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Overview

Iraq's government declared military victory against the terrorist insurgents of the Islamic State group (IS, aka ISIS/ISIL) in December 2017, and Iraqis are shifting their attention toward recovery and the country's political future. Security conditions have improved (**Figure 1**) but remain fluid, and daunting resettlement, reconstruction, and reform needs occupy citizens and decision makers. National legislative elections are scheduled for May 2018, and campaigning reflects issues stemming from the 2014-2017 conflict with the Islamic State as well a range of preexisting internal disputes and governance challenges. Ethnic, religious, regional, and tribal identities remain politically relevant, as do partisanship, personal rivalries, economic disparities, and natural resource imbalances. Iraq's neighbors and other outsiders continue to pursue their interests in the country, at times cooperatively and at times in competition.

Iraqi Prime Minister Haider al Abadi is seeking reelection in May, but rivals from other factions and movements are running as competitors. While Iraq's major ethnic and religious constituencies are each politically diverse, many Iraqis advance similar demands for improved security, government effectiveness, and economic opportunity. Prime Minister Abadi and other politicians increasingly employ cross-sectarian political and economic narratives, but identity-driven politics continue to influence developments across the country.

The Kurdistan Region of northern Iraq (KRI) enjoys considerable administrative autonomy under the terms of Iraq's 2005 constitution, and the Kurdistan Regional Government (KRG) expects to hold legislative and presidential elections sometime in 2018. The KRG held a controversial advisory referendum on independence on September 25, 2017, amplifying political tensions with the national government and prompting criticism from the Trump Administration and the United Nations Security Council. In October 2017, the national government imposed a ban on international flights to and from the KRI, and Iraqi security forces moved to reassert security control of disputed areas that had been secured by Kurdish forces after the Islamic State's mid-2014 advance. Much of the oil-rich governorate of Kirkuk—long claimed by Iraqi Kurds—returned to national government control, and resulting controversies have riven Kurdish politics. Iraqi and Kurdish security forces remain deployed across from each other along contested lines of control while their respective leaders are engaged in negotiations over a host of sensitive issues.

Internally displaced Iraqis are returning home in greater numbers, but stabilization and reconstruction needs in areas liberated from the Islamic State are extensive. As of early 2018, an estimated 2.5 million internally displaced persons (IDPs) remain, and authorities seek up to \$100 billion for reconstruction activities expected to last for years. Paramilitary forces have grown stronger and more numerous since 2014, but have yet to be fully integrated into national security institutions. Some figures associated with the Popular Mobilization Forces (PMF) militias that were organized to fight the Islamic State are participating in the 2018 election campaign and may cooperate with or challenge Prime Minister Abadi, including individuals with ties to Iran.

In general, U.S. engagement with Iraqis since 2011 has sought to reinforce Iraq's unifying tendencies and avoid divisive outcomes. At the same time, successive Administrations have sought to keep U.S. involvement and investment minimal relative to the 2003-2011 era, pursuing U.S. interests through partnership with various entities in Iraq and the development of those partners' capabilities—rather than through extensive deployment of U.S. military forces. U.S. economic assistance bolsters Iraq's ability to attract lending support and seeks to improve the Iraqi government's effectiveness and public financial management. The United States is the leading provider of humanitarian assistance to Iraq and also supports post-IS stabilization activities across the country through grants to United Nations agencies and other entities.

The Trump Administration has sustained a cooperative relationship with the Iraqi government and has requested funding to support Iraq's stabilization and continue security training for Iraqi forces beyond the completion of major military operations against the Islamic State. The nature and extent of the U.S. military presence and mission in Iraq is evolving in 2018 as conditions on the ground change and newly elected Iraqi officials make their training needs and requests clearer.

To date, the 115th Congress has appropriated funds to continue U.S. military operations against the Islamic State and to provide security assistance, humanitarian relief, and foreign aid for Iraq. Appropriations and authorization bills under consideration for FY2018 would largely continue U.S. policies and programs on current terms. For background on Iraq and its relations with the United States, see CRS Report R45025, *Iraq: Background and U.S. Policy*.

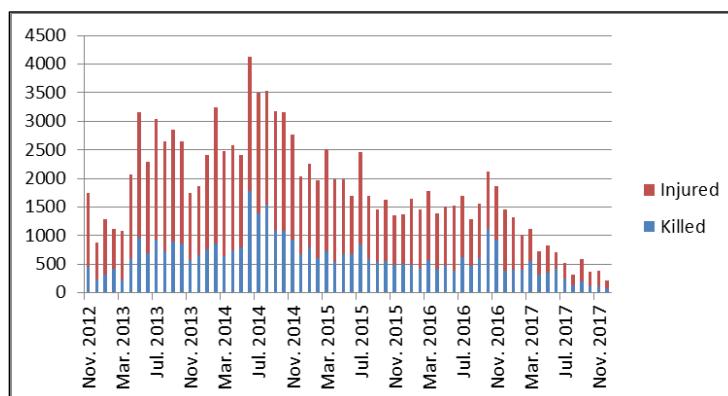
Developments in 2017 and 2018

Iraq Declares Victory against the Islamic State, Pursues Fighters

In July 2017, Prime Minister Haider al Abadi visited Mosul to mark the completion of major combat operations there against Islamic State forces, which had taken the city in June 2014. The defeat of IS forces in Mosul left the group with isolated areas of control in Tal Afar in Ninewa governorate, near Hawijah in Kirkuk and adjacent governorates, and in far western Anbar governorate. Iraqi forces retook Tal Afar and Hawijah in late summer 2017, and launched new operations in Anbar in October amid tensions elsewhere in territories disputed between the Kurdistan Regional Government (KRG) and national authorities. On December 9, 2017, Iraqi officials announced victory against the Islamic State and declared a national holiday.

With their control over distinct territories of Iraq now virtually ended, IS fighters have shifted toward carrying out isolated attacks. Experts warn that the group's resiliency and its ability to use such tactics effectively should not be underestimated. A twin suicide bombing attack in January 2018 killed more than three dozen civilians in Baghdad. Iraqi security forces continue to operate against IS fighters in areas of Anbar, Ninewa, Salah al Din, Diyala, and Kirkuk governorates and routinely announce strikes against reported IS personnel and seizures of explosives and weapons.

