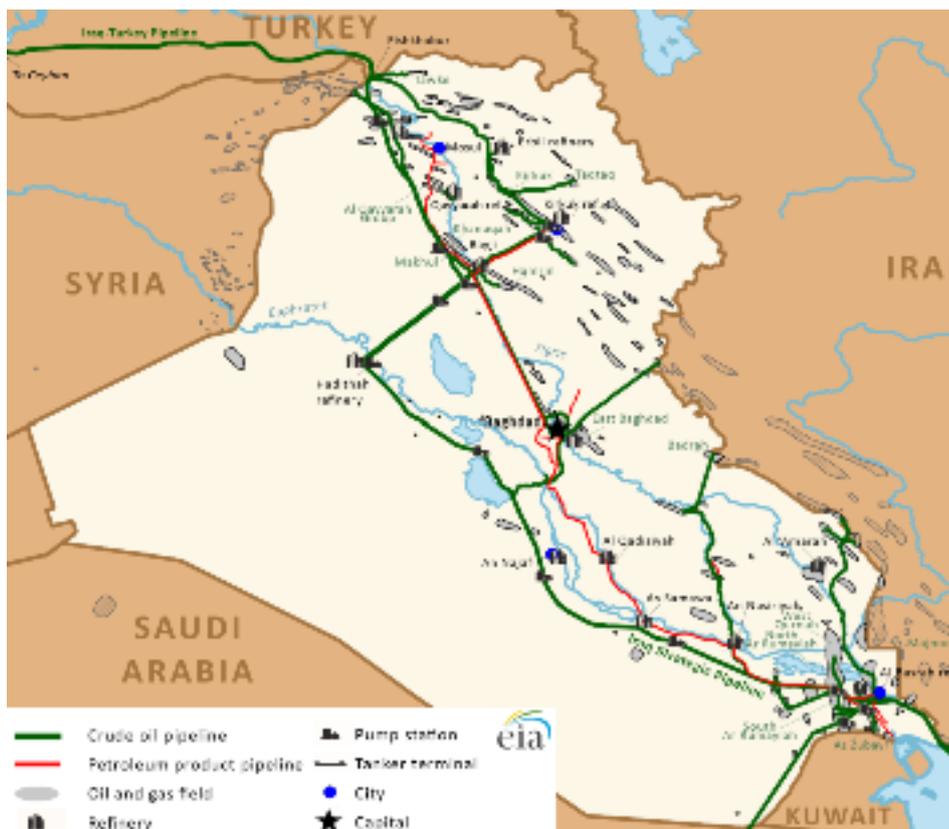
In fact, Iraq is today the most oil-dependent country in the world, with the hydrocarbon sector accounting for 58% of the country’s GDP, 99% of exports, and 93% of its total government revenues.<sup>42</sup> As a result, Iraq has been extremely vulnerable to the drop in global oil prices since 2014. Coupled with the cost of the war against Daesh – estimated at around US\$22 billion (12% of Iraq’s GDP) last year<sup>43</sup> – the low oil price caused Iraq’s budget deficit to grow substantially in recent years to an estimated 13.9% of GDP in 2016. Total public debt also increased from 32 to 64 percent of GDP during the 2014-16 period, while Iraq’s real GDP growth was mainly sustained thanks to a significant increase in oil output that benefitted from past oil investments.<sup>44</sup> From 2011 to 2016, Iraq’s output rose by almost 1.7 million barrels per day – making Iraq the second-largest producer in OPEC, and the fourth-largest in the world.<sup>45</sup>

### **Public Sector Governance and Oil Wealth Management: Key Priorities**

- Improving delivery of basic services to the population, through public sector reforms.
- Implementing long-term economic diversification programs to reduce economic vulnerability and unlock job stimulating growth.
- Strengthening the legal and regulatory framework for investment to create the necessary environment for foreign investment in the energy sector.

