



مركز البيدر للدراسات والتخطيط

Al-Baidar Center for Studies and Planning

# The Iraq Economic Report

An Analysis and Evaluation of Economic Realities  
for the Period 2020–2025



16

Publications of Al-Baydar Center for Studies and Planning

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**The Iraq Economic Report**  
**An Analysis and Evaluation of Economic**  
**Realities for the Period 2020–2025**

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# **The Iraq Economic Report**

**An Analysis and Evaluation of Economic Realities  
for the Period 2020–2025**

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### **About center**

Al-Baydar Center for Studies and Planning is a non-governmental and non-profit organization established in 2015 and registered with the NGO directorate in the general secretariat of the council of ministers in Baghdad.

The center seeks to contribute to developing the state and its institutions, by proposing ideas and practical solutions to the main problems and challenges facing the state, including improving public sector management, policies, and strategic planning, using reliable data and best practices. The center engages the relevant authorities in the state with regular meetings to support this objective and utilizes the support of international organizations dedicated to assisting Iraq's development. The center also seeks to support economic reforms, and sustainable development and provide technical assistance to the public and private sectors. The center also seeks to support the development of the private sector to provide job opportunities for citizens through training and upskilling, in a way that reduces dependence on government institutions and contributes to supporting and diversifying the country's economy.

The center aims to utilize the vast amount of potential in Iraq's human resources by organizing programs to prepare and develop promising young people, including leaders capable of proposing, adopting and implementing visions and future plans that advance society and preserve its value-system based on the commitment to a high moral standard and rejection of all types of corruption.

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## **Introduction**

Building upon the intellectual and research role adopted by the Al-Baidar Center for Studies and Planning, and given the paramount importance of the economic sector in the Center's activities, this report emerges as a forward-looking tool aimed at bridging the gap between academic theory and the practical reality of the Iraqi economy. Through this publication, the Center seeks to provide a precise diagnosis of the structural imbalances plaguing the state, such as the absolute dominance of oil rents and the declining role of the private sector, while proposing policy alternatives that enhance the economy's resilience against internal inefficiencies and external shocks.

The Iraqi economy continues to operate within a local and regional environment characterized by global market volatility and challenges to economic growth trajectories. Developments in global oil markets have been a primary factor in determining the trends of macroeconomic indicators, directly reflecting on revenues and public budget performance. This leaves the Iraqi economy vulnerable to global price fluctuations and a loss of fiscal sovereignty, as the public budget is impacted by external and geopolitical variables beyond the state's control. Through its six sections covering fiscal, monetary, and trade policies, as well as the banking sector, the report aims to offer a realistic reading and approach, along with reform pathways that ensure sustainable development and reduce the state's total dependence as the sole employer and source of liquidity.

Section One: Reflects the main trends in Iraq's economic performance regarding GDP growth rates at current and constant prices, inflation, and unemployment rates, in addition to examining the economic and social impacts of demographic developments in Iraq.

Section Two: Tracks the evolution of fiscal conditions, focusing on the structure

of the public budget, the nature of government spending, and public revenues, alongside an analysis of public budget deficit levels and sustainability criteria.

Section Three: Reviews major monetary developments and the activities of the Central Bank of Iraq (CBI) in monetary policy by presenting key monetary indicators.

Sections Four and Five: Examine and analyze the development of the Iraqi banking sector and the Iraq Stock Exchange (ISX). This includes analyzing key banking indicators, assessing the banking sector's contribution to real economic activity using financial flexibility indicators, and analyzing the main stock market indicators.

Section Six: Discusses developments in Iraq's trade and financial relations with the external world, in addition to analyzing customs tariffs, the implementation of the ASYCUDA system in Iraq, and its associated challenges.

