Focus on Iraq

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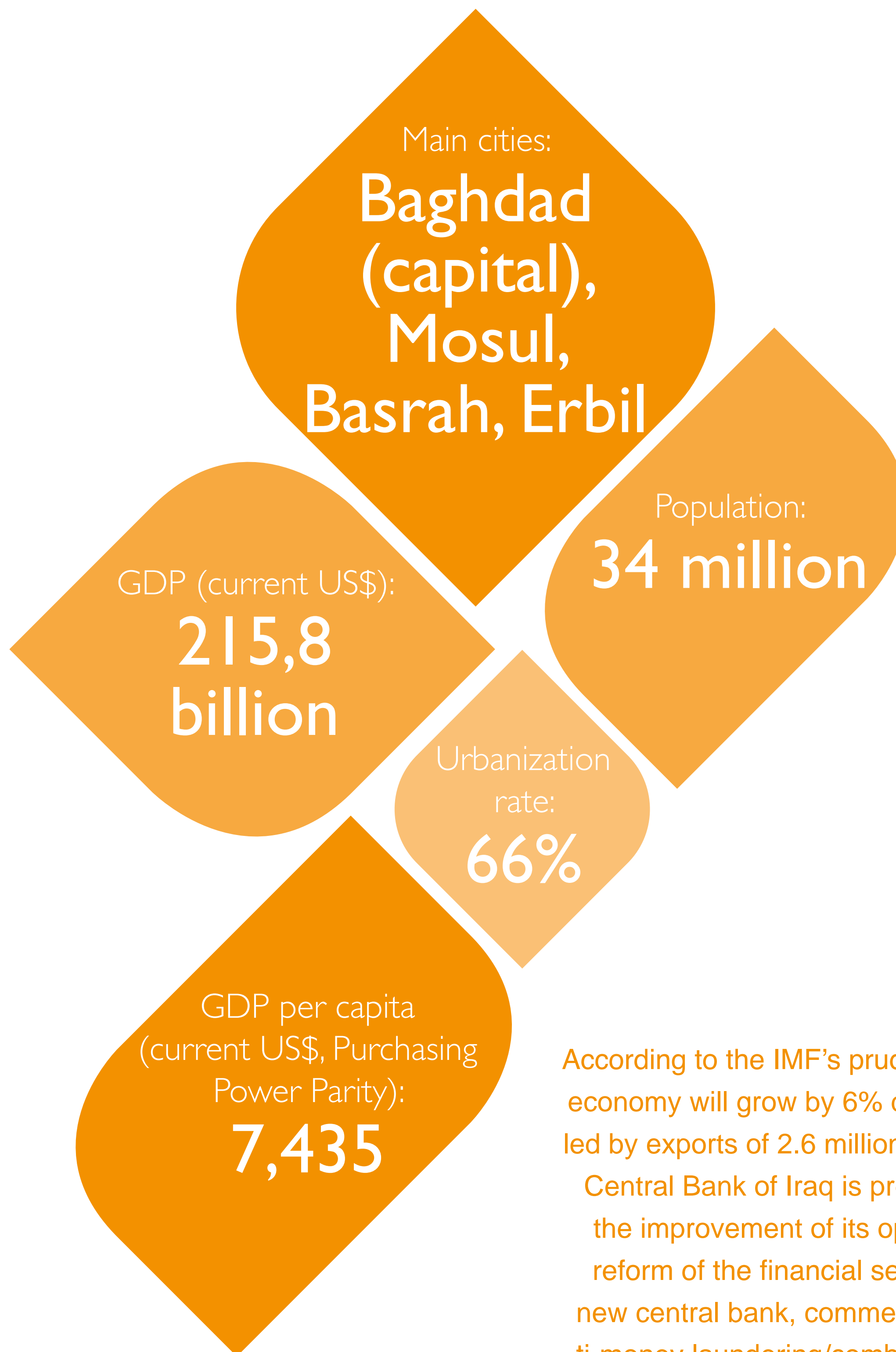
Sunset through Palm Trees in Ramadi, Iraq.
Rockfinder / istockphoto

Iraq is known since ancient times as the “Land between the rivers” (Greek Mesopotamia), referring to the fertile alluvial plain between the two rivers Tigris and Euphrates that run across the country’s central and southern regions, ending in the Persian Gulf. This area is defined as the cradle of civilization, having been inhabited for nearly 6,000 years; this is where the earliest known civilisation, writing system and recorded history have begun.