However, while Iraq is re-developing its oil sector and industry, the country's production continues to grow at a slower rate than the Iraqi government had expected over the past decade, due essentially to infrastructure bottlenecks and supply disruptions, and delays in awarding contracts.<sup>46</sup> Under the current level, Iraqi oil production is barely sufficient to cover government operating costs, much less to finance reconstruction. To address this, Iraq will need to continue to expand oil infrastructure capacity, especially in the south, to accommodate more production growth. It is expected that continuing oil field developments could add another 270,000 barrels per day (bpd) of capacity this year, primarily from the Halfaya oil field operated by Malaysia's Petronas. Kuwait energy, in partnership with ENOC's subsidiary Dragon Oil, is also hoping to double production at its Faihaa field to 30,000 bpd.<sup>47</sup> In addition, Iraq's major crude oil pipelines, mainly located in the north, will need sustained investment over the coming years to rehabilitate pipelines that have suffered substantial damage because of the war against Daesh (Figure 1).<sup>48</sup> BP recently signed a preliminary deal to restore the Kirkuk area's production to 700,000 bpd. Meanwhile, Iraq has agreed to truck about 50,000 bpd of Kirkuk crude for refining in Iran.

**Figure 1: Iraq's Oil and Natural Gas Infrastructure**



Source: U.S Energy Information Administration. Representation of boundaries not authoritative.

Lately, the Iraqi government has made progress in enacting laws and developing the institutions needed to further expand oil exports and revenues. In early 2016, Prime Minister Al-Abadi approved a measure to split the country's South Oil Company into two entities, the Dhi Qar Oil Company and the Basra Oil Company, each of which will oversee operations in its respective province, in a bid by the federal government to slowly relax its hold on the oil industry.<sup>49</sup> In addition, since taking office in August 2016, oil minister, Jabbar Al-Luaibi, has managed to steer Iraq's energy policy in a more pragmatic direction, promoting the reinstatement of a national oil company to oversee the country's smaller, regional firms. He also recently announced that Baghdad is exploring new contract models for foreign investors, and invited foreign companies to bid for contracts to explore and develop oil and natural gas in nine new blocks.<sup>50</sup>

Yet, in the short-term, it is expected that the Iraqi government will have to lower its ambitious oil production targets, as previous long-term technical service contracts with international oil companies (IOCs) are being currently renegotiated to lower levels due to the drop in oil prices and past non-payment to the IOCs. Baghdad's plans also suffered a significant blow when Petronas confirmed its exit from the giant Majnoon concession (along with joint stakeholder Shell) in December 2017. Majnoon field, whose 220,000 bpd output was supposed to reach 420,000 bpd by 2020, remains a vital part of anticipated production growth.<sup>51</sup>

In addition, more reforms will be needed to generate productive spill overs from oil sector growth or from government spending to make oil a viable source of broad-based economic development and sustainable improvements in well-being.<sup>52</sup> As pointed by a 2015 World Bank report, even under optimistic scenarios for oil production, continuing to rely on oil alone would not generate sufficient jobs for the rapidly growing Iraqi population.<sup>53</sup> A greater allocation of oil revenues is also unlikely to provide benefits in terms of diversification and economic transformation, unless the government addresses current weaknesses in public investment management.

### 2.3. National Cohesion and Trust among Iraqi Communities

The Iraqi state's weakness is finally exposed by the low level of trust the country's communities have in the state and in one another. Trust is always the first casualty of prolonged conflicts and poor governance, and, following the defeat of Daesh, rebuilding it must be a priority, not only between government and citizens, but among all Iraqis. If nothing is done to address this issue and the military victory over the extremist group leads instead to another round of Shia sectarian governance, unmet promises of political accommodation to the Iraqi Sunni community, and increased ethnic tensions with the Kurdish populations and leadership, then extremism is more likely to re-emerge, in one form or another.<sup>54</sup> Asserting and fostering national cohesion and trust among Iraqi communities is therefore key to any meaningful efforts to rebuild an inclusive, viable and unified state in Iraq.