In conclusion, this report serves as an analytical roadmap through which the Al-Baidar Center for Studies and Planning seeks to sound the alarm regarding the continued total reliance on a rentier economy. It asserts that sustainable financial stability is not achieved merely by rising oil prices, but through genuine restructuring that gives diverse sectors and the private sector a leading role. This research endeavor, with its comprehensive methodology, does not merely monitor challenges; it presents a forward-looking vision that holds decision-makers accountable for transitioning toward a productive and diversified economy. Such a transition is essential to guarantee the rights of future generations and free the state from the constraints of unproductive economic dominance. This report acquires special significance as it is the first report on the Iraqi economy issued by a non-governmental organization.

Disclaimer: The report is based on available data up to the year 2025, noting that data for certain indicators for 2025 had not been released at the time of the report's preparation.

## Recommendations

1. **Reduce Sovereign Operating Expenses:** Work towards reducing sovereign operating expenses (which consume the majority of the budget), as they are mandatory payments heavily reliant on oil sales, in order to mitigate risks threatening financial stability in the event of a drop in oil prices or an export suspension crisis.
2. **Restructure State-Owned Enterprises (SOEs):** Restructure public companies that receive grants from the state treasury, or implement specific policies aimed at economically revitalizing them, improving their operational efficiency, and reducing their reliance on the public budget. Additionally, amend the State Companies Law No. 22 of 1997 to better align with the current orientation of the Iraqi economy.
3. **Enhance Budget Estimation Accuracy:** Improve the accuracy of public budget preparation by adopting realistic financial estimates consistent with actual economic indicators. The recorded deficit levels reveal a clear gap between adopted estimates and actual results, reflecting estimation errors and a weakness in the planning capacity to formulate an efficient and effective fiscal policy.
4. **Coordinate Fiscal and Monetary Policy:** Activate the joint committee between the Ministry of Finance and the Central Bank of Iraq to align government spending with the targeted monetary mass. This ensures high-level coordination between monetary and fiscal policies and reduces fiscal dominance over monetary policy, thereby safeguarding the independence of the Central Bank of Iraq.
5. **Regulate Foreign Currency Transfers:** Transfer funds at the official exchange

rate directly from Iraqi banks to the accounts of hospitals or universities abroad, without handing over cash to individuals, to ensure they are used for their intended purpose and to avoid speculation. This prevents the leakage of foreign currency sold to citizens for overseas study or medical treatment.

6. Incentivize Bank Deposits: Provide banking incentives to encourage citizens to deposit hoarded liquidity into banks, as Iraq suffers from the banks' weak capacity to absorb financial surpluses and re-inject them as investment credit.
7. Revitalize the Stock Market: Restructure the Iraq Stock Exchange by increasing the number of listed companies to link the market to the real productive sector and transform small savings into capital blocks that support major projects.
8. Reorient the Education System: Adopt policies to transition from traditional academic education to specialized vocational training programs that meet actual labor market needs, ensuring that population growth is transformed into a demographic dividend rather than a chronic unemployment burden.
9. Enhance Labor Mobility and Formalize Startups: Establish a legal framework that allows for the smooth mobility of labor between different sectors and simplifies the registration procedures for startups to shrink the informal sector, which currently deprives the state of fees and taxes.
10. Legislate for the Digital Economy: Amend Labor Law No. (37) of 2015 to provide legal recognition for digital jobs and freelance work, offering legal and tax coverage that protects the rights of workers in the digital space, which will contribute to reducing unemployment rates among young graduates.

11. Implement Smart Targeting for Subsidies: Restrict government subsidies exclusively to genuinely vulnerable groups through «Smart Targeting,» and redirect funds deducted from ineligible individuals toward improving the quality of goods provided to the poor or supporting small enterprises. This can be achieved by linking the employee number, tax number, real estate registry, and company registrar data into a single unified system.
12. Activate Qualitative Customs Protection: Implement qualitative customs protection for crops and commodities experiencing growth in non-oil GDP. Instead of total import bans, we propose imposing progressive tariffs tied to the abundance of domestic production, striking a balance between the interests of local producers and consumers.

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