



FEBRUARY 2023

Al-Sudani's first 100 days – Or how to keep everyone happy

The job of an Iraqi Prime Minister is a complex balancing act on both the domestic and international fronts. To begin with, there is the challenge of managing competition between the country's factitious elites. Then there is the unresolved tension between self-interested elites and a citizenry that has largely lost faith in its political leaders. Finally, there is the foreign policy dilemma of balancing political and economic dependence on both the US and Iran. By these standards, Prime Minister Mohammed Shiya al-Sudani's first 100 days in office have provided a crash course on how to please all sides. He has allocated government positions to his supporters with gusto, provisionally left most Sadrist bastions of power in the state untouched (even though Sadrists are excluded from the government) and offered extensive 'bread and games' for the population by promising jobs and social security. Al-Sudani has furthermore sought to reassure opposing foreign actors through a hitherto fairly balanced foreign policy. His approach has been enabled by the broad coalition of Iraqi political elites that brought him to the premiership, along with record oil revenues that help grease the wheels of patronage politics. While structural reforms in politics, administration and economics are overdue, they will not happen because Iraq's political leaders have no need for them in the immediate term. However, unresolved elite contention, a lack of public investment and the absence of reform mean that Iraq is likely heading for tougher times within the space of a couple of years.

Introduction

On 27 October 2022, Mohammed Shiya al-Sudani assumed office as Prime Minister (PM) of Iraq.¹ After more than 12 months of political competition between the Sadrist Movement (led by religious leader Muqtada al-Sadr) and the Coordination Framework (which brings a range of Shi'a parties together and of which the new PM is part), al-Sudani's election was a breakthrough. He started work in a dynamic

but relatively positive environment. Tensions between Iran and the US in Iraq are currently at a low point, in large part due to the combination of the war in Ukraine, protests in Iran, and the pretense by both Washington and Tehran that the nuclear deal (JCPOA) is not yet dead.² At the same time, only a low-level insurgency remains of the once mighty Islamic State. Since June 2021, the group has been able to conduct only a few

1 We are grateful to Ali al-Mawlawi for his critical review of this brief. Its contents naturally remain the responsibility of the authors. The brief reflects events until mid-February 2023.

2 Van Veen, E. and H. Azizi, *Death of the Deal: Why Tensions Will Rise with Iran*, National Interest, 16 July 2022.

dozen small-scale attacks per month and mostly in rural areas.³ Moreover, the infighting among Iraq's political elites that took a few violent turns between November 2021 and August 2022 has since decreased to more manageable proportions. Al-Sadr has temporarily withdrawn from political engagement, while Baghdad and Erbil intensified their dialogue to find solutions for budgetary, oil/gas and security disagreements.⁴ Finally, high oil prices have resulted in an inflow of rents into the Iraqi Treasury to the tune of US\$9–10 billion per month. In a country with a public budget that is more than 90 per cent dependent on oil revenues, this gives the PM fiscal room to accommodate different interests.⁵

While it would be a mistake to ascribe too much power to the position of PM in Iraq – hemmed in as he is by powerful elite players who command political parties, armed organisations and clientelist networks throughout the Iraqi bureaucracy – al-Sudani's first initiatives and decisions nevertheless provide a sense of the direction of the new government. In the context outlined above, this brief assesses PM al-Sudani's first 100 days in terms of the appointments he has made, how he might address corruption, and what policy priorities he has set so far. Our provisional conclusion is that we see a high level of continuity with the administrations of Adel Abdul-Mahdi and Mustafa al-Kadhimi. All three ran the Iraqi administration and public budget on the basis of an inclusive elite power-sharing pact that did not seek to enact longer-term socioeconomic reform and tried to satisfy the population with handouts.

Al-Sudani's appointments

Al-Sudani started his term with 21 out of 23 cabinet positions designated and filled, a relatively high number for Iraqi PMs. On paper, the balance between technocrats and party stalwarts also appears reasonable. Two ministries initially remained vacant because of a dispute between the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). They disagreed on how to divide the Kurdish 'share' of cabinet, as the KDP believed that they were entitled to an additional ministry because the PUK had managed to obtain the presidency. The vacant ministries were finally filled on 3 December 2022 in an even split between the parties, but the delay underlined their divisions and the general fragility of Iraq's power-sharing method.

