



THE IMPACT OF COVID-19 ON SOCIAL PROTECTION IN IRAQ

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1. FOREWORD

This report is the fourth in a series of policy papers examining the impact of the COVID-19 pandemic on Iraq. The first paper looked at effects on fragility, the second examined the macroeconomic consequences, while the third reviewed the impact on social cohesion.

The United Nations Development Programme (UNDP) will present additional thematic policy papers in the coming months on the implications for environmental sustainability and the socioeconomic fallout on vulnerable households. The aim of these policy documents is to offer a comprehensive overview of how the pandemic is affecting the social and economic context of Iraq. This responds to the recent call from the United Nations Secretary-General for ideas on surviving and recovering from the pandemic so that families and businesses can stay afloat, and the foundation for an inclusive recovery can be laid to ensure attainment of the Sustainable Development Goals (SDGs).

This current paper examines the impact of COVID-19 on social protection in Iraq. It is intended to inform the pandemic responses of the Government of Iraq, the United Nations system and development partners. The methodology employed by the paper includes a review of relevant literature on social protection.

The paper draws on various sources from both within and outside the United Nations, using the latest sources available at the time of writing. As the COVID-19 pandemic is a rapidly evolving global phenomenon, economic and social circumstances for both Iraq and the wider world are likely to change rapidly.

UNDP is grateful to the International Labour Organization (ILO) for its partnership and important contributions to this paper. UNDP would also like to thank Barbara-Anne Krijgsman as the lead coordinator for the series of policy papers and Lynn R. Brown as the author of this policy paper. Great appreciation also goes to the wider UNDP Iraq team for its support in producing this document.

2. EXECUTIVE SUMMARY

This paper examines how Iraq has used social protection, and particularly social assistance programmes, to mitigate the impacts of the COVID-19 pandemic on poor and vulnerable population groups. It looks at how these programmes have addressed poverty and vulnerability in the past, and whether they meet the challenges of the current crisis. The paper finishes with policy recommendations to support the Government of Iraq, development partners, the overall United Nations system and other key stakeholders to develop response strategies and programmes that not only meet current social assistance needs for poor, newly poor and vulnerable groups, but also build a stronger foundation for social protection going forward.

Social protection at the global and regional levels

The 2030 Agenda for Sustainable Development, adopted in 2015, includes a pledge to leave no one behind, and makes ending extreme poverty and curbing inequality core elements of 17 Sustainable Development Goals (SDGs).

Today, however, the COVID-19 pandemic is driving worsening poverty and inequality. It has had an unprecedented global impact resulting in increased morbidity and mortality; national economic contraction and recession; diminished or stalled livelihoods; increased poverty and inequality; reduced social cohesion and increased social tensions. Women are among the most affected given that their jobs are often part time and informal, and most likely to be negatively impacted. This vulnerability coincides with their disproportionate role in unpaid care work, which reduces opportunities for education and work, and has grown even greater as women care for the sick and look after children who are no longer in school.

State of social protection in Iraq prior to the COVID-19 pandemic

Iraq is one of the most oil-dependent countries in the world, with hydrocarbons accounting for 60 percent of gross domestic product (GDP), 99 percent of exports and more than 90 percent of central government revenue. Iraq is characterized by all elements of Dutch disease and a rentier state associated with natural resource wealth. It has an undiversified economy; weak, unaccountable government institutions; boom and bust government spending patterns linked to oil revenues; and internal unrest due to poor and unequal delivery of services.

The Iraqi public sector has been the largest formal sector employer in the country and public sector jobs have been used to distribute oil wealth and dispense selective 'social protection'. Another element of redistributing oil wealth has been the use of transfers and subsidies. These take the form of government pensions, and the Public Distribution System for food, fuel and electricity. While these schemes could be construed as part of a social protection system, they are mostly untargeted, and thus miss many of the poorest and most vulnerable people who need them most.

In the wake of the last economic bust cycle in 2014, which involved a fall in revenues due to an oil price crash and additional budget needs from the conflict with the Islamic State of Iraq and the Levant (ISIL), Iraq has focused far more attention on social protection. It has introduced legislation; articulated a Social Protection Roadmap; emphasized reforming a key social assistance programme, the Social Protection Network; and piloted conditional cash transfers.

Social protection trends and needs in Iraq in the next 24 months

Today, the twin crises of the pandemic and declining oil revenues leave the Government again facing increasing needs for social protection coverage amid a significant decline in fiscal space. Since public spending is dominated by wages, pensions and transfers, cutting it would carry significant repercussions.

Curfews and movement restrictions designed to slow the spread of the virus have hampered economic activities, resulting in losses in income and livelihoods, and potentially raising the prices of necessities. These stresses will increase social protection needs and potentially inequality as well.

Recent estimates show that the dual crises will boost poverty in Iraq by more than 50 percent, increasing the number of poor Iraqis by about 4.5 million. Multidimensional poverty, which takes into account access to basic goods and services, is predicted to increase from 35 percent to 42 percent, with nearly half of all children at risk of deprivation, including in schooling and access to safe water.

Recommendations

Iraq should use the current economic downturn as an opportunity to refocus on its social protection system and build a stronger foundation for it moving forward. The Government of Iraq should cement its 2014 commitment to a layered social assistance programme within a comprehensive social protection system underpinning a stronger social contract.

In the short term, the Government needs to prioritize scarce budget resources as it is unable to fully meet its obligations. First, it should ensure that Social Protection Network beneficiaries receive their transfers in full and on time. Second, it needs to guarantee that low-wage public sector employees and low-pension retired public sector workers are paid in full, with other public sector workers and pensioners receiving fractional payments. When fiscal constraints limit full procurement and delivery of Public Distribution System rations, these should be directed first towards the poorest governorates and districts in the north and south of the country, and to Social Protection Network recipients across the country.

In the medium to longer term, the Government needs to build a more shock-responsive and agile social protection system that can expand vertically and horizontally to address future crises. The most critical needs include establishing a social registry that spans all social protection instruments, and reforming the Public Distribution System and public pensions.

3. SOCIAL PROTECTION AT THE GLOBAL AND REGIONAL LEVELS

The 2030 Agenda for Sustainable Development, adopted in 2015, includes a pledge to leave no one behind, and makes ending extreme poverty and curbing inequality core elements of 17 SDGs.

Today, however, the COVID-19 pandemic is driving worsening poverty and inequality. It has had an unprecedented global impact resulting in increased morbidity and mortality; national economic contraction and recession; diminished or stalled livelihoods; increased poverty and inequality; reduced social cohesion and increased social tensions. Women are among the most affected given that their jobs are often part time and informal, and most likely to be negatively impacted. This vulnerability coincides with their disproportionate role in unpaid care work, which reduces opportunities for education and work, and has grown even greater as women care for the sick and look after children no longer in school.

As United Nations Secretary-General António Guterres stated in a recent address: “The pandemic brings new awareness of the social and economic risks that arise from inadequate social protection systems [...]. It can therefore open the door to the transformational changes needed to build a New Social Contract at the national level, that is fit for the challenges of the 21st century.”¹

Social protection is critical in addressing the impacts of the pandemic on the poor, newly poor and most vulnerable groups. The potential ramifications are even more pronounced in fragile countries, where social tensions and vulnerability are already high, and the consequences of a failed response even greater. Now more than ever, it is clear that without social protection measures reaching those left furthest behind, it will be impossible to achieve the SDGs.

3.1 Defining social protection

Social protection is a universal human right, defined by Article 22 of the Universal Declaration of Human

Rights. It comprises policies and programmes to reduce and prevent poverty and vulnerability throughout the life cycle. Social protection systems include benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability and survivors, as well as health protection. These systems address all these needs by a mix of contributory schemes (social insurance) and non-contributory tax-financed benefits, including social assistance.²

Social protection definitions are all centred on protecting the poor and most vulnerable, with no one excluded, and ensuring an acceptable standard of living through access to basic social services that support a healthy and active life. All definitions agree that social protection should be a system comprising different policies and instruments to address risks and vulnerabilities across the life cycle. Beyond social assistance or safety nets, social protection systems provide added levels of support through contributory public and private sector mechanisms, many of which entail social insurance provisions with benefits linked to contributions.

UNDP defines social protection as a set of nationally owned policies and instruments that provide income support and facilitate access to goods and services for all households and individuals, at or above minimally accepted levels, to protect them from deprivation and social exclusion, particularly during periods of insufficient income, incapacity or inability to work.³ The ILO uses the concept of social protection floors, which are nationally defined sets of basic social security guarantees that secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion.⁴ Social security ensures access to health care and income security, particularly in cases of old age, unemployment, sickness, invalidism, work injury, maternity or loss of a main income earner.

The essentiality of social protection was recognized when the ILO and the World Bank Group together with UNDP, the Food and Agriculture Organization, the European Union, and other bilateral and multilateral partners launched the Universal Social Protection Initiative to support the Sustainable Development Goals⁵ and the 2030 Agenda.⁶ The initiative recognized that establishing social protection systems is critical not only to protect the poor and reduce inequality in normal times, but to be prepared for shocks related to climate, the economy or health that impact broad swathes of the population, especially those who are already poor and vulnerable. It is easier to scale up an existing social protection system during a crisis than to launch new programmes.

This paper focuses on non-contributory social protection in Iraq, but looks beyond social assistance instruments and policies targeted to the poor. This broader coverage is necessary because Iraq does not yet have a clear social protection system with an array of programmes targeted to different needs across the life cycle. It uses measures such as almost universal food subsidies, despite the fact that, in practice, these benefit wealthier households more than poor ones.⁷ Additionally, the paper considers government public employment and pension policies since these are used to share state wealth, particularly in the face of social unrest.

3.1.1 Key features of social protection systems focused on the poor and vulnerable

As a system, social protection includes a number of instruments and policies to address risks and vulnerabilities across the life cycle. While there is broad recognition that poverty is multifaceted, and experienced differently at different stages of life, there is an implicit tendency in social protection programming to focus on income poverty, social assistance and social insurance.⁸ Reducing income poverty is thus core to most social protection systems, with targeted cash transfers to the income poor the most effective instruments, since these directly close or eliminate the income poverty gap.

The income threshold for households to qualify for a cash transfer and the size of the transfer are policy decisions that need to be made in line with the social contract between a government and its citizenry.

When the focus shifts to the multidimensionality of poverty, however, cash transfers may not be the most effective strategy, even when receipt is conditional on certain behaviours. Evidence supporting the impact of cash transfers on improved child nutritional status is very mixed, for instance. Even conditional cash transfers that require attendance at health clinics for child growth monitoring and promotion may have limited impact. One systematic review of 21 studies covering 17 programmes found that cash transfers made a small positive but overall insignificant contribution to reducing stunting among children, regardless of whether transfers were provided through conditional or unconditional cash transfer programmes.⁹ In this specific case, a better choice may be either specialized in-kind food transfers or 'voucher programmes'. These can be easier and less costly transfer instruments since they are linked to the existing retail food system and only apply to more nutritious foods. Using electronic delivery of vouchers enables a household to spread out its shopping, further supporting the purchase of short shelf-life foods like fruits and vegetables, and enhancing the impact on health and nutrition.