Country data



According to the IMF's prudent estimate, Iraq's economy will grow by 6% during 2014, mainly led by exports of 2.6 million oil barrels per day. Central Bank of Iraq is pressing ahead with the improvement of its operations and the reform of the financial sector by preparing new central bank, commercial bank, and anti-money laundering/combating the financing of terrorism legislation, and introducing a new payment system.

Historical background

Iraq is surrounded by Jordan, Syria, Turkey, Iran, Kuwait and Saudi Arabia. Its modern boundaries were settled after the dissolution of the Ottoman Empire as the League of Nations established the British Mandate of Mesopotamia in 1920. After having gained independence in 1932, the British-installed monarchy was overthrown in 1958 and ten years later the Arab nationalist Ba'ath (meaning "Renaissance") party took control of the Republic.

The oil boom during the following decade brought considerable wealth and became the main economic resource for Iraq. After Saddam Hussein took power, the Iran-Iraq war in the 1980s and the 1991 Gulf War, with the following imposition of strict international sanctions, destroyed the country's prosperity and caused the death of thousands of people and especially children.

In 2003, the Ba'ath Party and Saddam Hussein were removed from power by a US-led invasion and a Shia government resulted by multi-party parliamentary elections, whose effective ruling was hidered by insurgents from opposing factions. The last decade has been marked by high insecurity due to terrorist attacks and unrests, that led to a prolonged permanence of US troops, which ended in 2011. Threats to the country's internal security continue since Sunni-Shia contrasts and disputes with the autonomous Kurdistan Region result in violent clashes and terrorist attacks frighten the population. Moreover, the conflict in neighbouring Syria caused a great number of refugees to flow into Iraq, opening a humanitarian crisis in the Kurdistan Region.

Economy

According to the International Energy Association, Iraq may become the world's second-largest oil exporter by the mid 2030s, reaching 8.3 million barrelsper day and accounting for 45% of the growth in global output. The IEA predicts that Iraq is likely to gain almost US$5 trillion in revenues from oil export over the period to 2035, an annual average of US$200 billion.

However, the oil sector growth is not enough to take the country out of the stagnation and damage caused by years of war and destruction. One of the main problems is the low diversification of the economy, due to several factors such as a large public sector, employing about half of the labour force but affected by poor governance and regulations, and public spending on construction, transport and the limited agricultural sector depending much on oil revenues. Non-oil activities, on the other hand, account for only 46% of the economy.

The high unemployment combined with a difficult environment for private enterprises also pose a challenge to the immediate growth prospects. Although both poverty headcount ratio and national poverty have declined by around 4% in the period 2007-2012, the reduction hasn't spread equally all over the country.

After 35 years of conflicts, Iraq faces continued emergencies that complicate focusing on long-term strategies that might turn the country into a modern and stable economy. Security issues have so far discouraged many investors, despite the positive signals coming from a sustained GDP growth that is projected to continue over the next 4/5 years, even if too much dependent on oil exports. A major issue is the lack of adequate infrastructures, many of which have been destroyed during the wars, and are now being rebuilded, although at slower than desired pace, and the widespread corruption that makes it difficult to enforce new rules to liberalize the economy.

Nevertheless, after a recent meeting between a team from the International Monetary Fund and Iraq's minister of finance and central bank governor, statements were issued that cast a positive light on the future economic prospects for Iraq, despite the several drawbacks. According to the IMF's prudent estimate, Iraq's economy will grow by 6% during 2014, mainly led by exports of 2.6 million oil barrels per day. However, budget deficit increased last year by 6% and the current government spending plans for security, social assistance and pensions arose some concerns about the ability to contain public spending over the long term. Moreover, concerning the ongoing financial reform, the IMF stated: "Central Bank of Iraq is pressing ahead with the improvement of its operations and the reform of the financial sector by preparing new central bank, commercial bank, and anti-money laundering/combating the financing of terrorism legislation, and introducing a new payment system. However, more needs to be done by the government and the central bank to restructure the large state-owned banks, and leveling the playing field for private banking sector, gradually increasing their access to government business. more efforts are needed to restructure the large state-owned banks and introduce measures that easen up the access of the private banking sector."