After 100 days in office, PM al-Sudani has also appointed over 30 advisers who work directly with him in the Prime Minister's Office (PMO). Yet, the power-sharing arrangement between the CF and its allies⁶ that brought al-Sudani to power means that many of these advisers represent the interests of behind-the-scenes party bosses rather than acting as dedicated experts serving the PM. For example, Hisham al-Rikabi serves as al-Maliki's press secretary and Fadi al-Shamari is a Hikma political bureau member, while Farhad Alaaldin, Krikor Der-Hagopian and Dhia al-Nasiri were all advisers at the Iraqi Presidency. Someone like Ala Talabani (PUK), who PM al-Sudani wanted as his adviser on women's affairs, could not be appointed due to intra-party rivalry between PUK leaders Bafel Talabani and Lahur Sheikh Jangi. Bafel Talabani even threatened to pull his ministers from the cabinet if the appointment went through. The consequence of the overall arrangement is that all major political players within the coalition have loyal eyes and ears close to the PM, which helps maintain his political support base but also circumscribes his room for more creative policy development and manoeuvring.

3 With exceptions in the month of Ramadan and around Arbæen, the monthly rate of Islamic State attacks hovers around 40–50 for the period January 2020 to February 2022, according to ACLED data. See: Ezzeddine, N. and M. Colombo, *A stubborn threat: Islamic State in Iraq in early 2022*, Clingendael, May 2022.

4 Tensions between Barzani's Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK) remain rife, but this is not primarily PM al-Sudani's concern.

5 See: <https://www.rfi.fr/en/middle-east/20230103-iraq-oil-revenues-top-115-billion-in-2022> (accessed 31 January 2023).

6 The CF forms a 138-member bloc in government, and it was this bloc that nominated Sudani for the premiership. It is part of the broader Idarat Al-Dowla coalition, which has about 280 seats (out of 329) and form the consensus government.

Box 1 The struggle for power between Sadr and the Shi'a Coordination Framework

In October 2021, Muqtada al-Sadr won a plurality of the vote in Iraq's parliamentary elections. He defeated his main rival(s) by chalking up 73 Council of Representative seats versus 17 for the Fateh Alliance and 33 for Nouri al-Maliki's State of Law Coalition (out of 329). Even though the Fateh Alliance obtained a higher absolute number of votes, the Sadrists used the district structure of Iraq's new electoral law to far greater advantage. In the same elections, the Kurdish Democratic Party (KDP) outcompeted the Patriotic Union of Kurdistan (PUK) by 31 versus 17 seats, and Mohammed al-Halbousi's Sunni Taqadum outplayed its main rival, Khamis al-Khanjar's Azm Alliance, by 37 versus 14 seats. Given that independents also won a decent number of seats, these results meant that a cross-sectarian KDP-Taqadum-Sadr coalition could form a majoritarian government with the help of some smaller parties and/or independents. In response, Fateh Alliance factions staged sit-in protests and mounted legal challenges against the election results. Once validated, al-Sadr indeed sought to break with the inclusive large-tent elite coalitions that had dominated Iraqi politics since 2005. His professed aim was to launch an anti-corruption and reformist agenda, but most saw it as a naked grab for power. A year later, al-Sadr has (temporarily) retreated from politics and the Shi'a Coordination Framework (CF) – including both the Fateh Alliance and al-Maliki's State of Law Coalition – runs a government headed by PM al-Sudani. What happened?

What unfolded between October 2021 and October 2022 was essentially a harrowing version of 'House of Cards' on the Euphrates, in which a mix of maverick decisions by al-Sadr (occupying parliament, forcing the resignation of his own legislators), CF-created roadblocks (triggering Federal Supreme Court judgments, moving the KDP and al-Halbousi away from their alliance with al-Sadr and engaging in clerical intrigues via the resignation of Grand Ayatollah Kadhimi al-Haeri) and harsh street violence caused a complete reversal of fortune. It appears that al-Sadr overestimated the leverage created by his electoral victory and underestimated the CF's ability to resist. Nevertheless, so far PM al-Sudani has not gone on a witch hunt by replacing Sadrist loyalists throughout the administration with CF clients, likely in a bid to maintain political stability.