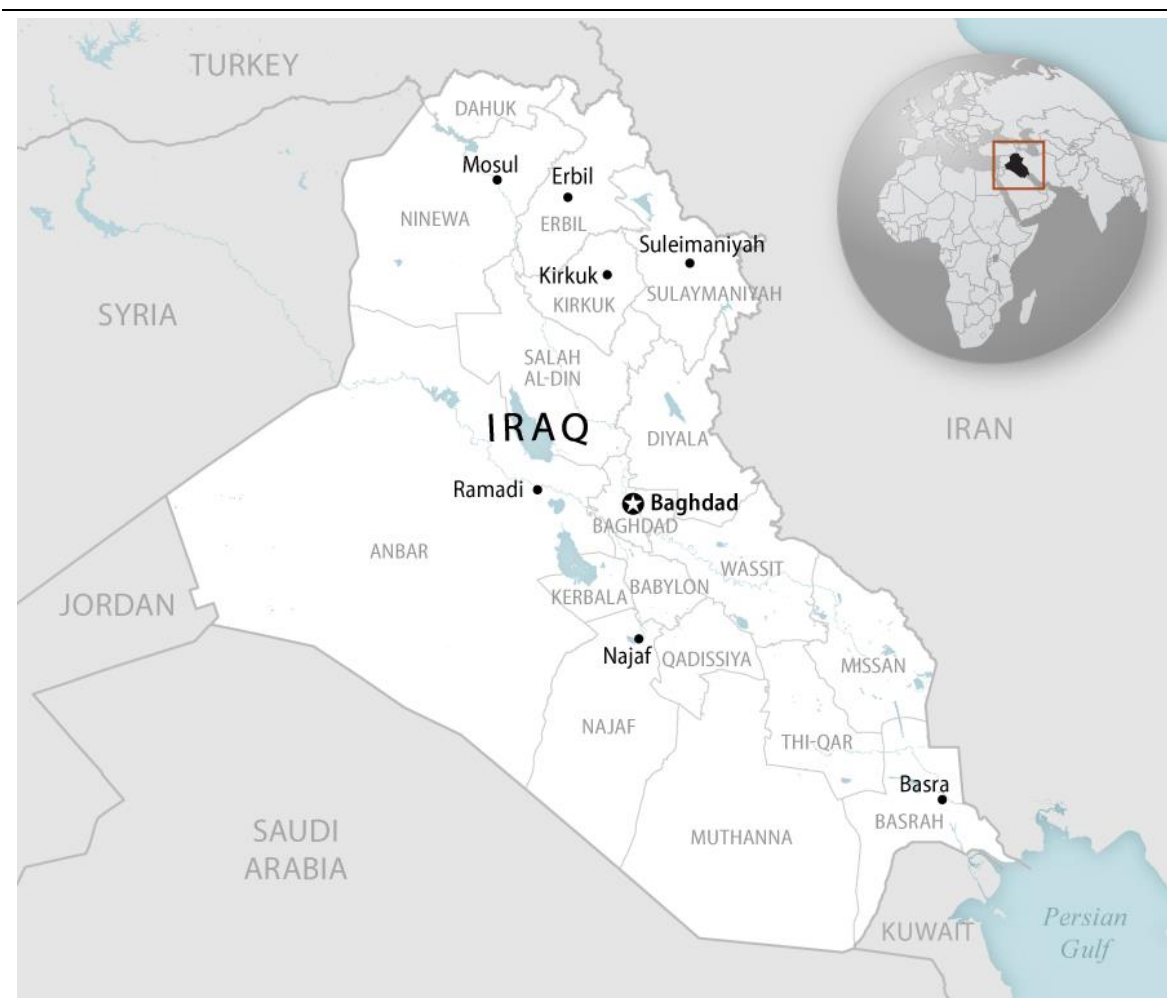
Figure I. Estimated Iraqi Civilian Casualties from Conflict and Terrorism



Source: United Nations Assistance Mission in Iraq.

Note: Some months lack data from some governorates.

Table I. Iraq: Map and Country Data



Area: 438,317 sq. km (slightly more than three times the size of New York State)

Population: 39.192 million (July 2017 estimate), ~59% are 24 years of age or under

Internally Displaced Persons: 2.56 million (January 15, 2018)

Religions: Muslim 99% (55-60% Shia, 40% Sunni), Christian <0.1%, Yazidi <0.1%

Ethnic Groups: Arab 75-80%; Kurdish 15-20%; Turkmen, Assyrian, Shabak, Yazidi, other ~5%.

Gross Domestic Product (GDP; growth rate): \$192.7 billion; 11% (2016 est.)

Budget (revenues; expenditure; balance): \$63.97 billion, \$76.35 billion, -\$12.38 billion (2017 est.)

Percentage of Revenue from Oil Exports: 87% (June 2017 est.)

Current Account Balance: -\$12.2 billion (2017 est.)

Oil and natural gas reserves: 142.5 billion barrels (2017 est., fifth largest); 3.158 trillion cubic meters (2017 est.)

External Debt: \$73.43 billion (2017 est.) **Foreign Reserves:** ~\$47.02 billion (December 2017 est.)

Sources: Graphic created by CRS using data from U.S. State Department and Esri. Country data from CIA, *The World Factbook*, July 2017, Iraq Ministry of Finance, and International Organization for Migration.

Uncertainty and Confrontation in Iraq's Disputed Territories

The Kurdistan Regional Government (KRG) held an official advisory referendum on independence from Iraq on September 25, 2017, in spite of requests from the national government of Iraq, the United States, and other external actors to delay or cancel it. Kurdish leaders held the referendum on time and as planned, with more than 72% of eligible voters participating and roughly 92% voting “Yes.” The referendum was held across the KRI and in other areas that were then under the control of Kurdish forces, including some areas subject to territorial disputes between the KRG and the national government, such as the multiethnic city of Kirkuk, adjacent oil-rich areas, and parts of Ninewa governorate populated by religious and ethnic minorities. Kurdish forces had secured many of these areas following the retreat of national government forces in the face of the Islamic State's rapid advance across northern Iraq in 2014.

In the wake of the referendum, Iraqi national government leaders imposed a ban on international flights to and from the Kurdistan region, and, in October 2017, Prime Minister Abadi ordered Iraqi forces to return to the disputed territories that had been under the control of national forces prior to the Islamic State's 2014 advance, including Kirkuk. A handful of clashes between national and Kurdish security forces resulted in some casualties on both sides, but Kurdish parties—who had been divided among themselves over the wisdom of the referendum and relations with Baghdad—mostly directed their forces to withdraw to pre-2014 lines without incident. More than 340,000 civilians were internally displaced from the disputed territories in the post-referendum confrontations, with more than 200,000 since having returned. The involvement of some Iran-backed Popular Mobilization Force (PMF) militia units in Iraqi national forces' operations in the disputed territories has fueled concerns about Iranian influence in Iraq, as have reports about attempts by Iranian officials to pressure Kurdish leaders over related issues.

