Stabilizing and Reconstructing Iraq: A Challenging Path Ahead

This paper was produced to explain the situation in Iraq after the Iraqi reconstruction conference, held in Kuwait from February 12-14, and is intended to be used for the Hudson Institute public discussion on February 22.
Iraq has militarily defeated the terrorist organization ISIS. This is the good news, which was also underlined at the recent Global Coalition to Defeat ISIS meeting in Kuwait on 13 February 2018 held in conjunction with the Kuwaiti Reconstruction Conference for Iraq.

Yet the task ahead is as daunting as any military campaign. Now Iraq needs to rebuild and to heal its communities to foster an inclusive national identity. Challenges remain, from funding continuing stabilization efforts to the even larger resources needed for reconstruction over the coming years.

According to announcements made at the Iraqi reconstruction conference in Kuwait, donors have pledged a decent amount, around $30 billion, although $88 billion was touted as the desired amount by the Iraqi Government. The Gulf countries and Turkey are becoming new large donors. The private sector also showed significant interest, although corruption is still a major concern, which the Iraqi government seeks to address.

Continued stabilization is making it possible and desirable for internally displaced persons (IDPs) to return to their homes. Over 3 million Iraqis have returned, but more await in camps or temporary accommodations.

Equally important is reconciliation. The UN is working with the Iraqi government to implement this at the national level. Baghdad and Erbil should pursue continued dialogue and concrete steps forward, including on the thorny issue of Kirkuk, in accordance with the Iraqi Constitution. Inclusiveness for Sunnis is important, both during reconstruction and before and after elections, as their disenfranchisement helped produce fertile soil for ISIS. Yet reconciliation should not be only top-down, and local community efforts undertaken by Iraqi civil society organizations are essential. Reconstruction funding should be tied to government reforms and more importantly, to tangible progress on reconciliation and political accommodation efforts.

A novel aspect of the conference was the US administration’s new approach to burden-sharing in the aftermath of the ISIS presence in Iraq. President Trump wants to build infrastructure at home in the US and has tweeted dismissively about the $7 trillion the US has already spent in the Middle East. The United States will not disburse public funding for reconstruction, which is seen as nation-building, although it remains among the top contributors to humanitarian and stabilization assistance and will provide loans to private companies. Yet even such investments could pose additional risk for American companies because of sanctions against Iran, whose economic presence is felt in several important sectors.

Instead, the US encouraged international institutions and others to step up, and Saudi Arabia, for example, contributed $1.5 billion. Leading up to the conference, the US facilitated a diplomatic reconciliation process between Iraq and Saudi Arabia for outstanding debts owed to Riyadh.

The conference also gave Prime Minister Haider al Abadi a strong platform for brandishing his vision of a united Iraq, although some areas, particularly in the Sunni parts of the country, still feel excluded from reconstruction planning. Still, it is an open question whether that positive vision is enough to bring him another governing coalition following the Iraqi parliamentary elections in May. The continued presence of American military forces is increasingly a topic of contention in the elections.
From Stabilization to Reconstruction: A Huge Task

By the time Prime Minister al Abadi declared victory in Mosul in July 2017, the campaign to retake the city from ISIS had been going on since October 2016. Structural damage was, and remains, extensive—both from ISIS and from the airstrike-heavy battle to defeat ISIS.

This damage to Mosul was catastrophic, and the cost and effort required for stabilization are more extensive than many initially anticipated. Early cost estimates for Mosul alone (primarily the western half of the city) are more than $1 billion dollars for rebuilding basic infrastructure.

But Mosul is just one territory (albeit a significant one) in a series of places across seven provinces liberated from ISIS. Following Mosul, the counter-ISIS campaign continued to cities remaining under terrorist control, including Hawija and Tal Afar, and smaller towns in between. The cost of direct damage is estimated by the World Bank and the Iraqi government to be $45.7 billion; the total price to rebuild from the conflict will be more than $88 billion. In the short-term, $23 billion is needed for basic stabilization and rebuilding, with $65 billion over the medium term.