Sources: Clingendael inhouse analysis; Dodge, T., *Muqtada al-Sadr's Evolving Post-Election Strategy and the Battle for Iraq's Political System*, London: LSE, online, 2022; Mansour, R. and Robin D'Cruz, B., *The Sadrist movement in Iraq*, London: Chatham House, 2022; Hadad, H., *Iraqis voted a year ago but still don't have a government*, The Washington Post, online, 10 October 2022.

The use of advisers to influence the PM signifies somewhat of a return to the practices of former PM Abdul-Mahdi, who distributed adviser posts as gifts to the different factions supporting him. Conversely, former PM al-Kadhimi appointed his advisers in a more nepotistic manner and they subsequently turned the PMO into a source of influence for the PM (in particular Mushreq Abbas, his former political affairs adviser). In turn, PM al-Sudani has reverted to the practice of having advisers appointed for him. The CF appears keen to avoid a repeat of the al-Kadhimi

period and its factions keep close tabs on one another (see Box 2 for more context).

The manner by which advisers and ministers are appointed continues to expose how public authority and budgets are divided among Iraq's political parties and also underlines the cost of being left out. This is an important factor in explaining why forming a government took over a year: many parties simply refused to give up their share to the majoritarian bid of the Sadrist Movement, Taqadum and the KDP.

Only the Sadrist Movement did not acquire any ministries this time round, but PM al-Sudani has so far trodden carefully around Sadrist officials appointed by the previous government, largely to avoid triggering further instability or violence. As a result, the Sadrists continue to hold some important positions, like the Secretary General of the Council of Ministers (COMSEC) and some governorships. Al-Sudani did however replace the Governor of the Central Bank who was nominated by the Sadrists in 2020. This was done, at least in part, to rebuild public confidence in the Iraqi dinar (IQD), the value of which has been falling since al-Sudani took office, which has mostly been the result of long-announced US measures to reduce cash smuggling to neighbouring countries (more detail below).⁷

On a final note with regard to appointments, PM al-Sudani initiated an evaluation of all deputy ministers, provincial governors and directors general within six months.⁸ The aims of this measure are likely threefold. First, it shows a symbolic intention to ‘clean up’, i.e. to potentially remove some of the worst and most corrupt performers from their jobs. This serves mostly a signaling function with the Iraqi public since real intervention – let alone prosecution – is less likely (see below). Second, the evaluation postpones further confrontation between political parties, including al-Sadr, over jobs, resources and patronage. This gives the government more time to find its feet. Third, it will create an opportunity to insert some new faces and fresh blood into the administration, which gives the PM a valuable set of patronage opportunities to solidify his support

as well as, potentially, the ability to upgrade the quality of administration.

Addressing corruption?

In his first days in office, PM al-Sudani faced the fallout from a major fraud scandal. Outgoing PM al-Kadhimi’s former adviser Haitham al-Juburi, head of the Tax Commission Osama Husam Jawda and businessman Noor Zuhair were, among others, implicated in the theft of US\$2.5 billion from the accounts of the General Tax Commission at the Rafidain bank between September 2021 and August 2022. The theft occurred by issuing false cheques made directly payable to receiving companies in contravention of standing orders from the Ministry of Finance.⁹ Clearly, a case of fraud of this size requires far broader involvement of powerful accomplices than the three individuals named. So far, however, only the three ‘faces’ of the scandal have been detained and prohibited from travel, and just a fraction of the stolen funds has been returned. The wider investigation has not identified any new suspects and criminal proceedings have not advanced substantially. Admittedly, the poor state of accounting in the Ministry of Finance makes it difficult to discover what happened precisely, but the real obstacles are political.¹⁰

Nevertheless, the PM did take a few decisions in his first 100 days that at least suggest corruption is on his agenda. These include ordering the creation of a Higher Commission of Anti-Corruption (mid-November 2022);¹¹ instructing all his ministers to submit a monthly report on their efforts to combat corruption (end November 2022);¹² and getting the Integrity

7 For more context: <https://apnews.com/article/united-states-government-iraq-business-0628bad5e4d46315951c90681baba202> (accessed 10 February 2023).