In this regard, the first challenge facing the Iraqi government is to identify ways to encourage the Sunni Arab population to re-engage with the central government. In the post-Saddam period, Iraq's Sunnis have faced a problem of political trust and representation. While making up

some 20 per cent of the population, they have lacked the necessary sectarian-based identity for successful political mobilizations. Unwilling to play sectarian politics, they have failed to organize as effectively as Shiites and Kurds, and lacked a cohesive political platform, a party, or even a shared movement to express their grievances and demands.<sup>55</sup> Since 2003, the community's leadership has rather resorted to a policy of disengagement with the central government, to the detriment of its standing. Even today, there is no clear leadership structure or identity driving the community.<sup>56</sup> Disengagement is also visible in party affiliation, with a mere 0.3% of the population of the predominantly Sunni Anbar province being members of a political party, compared to 33 per cent in the Kurdistan region and 18 per cent in the Shia-dominated Najaf Governorate.<sup>57</sup>

For Iraqi Sunnis, estrangement from the state and the political process started soon after the removal of Saddam Hussein from power. While part of the leadership felt compelled to boycott the political process, others were simply barred from any political activities because of allegations of links with the former Baath regime.<sup>58</sup> As a result, Sunni leaders had only minimal say in the 2004 constitution drafting process. Similarly, the Sunnis' lack of faith in the reshaping of the Iraqi state was translated into disinclination to participate in elections. In the Sunni-dominated province of Anbar, for instance, voter turnout in the 2005 parliamentary elections was just over 1 per cent.<sup>59</sup>

After the re-engaging moment of the Sunni Awakening from late 2007 to 2010, which saw an increased participation of Sunni tribal sheikhs and religious clerics with the central government, the problem of Sunni Arab disengagement from the state once again reappeared during Maliki's second mandate (2010-2014). Promoting a strong central authority, the prime minister silenced his opponents and further exacerbated a crisis of representation, with much of the Sunni leadership either side-lined, exiled or imprisoned during those years.

Among other things, Maliki worked to delegitimize Allawi, who had won the 2010 elections in part thanks to the Sunni vote. He also attempted to bring into disrepute Saleh Al-Mutlaq, one of Iraq's three deputy prime ministers between 2010 and 2015. In addition, Maliki targeted senior Sunni representatives through the judicial system, including then vice-president Tariq Al-Hashimi, who was forced to flee Iraq after being sentenced to death, and then finance minister Rafi Al-Issawi, who resigned in March 2013.<sup>60</sup> As power became more and more centralized in the hands of the then prime minister, Sunni Iraqi citizens lost trust and hope in engaging with the political process, creating the facilitating conditions under which Daesh rose from obscurity and seized control of over a third of the Iraqi territory in 2014.

After taking office in 2014, Prime Minister Al-Abadi similarly failed, at least initially, to convince the Sunni population that he can offer something different. By the end of 2015, a large number of Sunni Arabs were still expressing concerns about government inclusiveness, with 58 per cent believing that they are unfairly represented in the Al-Abadi government. The prime minister's popularity among the Sunni community also suffered from his perceived weakness, especially with regard to his ability to fend off attacks from Maliki, who still holds considerable power and continues to exert influence via the judiciary and the use of corruption files as a political tool.

It appears, however, that, following the military defeat of Daesh, there is a new sense of optimism among the Sunni Arab population. In April 2017, a survey carried out by the Iraqi polling organization IACSS showed that 51 per cent of Sunnis believe Iraq is going in the right direction. Sunni Arabs' support for the prime minister has also increased from 36 per cent in September 2015 to 71 percent (74 per cent in areas liberated from Daesh) in September 2017 (as opposed to 62 per cent of Shia Arabs). This represents a far cry from the alienation reported in the summer 2014 survey, carried out just before the fall of Mosul to the jihadists, in which only 5 per cent of Sunnis said they supported then prime minister Maliki.<sup>61</sup>

That said, a number of factors are still inhibiting re-engagement from Iraq's Sunni Arab community. First, the PMF, while intimately linked to the future of Iraq's security sector (as discussed above), also represent a serious impediment to national reconciliation and have hampered Sunni trust in Al-Abadi's government. To Sunni Arabs, many militias operating under the PMF umbrella are unchecked sectarian agents of Iran. Reports that Sunni tribal sheikhs have been attacked by militias because of alleged connections with the pre-2003 regime also raised concerns about the PMF's behavior.<sup>62</sup> As a reaction, Sunni lawmakers boycotted parliament sessions during which the PMF law was approved in 2016 and strongly condemned Abadi's decision to recognize the PMF as a legitimate, state-affiliated entity.