IDPs Return, but Many Remain

Funding for stabilization and reconstruction is essential not only to Iraq’s recovery broadly, but particularly to aid those displaced and those wishing to return. December 2017 figures indicate that 3.2 million displaced Iraqis who escaped the conflict have returned to their homes, while 2.6 million remain displaced. At the time of victory in Mosul, nearly 700,000 west Mosul residents were still displaced. The pace of return has been slow due to the destruction of homes and basic infrastructure and the cessation of essential public services. Remaining IEDs (improvised explosive devices), including those hidden by ISIS prior to its retreat, as well as ERW (explosive remnants of war) continue to make civilian areas unsafe and add to mounting casualties for those who do attempt to return.

The return of IDPs is further complicated by factors such as tribal tensions (pre-existing, and exacerbated during the ISIS conflict) and multiple military forces: Iraqi security forces, Iranian-linked Hash’d al Shaabi militias, Kurdish Peshmerga, and coalition forces. These may stoke community divisions, introduce formal or informal obstacles to returning, or ignite fear (real or perceived) and keep IDPs from returning. Physical destruction, insecurity (such as fear of reprisals, including along sectarian lines), limited basic service delivery, and/or poor economic opportunities may also prolong displacement.

With so many Iraqis remaining displaced and unlikely to return to their home areas en masse before the May parliamentary elections, there are plans for IDP votes to be registered to their home governorates and counted. The largely Sunni IDPs come from previously marginalized areas, and addressing grievances will be key for election candidates seeking broader support. However, this prolonged displacement might also lead to quite low election turnout among Sunni IDPs from such areas, skewing results. The decision to stick to the plan to hold the election in May 2018 means many will remain displaced, and this could disenfranchise Sunni voters, producing election results favoring the Shia.

Is Funding for Reconstruction Sufficient?

The $88 billion cost of rebuilding the country cannot be paid by Iraq on its own. Ongoing stabilization efforts still need additional funding before the Herculean task of reconstruction is begun. The United States, which has had a lengthy presence in Iraq and has taken the lead in supporting Iraqi forces in the battle against ISIS, has clearly stated that it does not wish to provide public funding for reconstruction, which would be seen as nation-building.
Instead, it has launched efforts to garner reconstruction support from allies, including NATO countries, the Gulf states, and the private sector (including 2,300 private sector companies attending the Kuwait donor conference, discussed below). It has placed a particular emphasis on Saudi Arabia and facilitated Saudi-Iraqi discussions and a thaw after years of cool diplomatic relations. Saudi Arabia also has a strategic regional interest in solidifying its influence. The Saudis announced in a public statement that they support a “united nonsectarian Iraq,” meaning an Iraq where Iran does not dominate the political scene. Yet the Saudis will now use a new tool, reconstruction funding, to gain influence over Iraq’s future trajectory.

The World Bank also stepped in during fall 2017, approving $400 million for recovery and reconstruction of priority infrastructure for service delivery in Mosul and other recently liberated areas. This was in addition to $350 million approved the previous spring for emergency development funding. February 2018 saw the bank approve $300 million for the Social Fund for Development (SFD) in Iraq, aimed at reducing poverty more broadly across the country but affecting areas from which ISIS had been removed. As of mid-February, the World Bank had committed $4.7 billion for various reconstruction and recovery programs in Iraq.

UN efforts in Iraq have also been multifold. The UN Assistance Mission to Iraq (UNAMI) has served as the central point of UN engagement in the country and led on issuing a UN funding request of $482 million for the first year of the Iraq Recovery and Resilience Programme (RRP) in February 2017. The UN Development Programme (UNDP) in Iraq houses the Funding Facility for Stabilization (FFS), which in the weeks leading up to the donor conference in Kuwait saw contributions of $75 million from the US Agency for International Development (USAID), $58.96 million from the European Union, $21.4 million from Denmark, and $12 million from Sweden. With the involvement of other UN agencies, including the UN High Commissioner for Refugees (UNHCR), the World Health Organization (WHO), the Food and Agriculture Organization (FAO), and the International Organization for Migration (IOM), along with international and national nongovernmental organizations (I/NGOs), proliferation of efforts is clear, and duplication of efforts is a risk.