8 Note that such an evaluation was already foreseen in the government’s programme and that new governors will once more be appointed by provincial legislators after the provincial elections planned for October 2023. Some preparations for these elections appear to have been initiated, but given the usual six to eight month preparatory phase and the need for a new provincial electoral law, it is unlikely they will happen on time: <https://twitter.com/MethaqAlFayyadh/status/1622691198073770001> (accessed 10 February 2023).

9 1001 Iraqi Analysis, <https://www.iraqianalysis.com/p/tax-heist> (accessed 31 January 2023).

10 Tabaqchali, A., *Iraq’s Wealth and the Forty Thieves: Structural Enablers of Corruption with Impunity*, London: LSE, [online](#).

11 See: <https://www.pmo.iq/pme/press2022en/16-11-202202en.htm> (accessed 31 January 2023). Bear in mind that about 18 months ago, the Supreme Court disbanded a similar committee.

12 See: <https://www.pmo.iq/pme/press2022en/28-11-202202en.htm> (accessed 31 January 2023).

Commission to announce the tightening of a regulatory framework against corruption (mid-December).¹³ As the start of al-Kadhimi's tenure saw a similar flurry of institutional activity that looked impressive but produced little, the proof of the pudding will be in getting results. Key indicators to monitor are: a) will any senior politicians or civil servants with ties to a powerful political party be prosecuted (let alone sentenced or jailed)? and b) will any structural measures be passed and enforced that make institutional corruption more difficult (such as creating a Treasury Single Account)? Given the endemic corruption among Iraq's political elites,¹⁴ it is doubtful that PM al-Sudani will be able to address the matter any more than his predecessors were, even if he wanted to.

Major policy directions to date

Thus far, PM al-Sudani has pursued a mostly populist agenda. First, he suspended the 20 per cent tax on telecommunication services that had been in place since 2015.¹⁵ He argued that since the state was not receiving these taxes from telecommunication companies, Iraqi citizens should not have to pay them. Instead of addressing the root cause of the problem, which is that the tax collected by the telecommunication companies does not reach the state, al-Sudani paused the tax altogether. The idea was to increase the spending power of citizens, but this has been undone by the recent depreciation of the IQD (about 13% between November 2022 and February 2023). This drop resulted from the implementation of upgraded and digitalised compliance procedures by the US Treasury and the Central Bank of Iraq that aim to reduce money laundering, terrorism financing and sanction evasion. Doing this in a paper- and cash-based banking system that

is also highly dollarised created an immediate dollar shortage as well as liquidity problems.¹⁶

However, al-Sudani has not waited for an agreement on the 2023 budget to commit to hiring 370,000 new public sector employees.¹⁷ To justify these soon-to-be appointments, al-Sudani claims he is implementing a promise made by previous governments that daily contractors would eventually become permanent public sector employees. Later in January, in a televised interview with Iraqi media, al-Sudani stated that his government will not make further appointments except in the medical field.¹⁸ In this manner, al-Sudani has sought to satisfy public demand for more jobs in the short term while blaming previous governments for any adverse economic consequences of further expansion of the public payroll. An important consequence will be that salaries and pensions form an ever-greater part of government expenditure. This makes the public budget more rigid and increases its vulnerability to major drops in the oil price due to high budgetary dependence on oil revenues. Fluctuations in revenue can rapidly translate into shocks to the

13 [الزهاجة، إجراءات جديدة لمحاربة الفساد والكسب غير المشروع \(almadapaper.net\)](https://www.almadapaper.net) (accessed 31 January 2023).