Caught between the various factions of the PMF, prime minister Abadi has been thus far unable to wrest back control of the PMF. At the moment, however, keeping the Iran-backed factions from dominating the Iraqi political scene rests with him, and the upcoming 2018 provincial and parliamentary elections are likely to determine if the prime minister's middle-of-the road approach can prove sustainable in the long run. At any rate, if the government fails to alleviate Sunnis' concerns about the future role of the PMF, the sectarian fault lines are likely to widen again.

Second, the de-baathification laws remain deeply contentious. Even if the impact of these measures is by now negligible in numerical terms, it continues to be an easily abused tool and symbolizes the unequal treatment of Sunnis since 2003. In addition, the Baath party (which was banned by the Coalition Provisional Authority in 2003), was formally banned by Iraq's parliament in 2016. This has prompted Sunni lawmakers to argue that the law renders specific de-baathification measures unnecessary.<sup>63</sup> Therefore, even if largely symbolic, the abolishment of these procedures could significantly contribute to enhancing reconciliation and trust-building among Iraqi communities – without appearing to be backing efforts to rehabilitate the Baathists and Saddam remnants.

#### **National Cohesion and Trust among Iraqi Communities: Key Priorities**

- Curbing sectarian governance and fostering the state's ability to harness and sustain an inclusive Iraqi national identity.
- Empowering the Sunni Arab population to reengage with the post-2003 Iraqi state.
- Identifying sensible ways to settle long-standing disputes between Baghdad and Erbil over internal boundaries and shared oil revenues.

Third, the Sunni Arabs continue to feel disengaged from the central government's decision-making process. Although successive governments have been comprised of an average of 22 per cent Sunni Arab ministers, the perception remains that Sunnis lack any real influence in Baghdad.<sup>64</sup> This is also visible in the Iraqi parliament, where the Sunni-led bloc in parliament currently has 78 seats, roughly proportionate to their share of the population, but is dwarfed by the Shiite bloc, with 182.<sup>65</sup>

Following the fall of Mosul in 2014, this perceived lack of influence has led to calls for a greater degree of regional autonomy. Many Sunni Arab representatives who used to reject the possibility of a federal state have shifted course and are now embracing openly the idea.<sup>66</sup> As such, while both the international community and the Iraqi government have pushed for local reconciliation efforts in liberated areas from Daesh as a bottom-up substitute for a top-down process of national reconciliation, there appears to be no way around undertaking high-level reconciliation efforts.<sup>67</sup> This foundational requirement would require a new power-sharing agreement aimed to enable greater cooperation among sectarian and ethnic groups. State legitimacy and trust among communities will thus have to be regained through evidence of direct influence of Sunni Arabs on decision-making in Iraqi political institutions.

Trust in the Iraqi state is also made fragile by tensions between Baghdad and Erbil over a host of unresolved political and territorial issues. Unlike its Sunni counterpart, the Kurdish leadership has been able to project a single voice in the post-Saddam period. They have prioritized unity and have managed to present a unified vision for the future of the Iraqi state. Despite past animosities, the two main parties – the Kurdistan Democratic Party and the Patriotic Union of Kurdistan – managed to build a strategic partnership allowing them to run together within the Kurdistan Alliance in the 2005 and 2010 elections. The emergence of the Change Party (Gorran), founded in 2009, did not break the unity of the community's major political parties as its leader, Nawshirwan Mustafa, repeatedly emphasized that he was exclusively interested in local politics, and that his party would leave "external" policy issues with the central government in the hands of the region's leadership in Erbil.<sup>68</sup>

As a result, the Kurdish leadership has been able to strongly influence the post-2003 political process. Yet, over the years, the Kurds have repeatedly showed how little trust and interest they have in building the Iraqi state. In fact, as pointed out by Renad Mansour, through their actions the Kurds have contributed to "building a state destined to fail, based on a simple equation: a weak Iraq would mean a strong – and possibly independent – Kurdistan".<sup>69</sup>

Seeing Iraq as a lost cause, both the KDP and the PUK increasingly consider the central government as a non-critical actor with regard to the promotion of Kurdish interests and have become more interested in securing legitimacy and influence inside the Kurdistan region than in influencing the central government's decision-making process.<sup>70</sup> In recent years, this shift has brought with it a renewed focus on promotion of Kurdish independence and on the consolidation of influence over disputed territories, such as Kirkuk or Northern Ninewah. Experts, as such, have highlighted how the decision to hold the 2017 Iraqi Kurdistan independence referendum was in large part driven by domestic dynamics at play in the Iraqi Kurdistan region, including Kurdistan Regional Government President and KPG leader Masoud Barzani's own domestic needs.<sup>71</sup>