The post-referendum changes in territorial control in the disputed territories have upended the Kurds' financial and political prospects, and related disputes have fueled further division among Kurdish leaders and parties. Former KRG President Masoud Barzani—who, along with his Kurdistan Democratic Party (KDP) faction, was considered the driving force behind the referendum—announced that he will not seek reelection and directed that executive authority be exercised by his nephew, KRG Prime Minister Nechirvan Barzani, and other KRG entities until elections are held. The Kurdistan National Assembly then voted to delay KRG elections that had been planned for November 2017. As of late January 2018, no KRG election date had been set.

Prime Minister Abadi has reiterated the national government's view that the September 2017 referendum was “unconstitutional,” and he and Iraq's national legislature and courts have called for its results to be “cancelled.”¹ The Prime Minister's statements continue to emphasize the national government's demands for control over national borders, customs procedures, airports, and energy exports pursuant to the national government's reading of the 2005 constitution. The ban on international flights to and from the KRI remains in place, but negotiating committees have reached proposed agreements on some “unresolved problems,”² and in January 2018 Iraqi

¹ “Iraqi court rules Kurdish independence vote unconstitutional,” Reuters, November 20, 2017.

² The national government has organized a High Committee headed by cabinet Secretary General Mahdi al ‘Allaq to engage with a counterpart KRG committee headed by KRG Interior Minister and acting Minister of Peshmerga Affairs Karim Sinjari. In January, Minister Sinjari led the first official KRG delegation to Baghdad since the September referendum and met with Iraqi Interior Minister Qasim al Araj. The committees' leaders then met in Erbil, with bilateral teams of experts holding side meetings on security, borders, airports, customs, border crossings, dams, and oil. Senior KRG leaders, including KRG Prime Minister Nechirvan Barzani and KRG Deputy Prime Minister Qubad Talabani then travelled to Baghdad and met with Prime Minister Abadi. The leaders held follow-up meetings in Davos, Switzerland.

national authorities travelled to the KRI, audited the payroll of select KRG ministries, and deposited funds in accounts to be used to pay the salaries of some KRG employees.³

Senior leaders on both sides are publicly expressing satisfaction with the content and pace of ongoing talks and confidence that some disputes can be resolved. That said, tangible examples of durably settled issues between the KRG and Baghdad are hard to find, and discussions are more active in some areas than in others. As noted above, security forces from both sides remain deployed across from each other at various fronts throughout the disputed territories, including deployments near the strategically sensitive tri-border area of Iraq, Syria, and Turkey (**Figure 2**). The United Nations Assistance Mission in Iraq (UNAMI) reported to the Security Council in mid-January that “No technical negotiations have been held between military officials from the federal and Kurdistan Regional Governments since the end of October 2017, and an uneasy, informal truce has taken effect in place of a formal agreement.”

U.S. officials continue to encourage Kurds and other Iraqis to engage on issues of dispute and to avoid unilateral military actions that could further destabilize the situation. National and KRG sources report that formal U.S.-brokered security negotiations are not under way, but U.S. military and civilian officials’ remain engaged with all parties in support of de-confliction. Deputy Secretary of State John Sullivan travelled to Iraq in late January 2018 and met with national government and KRG leaders, reiterating U.S. support for dialogue.