14 See: <https://www.transparency.org/en/cpi/2022/index/irq> (accessed 31 January 2023).

15 <https://gds.gov.iq/highlights-of-the-press-conference-by-prime-minister-mohammed-shia-al-sudani-22-11-2022/>

16 The irony is that the US created a banking system in Iraq after the 2003 invasion that gave Washington significant control over Iraq's finances but ended up providing vast amounts of dollars to shady individuals, businesses and countries under sanction (including Iran) via Iraq due to inadequate due diligence and systemic corruption. More precisely, Iraq's foreign currency reserves are held in New York and this puts the US in direct control of Iraq's access to dollars. For more context: Tabaqchali, A., *Iraq needs to address the economy's structural imbalances to halt the dinar's volatility*, Washington: Atlantic Council MENASource, [online](#), 2023.

17 See: <https://amwaj.media/media-monitor/iraqi-pm-sudani-raises-suspicion-of-political-appointments> (accessed 10 February 2023). Note that c. 25.5 million Iraqis are between 15–64 years old, i.e. the labour force (according to the World Bank) out of a total population of c. 42 million. Seven million Iraqis are estimated to be employed in the public sector in 2022 (according to Ali Al-Allawi). Including al-Sudani's hires, this suggests that nearly 30 per cent of the working age population is employed in the public sector, which is likely an underestimate (e.g. given the role and opportunities of women).

18 <https://www.youtube.com/watch?v=e9J-q0hY8zk> (accessed 10 February 2023).

budget and, subsequently, have major negative consequences for the livelihoods of many Iraqis.¹⁹

Al-Sudani also plans to expand social welfare programmes targeting the poor through registering more recipients of social assistance and through an additional food basket (in addition to the rations card). In his press conference on 3 January 2023, he indicated that he wants to increase the number of Iraqis benefiting from state-run social welfare systems from c. 5 million to the full 10 million estimated to live under the poverty line (about 25% of the population).²⁰ The corresponding increase in public spending might be just about possible given the record high oil revenues of 2022 and solid foreign reserves in the order of US\$100–115 billion.²¹ However, the PM's financial adviser has hinted that the draft 2023 federal budget will still have a deficit as it is expected to be Iraq's largest budget to date. Increases in public sector employment and social welfare extensions are firmly in line with the oil-funded patronage basis of Iraq's social contract. Its other main component is that the public tolerates elites pursuing their self-interest, as long as social spending is at a certain level. In this context, many current demonstrations are a bargaining tactic to induce marginal shifts in the boundary between these two dimensions – social spending and elite self-interest – except the 2019–2020 Tishreen protests.

Interestingly, the Kurdistan Regional Government (KRG) has replicated exactly the same dynamic in the Kurdistan Region of Iraq, i.e. at the sub-national level. However, it now faces the problem that the Federal Supreme Court has prevented the federal government from transferring

money to the KRG until accounts are settled and its oil sales are overseen from Baghdad. This significantly affects KRG revenue and risks triggering major unrest in the medium term. While al-Sudani has shown himself amenable to finding a political resolution, it remains to be seen how the issue will be resolved legally.

With regards to major domestic policy initiatives, it is worth noting that structural reforms have so far been entirely absent. PM al-Sudani is making an effort to conclude a long outstanding memorandum of understanding with Siemens to improve Iraq's electricity situation, and to rescue a major oil and gas investment/exploration deal with Total. But these are specific initiatives with little bearing on the overall regulatory environment and economic structure.

A final reflection on al-Sudani's incipient foreign policy is in order. If his outreach and travels are a reflection of his intentions, his main aim is to balance the US with Iran, and Europe with other regions. For example, early in his tenure he met about nine times with the US ambassador to Iraq and defended the presence of US troops (and by inference those of NATO), but he also met with the commander of the Quds force of the Islamic Revolutionary Guard Corps and travelled to Tehran. His first foreign visits were to Jordan and Kuwait respectively, but visits to Germany and France followed. Like his predecessor, PM al-Sudani participated in the second Baghdad Conference for Cooperation and Partnership in Amman on 20 December 2022, using it primarily as a way to build confidence across the region given his limited foreign policy experience and concerns about CF support for his government.²² In brief, al-Sudani intends to maintain good relations all round that are devoid of polarising rhetoric. The problem is that while foreign policy is usually a domain in which Iraqi PMs have appreciable leeway, it is the Iran-linked armed factions in Iraq and Tehran that have the capability to disrupt the relationship with the US

19 Iraqi Central Bank reserves exceed US\$100 billion at present and provide a buffer.

20 <https://www.youtube.com/watch?v=8LP5fgxJAXy&t=2286s> (accessed 14 February 2023).