Even so, the independence referendum has contributed to further damaging the Erbil-Baghdad relationship, and pushed Iraq's central government to shift from a "lukewarm-cooperative to an openly confrontational approach, as a way to show resolve in defending Iraq's territorial integrity".<sup>72</sup> This was highlighted just weeks after the referendum by the evacuation of the Peshmerga from Kirkuk, upending fourteen years of Kurdish domination in the city. The central government has also sought to extend its control over the vast amount of oil resources near Kirkuk and placed under federal authority the Kirkuk-Ceyhan pipeline, which used to export about 500,000 barrels per day.

More largely, the loss of the Kirkuk fields has sent a clear signal that the central government intends to roll-back Kurdish territorial expansion and re-assert its full authority over disputed territories. Indeed, not only did the KRG occupy a substantial amount of territory during 2003-2011 that had not been under Kurdish control in the past, but Kurdish fighters have also gained substantially more territory in the fight against Daesh between 2014 and 2017, representing a 40 per cent increase in Kurdish-controlled lands in Iraq (Figure 2).<sup>73</sup> This has led to the deterioration of the security situation in the Kirkuk area, with more than half a dozen Kurdish attacks on Iraqi security forces in recent weeks, whether by rocket-propelled grenades, roadside bombs, mortars, or assassinations.<sup>74</sup>

The challenge is now to push Erbil and Baghdad to resume political talks over contentious issues. The resolution of the internal boundary question will be critical to bringing long-term stability to the northern part of Iraq. This will not be an easy task, however, as Prime Minister Al-Abadi's stature as a national leader has strongly benefitted from its strong stance against the Kurdish independence vote. The referendum has also deepened intra-Kurdish division, undermining Erbil's ability to display a united front in its negotiations with Baghdad. As such, the conditions for laying foundations for a longer-term political process are unlikely to be met in the near term, at least not until the 2018 elections.

Figure 2: Estimate of Control of Terrain in Iraq, June 2017



Source : Institute for the Study of War, <http://iswresearch.blogspot.ae/2017/06/iraq-control-of-terrain-map-june-16-2017.html>

### 3. What Can International Actors do?

The above-mentioned dimensions of structural fragility of the Iraqi state are directly linked to the repeated failures of the post-2003 elites to implement meaningful reforms and win citizens' confidence in government institutions. While the current mood in Iraq is generally one of cautious optimism<sup>75</sup>, many Iraqis remain concerned that the root causes that led to the rise of Daesh and the problem of growing external interference in Iraqi affairs from its neighbours are yet to be adequately addressed. As a result, it is critical that Iraq's political leadership find some way to work together to actively meet the full range of challenges outlined in this paper. They must assume responsibility for creating the necessary processes and institutions that can ensure Iraq's success.

It is equally clear, however, that even the most competent and sustained effort to build an effective state in Iraq will require outside technical and financial support for years. Importantly, potential actions that could be taken by external actors must be based on a clear understanding of Iraq's priorities, and cannot be transplanted from outside models. This means that external support to the Iraqi government should be able to make a difference on the ground while not being seen as too "heavy-handed" by Iraq's leadership and constituencies.

Contrary to the way that external influence is currently exercised in Iraq by some of its neighbours, which in many ways has contributed to further deterioration in state capacity, this paper argues that a more subtle and indirect approach could be taken by external actors to help rebuild the state capacity in vital sectors and reorient the country's trajectory towards stability and economic prosperity. For Arab Gulf countries, this means working actively with international partners and institutions to ensure that top priorities will receive the necessary diplomatic, technical and financial support. Based on the main challenges identified above, three areas of actions are identified:

#### 3.1. Supporting Security Sector Reform

**Security sector reform remains essential, including rebuilding key elements of the regular military forces.** In particular, the international community should help build on existing pockets of efficiency in the security forces, such as the elite Golden Division, and reorient training of conventional forces to deal more efficiently with a low-level insurgency in ways that do not alienate local populations.<sup>76</sup> While there is no clear way to predict Iraq's future military and security needs, external actors should also assist the Iraqi government in building internationally-backed military training "centres of excellence" in Iraq, in order to provide long-term training and contribute to gradually reducing the Iraqi security forces' reliance on external security partners.<sup>77</sup>