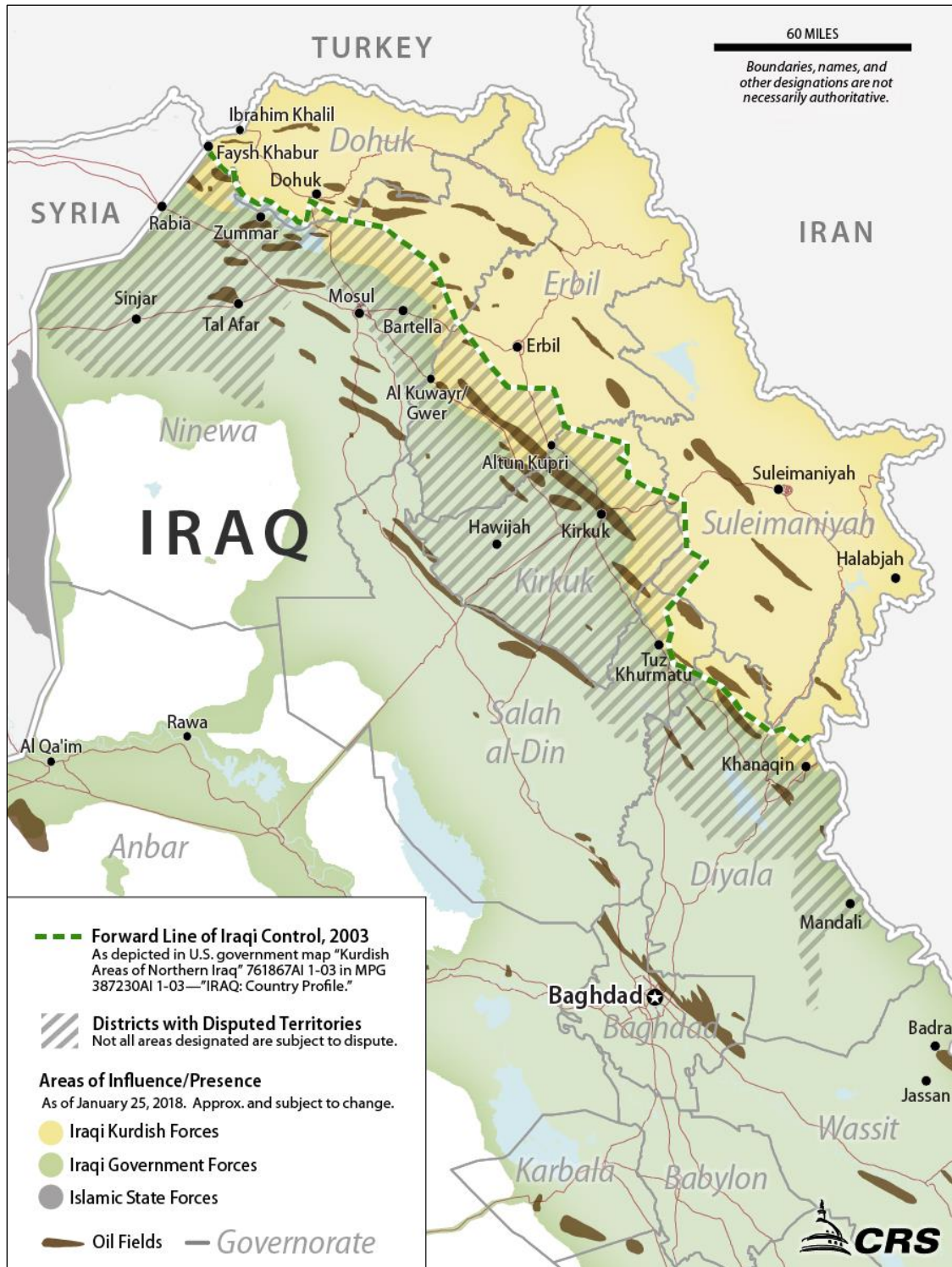
May 2018 Elections

The national legislative elections planned for May 12, 2018, are the dominant political story in Iraq, and daily news reports describe an evolving competitive landscape among leaders, parties, and coalitions seeking to win seats in the next Council of Representatives (COR). Some Iraqis have lobbied for the election to be delayed, citing concerns about security, damaged infrastructure, and the continuing internal displacement of more than 2.5 million of their fellow citizens. In January 2018, Iraq’s courts ruled that the elections cannot be delayed, and election authorities are expected to make preparations to make it possible for all Iraqis, regardless of location and local conditions, to have the opportunity to participate.

As of February 2018, proposed amendments to election laws that will set terms for the national legislative election and delayed governorate council elections remain pending before the Council of Representatives. Funding for the Independent High Election Commission’s 2018 election preparations is linked administratively to the parliament’s pending adoption of the national legislative election law amendments, and but some funds have been released by the government in response to calls from IHEC officials. Governorate council elections were due to be held in 2017 but were delayed and may be held in conjunction with the national legislative elections. Following the May 2018 election, results are to be tabulated and coalition leaders are expected to negotiate to select a prime ministerial candidate to form a government for approval by the newly seated COR. The pace of post-election negotiations may be affected by national observance of Ramadan, which is expected to begin on May 15 and last until June 14, 2018.

³ Iraqi national government auditors reviewed the records of the KRG education and health ministries in support of an announced plan to resume payments from Baghdad to Erbil to support these ministries’ payroll operations.

Figure 2. Disputed Territories in Iraq
 Areas of Influence as of January 25, 2018



Sources: Congressional Research Service using ArcGIS, IHS Markit Conflict Monitor, U.S. government, and United Nations data.

Prime Minister Abadi has announced his plan to lead a coalition of mostly Shia parties and independent Sunni figures under the framework of his Victory (*Nasr*) Alliance. In launching his own coalition, Abadi is competing with Vice President and former prime minister Nouri al Maliki, who, like Abadi, is a leading member of the Dawa Party. Maliki's State of Law alliance has been critical of Abadi's leadership, and some State of Law members are vocal opponents of Iraq's security partnership with the United States. Several former leaders of the Popular Mobilization Force (PMF) militias organized to help fight the Islamic State are participating in the elections as candidates under the rubric of the *Fatah* Alliance (see textbox below).

Other prominent Iraqi figures have organized coalitions and lists to contest the election, including a largely Sunni list led by Vice President Osama al Nujayfi and the National Alliance jointly led by Vice President Iyad Allawi, COR Speaker Salim al Juburi, and former deputy Prime Minister Salih al Mutlaq. Among Shia leaders, Ammar al Hakim's Wisdom (*Hikma*) movement has formally withdrawn from the Prime Minister's coalition, but Hakim reportedly intends to coordinate with Abadi during government formation negotiations after the election. Shia cleric Muqtada al Sadr is directing his followers to support the multiparty, anti-corruption oriented *Sa'irun* coalition. Sadr has criticized the participation of PMF leaders in the election and is campaigning on a populist reform and anti-corruption platform.

Kurdish parties are not running a coordinated campaign or joint list but may prove influential during government formation negotiations. The Kurdistan Democratic Party (KDP) and Patriotic Union of Kurdistan (PUK) are running separately, and the KDP may not campaign in some disputed areas controlled by federal government forces. The *Gorran* (Change) movement plans to run as part of the *Nishtiman* (Homeland) alliance along with the Coalition for Democracy and Justice of former KRG Prime Minister Barham Saleh and the Kurdistan Islamic Group (*Komal*).

Iraq's Popular Mobilization Forces and the 2018 Election

Since its founding in 2014, Iraq's Popular Mobilization Commission (PMC) and its associated militias—the Popular Mobilization Forces (PMF)—have contributed to Iraq's fight against the Islamic State, even as some of its leaders and units have raised concerns among Iraqis and outsiders about the PMF's future and some of its members' ties to Iran. Key political issues at present concern implementing a 2016 law calling for the PMF's incorporation as a permanent part of Iraq's national security establishment and managing the participation of PMF-associated figures in the 2018 election in line with provisions of that law that call for politically active individuals to sever their PMF ties.

Prime Minister Abadi initially proposed pairing his Victory Alliance with the *Fatah* coalition headed by Badr Organization leader Hadi al Ameri, but *Fatah* leaders withdrew from the arrangement shortly after its announcement. Ameri and other prominent figures who helped lead the Popular Mobilization Forces during the 2014-2017 fight with the Islamic State such as *Asa'ib Ahl al Haq* (League of the Righteous) leader Qa'is Khazali, have nominally disassociated themselves from the PMF, in line with legal prohibitions on the participation of PMF officials in politics.⁴ Nevertheless, their movements' supporters and associated units remain integral to some ongoing PMF operations and their public images remain closely, if now informally, linked to their past PMF leadership activities.

Some observers continue to express surprise and concern about Abadi's apparent willingness to coordinate politically with figures that remain associated with the PMF movement and particularly with figures reported to have close ties with PMF groups that have received support from Iran. In December, Prime Minister Abadi had reiterated his insistence that PMF leaders delink themselves from the force if they intended to compete politically. He also restated his intention to proceed with the integration of the PMF into national security bodies according to the 2016 PMF law.