The cash transfer programmes at the core of all social protection systems cover fundamental basic needs. This is the social protection floor, defined by the ILO in Social Protection Floors 2010, Recommendation 202, as the guarantee of "basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability".¹⁰ While the size of the cash transfer may be determined by poverty level (often ascertained through a proxy means test)¹¹ and household size, it may still be insufficient to fully address poverty defined either in terms of income or across multiple dimensions. In countries where social protection

systems are well developed, layers of protection build on the core social assistance transfer. These layers represent other social protection instruments that address specific risks and vulnerabilities across the life cycle. They include additional cash transfers triggered by life events, and that are automatic if a household is already qualified for the core poverty-targeted income transfer. For health care and primary education, these transfers are a public investment, as the social returns are higher than the private returns.

A comprehensive social protection system requires a management information system that spans government ministries, so that a household does not need to apply for each benefit separately. While a multiprogramme social assistance system should be overseen by one ministry, additional programmes and budgets should be spread across different ministries, including health, education, welfare and labour. This increases the likelihood of an integrated and comprehensive social protection response, and broadens the base of political support. Globally, many programmes increasingly deliver transfers to beneficiaries through smart cards and phones for collection at designated outlets, which enhance security and support better monitoring.

Non-contributory social assistance programmes should be complemented by contributory social insurance programmes to cover health care, unemployment protection, maternity benefits or old-age pensions. Contributions should be linked to income/wage levels and benefits determined by contributions. It is challenging to institute social insurance programmes in countries without more formalized private sector labour markets, however. Collection of employee contributions is difficult without registered firms and integration into government systems. Since an inability to contribute should not prevent coverage, social assistance and social insurance should operate in tandem.

3.1.2 Where the world stands on social protection

A 2019 report revealed that just 45 percent of the world's population was covered by even one social protection benefit. The most common benefit was an old-age pension, reaching almost 7 in 10 older people. This reflects the expansion of both contributory and non-contributory pension schemes in low- and middle-income countries, although the magnitude of payments may not be sufficient to keep people out of poverty. Globally, just 3.2 percent of GDP is spent on coverage for people of working age, even though they are the major share of the population in most countries. In practice, this means that just 2 in 10 workers have any form of unemployment insurance, with a small fraction covered for injuries suffered in the workplace. Just over 4 in 10 women receive some form of maternity coverage. The situation does not improve for children after birth, with just 35 percent covered by any form of social protection benefit, and only 1.1 percent of GDP globally spent on benefits to cover children.¹²

Given that less than half of the world's population is covered by even one social protection benefit, never mind a system of benefits, there is considerable work to be done to achieve SDG target 1.3, on implementing nationally appropriate social protection systems and measures for all.

Government spending on social protection is generally linked to income levels, with high-income countries spending on average 1.9 percent of GDP on social assistance programmes in 2018, falling to 1.6 percent for upper middle-income countries, which include Iraq.¹³ The average transfer amount for upper middle-income countries was US \$106 in 2011 purchasing power parity.¹⁴ In upper middle-income countries, labour programmes cover only 6 percent of the poorest fifth of the income distribution, social insurance programmes 28 percent and social assistance/safety nets about 62 percent.¹⁵ In essence, almost three quarters of the poor have no access to social insurance, and almost 4 in 10 have no access to a safety net.

3.1.3 Global trends in social protection to address COVID-19

Given that the COVID-19 pandemic is a combined economic and health shock that has significantly increased the needs of the poor and most vulnerable, one of the core government responses should be increased social transfers through existing systems, in terms of both the size of transfers and the numbers of people covered. Governments with limited or no social protection systems face introducing new programmes, a difficult task amid pressures for an immediate response.

Social protection measures have been the primary response of many countries to the pandemic. Between March and November 2020, among 209 countries and territories, 93 percent adopted a total of 1,568 social protection measures explicitly to address fallout from the pandemic.¹⁶ This represents an average of seven different programme responses per country. More than three quarters of the responses can be classified as social assistance programmes in that they are non-contributory. More than half of the responses constitute new programmes, with just over 20 percent related to adjusting existing programmes. The low level of adjustment of existing programmes in many cases is likely due to limited data, which prohibits an expansion targeted to those most in need.

3.2 Regional trends in social protection and the COVID-19 response

While most of Europe spends more than 15 percent of GDP on social protection, well in excess of the high-income country average and an indication of political systems there, most Arab States spend less than 5 percent. While this is higher than the average in middle-income countries, it is likely that this includes spending that is not specifically targeted to the poor, given the use of universal subsidies in the region. Currently, only 4 in 10 elderly people are covered by pensions, a pattern

likely to continue given that less than one third of the workforce contributes to a pension benefit. The share falls to around 1 in 10 for women. The Arab States spend a small fraction of GDP, 0.6 percent, on social protection measures (excluding health) that benefit the working-age population. This expenditure level is less than one fifth of the global average of 3.2 percent, and less than 10 percent of the amount spent in Europe.¹⁷

Maternity coverage for women is particularly low in the Arab region, with an average of 12 weeks or less of paid leave, the lowest amount in the world. Two countries provide no maternity coverage. While maternity benefit coverage has increased in Iraq and Jordan, ongoing social protection coverage of children from birth to 14 years old is scant across the region, given spending equivalent to just 0.1 percent of GDP, less than one tenth of the global average.¹⁸ Social protection benefits targeted to children, including through instruments such as school feeding, are important as they can reduce the likelihood of child labour, early marriage and poor nutrition.

In the Arab region, and as table 1 indicates, it appears that social protection largely focuses on formal employees. This is problematic given the low rates of formal employment, especially for women, and the high rates of unemployment, which limit the reach of social insurance programmes.

Pension systems in the region are generous compared to those in the rest of the world, often with relatively high accrual rates and low retirement ages—60 years for men and even younger for women. In many countries, workers can retire as early as 45 years, far below the global average, with around 20 years of contributions. Maximum pensions can be 100 percent of former salaries.¹⁹ Another commonality across the region is the use of universal subsidies for goods such as electricity, fuel and often food. While these subsidies do deliver benefits to the poor and most vulnerable, the wealthy consume more of the goods, making the transfers regressive.

Table 1: Social protection measures anchored in legislation in the Arab States by labour market formality

Social protection anchored in national legislation Unemployment, family, maternity, health, sickness, injury, invalidity, old-age, survivors' and employment benefits		No social protection anchored in national legislation				
Public sector employees	Private sector employees (formal)	Private sector employees (informal)	Children	Self-employment and informal economy	Working age non-employed	Older persons

Note: The light-shaded boxes on the left refer to the focus of policies in the Arab States. Source: ILO, 2017 (table 6.2 p141)

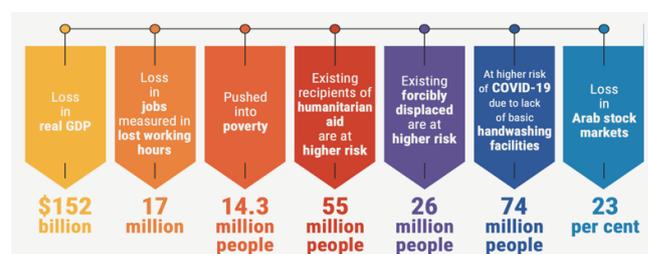
Crises in the region, notably the Arab Spring, increased attention to initiating or strengthening social protection programmes, particularly social assistance, to strengthen the social contract. Yet while some countries now have a social protection strategy, often embedded in national legislation, others do not. Social protection registries—comprehensive lists that extend beyond current programme beneficiaries—are mostly absent, even though they are key to responding to shocks such as the pandemic. Egypt, Jordan (Box 1) and the State of Palestine are building these registries, with one factor driving progress in Jordan being the movement of refugees from conflict. Since host community services are potentially strained by the influx, and refugees can rarely access social protection in host countries, national social protection systems should be able to engage systematically with the humanitarian sector to meet refugee needs.

Figure 1 reveals the magnitude of the fallout from the pandemic on the Arab region, with real GDP dropping by 5.7 percent and as much as 13 percent in conflict-affected countries, resulting in a total loss of \$152 billion. Eight million full-time equivalent jobs had vanished by the third quarter of 2020.²⁰ The ranks of the poor are expected to grow by 14.3 million, meaning that one quarter of the Arab population, or 115 million people, will live in poverty and vulnerability. These are likely conservative estimates given that they reflect

impacts only until July 2020. Impacts on women are predicted to be greater, since they earn nearly 80 percent less than men on a per capita basis, and constitute 62 percent of workers in the informal sector. They are far less likely to benefit from social protection policies, even as they are expected to lose 700,000 jobs.²¹

Given the numbers of displaced people in the region, and their pre-COVID-19 vulnerabilities, the United Nations Office for the Coordination of Humanitarian Affairs estimated an extra \$1.7 billion would be required to address humanitarian needs arising from the pandemic.²²

Figure 1: Estimated impacts of the pandemic on the Arab States



Source: ESCWA calculations and estimates (all figures are of July 2020 and are likely to increase as the pandemic evolves).

Eleven Arab countries have now introduced 43 social protection measures to address the pandemic, an average of under four responses per country or just over half the global average.²³ While

globally, 75 percent of the responses entail social assistance, the share in the Arab States has been less than 70 percent. Unlike the global response, the most common addition in the region has been the introduction of subsidies or the reduction of utilities or necessity costs. This is consistent with the region's historical approaches to government revenue-sharing, which offer political appeal and ease of implementation.

While around half of the responses globally include new programmes, the share of these in the Arab States is slightly more than 60 percent, likely due to the lower level of existing social protection systems. Over 25 percent of the responses in the region consist of measures to protect jobs and income, which account for less than 15 percent of responses at the global level. Given that COVID-19 is a health shock, it is notable that only 7 percent of responses in the region focus on health (in Saudi Arabia and Syria only), compared to 11 percent at the global level.

Box 1: Jordan's good practices in responding to COVID-19

Jordan is one of the few countries in the region with a cohesive social protection system²⁴ and a social registry being developed to scale up coverage during shocks. It has used these effectively to extend assistance during the pandemic response, despite having a purchasing power parity adjusted GDP per capita of just over 50 percent of that of Iraq.

Jordan's National Aid Foundation²⁵ has expanded existing programmes and launched new means-tested social assistance measures linked to its Takaful²⁶ and cash transfer programmes. The foundation began delivering monthly and quarterly cash payments to around 145,000 existing households during the pandemic lockdown. It increased the size of transfers to households in the Takaful programme for six months, and enlarged coverage to an additional 210,000 households for six months. In 2015, cash transfer programme coverage was 4.29 percent, but in the wake of the pandemic expansion, it reached 18.42 percent²⁷ or close to 2 million people.

A Bread Subsidy Cash Compensation Programme was introduced using the same social registration mechanism as Takaful and covering 80 percent of the population. Jordan also reduced the cost of the universal subsidized bread programme from \$2.11 to \$1.41 per 3 kilogrammes, and made bread free for cash transfer recipients. The Ministry of Local Affairs coordinated delivery of bread, using buses escorted by police officers to prevent crowding and the movement of people. In-kind support programmes introduced by the Social Security Corporation have benefited between 35,000 and 100,000 households with a person aged over 70 or casual workers.