**The international community should also help the Iraqi government to find a path for properly professionalizing and integrating elements of the PMF into existing state military forces.** As one expert recently pointed out, the focus here should be on avoiding a replay of the costly failure to manage the Sunni Awakenings and “Sons of Iraq” after the ‘surge’.<sup>78</sup> A clear distinction should be made however between those PMF units willing to be included within a unified and non-sectarian state, and those aligned with sectarian forces. In doing so, external actors should support Iraqi government efforts to integrate the former, while backing actions to effectively disarm and demobilize the latter. Concerted diplomatic actions to mitigate the negative influence of external interference in Iraqi internal affairs, in particular from Iran, could be needed, in particular to ensure that Baghdad’s efforts to re-establish its control over the use of force within the Iraqi territory will not be undermined.

**International assistance can also play a vital role in integrating chains of command.** Through technical support external actors should assist the federal government and the Kurdistan Regional Government in reorganizing their respective security forces. In particular, the role and purview of various security bodies – including the counter-terrorism forces, Iraqi army, the national police, Kurdish Peshmerga forces and Kurdish Asayesh security police – need to be clarified.<sup>79</sup>

**In the long run, the international community should also support efforts to build security forces on the basis of professionalism and patriotism.** As noted above, much of Iraq’s military problems stem from the failure of the Iraqi leadership to anticipate crises, plan for them, allocate resources and fight corruption.<sup>80</sup> While a real anti-corruption push and re-staffing of the military with more capable uniformed leadership is desirable, broader security sector reform programs seeking to frame the ways in which the government intends to develop the security sector, such as the National Security Strategy initiated by the UNDP in 2015, must also be encouraged. International actors, such as NATO and the EU, through its new advisory mission for security sector reform, represent potential vehicles through which technical and financial support for reforms could be channelled. In addition, at the request of the Iraqi authorities, the Global Coalition against Daesh could seek to expand further its mission and play a larger role in support of civilian security sector reform.

### 3.2. Helping Enhance Basic Service Delivery and Economic Diversification Efforts

**The international community should assist the Iraqi government in improving the delivery of public services to the population.** Through the Global Coalition against Daesh, external actors must actively support the Iraqi government to ensure continuity in services in areas liberated from Daesh so that Iraqis experience improved lives rather than abandonment. Provision of services must be connected directly and visibly to the Iraqi state to help build the legitimacy and accountability of local and national government.<sup>81</sup> Nationwide, efforts must also be made to help address the main obstacles in providing services through better coordination between the central government and provincial agencies, human capacity building in the public sector and the implementation of effective processes to control waste and corruption. The successful

implementation of governance and economic management assistance programs, modelled on previous experiences and supported by external countries and institutions, could help the Iraqi government achieve this objective, providing it is done through a non-intrusive approach.

**International actors must also help the Iraqi government find a proper way to manage its oil wealth sustainably, with a focus on creating an enabling environment for investment.** Long-term diversification strategies must be implemented in order to halt the current dependency on oil-revenue. Technical support by the international community could help the Iraqi government identify clear policy priorities, based on lessons learned from diversification efforts in the Gulf and elsewhere, as well as on an integrated approach to oil revenue management, attracting investors, and private sector development. Investment promotion can be initially supported by the establishment of joint investment fund, such as the joint business council established by Iraq and the United Arab Emirates in September 2017, with the objective of enhancing investment cooperation between the two countries and identifying related priorities in vital sectors of Iraq.<sup>82</sup> A similar agreement was reached between Iraq and the Kingdom of Saudi Arabia earlier this year.<sup>83</sup> More broadly, greater economic integration with Arab Gulf countries could help Iraq's reduce economic vulnerability, unlock job stimulating growth, and mitigate dependence on Iran through trade partner diversification.