Abadi's statements to this effect followed closely on the heels of an address given in mid-December by Abdul Mahdi al Karbala'i, a senior representative of Grand Ayatollah Sistani, whose 2014 fatwa mobilized the PMF and legitimizes its ongoing operations in the eyes of some volunteers and citizens. Karbala'i credited the PMF volunteers with saving Iraq from the Islamic State and called on Iraqis to continue to "make use" of their "important energies within

⁴ Khazali and Ameri made public statements in December 2017 instructing their organizations' political cadres to cut ties to operational PMF units. Muqtada al Sadr also announced he was directing PMF units affiliated with his organization to begin transferring areas under their control to national security forces.

constitutional and legal frameworks on the issue of restricting weapons to the state and drawing the right track for the role of these heroes in protecting the country... .”⁵ He further called on PMF volunteers to defend the privileged status and respect they had earned by refusing to use their positions and experiences for political purposes or gain.⁶

The popularity of the PMF and broadly expressed respect for the sacrifices made by individual volunteers in the fight against the Islamic State create complicated political questions for the Prime Minister and other Iraqi leaders. On the one hand, there may be a political benefit in continuing to embrace the PMF and its personnel and in supporting volunteers during their demobilization or transition into security sector roles. On the other hand, there may be political costs to appearing too supportive of the PMF generally or to embracing Iran-linked units in particular. The effect of Abadi’s proposal to cooperate with the Fatah Alliance on his political prospects remains to be seen.

To date, limited progress has been made in the implementation of the 2016 PMF law that Iraqis adopted to provide for a permanent role for the PMF as an element of Iraq’s national security sector. The law calls for the PMF to be placed under the command authority of the commander-in-chief and to be subject to military discipline and organization. Some PMF units have since been integrated, but many remain outside the law’s directive structure, including some units associated with groups identified by the State Department’s 2016 Country Reports on Terrorism as receiving Iranian support.⁷ The presence of Iran-aligned PMF forces in disputed territories remains a source of concern to KRG officials and some members of local communities.

Economic and Fiscal Challenges Continue

Ongoing fiscal crises strain the public finances of the national government and the KRG, amplifying the pressure on leaders working to address the country’s security and political challenges. On a national basis, the combined effects of lower global oil prices from 2014 through mid-2017, expansive public sector liabilities, and the costs of the military campaign against the Islamic State have created budget deficits—estimated at 12% of GDP in 2015 and 14% of GDP in 2016.⁸ The IMF estimates Iraq’s 2017-2018 financing needs at 19% of GDP. Oil exports continue to provide nearly 90% of public sector revenue in Iraq, while non-oil sector growth has been hindered over time by insecurity, weak service delivery, and corruption.

Iraq’s oil production and exports have increased since 2016, but fluctuations in oil prices undermined revenue gains until the latter half of 2017 and early 2018, with revenues now improving. Iraq has agreed to manage its overall oil production in line with mutually agreed Organization of the Petroleum Exporting Countries (OPEC) output limits, and current production levels remain within agreed OPEC commitments. In January 2018, Iraq exported an average of 3.5 million barrels per day (mbd, excluding KRG-administered oil exports), below the amended July 2017 budget’s 3.75 mbd export assumption but at prices well above the budget’s \$45 per barrel benchmark.⁹ The IMF projects modest GDP growth over the next five years and expects growth to be stronger in the non-oil sector if Iraq’s implementation of agreed measures continues as oil output and exports plateau.

Fiscal pressures are more acute in the Kurdistan region, where the fallout from the national government’s response to the September 2017 referendum has further sapped the ability of the

⁵ Shaykh ‘Abd al Mahdi al Karbala’i, representative of the Higher Religious Authority, sermon excerpts aired on Al Iraqiyah Television, December 15, 2017. OSE Report LIW2017121559376162.

⁶ OSE Report IMR2017122384398134.

⁷ The State Department report mentions Asa’ib Ahl al Haq and the Badr forces in this regard and warns specifically that the permanent inclusion of the U.S.-designated foreign terrorist organization (FTO) Kata’ib Hezbollah militia in Iraq’s legalized PMF “could represent an obstacle that could undermine shared counterterrorism objectives.”

⁸ IMF Country Report No. 17/251, Iraq: Second Review of the Three-Year Stand-By Arrangement, August 2017.

⁹ Reuters, “Iraq to comply with OPEC deal despite oil export capacity rise—minister,” January 29, 2017; and, Reuters, “Iraq’s SOMO’s January exports 3.5 mln bpd, could top December’s record—oil official,” January 29, 2017.

KRG to pay salaries to its public sector employees and security forces. The KRG's loss of control over significant oil resources in Kirkuk governorate coupled with changes implemented by national government authorities over shipments of oil from those fields via the KRG-controlled export pipeline to Turkey have contributed to a sharp decline in revenue for the KRG. Kurdish officials also report that the ban on international flights to and from the KRI is negatively affecting the region's economy, although ongoing discussions between KRG and national government officials could conceivably support the amendment or lifting of flight limits in the near future. As noted above, Iraqi authorities have initiated audits of payroll and other records for some KRG ministries and made funds available to temporarily support the salaries of public employees in the KRI health and education sectors.

Related issues continue to shape consideration of the 2018 budget in the COR, with some Kurdish representatives and others criticizing proposals in the government's budget proposal that would allocate the KRG a smaller percentage of funds in 2018 than the 17% benchmark reflected in previous budgets. National government officials argue that KRG resources should be based on a revised population estimate, and the 2018 proposal would provide 12.67% for the KRG.

Humanitarian Issues and Stabilization

Humanitarian Conditions

Humanitarian conditions remain difficult in many conflict-affected areas of Iraq, but December 2017 marked the first month since December 2013 that there were more Iraqis who returned to their home areas than those who remained internally displaced (IDPs) or became newly displaced. As of mid-January, more than 3.2 million Iraqis had returned to their districts since 2014, while more than 2.5 million individuals remained displaced. These figures include those who were displaced and returned home in disputed areas in the wake of the September 2017 KRG referendum on independence.¹⁰ Ninewa governorate is home to the largest number of IDPs, due to the effects of the intense military operations against the Islamic State in Mosul and northwestern areas of the governorate during 2017 (**Table 2**). Estimates suggest thousands of civilians were killed or wounded during the Mosul battle, which displaced more than 1 million people.

The Kurdistan Region of Iraq (KRI) hosts approximately 31% of the remaining IDP population in Iraq, and IDP numbers in the KRI have declined since early 2017, though not as rapidly as in some other governorates. Conditions for IDPs in Dohuk governorate remain the most challenging in the KRI, with roughly half of Dohuk-based IDPs living in camps or critical shelters as of December 2017 according to International Organization for Migration surveys.

U.N. officials report that access restrictions continue to hinder humanitarian operations in some areas.¹¹ The 2017 Humanitarian Response Plan for Iraq identified more than \$984 million in needs and was 91% met, with nearly \$400 million in additional funds provided outside the plan.¹² The 2018 Iraq appeal is scheduled to be released at the February 2018 reconstruction conference for Iraq in Kuwait.