Reduced social insurance contributions for employers from March to June 2020 allowed them to pay only contributions for disability and health insurance, and not for old age, cutting the contribution rate from 21.75 percent to 5.25 percent. Employers have until the end of 2023 to make up the contributions, while employees remain protected and able to make their contributions independently of the choice of their employer.

Source: Gentilini et al. 2020.

4. SOCIAL PROTECTION IN IRAQ PRIOR TO THE COVID-19 PANDEMIC

The magnitude of social protection in a country stems directly from an implicit social contract between a government and its citizens. This determines, among other aspects, nationally defined basic social security guarantees over the life cycle, the level of coverage and benefits, and the degree of taxation on citizens and firms. Generally, higher taxation is commensurate with higher levels of protection and a stronger social contract. In Iraq, however, wealth redistribution is anchored in oil revenue, not taxation.

Where countries have significant natural resources generating revenue, governments often neglect the social contract. Instead, natural resource revenues are used to design politically rewarding revenue-sharing systems that are not targeted to the poor and most vulnerable, and that can suffer from a lack of transparency and accountability. These systems are vulnerable when natural resource revenues diminish, potentially reducing public services and benefits, which can lead people to blame the government for failing delivery.

Iraq is one of the most oil-dependent countries in the world, with hydrocarbons accounting for 60 percent of GDP, 99 percent of exports and more than 90 percent of central government revenue.²⁷ Iraq is characterized by all elements of Dutch disease and a rentier State²⁸ associated with natural resource wealth. These include an undiversified economy; weak, unaccountable government institutions; boom and bust government spending patterns linked to oil revenues; and internal unrest due to poor and unequal delivery of services.²⁹ Iraq has built a sizeable government system to redistribute its oil wealth, one that includes 40 different federal ministries, around double the global norm. This structure is replicated in the semi-autonomous Kurdistan Region of Iraq, which has an additional 40 state ministries.³⁰ The Iraqi public sector is the largest formal sector employer in the country, with the government accounting for

44 percent of GDP. Government jobs have become a means to distribute oil wealth and dispense selective 'social protection'.³¹

In 2003, the public sector had 1.3 million jobs, a number that had expanded to more than 3 million by 2015, resulting in an increase in recurrent spending from 28 trillion Iraqi dinars in 2005 to 83 trillion dinars in 2015.³² In the Kurdistan Region of Iraq, public employment involved more than 14 percent of the total population and 24 percent of the total labour force.³³ Government employment has also expanded beyond formal employees to hundreds of thousands of contractors and daily wage earners. While formal employees have accrued valuable benefits, including pensions, contractors and daily labourers have not. The new pay scale adopted by the government in 2004 ensured that public sector wages were four to five times higher than those in the private sector,³⁴ essentially crushing most formal private sector development and ensuring that most workers sought public sector jobs.

Falling oil prices and the conflict with ISIL in 2014 resulted in GDP being an estimated 18 to 21 percent lower in 2018 than would have been expected. Non-oil GDP was about 33 percent lower.³⁵ This indicates the degree to which conflict disrupted the non-oil economy and repressed the private sector. Iraq's labour force participation rate was one of the lowest in the world in 2019, at just 48.7 percent, with about 58 percent of workers in the private sector, but overwhelmingly in informal jobs³⁶ characterized by a lack of social protection benefits such as unemployment insurance, pensions or injury protection.

The new Government's 2019 tabled budget, formulated during an economic boom, was almost 45 percent higher than the 2018 budget. As the second largest budget since 2003, it proposed an expansion of public sector employment by 44,000

additional employees to a total of 2.9 million.³⁷ After negotiation, the number was reduced to 12,000 jobs concentrated in the health sector. In the 24 state-owned enterprises of the Ministry of Electricity, however, none of which were profitable, 33,000 contractors were converted to employees and began accruing social protection benefits, including pensions.³⁸ The end result was that the public sector wage bill grew by 13 percent.³⁹

The fabric of Iraqi society began to further unravel through the difficult years from 2014 to 2018. Eight months after the 2018 national elections, the final government Cabinet was not settled. A summer of unrest in the southern part of the country, one of the most chronically poor regions, saw Basra erupt in violent protests. The 2020 proposed government budget sought to address such issues, but was controversial given its high deficit level, the highest since 2003, and its perceived lack of real investment in and pursuit of economic reform. It was marked by a return to even higher public sector employment as a key avenue to share oil wealth. A major port project, at a cost of \$340 million, was identified for Basra, even as the overall budget was perceived as doing little to reconstruct ISIL-damaged areas in the north, home to increasing numbers of poor and vulnerable individuals. It is perhaps not surprising that the World Risk Poll Report, covering 98 percent of the global population, has ranked Iraq in the bottom four countries globally, with Afghanistan, Lebanon and Yemen, in terms of trust in government to provide critical basic infrastructure.⁴⁰ Iraq ranked third among countries where political and institutional issues are seen as the greatest threat to safety.⁴¹

Another element of redistributing oil wealth has been the use of transfers and subsidies, which amounted to about 20 percent of total spending in 2014. These take the form of government pensions and the Public Distribution System. While they could be construed as part of a social protection system, the majority are untargeted to poor and vulnerable groups, even as they incur considerable costs. The Public Distribution System distributes food in designated retail markets, involving substantial

procurement and logistics expenditures that constitute a significant part of the budget of the Ministry of Trade, which oversees the programme. Fuel subsidies are implicit, with below-market pricing encouraging wealthier groups to use more fuel, resulting in higher absolute transfers to the wealthy. The International Monetary Fund estimated that even with higher tariffs for electricity in 2017, the subsidy cost would still amount to 5.2 percent of GDP.⁴²

Absent a more consistent and systematic approach to social protection, Iraq will not meet the challenges of ending poverty and reducing inequality, much less sudden crises like the pandemic.

4.1 Key elements of social protection in Iraq

Prior to 2014, Iraq's core social protection programme was based on established categories using age, disability and other characteristics, which may or may not have been linked to poverty and vulnerability. As a result, poor and vulnerable people mostly did not benefit.⁴³ In 2012, 18.9 percent of Iraqis were classified as poor, a share that increased to 22.5 percent as a result of the conflict and oil price crash in 2014. Only 1.1 million people were receiving assistance, however, less than half of those classified as being poor.⁴⁴

The 2014 downturn resulted in greater attention to social protection. The Government introduced legislation, and focused on reforming key social assistance programmes and creating the current Social Protection Network. This section looks at the network as well as conditional cash transfer programmes, the Public Distribution System and public sector pensions. Given the high number of internally displaced persons (IDPs) and refugees in Iraq, it also examines state support to IDPs, and, briefly, humanitarian assistance.

4.1.1 The Social Protection Network

In 2014, Social Protection Law 11 was adopted to underpin Iraq's Social Protection Roadmap.⁴⁵ The law established the Social Protection Network as a core means-tested, income support social assistance programme, replacing the programme targeted to different population categories. At present, 1.3 million households receive core Social Protection Network transfers, or an estimated 7.15 million individuals. Around 300,000 households are on a waiting list.

The Social Protection Network represented significant change in that it is targeted to the poor, uses an online application and employs social workers to verify data. While it is managed by the Ministry of Labour and Social Affairs, the proxy means test is implemented by the Ministry of Planning, a separation that limits patronage or bias by those collecting the data. Since the online registration mechanism disadvantages the poorest, given that only 14 to 16 percent of poor households have Internet access,⁴⁶ assistance was made available in local government offices for those without connectivity at home. Each year, a household has to verify that it still qualifies, a process that reduces the likelihood of inclusion errors. It is monitored by social workers.

The proxy means test is predictive rather than absolute. It is based on a set of proxy welfare indicators that predict whether a household is poor. But in reality, it generally performs better at predicting chronic poverty than acute poverty driven by shocks. Regularly updating the proxy means test is essential to maintain sensitivity to changing drivers of poverty. By design, proxy means tests will result in both inclusion (coverage of those not qualified) and exclusion (non-coverage of those qualified) errors linked to how well the formula used correlates to actual poverty. As with all targeting mechanisms, there is a trade-off between inclusion and exclusion errors. More accurate targeting generally increases the costs of administering the targeting system, which reduces the amount available for benefit transfers.

While the national poverty level, 105,000 dinars⁴⁷ per person per month in 2018, is the basis for eligibility for the Social Protection Network, it does not determine benefit levels, as shown in Table 2.⁴⁸

Table 2: Schedule of benefits under the Social Protection Network, dinars, 2018

	Male-headed household	Female-headed household
Head of household	100,000	100,000
1 st member	25,000	50,000
2 nd member	25,000	50,000
3 rd member	25,000	25,000
Maximum transfer*	175,000	225,000

Notes: *The maximum value is equivalent to \$147 for a male-headed household and \$189 for a female-headed household.

Transfers are delivered every two months via electronic smart card, with the transfer amount depending on the household size, and a ceiling of four individuals per household. Recognizing that female-headed households may have fewer members able to work, their first two children receive double the transfer level of a child of a male-headed household. While a four-person, female-headed household receives 225,000 dinars (\$189), the per person poverty level for the household would equate to 420,000 dinars (105,000 dinars per person per month or \$353). There is broad coverage in terms of different agents (shops, banks, etc.) where smart cards can be cashed, and some agents reportedly take their cash machines to the homes of those with disabilities. It is not clear how transfers were delivered in the early stages of the pandemic, however, or how many agents were inaccessible.

As noted earlier, the implicit tendency in social protection programming is to focus on income

and income poverty for core social assistance.⁴⁹ In Iraq, however, just under 20 percent of people fell below an income-based poverty level in 2018, while 35 percent fell under a multidimensional index of poverty.⁵⁰ This reality makes a system focused on income poverty insufficient. Iraq began addressing this issue and moving towards an infant social protection system in 2017 when it piloted a conditional cash transfer programme. This was designed to address life cycle changes and be layered onto the core Social Protection Network unconditional transfer.

The pilot was launched in Sadr City, a poor and disadvantaged area of Baghdad, and delivered additional transfers to households receiving Social Protection Network support. The transfers were conditioned on pregnancy, child immunization and child school attendance. Compliant households received an extra 10,000 dinars (\$8.50) every two months on their smart card. Households with school children received an extra 60,000 dinars (close to \$51) over eight months as long as children were not absent from school for more than three days per month without cause or 25 days total in the school year. A critical element of the conditional cash transfer was the establishment of a case management system where social workers visited households to address non-compliance issues. It is unclear whether the pilot is still operating given the pandemic, however.

This type of programme is essential in Iraq given the social returns, but much depends on quality public education and health services. Government spending on health care, however, amounts to just 5.5 percent of GDP, less than other countries in the region, and notably less than Jordan at 7.5 percent.⁵¹ This lack of investment is evident in Iraq's meager score on the Human Capital Index of only 41 percent, the second-lowest score among countries with available data in the region, and significantly below the average for the region of 57 percent and for all upper middle-income countries of 56 percent.⁵² Iraq also ranks poorly at 123 of 189 countries on the 2020 Human Development Index, which reflects measures of income as well as health and education.⁵³

Delivery of quality health services is challenged since Iraq has approximately 9 doctors for every 10,000 people, 10 percent below the World Health Organization (WHO) minimum standards of 10 per 10,000 people. As a result, in the region, only Syria and Yemen rank lower than Iraq on life expectancy. Less than half of pregnant women in Iraq make the necessary four antenatal care visits, and under 80 percent make at least one.⁵⁴ Comparative figures for Jordan are 95 and 99 percent, respectively.