From a general perspective, Iraq offers indeed a very challenging environment, but also promising opportunities for the future. The FGM report "Two sides of the same coin" highlights that in the last decade Iraq has tripled its oil production and posted around 10% GDP annual growth rates, while in the past three years the market capitalization of its stock exchange has nearly tripled.

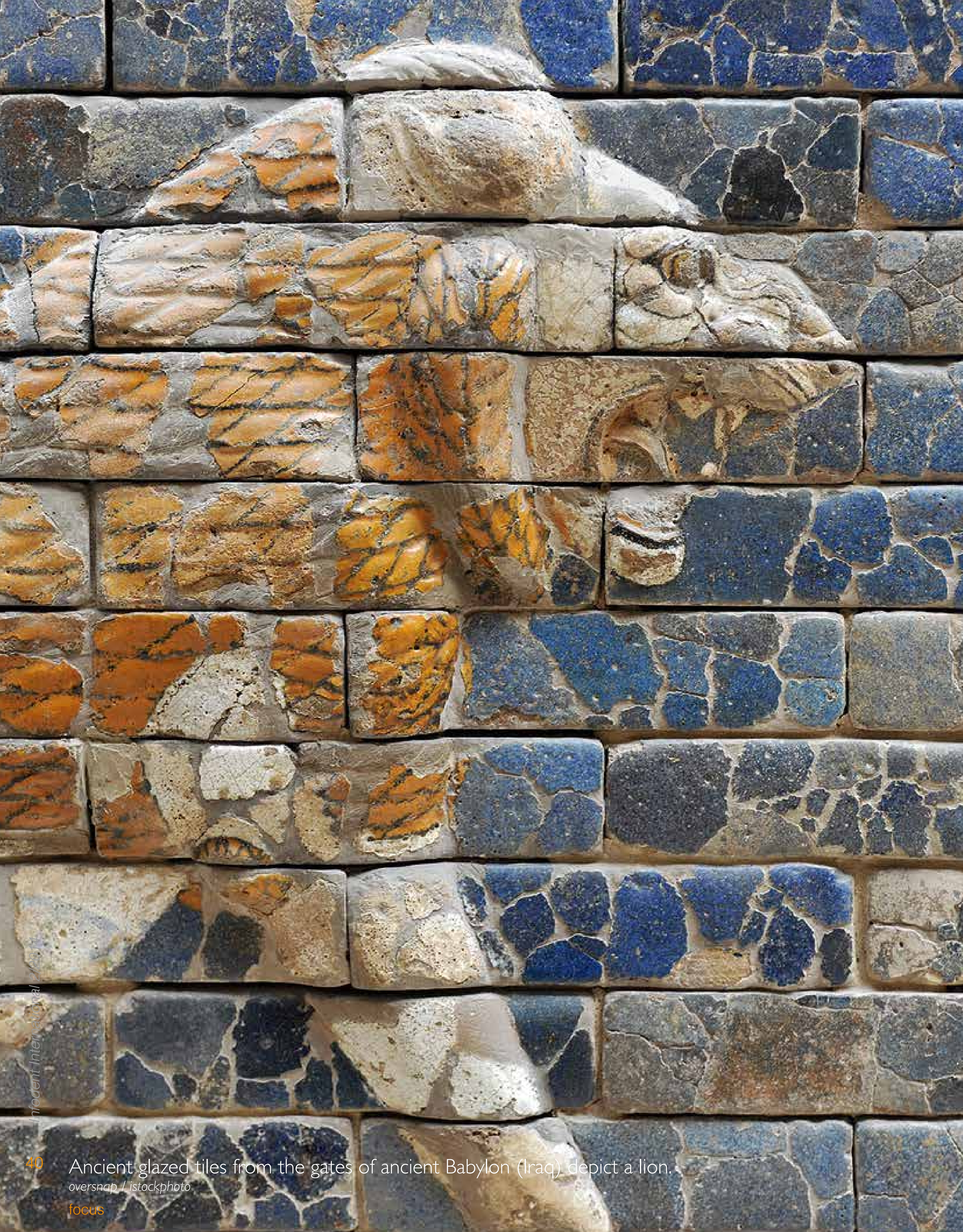
The report cited several banking institutions' remarks and figures to support the claim for a greater confidence in Iraq's potential, such as:

- Iraq central bank: expected 9.4% annual growth in GDP to 2016;
- Bank of America Merrill Lynch: the economy could triple in size by 2024;
- CitiBank: Iraq could become a US$2 trillion economy by 2050, as the country becomes one of the largest oil exporters worldwide.

These forecasts may well seem a little too optimistic, but the trends recorded between 2003 and 2013 account for at least part of such positive outlook:

- Population has risen from 27 to 34 million (29 of which are mobile phone users)
- Nominal GDP has grown from US$12 billion to US$225 billion
- GDP growth rate went up from -41% to 9%
- GDP per capita has grown tenfold from US$500 to US$5,000
- Net foreign reserves have grown from US$5 billion to US$80 billion

**At the moment of writing this article, parliamentary elections are underway in Iraq. The future decision of the newly formed government will impact on the economic outlook and cannot be taken into account in the present.*



Ancient glazed tiles from the gates of ancient Babylon (Iraq) depict a lion.
oversnap / istockphoto

The healthcare system

Once able to provide free health care and send medical graduates training in Europe, in over 30 years the country has seen its healthcare infrasturcture compromised and resources largely drained by wars and sanctions that had a devastating impact on the whole healthcare system. Already at the time of the 2003 invasion, the health system lacked equipment, drug supplies, infrastructure and trained workforce. During the 2003-11 occupation period, the US$53 billion spent for assistance schemes were effective only to a limited degree due to the absence of clear and coordinated long-term strategies.

The challenges faced by the Iraqi healthcare system are diverse and affect almost all sectors, from financing through delivery to outcome assessment. The system is organized on a provincial basis, with a Directorate of Health for each of the 18 governorates (two for Baghdad), overseeing the health districts at the lower level, while Kurdistan has a separate Ministry of Health. Weak governance and fragmentation have been the main cause for the failure of many health programmes, even if externally supported by the international donor community that has a strong presence in Iraq.

Critical issues of Iraq's healthcare system

• Migration of skilled health workers and young graduates into other countries combined with a dual practice model (doctors run private practices along with their work in the public facilities) lead to the unavailability of adequate health staff in public sector facilities.

• Private healthcare is neither supported by widely implemented policies nor availability of health insurance, and plays a limited role.

• The system is still centralised and focused on hospitals and clinical treatment rather than primary care, despite national development plans aimed at developing primary healthcare; major investments continue to focus on secondary and tertiary healthcare.

• Unequal distribution and shortage of health facilities and workforce among the governorates and between urban and rural areas, with the latter more deprived of basic health needs.

• Communicable disease outbreaks continue, but non-communicable diseases have become the largest threat. Moreover, the long-standing conflict resulted in over 150,000 people affected by some form of disability or psychological disease, with insufficient resources for their rehabilitation.

• Financing for the health sector is low compared to the high number of facilities that need to be rebuildt or restored and the growing demand for medical services propelled by unplanned population increase.

• Difficult management of water, electricity, sewage, disposal of medical and nonmedical waste, and pollution of the environment, also in consequence of outdated or weak legislations.

Health statistics

Total population: **32 million**
Life expectancy: **68.9 years for men, 71.7 years for women**
Under 5 mortality rate: **39 per 1,000 livebirths**
Infant mortality rate: **31 per 1,000 livebirths**
Maternal mortality ratio **63 (WHO) / 25 (Ministry of Health)**
Non-communicable diseases: **diabetes 10%, hypertension 44%, overweight or obese adults 67%**
Total doctors: **26,250**
Nursing professionals: **55,000**
Number of pharmacies: **6,000**
Total hospitals: **340**
Public clinics: **2,331**
Total number of beds: **41,600**
Laboratories: **666**
Sources: Naseba, National Investment Commission

Primary care - The Ministry of Health has designed a primary healthcare model based on family health services (mainly maternal and child health or environment issues) delivered in "health houses". The next level is the subcentre, and then various types of primary healthcare centres equipped with delivery rooms and an emergency room, and some used as training centres. Of the over 2,300 PHCs, 375 are located in areas without access to hospitals, and 140 are fully equipped facilities staffed with personnel trained through the USAID-funded Primary Health-Care Project.

