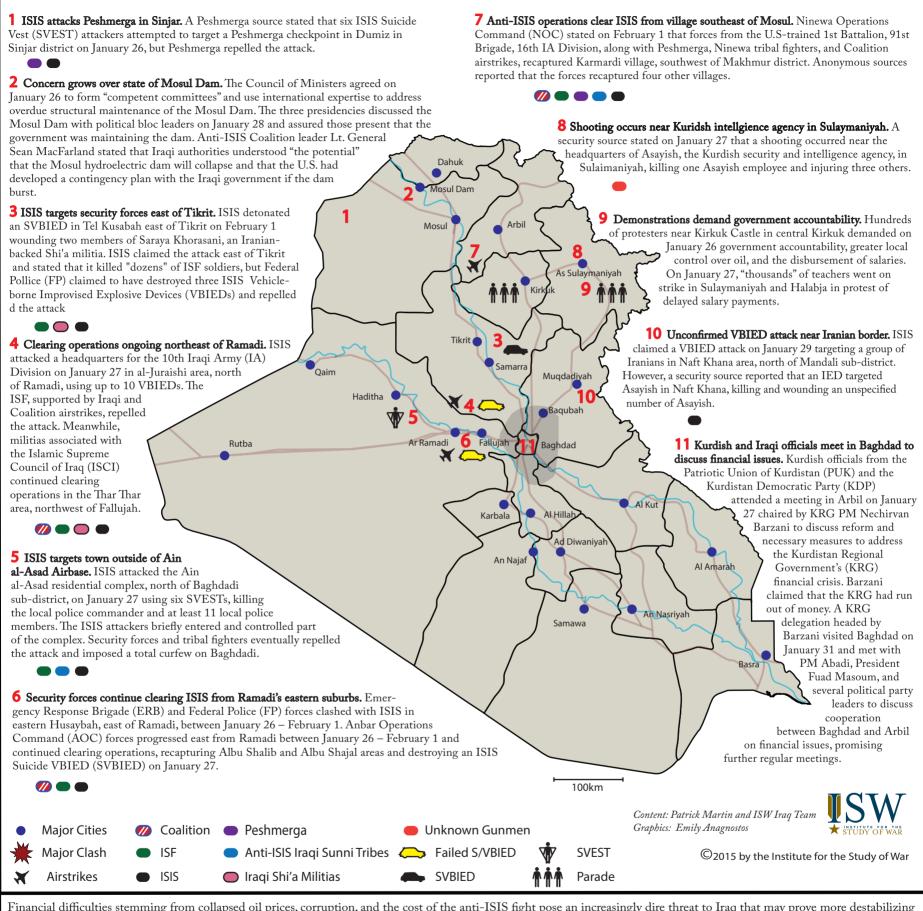
Iraq Situation Report: January 26 - February 1, 2016



Financial difficulties stemming from collapsed oil prices, corruption, and the cost of the anti-ISIS fight pose an increasingly dire threat to Iraq that may prove more destabilizing than ISIS. Iraqi Kurdish officials visited Baghdad and met with Prime Minister Haidar al-Abadi and President Fuad Masoum on January 31 to discuss ways to cooperate on reforms and address financial issues. The meeting came ten days after Regional President Masoud Barzani restated his interest in pursuing independence for Iraqi Kurdistan, reflecting desperation by Iraqi Kurdish officials to secure funding from Baghdad. In particular, Iraqi Kurdish officials stressed a strong interest in obtaining a portion of a large World Bank loan that Iraq intends to secure in the future. The loan represents one of the few sources of obtainable outside funding for the Kurdistan Regional Government (KRG), which cannot otherwise secure international financial support without Baghdad's consent. The Kurdish financial crisis has devolved to such an extent that Peshmerga have not been paid for months, and thousands of teachers marched in Suleimaniyah and Halabja to protest months of work with no salary payments. Baghdad's ability to alleviate these burdens remains minimal, however, as it suffers from its own financial crisis caused by the same factors. Provinces in southern Iraq suffer from power shortages, deteriorating water and river maintenance, corruption, and stalled provincial government projects, issues that set off popular demonstrations in Baghdad and southern Iraq in August 2015. In addition, Iraq needs to fund repairs for the deteriorating Mosul Dam, neglect of which could cause serious damage to population centers along the Tigris Valley. Continued financial difficulty may be more destabilizing for Baghdad and Arbil than ISIS attacks, as an ongoing financial crisis will both compromise Baghdad and Arbil's abilities to pay their forces and exacerbate ongoing popular discontent. The U.S. will need to intensify its support for its Iraqi allies