In education, an Iraqi child can expect to complete only 6.9 years of school, compared to 11.3 in the Middle East and North Africa region, based on current enrolment rates.⁵⁵ Taking into account the quality of learning, a child on average will achieve only four learning-adjusted years of school, compared to a regional average of 7.6 years.⁵⁶ And more than 40 percent of the time spent in school by an average Iraqi child fails to translate into productive skills when the child enters the workforce. Decades of conflict and the collapse of the education system have resulted in 25 percent of women and around 16 percent of men above the age of 25 years having no formal education.⁵⁷

The Ministry of Labour and Social Affairs recognizes the need to enable households receiving Social Protection Network benefits to become more resilient, and potentially graduate from the core social assistance programme, while still being covered by a broad social protection system when it is in place. The ministry is currently expanding activities related to vocational and skills training, enterprise development and microcredit facilities, funded by international loans.

The Social Protection Law has not yet been passed in the Kurdistan Region of Iraq. As a result, the older programme, based on individual characteristics such as disability, age, etc., still operates. Delivery by the regional government depends on budget transfers from the federal Government, but these have been irregular and insufficient to reach all those qualified for the programme. When fiscal space allows, transfers are made only made to people with disabilities, but even these transfers

have been irregular and below their previous levels.

4.1.2 The Public Distribution System

The in-kind food-based Public Distribution System is another core element of support to the poor and vulnerable in Iraq. Given that it is almost completely untargeted, it theoretically has no exclusion errors related to poverty, unlike the Social Protection Network. The 1 percent of the population not covered by the Public Distribution System comprises government and private sector employees earning more than 1.5 million dinars per year (approximately \$1,260). In 2014, expenditure on the Public Distribution System represented 1.8 percent of GDP and 60 percent of the total safety net budget of Iraq. The bulk of the cost was allocated to food purchases.⁵⁸

According to a World Bank estimate, this universal programme in 2005 cost \$6.30 to transfer \$1 of food to a poor person due to the volume of transfers going to the non-poor. This made the total costs to the Government higher than the total value of transfers received by the poor.⁵⁹ About 25 percent of the population was highly dependent on the system, whereas 35 to 40 percent was partially dependent on it.⁶⁰ Given the system's lack of targeting, distortionary impacts on local markets and absolute size, the study concluded that "the (Public Distribution System) burdens the government budget without contributing to food security".⁶¹ Targeting could increase transfers to the poor and improve fulfilment of the right to food for the poor and vulnerable.

As the implementor of the Public Distribution System, the Ministry of Trade registers households, issues ration cards, and allocates and updates transfers based on household size. It also oversees international and domestic food purchases, storage and transportation—in essence, complete supply chain management.

The design of the system has five key challenges. *First*, the ration card enables the holder to obtain

a food ration at highly subsidized prices from local agents. Yet even reduced costs can constrain how much the poorest can buy while placing no limits on wealthier households. *Second*, the system makes the Ministry of Trade the main importer of key commodities, including wheat, rice and vegetable oil, which distorts local agricultural markets, limits private sector engagement in agriculture⁶² and sustains an undiversified economy.

A *third* issue is that the Public Distribution System is not equipped to respond to shocks due to its management information system. Despite being a national programme, it does not use unique identification numbers; registration is based on locality. This means that if a ration card holder is displaced, they cannot use their card until they have been reregistered in their new locality. This was problematic during the conflict with ISIL given large-scale displacement. Similar issues are now at work during COVID-19 where residents have moved to seek alternate employment.

Fourth, the complete management of the supply chain by the Ministry of Trade rather than the private sector has resulted in supply chain disruptions. After the ISIL conflict, between December 2017 and January 2018, the share of residents in Ninewa receiving rations increased from 2 to 10 percent, whereas the share of returnees receiving rations increased from 3 to 6 percent. The lower level increase for returnees may be related to the issue of reregistration for those who transferred their rations on displacement. The increase in beneficiary coverage, however, was offset by a fall in the level of transfers, with just 4 percent receiving a full transfer in January 2018 compared to 9 percent in December 2017.⁶³ At the national level, non-displaced households received about two thirds of their wheat allotment in 2016 and 2017.⁶⁴

The *fifth* and final key problem is the actual food basket composition, shown in Table 3. Given that this is a food transfer programme delivered by the Ministry of Trade, it has to use non-perishable durable foods to reduce loss and waste in the supply chain. The high level of subsidies for

these foods distorts the prices of healthier, higher nutrient food such as fruits, vegetables, legumes, fish and animal products. Households diversify diets as incomes rise, but every 10 percent rise in household food expenditures consists of about a 5 percent increase in calories and a 5 percent increase in the average cost of a calorie.⁶⁵ Healthier foods are disproportionately expensive relative to the subsidized ones, resulting in households consuming less of the former, even when incomes rise.

Table 3: The current food basket for Iraqi households under the Public Distribution System

Item	Monthly share (kilograms)	Daily share (grams)
Flour	9	300
Rice	3	100
Sugar	2	66.7
Oils	1.25	41.7
Infant formula*	1.8	60

Note: *While infant formula is theoretically included in the ration basket, it is not supplied. Source: WFP 2018.

The current levels of wheat and rice in the basket represent about 1,500 calories per person per day, or almost three quarters of a 2,100 calorie per day adult diet. This leads to a poor-quality diet dominated by starchy staples and limited in high-quality nutrients. It results in adults being overweight and obese, and children suffering micronutrient deficiencies and stunting. Even more alarming is the magnitude of the sugar ration given that sugar contributes nothing but energy calories and lacks other nutrient dimensions. The current WHO recommendation for consumption of added sugars is below 10 kilogram per year, and preferably below 5 kilograms. The current ration far exceeds that recommendation at 24 kilograms of sugar per person per year.

The impact of the Public Distribution System on children’s diets was revealed by the 2018 United Nations Children’s Fund (UNICEF) and Government of Iraq Multiple Indicator Cluster Survey, which showed that less than half of children aged 6 to 23 months consumed a minimally diverse diet to support healthy growth.⁶⁶ Poor diet in childhood predisposes Iraqis to significant risk factors for non-communicable diseases, including cardiovascular problems, cancer and diabetes, and may impose high future costs on the Iraqi health service.

4.1.3 Public pensions

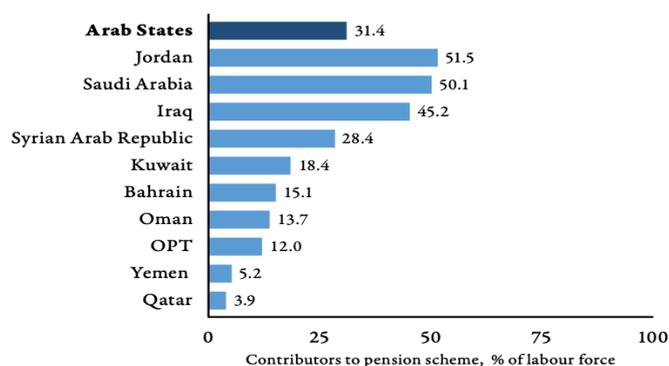
In Iraq, state pensions are theoretically universal, although they are largely limited to public sector employees. Coverage includes state-owned enterprises and, to a very limited extent, private sector employment. The National Pension Board is responsible for the almost universal coverage of the public sector, which includes civil servants, security forces and those covered by the Law of Martyrs. Around 1 million people, and their pension beneficiaries, still benefit from the previous public pension scheme terminated in 2006.

The Ministry of Labour and Social Affairs’ Pensions and Social Security Department covers private sector workers, but only around 3 percent given that most companies are small, unregistered and informal, and do not offer contributory pension schemes. There are no social insurance schemes for self-employed, part-time, informal or casual workers, leaving the majority of the 8 million people in the labour force uncovered by a pension.⁶⁷ As Figure 2 indicates, pension coverage is relatively high in Iraq compared to the Arab region, but a major reason is high public sector employment.

The public pension programme is generous. It establishes an early retirement age of just 50, with a minimum of just 15 years of service needed to generate a minimum 60 percent of the average wage, equivalent to approximately \$340 per month.⁶⁸ Accrual rates are high at 2.5 percent, yielding high income replacement rates. Additionally, significant payments to ineligible

beneficiaries in 2015 amounted to 82 billion dinars (close to \$69 million) or 4.8 percent of total benefit payments of 1.7 trillion dinars (approximately \$14.2 billion) by the National Pension Board.⁶⁹

Figure 2: Effective coverage by old-age pensions



Note: Active contributors. The age range considered is 15–64 for the denominator, and as far as possible also for the numerator in the case of active contributors. Weighted by total population. Source: ILO 2017.

A 2016 proposed reform, designed by the World Bank, National Pension Board, and Pensions and Social Security Department, would have left the earliest retirement age of 50 unchanged but increased the years of service required to 25. The mandatory retirement age would have increased to 63 years, the accrual rate would have been reduced and the final pension payments indexed.⁷⁰ While the draft law for the reform was approved by the Iraq Council of Ministers in November 2016, it is still pending approval of the Council of Representatives. Instead of addressing the fiscal unsustainability of the current system, with the public sector scheme expected to run a deficit by 2025, the unrest of 2019 led the Government to introduce an amendment to Law 9/14, in November 2019, which would further compromise the financial sustainability and fairness of the pension system by increasing pension benefits.⁷¹ Total spending on pensions amounted to an estimated 4.2 percent of GDP in 2019.

An additional pension burden comes from non-contributory pensions paid to beneficiaries through the Law on Martyrs Foundation. The law covers the survivors of people who died due to offences

committed by the Baath Party, deceased members of the Popular Mobilization Forces and people politically persecuted in the past five decades. This pension has a decades-long, increasing liability in that is available to parents, spouses, siblings, children and grandchildren. The benefits are extensive and include pensions, housing, land, construction grants, civil service job placements and transfers, and free domestic and international transportation for education and health care. Additional privileges entail tax easements, tuition and entry examination waivers. The diversity and complexity of benefits seem to support a non-transparent and potentially ‘preferential’ system.

4.1.4 State and humanitarian assistance for refugees and internally displaced persons

In April 2020, about 1.4 million people were still displaced as a consequence of the ISIL insurgence, with 78 percent displaced for more than three years.⁷² They are frequently considered one of the most vulnerable segments of the Iraqi population. Given that 20 percent of IDPs lost their identification documents in their displacement, they face issues accessing education, health and social services including the Social Protection Network programme, as well as transferring their Public Distribution System registration to access food transfers.⁷³

IDPs and refugees are not homogenous groups, with some residing in camps and others in host communities. IDPs in camps were more likely to have been poor prior to their displacement. They were unable to relocate their households, rent or access other accommodation, and potentially transfer or begin new livelihoods. While 4.7 million people who were previously displaced had returned to their areas of origin by March 2020, 11 percent have gone back to locations with below par living conditions not conducive to return.⁷⁴ A lack of sustainable employment was one of the main challenges reported.⁷⁵

Most IDPs live in the northern (78 percent) and Kurdistan (13 percent) regions of Iraq.