Mixed Results from the Iraqi Reconstruction Conference, 12–14 February

The February 2018 Kuwait-hosted donor conference on rebuilding Iraq saw donor countries, the private sector, and international financial institutions convene to discuss financing for the post-ISIS reconstruction phase. The donor conference highlighted priorities shared by the international community and the Iraqi government and downplayed differences.

UNAMI and other NGOs emphasized the humanitarian and reconstruction needs in Sunni areas ravished by ISIS and military operations to liberate ISIS-controlled areas, while Dr. Sami al-Araji, the Iraqi government’s chairman of the National Investment Commission (NIC), promoted a post-ISIS “high risk, high reward” investment opportunity in Iraq’s oil, telecommunications, transportation, manufacturing, and construction sectors—the same sectors where Iran is playing

The risk for investors in Iraq’s economy is Iran’s increasing involvement through front companies of the Islamic Revolutionary Guard Corps (IRGC) that partner with Iraqi companies in Iraq’s oil, telecommunications, and construction sectors. Iran and its IRGC stand to benefit from investment in Iraq.

As the US Treasury Department continues to target IRGC partially-owned companies in Iran, Syria, and Lebanon, it can do the same in Iraq with private sector investments and banks. The “high risk, high reward” narrative may include hidden risks to investors, but not to the US Treasury Department.

The Iraqi government may believe it has successfully outsourced reconstruction in Sunni areas to UNAMI, UNDP, and other NGO funding sources, and that it can focus its resources elsewhere. Yet such a strategy can also play into electoral politics before the 12 May elections. For example, during the conference, Marwan
al-Jibara, a spokesman for the Council of Tribal Sheikhs in Salahuddin Province, told The New York Times, in discussing the number of projects planned in their area, that “we are sorely underrepresented.”15

The UN is working with the Iraqi government to implement reconciliation at the national level through the Iraqi National Reconciliation Commission. However, there was little to no talk of conditions for international investment resting on Baghdad’s willingness to promote reconciliation and political accommodation with its disenfranchised Sunni Arab and Kurdish populations. The conference had two themes: one, an Iraq in need of deep healing and two, a very positive post-ISIS united Iraq ready for investment and ready to play a key role in the region. The “united Iraq” narrative is at odds with the situation on the ground.

The question of funding is not simply whether buildings will be rebuilt and homes will once again be inhabitable. Funding for rebuilding is essential for the country to maintain stability moving forward. In a post-ISIS Iraq, Baghdad’s position is that if there is investment in Iraq, stability will result. Given that donor funds are not tied to reconciliation initiatives and political inclusion by Baghdad, however, there seems to be little emphasis on fixing what led to the rise of ISIS to begin with: disenfranchised Sunnis distrustful of Baghdad.

Tangible initiatives toward reconciliation and political accommodation are critical pillars in holding on to gains against ISIS and ensuring it does not reemerge. However, amid deep-rooted divisions in the country, there is a growing wave of anti-Iranian fervor in the Sunni areas of Iraq that will require at least reconciliation, if not a shift in strategic and regional relations to counter Iranian influence.

Reconciliation: Ensuring Against an ISIS Resurgence

Should the intent and early efforts to stabilize and rebuild Iraq fail or fall short, ISIS could just as easily resurrect itself as it did prior to 2014, when it emerged from al Qaeda’s remnants. Iraq itself—specifically Mosul—was the stage for Abu Bakr al Baghdadi’s announcement of his attempt at a caliphate. Iraq remains vulnerable to the threat that ISIS will go underground before resurging.

Reconciliation in the counter-ISIS context will need to address sectarian divisions, ethnic divisions, tribal divisions, and other causes of community tensions. For example, the Shia may be wary or mistrusting of Sunnis, whom they may associate with the rise of ISIS and its atrocities. Liberated populations more broadly may hold grievances against the non-local Shia forces who liberated Sunni areas, specifically where they abused their positions in doing so, particularly where ethno-sectarianism was rampant.16 Tribal relations may be strained or there may be a risk of reprisals between tribes, while ethnic minorities, such as the wronged Yazidis and Christians, would harbor grievances and mistrust toward Sunnis or Arabs more generally.