¹⁰ IOM estimates that more than 144,000 people remain displaced because of the crisis in Iraq's disputed territories. According to IOM, approximately 204,000 individuals have returned to their home areas. Most remaining IDPs resulting from the crisis are in the Tuz district of Salah al Din governorate, the KRI cities of Erbil and Suleimaniyah, and the Zakho district of Dohuk governorate. IOM Iraq, Disputed Areas Crisis Return Movements, January 22, 2018.

¹¹ U.N. Document S/2018/42, Report of the Secretary-General pursuant to Resolution 2367 (2017), January 17, 2018.

¹² United Nations Financial Tracking Service, Iraq 2017 (Humanitarian Response Plan), January 30, 2018.

Table 2. IOM Estimates of IDPs by Location in Iraq
As of January 15, 2018

Governorate	IOM Estimates of IDPs by Location of Displacement		% Change during 2017
	January 2017	January 2018	
Suleimaniyah	153,816	188,142	22%
Erbil	346,080	253,116	-27%
Dohuk	397,014	362,670	-9%
<i>KRI Total</i>	<i>896,910</i>	<i>806,976</i>	<i>-10%</i>
Ninewa	409,020	795,360	94%
Salah al Din	315,876	241,404	-24%
Baghdad	393,066	176,700	-55%
Kirkuk	367,188	172,854	-53%
Anbar	268,428	108,894	-59%
Diyala	75,624	81,972	8%

Source: International Organization for Migration, Displacement Tracking Monitor Data.

Stabilization and Reconstruction

A planned Comprehensive Damage Assessment from Iraq is still pending, but Iraqi authorities estimate the country's reconstruction needs may exceed \$100 billion, spanning various sectors and different areas of the country. U.S. stabilization assistance to areas of Iraq that have been liberated from the Islamic State is directed through the United Nations Development Program (UNDP)-administered Funding Facility for Stabilization (FFS), which includes a Funding Facility for Immediate Stabilization (FFIS), a Funding Facility for Expanded Stabilization (FFES), and Economic Reform Facilities for the national government and the KRI. U.S. contributions to FFIS support stabilization activities under each of its "Four Windows:" (1) light infrastructure rehabilitation, (2) livelihoods support, (3) local official capacity building, and (4) community reconciliation programs.¹³ As of January 2018, UNDP Iraq reported that the FFS had received more than \$420 million in resources since its inception in mid-2015, and more than 1,600 stabilization projects are underway with the support of UNDP-managed funding.

Iraq hopes to attract considerable private sector investment to help finance its reconstruction needs and underwrite a new economic chapter for the country. The size of Iraq's internal market and its advantages as a low-cost energy producer with identified infrastructure investment needs help make it attractive to investors, but overcoming persistent concerns about security, service reliability, and corruption may prove challenging. The outcome of the 2018 election and the new Iraqi leadership's statements on reform efforts may provide key signals to parties exploring investment opportunities. The Administration is actively supporting and promoting the participation of U.S. companies in the February 2018 reconstruction conference in Kuwait.

¹³ UNDP's latest FFS self-assessment report highlights the doubling of the number of projects undertaken nationwide since 2016 (to more than 1,000), but observes that the expansion "has placed a significant strain on program systems including procurement, management and monitoring" and has required a doubling of operations staff.

Potential Issues for the 115th Congress

As Congress prepares to consider the Trump Administration's requests for FY2019 foreign assistance and defense funding, Iraqis are engaged in a competitive election campaign and working to rebuild war-torn areas of their country. A final FY2018 appropriations agreement may make additional U.S. funding available for contributions to immediate post-IS stabilization efforts, and may renew authorities for U.S. economic and military loan guarantees that have helped Iraq overcome its financial difficulties. The Trump Administration's decisions about the direction and content of planned U.S. assistance efforts in 2018 and beyond may be shaped by the contours and outcome of the Iraqi election. If Prime Minister Abadi emerges as the head of Iraq's next government, continuity may prevail in patterns of U.S. assistance. At the same time, the empowerment of more anti-U.S. actors also could prompt changes in the bilateral relationship.

U.S. Military Operations

Iraqi military and counterterrorism operations against scattered supporters of the Islamic State group are ongoing, and the United States military and its coalition partners continue to provide support to those efforts at the request of the Iraqi government. The Trump and Obama Administrations have both cited the 2001 Authorization for Use of Military Force (AUMF, P.L. 107-40) as the domestic legal authorization for U.S. military operations against the Islamic State in Iraq and refer to both collective and individual self-defense provisions of the U.N. Charter as the relevant international legal justifications for ongoing U.S. operations in Iraq and Syria. The U.S. military presence in Iraq is governed by an exchange of diplomatic notes that reference the security provisions of the 2008 bilateral Strategic Framework Agreement.¹⁴ This arrangement has not required approval of a separate security agreement by Iraq's Council of Representatives.

The overall volume and pace of kinetic U.S. operations against IS targets appears to have subsided since late 2017, with U.S. training efforts for various Iraqi security forces ongoing at various locations, including in the Kurdistan region, pursuant to the authorities granted by Congress for the Iraq Train and Equip Program and for the activities of the Office of Security Cooperation-Iraq (OSC-I) at the U.S. Embassy in Baghdad.¹⁵ In February 2018, an Iraqi government spokesman stated that the U.S. presence would be reduced, and U.S. military official confirmed that the "continued coalition presence in Iraq will be conditions-based, proportional to the need and in coordination with the government of Iraq."¹⁶

The cost of military operations under Operation Inherent Resolve against the Islamic State in Iraq and Syria as of June 30, 2017 was \$14.3 billion, and, through FY2017, Congress had appropriated more than \$3.6 billion for train and equip assistance in Iraq (**Table 3**). As of September 2017, the Department of Defense (DOD) reported that there were then nearly 8,900 U.S. uniformed military personnel in Iraq, although precise numbers have proven fluid based on operational needs and

¹⁴ Section III of the agreement concerning "Defense and Security Cooperation" states: "In order to strengthen security and stability in Iraq, and thereby contribute to international peace and stability, and to enhance the ability of the Republic of Iraq to deter all threats against its sovereignty, security, and territorial integrity, the Parties shall continue to foster close cooperation concerning defense and security arrangements without prejudice to Iraqi sovereignty over its land, sea, and air territory."

¹⁵ Specific authority for the Iraq train and equip program is provided in Section 1236 of the FY2015 National Defense Authorization Act (P.L. 113-291, as amended).

¹⁶ Saad al Hadithi and U.S. Army Col. Ryan Dillon quoted in Susannah George and Qassim Abdul-Zahra, "US begins reducing troops in Iraq after victory over IS," Associated Press, February 5, 2018.

deployment schedules.¹⁷ From August 2014 through January 30, 2018, 52 U.S. military personnel and DOD civilians have been killed or have died as part of Operation Inherent Resolve, and an additional 58 U.S. persons have been wounded.