Displaced households have larger families, with greater dependency ratios than non-displaced households.⁷⁶ The 2017-2018 Rapid Welfare Monitoring Survey revealed that IDPs have lower levels of welfare across the board.⁷⁷ Estimates show that the 2014 crisis eroded five years of poverty progress with stark impacts on IDPs, slashing their per capita income by 62 percent and per capita consumption by 22 percent.⁷⁸ By 2017-2018, IDPs were more than three times as likely to be poor and vulnerable. They are more likely to be hungry, yet most have faced problems accessing their Public Distribution System rations, with 14 percent receiving no transfers in 2016-2017. Those who did access benefits only received about one third of their wheat flour allotment over the year.

Interministerial management issues exist in overseeing the welfare of IDPs, which is under the Ministry of Migration and Displacement rather than the Ministry of Labour and Social Affairs or the Ministry of Trade. Benefits are theoretically paid both upon displacement and return to the home area. Once in the home area, poor and vulnerable households should qualify for Social Protection Network transfers, but often this does not occur. Ideally, the Ministry of Migration and Displacement would transfer the appropriate information to the Ministry of Labour and Social Affairs, but the former does not have management information systems that can accommodate this, given that it maintains data through an Excel spreadsheet.

While initial displacement should trigger settlement payments by the Ministry of Migration and Displacement, those were stopped in 2016, likely due to budget pressures. Further, the ministry required IDPs to produce their Public Distribution System card to register as displaced, but then did not appear to use that information to register IDPs for transfers from the Ministry of Trade. Instead, the Ministry of Migration and Displacement made food transfers both in camps and to IDPs outside. These transfers were erratic and may be one explanation for the failure of IDPs to receive their full Public Distribution System transfers.

IDPs have mostly relied on international humanitarian and development actors to meet essential needs. For example, 'top up' transfers in Anbar, Ninewa and Salah al-Din provided by humanitarian actors such as the World Food Programme represent around 65 to 70 percent of the total entitlement provided by the Ministry of Migration and Displacement, and mainly consist of cereals and lentils to complement the ministry's food basket or a cash transfer of 11,000 dinars.⁷⁹

The Ministry of Migration and Displacement began establishing a system to make a one-time resettlement transfer to IDPs returning to their home areas, but this had no link to the Social Protection Network system in the Ministry of Labour and Social Affairs. With the Government encouraging IDPs to leave camps by closing in-camp health clinics and schools, and some IDPs moving to other camps, it is unclear what transfers have followed them.

In addition to the IDPs, close to 290,000 refugees live in Iraq, of whom 86 percent are Syrian and 14 percent originate from other countries.^{80,81} At the end of September 2016, IDPs and Syrian refugees constituted one third of the population of Kurdistan.⁸² Seventy percent of the latter were in the labour force, with one third employed. Most worked in construction, wholesale and retail trade, and services. School enrolment of Syrian refugee children remains low with in-camp enrolment higher for girls at 68 percent versus 64 percent for boys. The ratio is reversed outside camps with boys' enrolment at 46 percent and girls' at just 35 percent.⁸³ Syrian refugees are more likely to use public health facilities than their host communities, 51 percent versus 40 percent, possibly due to higher costs of private sector health care. This is particularly true of those living inside camps.

One long-standing group of refugees are Palestinians, who entered Iraq in several waves, some dating back to 1948 with the creation of Israel. They were favoured to a degree in Iraq until 2003, particularly under the Saddam Hussein regime. Entitled to all the privileges and rights of citizens by Law 202 of 2001, they qualified for free

education and health care, public sector jobs, free housing, pensions and transfers like the Public Distribution System.⁸⁴ Their situation became more difficult after 2003, however, and at the beginning of 2018, many benefits were removed when Law No 76 stripped Palestinian refugees of their rights and classified them as foreigners.⁸⁵ Since 2003, up to 25,000 Palestinians may have fled Iraq, leaving around 9,000, with some moving to camps when they were stopped from entering Jordan and Syria.⁸⁶

Multiple actors provide extensive humanitarian and development assistance, especially in IDP and refugee camps. This support helps in addressing challenges the Government is experiencing in ensuring that these groups fulfil their most basic needs. But in reality, this is not a sustainable option, and a more institutionalized and mainstreamed approach should be sought.

5. SOCIAL PROTECTION TRENDS AND NEEDS IN IRAQ TODAY

The pandemic and declining oil revenues mean that the Government faces growing needs for broader social protection coverage and increased transfers, while also contending with a significant decline in fiscal space. The structure of public spending, dominated by public sector wages, pensions and transfers, including the Public Distribution System and Social Protection Network, makes it extremely difficult to reduce expenditure without significant repercussions.⁸⁷ Additionally, development and humanitarian partners who supplement government social protection are quite likely to face their own budget shortfalls as many of their donors are expected to increasingly focus on their own domestic needs.

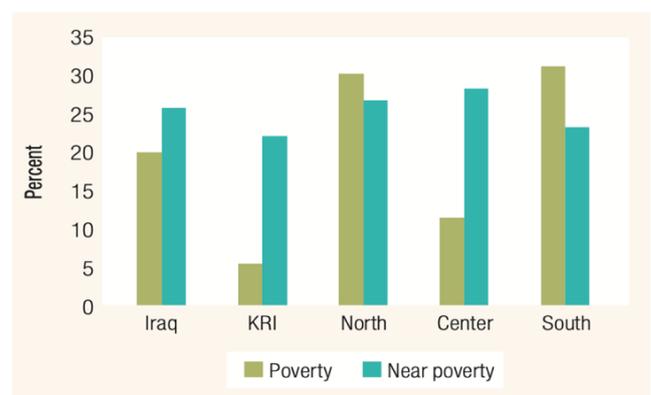
The pressures are many. Curfews, movement restrictions and limitations on gathering designed to slow the spread of the virus have hampered economic activities, resulting in income declines and lost livelihoods, and potentially raising the prices of necessities. The long-term impacts on workers in the private and informal sector are likely to be far greater than those in the public sector as the former mostly lack social protection coverage. The impacts will be harshest on those who are already vulnerable and poor, including female-headed households, which are disproportionately affected.

Further, the pandemic has hit Iraq's underresourced health system hard, even beyond the struggle to stretch limited capacities and equipment. Poor compliance with social distancing policies among many Iraqis has stemmed from their lack of trust in institutions or unwillingness to take the pandemic seriously. Some are forced to risk disease in order to sustain their livelihoods. Frustration with the situation at times has boiled into violence against doctors by desperate families of people who have succumbed to the virus.⁸⁸

Recent estimates show that poverty will increase from about 20 percent of the population in 2017-

2018 to 32 percent in 2020, boosting the number of poor and vulnerable Iraqis by about 4.5 million (Figure 3).⁸⁹ Multidimensional poverty, which takes into account access to basic goods and services, is predicted to increase from 35 percent to 42 percent, with nearly half of all children at risk of some level of deprivation, including in schooling and access to safe water.⁹⁰

Figure 3: Distribution of poverty and vulnerability in Iraq



Source: World Bank 2020e.

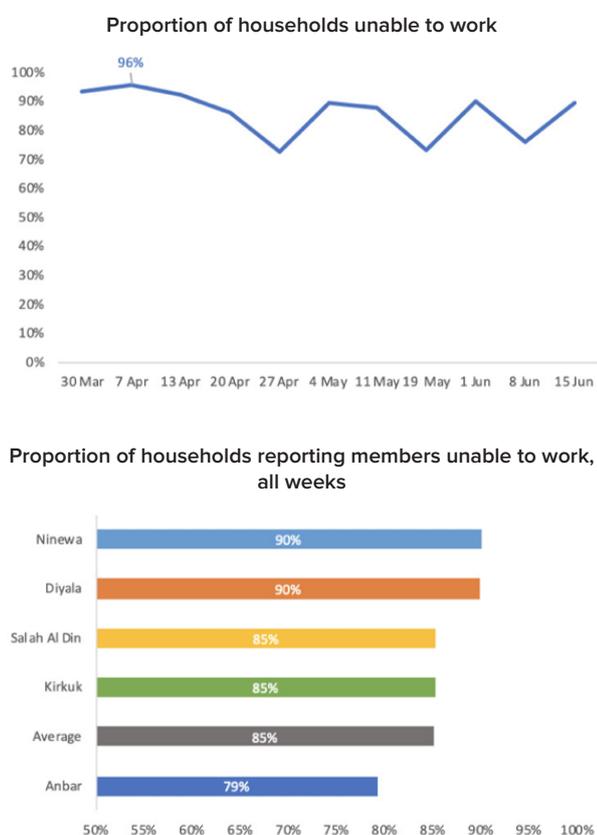
Pre-pandemic, 26 percent of households were vulnerable to falling into poverty, with incomes at less than 150 percent of the poverty line, meaning that almost half the Iraqi population was either poor or vulnerable. With forecasts suggesting that poverty has already increased by more than 50 percent, just under half of those vulnerable to poverty have now fallen into it. If the rest of the vulnerable become poor, social protection needs will rise exponentially.

Income poverty is not evenly distributed throughout Iraq. Chronic poverty is concentrated in the south, but the north has emerged as one of the most economically deprived areas given significant displacements from the ISIL conflict.⁹¹ This vulnerability was confirmed with survey data covering 25,000 households in Anbar, Diyala, Kirkuk, Ninewa and Salah al-Din, collected between September 2019 and March 2020, which

estimated that 28 percent of families lacked any access to income, and 45 percent depended on casual labour.⁹²

Additional survey data collected between March and June 2020 across 16 districts in five governorates, as illustrated in Figure 4, show that, on average, 85 percent of households were unable to work between the end of March and mid-June 2020. The most impacted areas were Ninewa and Diyala, with rates as high as 90 percent. These five governorates are also home to the majority of IDPs and returnees.⁹³

Figure 4: In five governorates, large shares of households face barriers to work



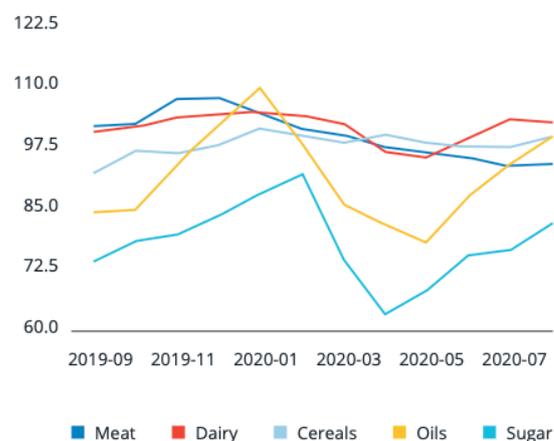
Source: Cash Consortium for Iraq, 2020.