There are reconciliation efforts underway. UNAMI, for example, is training women in preparation for national reconciliation negotiations17 and reconciliation-focused meetings, including in the Najaf governorate.18 Other UN agencies are also involved, such as IOM, with its program on community policing,19 and UNESCO which, in partnership with France, is promoting reconciliation efforts through community media.20 Another example is the United States Institute for Peace (USIP), which is supporting Iraqi-led community dialogues in areas such as Mosul, Tal Afar, Tikrit, Hawija, and Nineveh.21 In early 2017, UNDP helped set up Support for Integrated Reconciliation in Iraq (SIRI). This project focused in part on locally led reconciliation committees, support to victims of violence (including women), and efforts to increase public awareness of civic participation in political processes and engage with minorities, including youth and women.22 Previously, in February 2017, the World Bank attached some of its funding to reconciliation arguing that this would ensure the sustainability of reconstruction efforts, launching a parallel track within the effort to address the social side of recovery efforts.23 The bank’s Iraq Country Partnership Framework for 2018–2022 was also built on consultations whose priority was partly “rebuilding the social contract and state legitimacy” and again tied reconciliation aims to broader bank support.24 Iraqi government and citizen led
efforts are also underway to rebuild the social fabric in Iraq. There are reports, however, of challenges from officials’ failures to learn from previous lessons about reconciliation.25

One element of reconciliation is justice for groups that faced abuse by ISIS or by liberating forces. Rapid trials of suspected ISIS fighters have taken place in Iraq as territory fell to Iraqi forces. However, there is international anxiety that the trials may not conform with international norms and international law, and in any case, they will not be sufficient to address ISIS atrocities.26 Justice for minorities, such as the Yazidis, is unlikely to be served with local trials of suspected ISIS fighters and will likely require international proceedings.27 The issue comes down to who decides. Sunni military-aged males are often called ISIS “collaborators” and may then meet the same fate as ISIS fighters.28 There are too many examples of sectarian actors in Baghdad’s security apparatus failing to distinguish between a Sunni military-aged male and an ISIS fighter.

Addressing divisions, tensions, grievances, and calls for justice is not just crucial to fortifying retaken areas against an ISIS resurgence, but will also be important in the parliamentary elections. Most Sunni Iraqi voters are emerging from as much as three years of ISIS control, and many live in areas that were ungoverned to begin with. There are Sunni grievances from the early years of the Iraq war in the early 2000s that remain unaddressed. Allowing these older grievances to be added to the new grievances could lead to a resurgence of ISIS and of the factors that led to its rise seven years ago. This reconciliation could also make or break candidates who seek to woo the Sunni electorate to gain an edge, which Shia hardliners will have a harder time acquiring. The Sunnis need more space in the country’s political life and in Iraqi life generally. On the security front, during parliamentary elections, questions will likely arise about the future role of US forces.

**Iranian Influence throughout the Iraqi Security and Intelligence Apparatus**

The question of Iran’s role in and relationship to Iraq is central not just to reconciliation, but to the parliamentary elections more broadly. For the US administration, reducing Iran’s regional footprint is an important component of policy. The Hash’d al Shaabi were a relatively significant part of the force combatting ISIS in Iraq, though with a reduced role at the tail end of the campaign.29 This militia came together in 2014 when Iraq’s Grand Ayatollah al Sistani issued a fatwa calling to defend Iraq against ISIS. While not all Hash’d al Shaabi units or troops are loyal to Iran—some are Iraq-aligned Shia units30—Iran’s influence in the command and control structure and the senior ranks is reportedly strong.31

Given that the Hash’d al Shaabi were formed to counter the ISIS threat, which has since been defeated, the question arises whether their units will be demobilized and disbanded. Iran’s influence in the Hash’d al Shaabi, which have in part been supported by the IRGC,32 and the degree to which Iran has cemented that influence, may make disbanding complicated if not unlikely, at least in the near term. As the IRGC Quds Force — the IRGC’s expeditionary terrorist force — seeks to expand and cement its influence in Iraq, the Hash’d al Shaabi may be one of the more pragmatic vehicles for doing so.33