However, many other centres are are still inadequately staffed and equipped, therefore new PHCs are being constructed and about 10% of subcentres are being upgraded to PHCs in an effort to adjust their distribution to meet the health needs of the population. The shortage of qualified medical workforce and the high number of facilities and equipment in need of upgrading still limits the coverage of the family healthcare program. However, it is still an important step to improve the referral system towards secondary care facilities, since only about 40% of the population has access to referral services to hospitals from PHCs. The referral process, in fact, needs to be addressed also at the tertiary level of care.

According to the report "Health Services in Iraq" by Dr Khadum Al Hilfi, a pilot family healthcare project was launched in one of the poorest provinces, Missan, using health visitors to link households and health facilities. Patients' health data were registered and computerised, to be kept on so-called smart cards, enabling mobile text messaging of prompts for required immunisations and clinic visits. The outcome showed that child immunisation coverage in targeted areas was greater than 90%.

Hospitals - Despite the renewed focus on primary healthcare, Iraq's 229 public hospitals remain the main provider of health services. Half of them is 30 to 40 years old, and the number of beds per population is low compared to regional average (13 beds per 1,000 population against 17/18). Baghdad concentrates the highest number of tertiary hospitals and facilities equipped with better technology.

The MoH has put in place several programs to build or re-equip hospitals and operating theatres across the country. 75 new projects for general hospitals and specialty centres, as well as drugs and medical appliances factories have been established, according to the National Investment Commission. Among them:

• 18 health project contracts worth US$276 million will target nine provinces (Baghdad, Anbar, Babil, Najaf, Basra, Diyala, Ninawa, al-Muthanna and Wasit) and include: eight public hospitals, three specialised cardiac centre, one neurology and one cancer hospitals and primary care centres for women and children.

• US$60 million are destined to the construction of six new 400-bed hospitals in Anbar, Diyala, Wasit, Babil, Basra and Baghdad provinces.

• Anbar provincial council has awarded 465 service projects worth US$386.5 million to local and international companies. The projects include building hospitals, health centres and importing modern medical devices.

• Baghdad's Governor Ali Al-Tamimi has signed a US$360 million to build three hospitals in Baghdad: 400-bed hospital in Al-Hurriya, 200-bed hospital in Al-Shaab and 200-bed hospital in Al-Fadhliyah.

• Two UAE-based companies will invest in the creation of a 58 million square feet city in Baghdad to accommodate up to 150,000 people, including a hospital and health centres, for total US$4.5 billion.

The complete list of projects is available online on the Commission's website (http://investpromo.gov.iq).

Health workforce - The two major issues concernig Iraq's health workers are the low number of doctors and specialists left after a decade of unrests, the drainage of new graduates due to migration, and the uneven distribution throughout the country. Before 2003 there were an estimated 32,000 doctors in Iraq, including those employed in teaching institutions. Many emigrated or were killed, and despite the average 1,500 to 1,800 new graduates each year, still around 25% of them leave after graduation, so the total number is now estimated at around 24,000. A large number of doctors are concentrated in or around Baghdad where 20% of Iraqis live. Other major concentrations are in the richest provinces as well as in Erbil and the Kurdistan region which was less affected by the violence and unrests shaking the rest of the country.

About 800 new dentists graduate each year from 12 public and two private schools. In 2008 were recorded over 3,500 dentists, but the National Investment Commission reported a total of 5,029 dentists in 2011.

Health expenditure - The fist national health account was only created in 2010; back then, Iraq spent about 8.4% of its estimated US$82 billion GDP on health, while external resources accounted for a tiny 0.8%. Per capita health spending was estimated at US$247 per person, or US$340 at purchasing power parity, a significant rise in two years from about US$118 in 2008.