For 10 governorates, the cost of the common basket of essential goods was 33 percent higher in early April compared to January 2020.⁹⁴ The highest peak was in Salah-al-Din in the same period at 49

percent. One quarter of Iraqi imports come from Iran, and many are food imports, including fruits and vegetables, largely entering through the Kurdistan Region of Iraq. As a result of insecurity and unrest in 2019, Iranian imports had already fallen. When the Government of Iraq in 2020 banned imports from Iran altogether as a response to COVID-19, prices spiked in Baghdad by 100 percent in one week between 9 and 16 March.⁹⁵

At the national level, food prices for cereals, meat and dairy moved within about a 10 percent band, but oils and sugar, two commodities in the Public Distribution System ration, fluctuated sharply, with steep rises in the last quarter of 2019 and substantial falls through the first part of 2020. They now show an upward trend, although good cereal yields have undoubtedly helped keep cereal prices stable. Oil and sugar price movements are likely due to supply chain disruptions.

Figure 5: Food price index of staple commodities, 2019 to 2020



Source: WFP et al. 2020a.

Iraq Vision 2030 reported that the economic activity rate of the workforce was just 44 percent in 2017. Unemployment was at 16 percent overall, with women's share at 65 percent. Unemployment among vulnerable populations was 19 percent before COVID-19 according to a June 2020 household survey,⁹⁶ with the highest rates among women (at 28 percent) and youth (at 42 percent). Only 38 percent of surveyed women

were economically active in the labour market prior to the March 2020 lockdown; 95 percent had no social security coverage and 97 percent no health-care coverage. After the pandemic started, respondents with written employment contracts did not experience a decline in their income. Those with verbal agreements saw about a 40 percent reduction, with more than 80 percent receiving no cash assistance and 74 percent no in-kind assistance.⁹⁷ It is unclear how quickly a largely informal economy will rebound.

5.1 The government social protection response in addressing emerging or anticipated social protection needs

The magnitude of the current crisis has forced the Iraqi Government to take a number of measures to reduce the impact on the entire economy, society and those with escalated social protection needs. New interministerial committees have been established, such as the Supreme Committee for Health and National Safety, and the Emergency Cell.

In addition, the Emergency Cell for Financial Reform was established in May 2020, to manage the fiscal crisis and draw up an economic reform programme. New decrees and economic procedures are aimed at reducing government spending and providing fiscal scope to cover both current and new social protection needs, among other demands. The Government revised its monetary policy "as part of a larger economic strategy to protect local industry and stimulate local growth",⁹⁸ banning imports of some agricultural products to protect local agriculture.

The Government, like others around the globe, has been active in enforcing containment measures to help slow the transmission of the virus, yet such restrictions are likely to be most onerous for those engaged in casual and unskilled labour, who have a higher likelihood of being poor and vulnerable. The use of law enforcement personnel to maintain curfews may further erode trust, especially without systematic

social protection benefits to cover lost incomes for those most affected. With the majority of the most vulnerable people having no social insurance coverage, the Ministry of Labour and Social Affairs plans to increase the number of people entitled to social security benefits.⁹⁹

To protect national food supplies and manage food prices, the Ministry of Planning launched a National Food Security Project (2020-2022) in April to secure food from local farms and promote self-sufficiency. Parliament announced a new emergency agricultural plan in May, which, among other steps, restricted 24 food imports, including chicken, eggs, fish, fruits and vegetables, to protect domestic agriculture.¹⁰⁰ Movement restrictions, however, along with good harvests, resulted in price falls in producing governorates. While low prices were good for consumers, in producing governorates, a great majority of agricultural workers are poor and vulnerable, and faced declining incomes.

Agriculture is complex in Iraq, and like most sectors, is highly government controlled. Input subsidies and production payments come from the Ministry of Agriculture and Ministry of Trade, respectively. As part of the COVID-19 response and to reduce government liabilities, these "farmer accounts" were transferred to the Agriculture Development Bank. It then paid farmers a net sum less any outstanding loan balances, transferring its liabilities to farmers at a time when they were likely experiencing income shortfalls themselves. A budget is being transferred from the Ministry of Trade to the Ministry of Agriculture to cover the provision of subsidized seeds to farmers for wheat and barley, both strategic crops in Iraq.

In 2020, the Ministry of Trade faced challenges in delivering the Public Distribution System. While wheat grain stocks were replenished by good agricultural harvests, the fiscal deficit constrained procurement of vegetable oil and sugar, limiting their distribution.¹⁰¹ One consequence has been high volatility in the prices of sugar, oil and vegetables, especially in the northern and southern areas, which are already home to the poorest and

Figure 6: Summary of social protection measures taken in Iraq in light of COVID-19 as of June 2020

Provider	SOCIAL INSURANCE AND LABOUR MARKET				SOCIAL ASSISTANCE				SPECIAL POPULATIONS		IMPLEMENTATION MEASURES		
	Financial protection in accessing health care	Leave benefits	Unemployment insurance, wage subsidies, and others	Changes in social security contribution and benefits	Cash transfers		In-kind transfers		Other mechanisms to support household incomes	Interventions to support foreign workers	Interventions to support refugees and IDPs	Admin./operational tweaks due to emergency	
	Gov.	Gov.	Gov.	Gov.	Gov.	UN	Gov.	UN	Gov.	UN	Gov.	UN	
Iraq		X			X		X	X	X		X		X

Source: United Nations, 2020a.

most vulnerable people.¹⁰² Wheat flour has been released to Public Distribution System with a one-month delay. Of greater concern is that while the Ministry of Trade has started to pay some farmers for their 2020 production, it still has not paid all farmers for their 2019 production, leaving some worse off than they should be.

Ideally, a government responds to crisis by expanding existing social protection programmes. In Iraq, there may have been a one-time expanded payment to 600,000 beneficiaries of the Social Protection Network, but it is not clear what the top-up transfer amount was, and why it reached only around half of network beneficiaries.¹⁰³ It is also not clear whether there has been any horizontal expansion to reach more beneficiaries.

New programmes and measures have been launched but on an ad hoc basis. Their coverage is unclear, with the risk of some beneficiaries receiving multiple transfers, others one and some none. This could undermine social cohesion, especially if the receipt of benefits is seen as linked to political patronage. A “1 million food baskets for the poor” initiative was reportedly launched on 7 April 2020, targeted to poor and vulnerable households, and appearing to use the Social Protection Network management information system database. The cost of the basket was \$15, and it was reported that 708,360 households had received it by 13 April. It is not clear how or why the Social Protection Network’s current reported

coverage of 1.3 million households was reduced to 1 million for this programme, however.

The Ministry of Migration and Displacement delivered around 250,000 relief packages to IDPs across the country in July 2020, which included 104,551 food baskets. The Kurdistan Region Government delivered one-time payments of about \$84 to around 140,000 vulnerable households in Duhok, Sulaymaniyah and Erbil after Eid al Adha. It is not clear whether there have been subsequent payments or more movement restrictions imposed in December 2020, given that 57 percent of active COVID-19 cases were in these three areas.

A new programme launched in April 2020 is called Minha. With a budget of 300 billion dinars, it covers all governorates and is accessible through an Internet-based application. Considering low Internet access, people can also apply through WhatsApp, since the majority of Iraqis own a smartphone. Eligibility is limited to Iraqi citizens, aged between 18 and 55 for women, and 18 to 66 for men, who receive no government salary, pensions or benefits. Applicants must be registered as unemployed and have an ID card and Public Distribution System ration card.

Applications have reportedly been received and unique identification numbers issued, but there was no verification with social workers, as under the Social Protection Network. Verification was only through government databases. Most data

are provided through personal communications and are variable, but a reported 7 million out of 12 million eligible households had received a transfer by 3 July 2020. Other information indicates that the 13 million person initial applicant list was reduced to about 2.4 million, of whom only 600,000 had received transfers three months later. The benefit represented a one-time payment of 30,000 dinars (about \$253). It was also reported that 67,000 Minha recipient households will be added to the Social Protection Network.¹⁰⁴ There is no information on whether Minha reached the poorest Iraqis or those most in need as a result of the crisis.

An ongoing challenge to social protection in Iraq, and one that has come to the forefront during the pandemic, is that all ministries with critical roles in the system face difficulties in identifying and registering beneficiaries, and the subsequent delivery of transfers. Management information systems are rudimentary at best, ranging from an Excel spreadsheet to data transfer by CD-ROM.

5.2 Potential social protection needs for the next 18 to 24 months

When the pandemic struck, Iraq was in the middle of a six-month period of social unrest, with a temporary government in place from November 2019 to June 2020, when a new Prime Minister was appointed. Ongoing political conflicts among the ruling parties, especially as oil revenues have fallen, have undermined the relationship with the Iraqi people, fostered political capture and deepened societal divisions. The flames are fanned by external political interference. Social unrest and protests appear to be coalescing around themes such as corruption, inadequate and inefficient service delivery, and a lack of economic diversification and jobs. All of these factors point to increasing fragility in Iraq, particularly if the Government does not respond to worsening economic hardship by delivering social assistance in a transparent and accountable way.

It is not clear how long the pandemic will last, and when vaccines will be widely available to the

Iraqi citizenry. Even with vaccines now available, the capacity of the Iraqi health system to deliver them poses a challenge. Immunizing all Iraqis requires planning and clear priorities. Given limited resources, the poor and most vulnerable may be least likely to have access to immunization, even as financial necessity pushes them to disregard movement restrictions. If such people are not reached with social assistance transfers, then they should be prioritized along with health-care workers for immunization. Similarly, IDPs and refugees living in camps should be prioritized given that their living conditions put them at higher risk of infection. This calls for close coordination of the Government with relevant humanitarian and development actors. Prior to realizing a fully immunized population, spikes in infection rates are possible, resulting in subsequent lockdowns, and loss of casual and informal work and income.

The Social Protection Network programme will need to expand, and depending on the depth of poverty, may need to increase the transfer size. This would be more efficient than adding new programmes, and could include bringing new Minha enrollees into the network's fledgling social registry. Given that the pandemic-related increase in poverty is likely to further worsen, already below par health and schooling outcomes will undoubtedly deteriorate further, yet progress has stalled on the evaluation of the conditional cash transfer programme to incentivize antenatal and postnatal care for pregnant women, child immunization and school attendance. This evaluation should be concluded as soon as possible with a view to learning and rolling out this programme nationally.

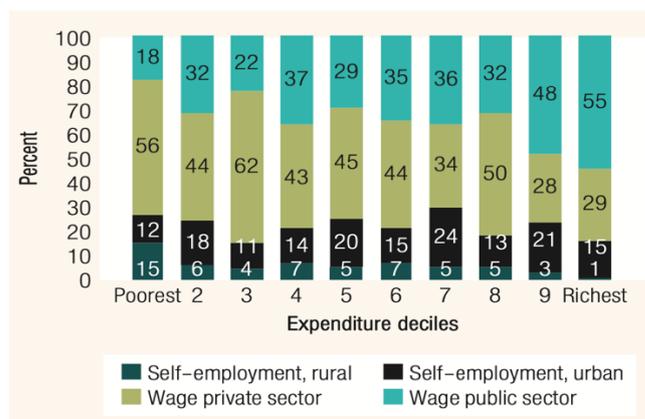
IDPs and refugees may be particularly affected by declining employment given they are more likely to work in disrupted informal and casual labour markets. The Kurdistan Region of Iraq, home to many refugees, may face additional challenges stemming from fiscal constraints at the federal level, which may reduce fiscal transfers. This would exacerbate tensions between the region and the State.