Security Assistance to the Kurdistan Regional Government

Congress has authorized the President to provide U.S. assistance to the Kurdish *peshmerga* and certain Sunni and other local security forces with a national security mission in coordination with the Iraqi government, and to do so directly under certain circumstances. Pursuant to a 2016 U.S.-KRG memorandum of understanding (MOU), the United States has offered more than \$400 million in defense funding and in-kind support to the Kurdistan Regional Government of Iraq, delivered in smaller monthly installments. The December 2016 continuing resolution (P.L. 114-254) included \$289.5 million in additional FY2017 Iraq training program funds to continue support for *peshmerga* forces. In 2017, the Trump Administration requested an additional \$365 million in defense funding to support programs with the KRG and KRG-Baghdad cooperation as part of the FY2018 train and equip request. The Administration also proposed a sale of infantry and artillery equipment for *peshmerga* forces that Iraq agreed to finance using a portion of its U.S.-subsidized Foreign Military Financing loan proceeds.

Kurdish officials report that in the wake of the September 2017 independence referendum, U.S. training support and consultation on plans to reform the KRG Ministry of Peshmerga and its forces continue. U.S. officials have not announced a renewal of the 2016 MOU with the KRG, amid continuing tensions among Iraqis. Congress has in recent years directed that U.S. assistance and loan guarantees be implemented in Iraq in ways that benefit Iraqis in all areas of the country, including in the Kurdistan region. The specific content and timing of new announcements regarding U.S. support to the KRG may be shaped by developments in Iraq, especially developments related to the outcome of KRG-Baghdad consultations on border control and joint security arrangements in disputed territories.

U.S. Foreign Assistance

In July 2017, the Trump Administration notified Congress of its intent to obligate up to \$250 million in FY2017 Foreign Military Financing (FMF) funding for Iraq in part to support the costs of continued loan-funded purchases of U.S. defense equipment and to fund Iraqi defense institution building efforts. Congressionally authorized U.S. loan guarantees also supported a successful Iraqi bond issue in early 2017. The Administration has requested \$1.269 billion in FY2018 defense funding to train and equip Iraqis along with \$347.86 million for FY2018 foreign assistance, including \$300 million for post-IS stabilization (**Table 4**). Since 2014, the United States has contributed more than \$1.7 billion to humanitarian relief efforts in Iraq,¹⁸ including more than \$601 million in humanitarian support to the Iraq response in FY2017.¹⁹

Since mid-2016, the executive branch has notified Congress of its intent to obligate \$265.3 million in assistance funding to support UNDP FFS programs, including post-IS stabilization funding made available through FY2018 in the December 2016 continuing resolution (P.L. 114-254, see textbox below).²⁰ The Trump Administration requested an additional \$300 million in FY2018 Economic Support and Development Fund monies for Iraq, a portion of which would fund continued U.S. contributions to post-IS stabilization programs. House and Senate versions of the FY2018 foreign operations appropriations bill would make Economic Support Fund (ESF) monies available for contributions to stabilization in Iraq on different terms.

U.S. contributions to efforts to stabilize the Mosul Dam on the Tigris River are ongoing, and the Trump Administration notified Congress of its intent to obligate an additional \$65 million in

¹⁷ U.S. Defense Manpower Data Center (DMDC) data, September 2017.

¹⁸ Iraq-Complex Emergency Fact Sheet #1, Fiscal Year (FY) 2018, November 27, 2017.

¹⁹ Iraq-Complex Emergency Fact Sheet #3, Fiscal Year (FY) 2018, January 12, 2018.

²⁰ In P.L. 114-254, Congress appropriated \$1.03 billion in Economic Support Fund monies for programs to counter the Islamic State, including in minority populated areas of Iraq.

State Department and Defense Department funds in December 2017 and January 2018. In July 2017, the State Department noted that while Iraq had begun work to stabilize the dam, “it is impossible to accurately predict the likelihood of the dam’s failing....”²¹

Stabilization and Issues Affecting Religious and Ethnic Minorities

State Department reports on human rights conditions and religious freedom in Iraq have documented the difficulties faced by religious and ethnic minorities in the country for years. In some cases, these difficulties and security risks have driven members of minority groups to flee the country or to take shelter in different areas of the country, whether with fellow group members or in new communities. Minority groups that live in areas subject to long running territorial disputes between Iraq’s national government and the KRG face additional interference and exploitation by larger groups for political, economic, or security reasons. Members of diverse minority communities express a variety of territorial claims and administrative preferences, both among and within their own groups. While much attention is focused on potential intimidation or coercion of minorities by majority groups, disputes within minority communities over various options also have the potential to generate tension and violence.

In October 2017, Vice President Michael Pence said in a speech that the United States would direct more support to persecuted religious minority groups in the Middle East, including in Iraq. In the months since, USAID has notified Congress of its intent to obligate \$14 million in FY2017 ESF-OCO for new assistance programs, as “part of the U.S. Government’s strategy to direct additional assistance on a priority basis to stabilize vulnerable communities in Northwestern Iraq.” USAID Counselor Thomas Staal visited Iraq in December 2017 and traveled to Ninewa governorate to engage with ethnic and religious minority groups. In January, USAID officials announced the release to UNDP of an \$80 million first tranche of stabilization assistance from an overall pledge of \$150 million announced in July 2017 and notified to Congress months earlier.

According to the announcement, USAID “renegotiated the terms of its agreement to contribute to the UNDP Funding Facility for Stabilization (FFS) so that \$55 million of a \$75 million payment will address the needs of vulnerable religious and ethnic minority communities in Ninewa Province, especially those who have been victims of atrocities by ISIS. The modified agreement ensures that the U.S. contribution will help the populations of liberated areas in Ninewa Province resume normal lives by restoring services such as water, electricity, sewage, health, and education.” The announcement states that “fulfillment of the rest of that [\$150 million] pledge will depend on UNDP’s success in putting in place additional accountability, transparency, and due-diligence measures for the FFS.” Inclusive of the January announcement, the United States has provided \$198.65 million to support the FFS—which remains the main international conduit for post-IS stabilization assistance in liberated areas.

Table 3. Iraq Train and Equip Program: Appropriations and Requests
in thousands of dollars

	FY2015	FY2016	FY2017 Requests	FY2018 Iraq-Specific Request
Iraq Train and Equip Fund	1,618,000	715,000	630,000 289,500 (FY17 CR)	-
Additional Counter-ISIL Train and Equip Fund	-	-	446,400	1,269,000
Total	1,618,000	715,000	1,365,900	1,269,000

Source: Executive branch appropriations requests and appropriations legislation.