Government funding was mainly allocated to provide clinical services, while pharmaceuticals accounted for roughly one-third of the national health-care budget and administrative costs for around 2%. The World Bank expects the share of GDP allocated for healthcare to rise up to 10% in 2014, but about 20-22% of the total health expenditure is now estimated to be out-of-pocket.

Private healthcare sector

Since many doctors that work in public hospitals also work privately, waiting times in public hospitals are long. However, only a few Iraqis can afford to seek private treatment, also due to the lack of health insurance programs. Private healthcare is therefore paid for almost exclusively by direct out-of-pocket payments.

There are 92 private hospitals and around 10,000 to 12,000 private clinics in Iraq. The exact figure is difficult to assess due to the underdeveloped capacity of collecting information and statistics from health centres. At any rate, private clinics are available only to a minority of richer households, while most of the population can only afford to receive medical services provided by public facilities.

While the public system is expected to remain the backbone of general hospital care, private primary care clinics and specialty hospitals are likely to be the main target for private providers, also in the form of contracted services. More affluent urban areas will of course be the preferred locations where the private sector may expand. However, this requires an upgrade of the regulatory system that is currently too weak and fragmented. The absence of clear guidelines and of a national policy based on reliable information makes it difficult for the government to go beyond the immediate effort to rebuild health facilities and restore at least the basic services on a national scale.

The government has envisaged to develop a social insurance system that would include universal health coverage. In time, this is expected to go along with a broader privatisation of services, but this will require a different employment system to separate the public and private sector, whereas doctors currently split their working time between the public services and the private practice.

Market profile

The launch of a considerable number of projects for new hospitals and clinics and for re-equipping existing facilities offers a significant opportunity to medical manufacturers. Local production is practically absent and the Ministry of Health is almost entirely dependent on imports to supply the necessary equipment and drugs. Over 2007 to 2012 medical equipment imports have grown by 40%. In 2012 medical equipment spending reached US$414 million and the growing trend is expected to continue. As regards pharmaceuticals, spending is estimated to reach US$1.5 billion in 2014.

Naseba's "Iraq Health Report" underlines the commitment of Iraqi government to eventually privatize state owned enterprises, and to provide the existent and newly constructed healthcare facilities with advanced technology for diagnosis and treatment. The new development plans will open the market to foreign direct investment especially in local manufacturing, considering the costs reduction benefits and better access to public procurement tenders.

KIMADIA, the State Company for Marketing Drugs and Medical Appliances, is in charge of importing and distributing pharmaceuticals, medical appliances, laboratory equipment, laboratory consumables, and medical equipment for all public health care facilities, with US$1.25 billion budget recorded in 2011. According to Naseba's report "Healthcare Opportunities in Iraq," KIMADIA operates a central warehouses (Baghdad) and a local distribution chain of five governorate-based warehouses, with uncovered governorates supplied directly from Baghdad.

17% of its procurement goes to the Kurdish Regional Government while 83% to the rest of Iraq.

Foreign companies interested in supplying public hospitals in Iraq typically partner with a "scientific bureau" in order to apply for tenders with KIMADIA. These bureaus act as distributors offering storehouses and sales force, with the largest ones providing coverage over most governorates, and sometimes also equipped with training centres. Partnership with scientific bureaus, or with any local representing company, is not mandatory to participate in KIMADIA tenders, but these companies are the only authorised suppliers to private pharmacies, hospitals, and clinics, and they appear to be favored by KIMADIA. Therefore, establishing a joint venture with such partners is a preferred way to enter the Iraqi market. Once awarded the tender, companies are required to train end users on their technology and equipment.

After the success obtained by the Missan Governorate e-health system, the govenrment wants to expand the program on a national scale. Health IT technology will also be procured through KIMADIA tenders. IT equipment and solutions are also targeted to upgrade the outdated inventory management systems and to address the lack of an integrated national health information system.

There are no regulations on medical imports nor any requirements for qualification of dealers. Companies that may be interested in local manufacturing can apply to the National Investment Commission for support on licenses, land concessions, tax exemptions and market entry.

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Useful links:

Ministry of Health - *http://www.moh.gov.iq/english/*
National Investment Commission *- http://investpromo.gov.iq*
KIMADIA *- http://www.kimadia-iraq.com*

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