IDPs face an additional challenge given the increasing pressure to close camps, potentially forcing them back to damaged areas that lack health care and schooling as well as jobs. There is widespread sentiment that the 2019 government budget did not sufficiently prioritize the rebuilding of these areas, many of which were likely deficient in public infrastructure and services even before displacement. Given an ongoing lack of social cohesion, rebuilding both infrastructure and services is important, as is fostering community development. The Ministry of Labour and Social Affairs, Ministry of Migration and Displacement, and Ministry of Trade need to work together to ensure that camp-based IDPs are registered and verified to qualify for the Social Protection Network and their Public Distribution System rations, with a view to those transfers being received immediately on return to home areas.

Fiscal constraints will result in delays in the Public Distribution System and affect the magnitude of transfers. This can be critical for people depending on the system for a significant portion of food expenditures. Fiscal constraints will also impact the payment of public sector employee salaries and retirees' pensions. The Iraqi Government estimated that up to 15 million Iraqis, including 6 million state employees and 9 million pensioners, experienced delays in pension payments in September and October 2020.¹⁰⁵ Depending on which public employees are affected, this could result in significant issues for those at the lower end of the salary scale with less in savings.

Among the poorest 10 percent of the Iraqi population, just 18 percent are waged public sector workers. In the second poorest decile, their share rises to 32 percent. Delays in their salaries would undoubtedly be damaging. In the richest decile, more than half are public sector waged employees, as shown in Figure 6. Those in at least the upper deciles can likely make their own provision to cover temporary salary delays.

Figure 7: Employment income source by expenditure deciles



Source: World Bank 2020e.

Another impact of the pandemic has been a crisis of sexual and gender-based violence. COVID-19 has not only magnified the stress on households, potentially increasing gender-based violence, but reduced available services. A survey in 11 governorates reported that 65 percent of sexual and gender-based violence service points reported an increase in one of more types of violence, and 94 percent reported an increase in domestic violence. Ensuring provision of services together with safe spaces will be critical going forward.¹⁰⁶ Further, there is increasing evidence linking cash transfers to reductions in violence.¹⁰⁷ Social protection mechanisms more broadly can be an important component of responding to survivors of violence, helping to facilitate access to services. Such programmes may also face limitations in uptake and success when gender-based violence remains unaddressed.¹⁰⁸

5.3 Steps towards a social protection system with a focus on the poor and vulnerable.

Iraq's move in 2014 towards a more targeted approach to social protection should have left it better able to manage the current crisis. The mid-2018 elections, however, combined with delays in establishing leadership positions, including the Minister for Labour and Social Affairs, stalled progress. The 2019 return to a boom economy

with rising oil prices and a good wheat harvest removed the pressure to move forward.

Iraq now urgently needs to reignite its efforts to establish a social protection system, not only to enhance social cohesion and meet immediate needs, but also better respond to the next crisis. This should accompany broader economic and social reforms aimed at greater inclusion, broader prosperity and enhanced trust in a fairer society.¹⁰⁹ This section looks at existing programmes and needed reforms, before laying out what an ideal social protection system might look like.

5.3.1 The Social Protection Network

The Social Protection Network should continue to be the core of the social protection system. Potential components of a layered system were piloted with the conditional cash transfer programmes launched in Sadr City. Much more needs to be done, however, to expand the Social Protection Network to all who qualify, set up a social registry and add programmes such as conditional cash transfers that incentivize health care and schooling. The Social Protection Network addresses income poverty, but if it added conditional cash transfers, delivered equitably and reliably at the national level, then it would have the foundation of a social assistance component that addresses some of the multiple dimensions of poverty. This would go a significant way towards reducing vulnerability.

This system will not be optimized, however, if Iraq does not also improve access to quality health care, and achieve universal health coverage and schooling. Ideally, Iraq should institute a health insurance programme that supports universal coverage with payment according to means. Integrating this in a social protection system would mean that households under the Social Protection Network would automatically qualify for free health care. Health insurance premiums for other Iraqis would be based on income levels. Given low school enrolment rates, particularly for intermediate and high school levels, Iraq should

also explore a national school feeding programme, prioritizing the poorest districts first.

5.3.2 The Public Distribution System

Given the fiscal constraints likely to continue for at least 12 to 24 months, urgent reforms are needed to reduce the costs of delivering the Public Distribution System, improve its delivery efficiency and ensure that it is progressive in providing more benefits to poor and vulnerable populations. A first stage would be to enable a national electronic transfer system connected to the Social Protection Network. Through a common delivery system, different levels of food transfers could be based on registration and/or qualification for the network. A smart card combining benefits under both schemes, similar to the system used in Egypt for the Tamween programme,¹¹⁰ would enhance integration and ease access for beneficiaries. For those qualified for the Social Protection Network but not receiving benefits, the value of the food transfer would be higher than for those already receiving benefits.

The logistics of the Public Distribution System require reform. Responsibility for the full supply chain should be transferred to the private sector and away from the Ministry of Trade. This would result in considerable budget savings, but the timeliness of payments to the private sector will be critical to ensure that traders participate. Under this system, the Ministry of Trade or another ministry would compensate retail traders for goods supplied at a subsidized rate to beneficiaries. This change would deliver a much needed stimulus to the Iraqi private sector food supply chain, which would no longer face unfair competition from the Ministry of Trade. As such, it would complement the commitments made under the National Food Security Project 2020-2022.

The digitization of Public Distribution System cards combined with private sector delivery would enable changes in the food transfer package. It can move to a longer listing of 'permissible' foods, reducing larger quantities of sugar and cereals, and

increasing fresh fruit, vegetables, legumes, etc. With a digital system, available food choices can be customized, such that poorer households get higher transfers with more cereals, or households with young children have more access to child-specific nutritious complementary foods.

Reforms to the Public Distribution System will be contentious. In the first stage, targeting should not be too restrictive, given that many Iraqis depend on the system. There should be public communication, with some focus on the public health consequences of the current system, and the likelihood of people becoming overweight and obese, leading to non-communicable diseases and potentially early death. The reform can be positioned as improving the health of Iraqis as well as protecting the poorest and most vulnerable individuals.

The Government is currently working on digitizing the Public Distribution System so that citizens' data will be safely encrypted and stored. Security will be enhanced by using fingerprints or iris scans. The Government will be able to identify and remove duplicate records as well as conduct biometric verification at the time of food collection. A mobile application is being designed, myPDS, which people will use to collect their entitlements and update family information at their convenience, using personal smartphones. This is a major step forward, but care needs to be taken with respect to gender issues at work around who has access to phones, who is responsible for food purchases, and even more critically, who has control over food choices.

5.3.3 Pensions

It is beyond the scope of this report to fully analyse the current pension system and recommend pension reform. The current pension system is generous for most public sector employees, with relatively few years of service required and high wage replacement rates. In 2019, the Government, seeking to address public unrest by expanding public sector employment, also moved workers

over 50 years of age out of employment and into their pensions. While this reduces gross public sector salaries, it increases the pension bill. This strategy is unsustainable for a system already forecast to be in deficit in 13 years.

Further, the pension provision for non-state employees needs to be strengthened, with much higher coverage levels to enable all workers to access future pensions. The 2017 pension and social insurance reform law approved by the Council of Ministers should be expedited through the Council of Representatives. This law integrates public and private pensions, provides for voluntary pensions, and moves towards ensuring everyone has access to pension provisions.

5.3.4 IDPs

A more comprehensive social protection system is imperative to address the needs of IDPs, facilitate access to services and enable return to places of origin. Key issues at present are the number of ministries engaged in the delivery of benefits, and the lack of a national registry for the Public Distribution System resulting in IDPs having to re-register. Given that IDPs in camps are very likely to be economically deprived, the Social Protection Network application system should be readily available to them, and their applications verified. Further, each ministry is working with a different humanitarian and/or development partner to improve information management, but without systematic coordination and complementary approaches. These activities need to be linked, both among ministries and partners, and become the basis for a common registry.

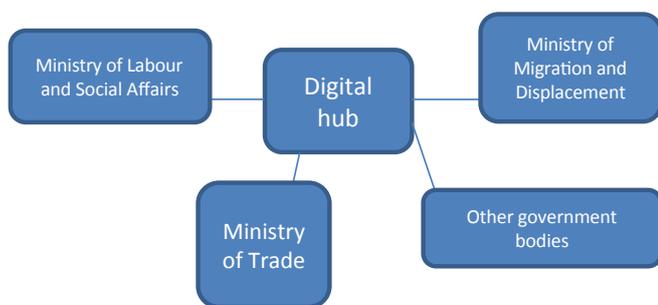
Given high levels of unemployment, a more coordinated public works programme should be initiated. It should ensure a coordinated needs assessment and identification of suitable public works that, for example, meet needs in former conflict areas for rehabilitating agricultural irrigation, schools, health clinics, local government offices, and water and sanitation facilities. A coordinated and strategic approach would deliver

rehabilitated infrastructure and work opportunities for the unemployed and returnees, and could offer skills development for workers to support future employment.

5.4 What could an Iraqi social protection system look like?

Ultimately, Iraq needs to deliver a cohesive and comprehensive social protection system that enables Iraqi citizens to access appropriate benefits at different stages of their lives as needs arise. Figure 7 illustrates such a system, integrating different ministries within the Government.

Figure 8: Outlining a cohesive and layered social protection system



In such a system, each Iraqi would have their own unique identification number in the digital hub, and that number could be supplied to any government department. The digital hub would enable translation of that identity into all other identities for each agency or government department, and help record which benefits the applicant had already qualified for, while not revealing all data that support those transfers. For example, if a household qualified for free prescription drugs, the hub would reflect this but not the reasons, i.e., the health condition. Since the system would operate in ‘real time’ with a record of all changes made and when they occurred, it would be accountable and transparent. All actors would know which households had already qualified for the Social Protection Network, or would qualify for the it, but may not yet be receiving transfers. The system would allow other transfers by different

government departments to be added depending on mandates and fiscal space.

The development and humanitarian sectors could employ a similar system to coordinate their own activities, and ensure that it is cohesive in terms of delivery to beneficiaries. This hub would only have core identification data, which could be shared with the Government when caseloads are transferred back to the national social protection system. It would not include confidential information that could, for example, result in protection risks.

Ideally, the future would see the establishment of a one-stop government digital hub to access all government services, as described in Box 2.

Box 2: The social protection system reimagined

An Iraqi family welcomes a new child. The father accesses the ‘one-stop’ digital hub through his personal identification number to register the birth of his daughter, potentially using a hospital access point. The hub routes this entry to the Ministry of Interior for allocation of the national identification number for the child. Given the family already has one child, and receives Social Protection Network transfers as they live below the poverty line, the information is automatically routed to the Ministry of Labour and Social Affairs, where the case management system boosts the transfer to 175,000 dinars.