²¹ State Department, Travel Warning: Iraq, June 14, 2017.

Table 4. U.S. Assistance to Iraq: Select Obligations, Allocations, and Requests
in millions of dollars

Account	FY2012 Obligated	FY2013 Obligated	FY2014 Obligated	FY2015 Obligated	FY2016 Actual	FY2017 Request	FY2018 Request
FMF	79.555	37.290	300.000	150.000	250,000	150.000	-
ESF/ESDF	275,903	128.041	61.238	50.282	122.500	332.500	300.000
INCLE	309.353	-	11.199	3.529	11,000	-	-
NADR	16.547	9.460	18.318	4.039	20,860	26.860	46.860
DF	0.540	26.359	18.107	-	-	-	-
IMET	1.997	1.115	1.471	0.902	0.993	1.000	1.000
Total	683.895	202.265	410.333	208.752	405.353	510.360	347.860

Sources: Obligations data derived from U.S. Overseas Loans and Grants (Greenbook), January 2017. FY2016-FY2018 data from State Department Congressional Budget Justification documents.

Notes: FMF = Foreign Military Financing; ESF/ESDF = Economic Support Fund/Economic Support and Development Fund; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Antiterrorism, Demining, and Related Programs; DF = Democracy Fund; IMET = International Military Education and Training.

Legislation in the 115th Congress

Legislation considered in the first session of the 115th Congress would provide for the continuation of U.S. military operations, foreign assistance, training, and lending support to Iraq on current terms (H.R. 3354, H.R. 3362, and S. 1780). The FY2018 National Defense Authorization Act (NDAA, P.L. 115-91) extended the authority for the U.S. train and equip program in Iraq through December 2019 and modified the mandate of the Office of Security Cooperation at the U.S. Embassy in Iraq (OSC-I) to widen the range of forces the office may engage to include all “military and other security forces of or associated with the Government of Iraq.” The FY2018 NDAA authorizes the appropriation of the Administration’s request for \$1.269 billion in additional defense funding for train and equip efforts and requires the Administration to submit a comprehensive report on conditions in Iraq and U.S. strategy.

FY2018 foreign operations appropriations legislation considered during the first session of the 115th Congress would extend authority for economic and military loan guarantee support to Iraq. Past iterations of these authorities were enacted with provisos intended to ensure the executive branch certified to congressional appropriators that the proceeds of U.S.-backed loans would be shared equitably among Iraq’s diverse communities and regions, to include the Kurdistan region.

Outlook

The first half of 2018 is likely to be dominated by preparations for national legislative elections planned for May 12 and subsequent negotiations among Iraqi factions. Once the outcome of the election is determined and negotiations among Iraqi leaders produce a consensus candidate for Prime Minister, the United States and other third parties may have a clearer sense of Iraq’s potential trajectory. There is little public indication at present that Iraqi authorities intend to request that the United States dramatically alter its assistance approach to or military presence in Iraq, including with regard to the Kurdistan region. However, in the event that the progress made to date in negotiations between representatives of the national government and the KRG does not

continue or is reversed, the United States could face countervailing requests from its Iraqi partners. National government authorities could more strictly assert their sovereign prerogatives with regard to foreign assistance to sub-state entities, and KRG representatives could seek expanded U.S. support in spite or because of stronger national government hostility.

As Iraqis debate issues in the run-up to planned 2018 elections, candidates seeking to strengthen their nationalist credentials or undermine rivals may grow more critical of the presence of foreign military forces, including U.S. forces. Some Iraqi groups, such as the Shia militant organization Kata'ib Hezbollah, are vocally critical of the remaining U.S. and coalition military presence in the country and argue that the defeat of the Islamic State's main forces means that U.S. and other foreign forces should depart. It remains to be seen whether any more mainstream Iraqi political movements or leaders will seek to use the U.S. presence as a major wedge issue in the run up to or aftermath of the May 2018 election.

Different electoral outcomes could create different scenarios for U.S. officials and legislators to consider, some of which might prompt reevaluations of the likelihood of achieving current U.S. goals in Iraq. A result that reinstates Prime Minister Abadi with the support of an more numerous elected base of COR members committed to pursuing anti-corruption and governance reforms could provide a clearer mandate for proposals endorsed to date by the United States. Such an outcome appears less likely at present, and could prompt backlash from individuals who stand to benefit from the maintenance of the current political and economic status quo. A status quo result that returns Abadi to power but does not grant him a clear mandate for change could ensure continuity in bilateral relations with the United States, but might also result in the continuation of current challenges for Iraq and its partners. A politically balanced result that disperses electoral support among various alliances might ensure that a broad swath of Iraqi citizens feel represented in parliament but also might lead to the creation of unstable leadership coalitions less able to act on controversial issues. Depending on the balance of political forces after the voting, Kurdish parties could find themselves to be numerically attractive coalition partners and garner additional political leverage in relation to various counterparts in Baghdad. The degree of Kurdish influence may be a function of the relative unity of Kurdish parties and the numerical outcomes of the vote.

Members of Congress and U.S. officials face difficulties in developing policy options that can secure U.S. interests on specific issues without provoking levels of opposition from Iraqi constituencies that may jeopardize wider U.S. goals. Debates over U.S. military support to Iraqi national forces and sub-state actors in the fight against the Islamic State have illustrated this dynamic, with some U.S. proposals for the provision of aid to all capable Iraqi forces facing criticism from Iraqi groups suspicious of U.S. intentions or fearful that U.S. assistance could empower their domestic rivals. U.S. aid to the Kurds to date has been provided with the approval of the Baghdad government, though some Members have advocated for assistance to be provided directly to the KRG. U.S. assistance to Baghdad is provided on the understanding that U.S. equipment will be responsibly used by its intended recipients, and some Members have expressed concerns about the use of U.S.-origin defense equipment by actors or in ways that Congress has not intended. Confrontations between the national government and Kurdish forces in disputed territories and the future of the Popular Mobilization Forces implicate these issues directly and may remain relevant to debates over the continuation of prevailing patterns of assistance.

It seems reasonable to expect that Iraqis will continue to assess and respond to U.S. initiatives (and those of other outsiders) primarily through the lenses of their own domestic political rivalries, anxieties, and agendas. Reconciling U.S. preferences and interests with Iraq's evolving politics and security conditions may thus require continued creativity, flexibility, and patience.

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