21 <https://ina.iq/eng/23341-cbi-our-cash-reserves-have-exceeded-the-90-billion-.html>; <https://apnews.com/article/united-states-government-iraq-business-0628bad5e4d46315951c90681baba202> and <https://ina.iq/eng/24705-saleh-the-2023-budget-will-adopt-the-new-exchange-rate-and-the-reserve-has-risen-to-115-billion.html> (all accessed 10 February 2023).

22 Dugit-Gros, L., G. al-Omari and B. Wahab, *A Baghdad Summit in Amman: Implications for Regional Stability*, Washington Institute, [online](#), 2022.

Box 2 The Shi'a Coordination Framework is powerful, but not a happy family

The CF is a coalition of Iraq's major Shi'a political parties that united against Muqtada Al-Sadr's attempt to form a government without them. Not only did they succeed in preventing al-Sadr from sidelining the CF parties, they also managed to form the biggest bloc in parliament and nominate their own candidate for prime minister. However, once their unifying cause had disappeared, tensions within the CF over positions in the government grew.

Particular contention arose between Nouri al-Maliki, Qais al-Khazali and Hadi al-Ameri. Each of these leaders feels empowered in some form over the others. Al-Maliki has the most seats in parliament, al-Khazali was al-Sudani's chief backer in his nomination for the premiership, and al-Ameri maintains a relatively good relationship with al-Sadr (although now that al-Sadr is outside of government this has weakened his position somewhat).

Tensions between these CF leaders about appointments will continue as parliamentary committee leadership positions need to be assigned, as well as other major positions throughout the state such as ambassadors and directors general. Provincial council elections scheduled for October 2023 are also likely to heighten competition. A final bone of internal contention is relations with the US, which some CF parties may seek to disrupt as a way to increase their own reputation and power base.

through violent action.²³ His ability to handle domestic relations tactfully and discreetly will therefore determine the prospects of a coherent foreign policy that can balance the interests of different external stakeholders and bring Iraq a measure of calm in the international arena.

Conclusion

The first 100 days of the government of Prime Minister Mohammed Shiya al-Sudani are a model of appeasement. Nevertheless, Iraq is in need of substantive economic and political reforms, including in administrative efficiency and private sector development. Such changes will not happen as long as the country is awash in oil revenues that can satisfy Iraq's power brokers and its population to a sufficient extent. Although Iraq's immediate future is secured by its oil wealth, it is economically vulnerable in the long term. This is bound to have political consequences, if only because it will affect the rents that currently accrue to the country's elites.

In the absence of meaningful pathways for economic reform that are attractive to Iraq's political elites, external parties such as EU Member States should use the present interlude to encourage and enable different Iraqi stakeholder groups to develop a set of scenarios for Iraq's future to the extent possible (i.e. government, political parties, ruling elites, civil society and religious organisations). This can be done by creating a consortium of Iraqi and foreign think tanks with a clear link to the PMO for guidance. Such scenarios should spell out the effects of climate change, remaining low-level insecurity and oil price shocks to Iraq's social, political and fiscal stability. They should also identify adjustment measures that include cost estimates and develop an understanding of the sort of domestic and international consensus that will be required to adopt such measures when the time comes. The primary aim of such a process is to help participating stakeholders, especially Iraq's political elites, develop a detailed and fact-based understanding of where the country might be going and what perspectives for action look like in different scenarios.

23 Tabrizi, A., *Can Iraq's New Prime Minister Achieve a Balanced Foreign Policy?*, London: RUSI, [online](#), 2023.

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