The information is also routed to the Ministry of Health, and an additional conditional cash transfer is delivered to incentivize timely immunization for their new daughter in addition to the antenatal and postnatal incentive transfer they are already receiving. A social worker follows up with the household to confirm the additional child and ensure they are familiar with the requirements, and comply with the child immunization programme as well as the two remaining postnatal visits. Since the family qualifies for targeted Public Distribution System benefits, the information is also sent to the Ministry of Trade to increase the transfer to the household.



6. POLICY RECOMMENDATIONS

This section proposes policy options for the short and longer term based on the analysis in this report. The suggestions align with and reinforce the recent recommendations of the white paper issued by the Emergency Cell for Financial Reforms, which calls for redrawing the social protection system. If implemented, these commitments will mark a significant step forward. They include a unified pension system, reform of the Public Distribution System, a health insurance plan and establishment of a unified social registry.

Since policy responses in Iraq tend to follow a 'boom and bust' cycle linked to revenues from oil, and the last downturn in 2014 led to a positive reform process, Iraq should use this current moment as an opportunity to build back better and cement its existing commitments to a comprehensive social protection system.

Short-term policy recommendations cover a number of areas, recognizing fiscal constraints, and prioritizing the poor and the vulnerable.

- **The Government of Iraq needs to prioritize its scarce budget if it is unable to fully meet its obligations.** First, it should ensure that Social Protection Network beneficiaries receive their transfers in full and on time. Second, it needs to make sure that low-wage public sector employees and retired public sector workers with low pensions, those in the bottom 20 to 30 percent of the income distribution, are paid in full, with other public sector workers and pensioners receiving fractional payments.
- **Public Distribution System rations should be directed towards the poorest governorates and districts** in the north and south of the country when fiscal constraints limit full procurement and delivery by the Ministry of Trade. The ration cards of those in the Social Protection Network should be prioritized so these beneficiaries are assured access to basic foods.
- **The conditional cash transfer programme should be scaled up to all Social Protection Network recipients**, after being refined by

an evaluation of the pilot. This programme provides a much needed head start for children, and by extension backs future potential and productivity. The programme should also ensure that its methodology and targeting caters to the specific needs of women and female-headed households.

- **Establish transparent communication between the Government and citizens** so that everyone understands who receives salaries, subsidies or transfers. This would help to rebuild social cohesion.
- **Introduce a public works programme**, especially in areas damaged by the ISIL conflict or where infrastructure is lacking. This programme could provide employment and training to Iraqi youth and the unemployed to both build worker skills and rehabilitate schools, clinics, hospitals and agricultural infrastructure. Employment should be created in a way that encourages a larger degree of women to participate in the labour force and similarly, address know hurdles for women to participate.
- **Introduce a nationwide school feeding programme.** If fiscal constraints prohibit this, explore a more targeted launch in the north and south and other vulnerable districts.
- **Instigate the design of social insurance programmes**, specifically for those working in the private sector.

The medium- to long-term policy options are aimed at developing a more shock-responsive, agile social protection system that can expand vertically and horizontally to address future crises. This stands in contrast to non-transparent, non-targeted, ad hoc programme responses. These options are premised on the assumptions that economic diversification will deepen and a private sector formalized workforce will expand.

- **The most critical need is to establish a social registry** that spans all social protection instruments, including the Public Distribution System, and that can be used in all future

shocks to target benefits to those most likely to be affected and in need. Such a system allows interoperability among all programmes, and ensures that Iraqis can access the benefits they need at all stages of life. The social registry should rationalize the current situation of numerous incompatible management information systems.

- **Use the social registry to horizontally expand the Social Protection Network** and ensure that the application portal is always open for new potential beneficiaries.
- **Reassess the adequacy of the size of the Social Protection Network transfer and increase it if necessary.** If fiscal space constrains an adequate transfer level, then a stepwise phase of increases should be planned. A system should be created that links the transfer level to an index of inflation.
- **Supply chain management for the Public Distribution System should be switched to the private sector from the Ministry of Trade.** This is critical to jump-start the agricultural sector, and the associated supply chain from farmers to retail outlets. It should also reduce supply chain disruptions, and distortionary agricultural prices as a result of set prices by the ministry. There would be significant reductions in the need for ministry employees, generating cost savings in the long run, although undoubtedly much of the reduction in staff would be handled by retirement where the system is generous.
- **The Public Distribution System ration card should move to an electronic card delivery system,** linked to the Social Protection Network through the social registry, and built around unique national numbers for individuals as opposed to governorate and district-specific numbering. Beneficiaries could use their smart cards in an array of stores anywhere in the country, avoiding disruptions when they are displaced for any reason.
- **The benefits under the Public Distribution System should be rationalized.** This will be very sensitive unless well communicated and transparent. Targeting the programme could begin by gradually reducing eligible beneficiaries based on income levels, aiming initially for 70 percent of Iraqis and then 50 percent. This would release some fiscal resources for other programming. A list of foods for beneficiaries to purchase with a smart card could be tailored to higher nutrient foods that the poorest and most vulnerable Iraqis cannot otherwise afford.
- **Revisit the proposed 2016 public employee pension reform** and approve steps to address the high accrual rate as well as the low pensionable age and years of service.
- **Establish a digital hub** that builds on the social registry to deliver a one-stop shop for any Iraqi to register for, process changes in and secure their social protection benefits.

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ENDNOTES

- 1 UN News 2020.
- 2 ILO 2017.
- 3 UNDP 2011.
- 4 ILO 2020b.
- 5 SDG 1.3 recognizes the need for universal social protection coverage in order to eradicate poverty and ensure no one is left behind in an economic growth agenda promoting prosperity.
- 6 USP 2030 Call to Action, Universal Social Protection platform. See: www.usp2030.org/gimi/USP2030.action.
- 7 Tebaldi 2019.
- 8 While seen as an income poverty level, it is normally measured using expenditure data due to the unreliability of income data, so it represents consumption poverty.
- 9 Manley, Gitter and Slavchevska 2013.
- 10 ILO 2017.
- 11 'Proxy means test' describes a situation where information on household or individual characteristics correlated with welfare levels is used in a formal algorithm to proxy household income, welfare or need.
- 12 ILO 2017.
- 13 World Bank 2018.
- 14 Ibid.
- 15 Ibid. Labour programmes include training, wage subsidies and early retirement incentives. Social insurance (contributory) includes old-age pensions, health insurance, sick leave and maternity/paternity benefits. Social assistance (non-contributory) includes unconditional and conditional cash transfers, school feeding, fee waivers, food and in kind transfers, and public works.
- 16 ILO 2020a.
- 17 Ibid.
- 18 ILO 2017.
- 19 Ibid.
- 20 United Nations 2020a.
- 21 Ibid.
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- 23 ILO 2020a.
- 24 ILO 2017.
- 25 This is a financially and administratively independent body of the Government of Jordan, funded by the Ministry of Social Development, to manage assistance to the poor and vulnerable.
- 26 Takaful is a modern, digitized cash transfer programme launched in 2019 along with the Jordan Social Protection strategy (2019-2025). The Takaful database includes current verified socioeconomic data for over 1 million households using the data exchange platform of the National Unified Registry.
- 27 UNDP 2020a.
- 28 Ibid.
- 29 *The Economist* 1977, Corden 1984, UNDP 2020b, Transparency International 2019, World Bank 2020d.
- 30 World Bank 2014.
- 31 World Bank 2017a.
- 32 Al-Mawlawi 2019.
- 33 World Bank 2014.
- 34 Ibid.
- 35 World Bank 2020b.
- 36 UNDP 2020a.
- 37 Al-Mawlawi 2019. World Bank 2014. Ibid.
- 38 Ibid.
- 39 UNDP 2020a.
- 40 Lloyd's Register Foundation 2019.
- 41 Ibid.
- 42 IMF 2017.
- 43 Phadera, Sharma and Wai-Poi 2020.
- 44 Ibid.
- 45 The roadmap aims to integrate the country's various social protection programmes under a coordinated policy framework. These changes would go hand-in-hand with an expansion of pension coverage, the unification of pension schemes and the introduction of social pensions.
- 46 UNICEF 2018.
- 47 Equivalent to \$88.21, 28 November 2020, using www.xe.com. The poverty level has been updated to 110,981 dinars (\$93.14). UNDP 2020a.
- 48 The exchange rate as of 18 Aug 2018 was \$1 = 1,191 dinars, so 105,000 dinars = \$88.16.
- 49 While seen as an income poverty level, it is normally measured using expenditure data due to the unreliability of income data, so it represents consumption poverty.
- 50 Government of Iraq 2018.
- 51 Government of Iraq 2019.

- 52 Ibid.
- 53 2020 Human Development Index Ranking, hdr.undp.org/en/content/latest-human-development-index-ranking.
- 54 Ibid.
- 55 World Bank 2020e.
- 56 Ibid.
- 57 Ibid.
- 58 World Bank 2017a.
- 59 World Bank 2020c.
- 60 WFP 2016.
- 61 WFP 2018a.
- 62 Ibid.
- 63 WFP 2018b.
- 64 Phadera, Sharma and Wai-Poi 2020.
- 65 Subramanian and Deaton 1996.
- 66 Taken in conjunction with minimum meal frequency required by young children, just over one third of children had a minimally acceptable diet. The end result is that by age 5, 10 percent of children are stunted, 7 percent are overweight and 2 percent are obese. This is also influenced by gender with 12.5 percent of girls stunted compared to 7.5 percent of boys. Among adults, 37 percent of men and 31 percent of women are overweight, and of these, more than 26 percent of men and 38 percent of women are obese.
- 67 IMF 2017.
- 68 Ibid.
- 69 World Bank 2016.
- 70 IMF 2017.
- 71 World Bank 2020f.
- 72 IOM 2020.
- 73 World Bank 2017a.
- 74 Ibid.
- 75 UNDP and UNHCR 2020.
- 76 Phadera, Sharma and Wai-Poi 2020.
- 77 Ibid.
- 78 Krishnan and Olivieri 2016.
- 79 WFP 2019.
- 80 UNHCR 2020a.
- 81 UNHCR 2020b.
- 82 Krishnan and Olivieri 2016.
- 83 Ibid.
- 84 UNHCR 2012.
- 85 Ibid.
- 86 Cambell 2008.
- 87 Ibid.
- 88 Reuters 2020.
- 89 UNICEF and the World Bank 2020b.
- 90 Ibid.
- 91 World Bank 2020e.
- 92 Cash Consortium for Iraq 2020.
- 93 Ibid.
- 94 Ibid.
- 95 World Bank 2020a.
- 96 ILO, UNDP and FaFo 2020.
- 97 Ibid.
- 98 WFP, World Bank, IFAD and FAO 2020a.
- 99 ILO, UNDP and FaFo 2020.
- 100 WFP, World Bank, IFAD and FAO 2020a.
- 101 Ibid.
- 102 Ibid.
- 103 United Nations 2020b.
- 104 United Nations 2020b. Programme details in this paragraph are drawn from Annex 2.
- 105 WFP, World Bank, IFAD and FAO 2020b.
- 106 Gender Based Violence Sub-cluster Iraq 2020.
- 107 Graham-Gouldner 2020.
- 108 Ibid.
- 109 See UNDP 2020a, 2020b and 2020c.
- 110 World Bank 2017b.



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