In areas liberated from ISIS, the forces holding the territory should reflect the ethnic make-up of the local population—both to stabilize liberated areas and prevent a resurgence, and to begin to address grievances and avoid future escalations. Questions of whether deployed — predominantly (90 percent) Shia — security forces will be able to maintain security gains while branding Sunnis as collaborators and further disenfranchising Sunnis, will undermine reconciliation and recovery and likely lead to security backslide. The central Iraqi government should empower local Sunni forces to defend newly liberated Sunni-majority areas rather than leaving the task to Shia-dominated Iraqi forces or the Hash’d al Shaabi.34

More broadly, Iran has arguably integrated itself effectively into the fabric of the Iraqi political sphere. Iranian influence beyond militias will also be a significant factor in the upcoming elections. The presence of Hash’d al Shaabi in Sunni-majority areas is creating tensions prior to the elections.35 Some Iraqi parties are reportedly pursuing a more moderate approach, tempering relations with Iran through a foreign policy reevaluation and
engaging the Sunni and other non-Shia minority blocs. However, even the parties running on a moderate platform appear to be looking past May and maintaining warm relations with Tehran. Whether these parties are serious about moderation or simply seeking to garner as much international support as possible while remaining close to Iran remains to be seen.

Don’t Leave the Kurdish Question Unanswered

The Kurdish question remains the elephant in the room, both in post-ISIS reconstruction and in parliamentary elections overall. In the aftermath of the Kurdish referendum, Baghdad cut off aid and humanitarian assistance to the Kurdish Regional Government (KRG). This trapped significant IDP populations, as the Kurdish region hosts a significant number of Iraqi IDPs and Syrian refugees as well, which added to the strain on Kurdish resources. Highlighted in the Kuwait donor conference was Baghdad’s lack of plans to use donor funds in Kurdish areas.

The current return of control over the disputed territories, including Kirkuk, from Kurdish Peshmerga to the Iraqi government does not resolve their permanent status. This needs to be worked out in dialogue, and regarding Kirkuk, in accordance with Iraqi constitutional procedures.

Furthermore, the main issue is addressing the Kurdish share of the federal budget, as Kurds have less direct income from direct oil revenue. The planned oil pipeline from Kirkuk to Turkey could further limit income to the KRG.

For the US, the future orientation of the KRG is also to be watched, since disappointment over the lack of international and US support in the independence referendum last year has led to a growing turn toward Iran.

What’s Next? Iraqi Parliamentary Elections

Iraq’s parliamentary elections are fast approaching. The situation remains highly fluid, with the major blocs still shifting, disintegrating, and/or being created anew. With the extension of the deadline for finalizing coalitions (the period when parties can exit or enter a coalition), it remains uncertain as of mid-February whether Abadi can establish a platform that ensures his continued position as prime minister.

There are several main coalitions. One is Abadi’s Victory Coalition, which has seen a number of partners join and exit. For example, the al Hikmah party entered and then exited after objecting to a conglomerate approach (which would cost al Hikmah part of its independent stance). Hadi al Amiri’s Fatah Alliance, on the other hand, chose not to join. Another is Vice President Ayad al Allawi’s National Coalition, which the al Watan al Iraqi Sunni party will reportedly join. There is also Hadi al Amiri’s Conquest Alliance, which Mishan al Jubouri’s al Watan al Iraqi exited, and separately Muqtada al Sadr’s Istiqama Party, part of the March Onward coalition. Nouri al Maliki heads the State of Law Coalition, and there are efforts to create a Kurdish alliance.

The closer we get to Iraqi elections, the louder the calls for the United States to exit Iraq. The US role of guarantor of this fragile stability is reassuring to investors, and these calls should be of concern.

The Iraq reconstruction donor conference in Kuwait gave Abadi center stage ahead of parliamentary elections. Surrounded by foreign ministers from over sixty countries and representatives from the World Bank and UNAMI, Abadi looked like the responsible leader Iraq needs going forward. The donor conference in many ways legitimized Abadi’s tenure as prime minister and his narrative of a stable and united post-ISIS Iraq, and as he said, “Iraq has what it takes to stand back on its feet.” Whether that is enough for him to assemble a governing coalition from May onwards remains to be seen.
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