**International actors should similarly support efforts to address inefficiencies in the energy and power sectors.** This could be done by establishing a sustained economic aid program for infrastructure development, which would signal the international community's long-term commitment to Iraq's stability and development. If well-targeted, these investments can also be used to further empower elements in the Iraqi government looking to move past sectarian differences and build effective governance. Restoring the Kirkuk area's production and continuing field developments elsewhere as planned would help the Iraqi government shoulder much of the burden of rebuilding areas liberated from Daesh, but this cannot be done without pushing production level significantly above Iraq's Opec target and bringing down prices. Concerted efforts will be needed to manage this tension.

### 3.3. Encouraging Efforts to Promote an Inclusive Iraqi National Identity

**The international community should provide a clear support for the recent push to de-emphasize sectarian rhetoric in Iraq.** This will require recognizing and working closer with nationalist trends toward a civil Iraqi state and efforts to move away from ethnic and sectarian struggles and narratives. Recent visits of Iraqi Shia religious and political leaders to Arab Gulf states and statements made by Arab Gulf states and Iraqi officials are a positive development and must therefore be encouraged as a way to de-emphasize ethno-sectarian rhetoric and progressively decrease the importance of transnational identities that have strongly hampered the development of a national-state in Iraq.<sup>84</sup> Expanding diplomatic presence in Iraq could represent, for countries in the region, a suitable way to further develop interactions and ties with various constituencies of Iraqi society as well as elites.

**International actors and institutions can also provide Iraq with guidance and resources to enact political reforms that Iraq needs in order to escape the 'civil war trap' and rebuild trust among communities.** This requires helping the Iraqi government address the problem of disenfranchisement of the Sunni Arab population and pursue a broader national reconciliation process, including through some of the above-mentioned recommendations, such as the abolishment of specific de-baathification measures that have proven largely counter-productive.

**The international community should help revive negotiations between Baghdad and Erbil over security arrangements and disputed internal boundaries.** For the latter, discussions could be based on the 2009 UN Assistance Mission in Iraq (UNAMI) study and proposals.<sup>85</sup> If Baghdad and Erbil were to invite them, external actors (such as the UN) could also assist in negotiating revenue-sharing agreements. At this point it is also imperative for external actors to use their diplomatic and economic weight to help manage the fallout of the Kurdish referendum and lay foundations for a longer-term political process. As such, it should be ensured that support to the Kurdish authorities by external actors does not enable them to eschew negotiation and compromise with Baghdad. External support by the international community should be based on this condition.

## 4. Conclusion

The Iraqi state has been severely weakened by decades of wars, sanctions and conflict. Despite its size, the post-2003 state has remained largely unable to perform its core functions, creating frustration and further decimating the fabric of the Iraqi society. While the task of rebuilding areas liberated from Daesh will require sustained efforts in the coming years, the Iraqi elites must also ensure that problems of a deeper structural nature will be tackled. Without this, the phoenix of extremism is likely to raise again from its ashes.

In particular, Iraqi authorities must find some way to work together and rebuild the capacity of the state, to act in the national interest by focusing on the most salient state weaknesses. In practical terms, this means finding ways to re-establish security throughout the country and reform the Iraqi security sector, improve governance and economic management, and rebuild national cohesion and trust among Iraqi communities.

While meaningful reforms can only start in earnest if Iraq's leaders are prepared to assume responsibility and actively meet the full range of above-mentioned challenges, it is equally clear that Iraq cannot succeed without external support. As such, the international community can play a useful role in helping the Iraqi authorities address current issues of state failure, providing a clear understanding of Iraq's main priorities and an adequate approach to external support.

Most external actors – regional countries, in particular – have a clear common interest in helping Iraq consolidate. For the Arab Gulf States, supporting Iraqi reforms could give a positive boost to the recent rapprochement and contribute to shape a new chapter in Iraq-Gulf relations still largely defined by the political and security fallouts of the 2003 US invasion of Iraq, and the effects of political sectarianism and terrorism on regional security.

This could be done by working actively with international partners and institutions to ensure that top priorities will receive the much-needed diplomatic, technical and financial support. This is particularly important given the apparent reluctance of the current US administration to commit financially to help create and sustain effective programs for post-conflict stability and development in Iraq and elsewhere.

In this regard, while Iraq's trajectory is likely to be significantly influenced by the result of the upcoming parliamentary elections, the international community, whenever useful and necessary, has the responsibility to help the Iraqi authorities avoid repeating previous mistakes in order to create a sustainable future for the country.

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