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The Transitional National Assembly (TNA) convened its 4th session in Baghdad, Iraq, marking a significant step in the country's political transition. (MSGT Dave Ahlschwede, USAF) / NARA & DVIDS Public Domain Archive)

Baghdad's Push for (Re)Centralization: Understanding the Impact of Declining Federalism in Iraq

By Mohammed A. Salih

Governing communal diversity has long been a challenge within the nation-state system of the modern Middle East. The recent collapse of Syrian President Bashar al-Assad's regime has reignited debates on how to govern a multi-ethnic, multi-religious state, previously administered as a unitary, centralized entity with an official national identity superimposed on diverse populations. This report examines Iraq's experience with decentralized governance over the past couple of decades.

Since its establishment in the 1920s following the collapse of the Ottoman Empire, Iraq has grappled with the complexities of managing its diverse ethnic and religious communities, a challenge that continues to shape its governance today. The 2003 Iraq War marked a watershed moment, transforming Iraq from a unitary, highly centralized state to a decentralized one. The 2004 Transitional Administrative Law and the 2005 Constitution formalized this shift, allowing for the decentralization of provinces and the

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creation of autonomous regions with substantial control over their local economic, financial, legal, and security affairs. The Constitution declared the new Iraqi state to be a "republican, federal, democratic, pluralistic system," and contained 59 references to variations of the notion of "federalism" and "decentralization."

However, a review of the evidence shows that Iraq has shifted from the federal framework established by the 2005 Constitution toward a more centralized political system. The multi-dimensional recentralization trend, accelerating after the failure of the 2017 Kurdish independence referendum and the defeat of the Islamic State (or ISIS), is primarily driven by Shia political forces in Baghdad. This centralization marks a significant departure from the informal consociational principles of federalism (locally known as muhassasah) intended to balance power among Iraq's diverse sectarian and ethnic groups and prevent the reemergence of authoritarianism.[1]

Domestically, the consolidation of power in Baghdad has diminished the influence of Kurds and Sunni Arabs in federal decision-making and curtailed their ability to exercise local autonomy. While some view such recentralization as a path to stability, it seems likely to undermine Iraq's stability and fuel long-term conflict. This shift is also affecting Iraq's foreign policy dynamics, as the centralization of state power among Shia groups, particularly pro-Iranian factions, has heightened tensions with regional actors like Turkey, the Gulf, Israel, and Syria, complicating Iraq's role in the broader Middle East.

This report focuses on the overarching trends in the exercise, distribution, and flow of power in Iraq over the past two decades, examining their implications for the country's federal structure as outlined in the Constitution. The study analyzes primary data, including Iraq's legal and constitutional frameworks, Federal Supreme Court rulings, and interviews with a diverse range of stakeholders and experts both within and outside Iraq. It also incorporates a detailed examination of secondary data, such as media reports and publications by various organizations, to assess the evolving power dynamics and inter-communal relations within the state.

Chipping Away at Kurdish Power and Autonomy

Despite an initial period of cooperation, disputes over the exercise and distribution of power began to emerge early in the Kurds' relationship with Baghdad. In the late 2000s, the Kurdistan Regional Government (KRG) began signing contracts with international firms for oil exploration and production and in 2013 built a pipeline to export oil through Turkey independently—a move strongly opposed by the federal government.[2] While the KRG argued that it had the right to manage its own energy resources, Baghdad saw this as a violation of the constitutional framework. Tensions escalated dramatically in early 2014 when then-Prime Minister Nouri al-Maliki cut off the KRG's share of the federal budget, plunging the Kurdish region into an economic crisis for the next decade.[3] Over the years, disputes between the Kurds and Baghdad—particularly over the unresolved Article 140,[4] oil management, and budget distribution—have grown, undermining Iraq's federal system, which largely hinges on Kurdistan as its sole federal region.

In the run-up to its independence referendum in 2017, the KRG issued a document outlining its grievances and justifications for the vote, claiming that 55 of the 144 articles in the Iraqi Constitution had been violated over the previous 14 years. A key example was the Federation Council, a body envisioned by articles 48 and 65 of the constitution as a second legislative chamber to balance the parliament and allow Iraq's regions and provinces a greater say in administering national-level affairs, has yet to be established.[5]

"The Constitution has only been selectively implemented. Many items regarding Kurdistan have not been carried out… Whatever Kurdistan had was gained through its de-facto status from the pre-2003 days," said Noreldin Waisy, a media advisor to the KRG Prime Minister Masrour Barzani.[6] Among other significant changes, Kurdish representation in Iraq's military and security forces has declined from nearly 20% after 2003 to about 2% today, according to former Iraqi military chief General Babakr Zebari, even as Article 9 of the Constitution mandates "balance" in the representation of the country's ethnic and sectarian groups within the armed forces.[7]

Against this backdrop, and in the wake of the Iraqi army's collapse following the rise of ISIS in 2014, Kurds began openly considering breaking away from Iraq.[8] In September 2017, the KRG held an independence referendum in its formal territory and in areas whose control has been disputed by Baghdad, but which came almost fully under Kurdish control following ISIS' rise. The referendum took place amid internal discord, largely due to the then Kurdish President Masoud Barzani's refusal to step down after his legal term had expired in 2015. Nevertheless, 92% of the 72% of eligible voters who participated in the referendum voted in favor of independence.[9]

In response, the Iraqi military, supported by the Iran-backed Shia factions within the Popular Mobilization Forces (PMF), launched a campaign to retake disputed areas, including Kirkuk. The campaign, supervised by Iranian Islamic Revolutionary Guards Corps (IRGC) commanders, was a devastating blow to Kurdish aspirations for independence.[10] The Baghdad-IRGC campaign was facilitated by one of the two major Kurdish parties, the Patriotic Union of Kurdistan (PUK), which had previously backed the referendum and advocated for the inclusion of Kirkuk and other disputed areas. The United States, which had long supported the KRG, chose not to intervene, leaving the path open to Baghdad's military offensive. The Kurdish Peshmerga forces largely avoided resisting, allowing Iraqi forces to gain control of nearly half of the territory that had come under Kurdish control in 2003 and 2014. The failure of the Kurdish referendum led to a shift in the power dynamic between Kurds and Baghdad.[11]

Capitalizing on its upper hand, Baghdad has adopted a multi-pronged legal, financial, economic, and security strategy since 2017 to further weaken the KRG's autonomy. Legally, the Federal Supreme Court (FSC) has led Baghdad's campaign against Kurds, beginning with a 2022 ruling that abolished the KRG's oil and gas law and declared its contracts with international oil companies illegal.[12] This ruling dealt a severe blow to the KRG's economic independence, as the oil sector formed the backbone of the Kurdish region's revenue. The Constitution's Article 112 states "the federal government, with the producing governorates and regional governments, shall undertake the management of oil and gas extracted from present fields." Legal interpretations solicited by the KRG from international jurists have challenged the FSC and Iraqi government's position, arguing that the term "management" does not include extraction and production of oil, and that the word "present" in the Article refers to oil fields already operational by 2005 when the Constitution was written and approved. The jurists have also argued that articles 110, 114, 115, and 121 of the Constitution strongly favor the KRG's control over its oil and gas resources, emphasizing that when it comes to powers shared between the federal and regional governments, and in the event of disputes, the Constitution stipulates that "priority shall be given to the law of the regions and governorates."[13]

After years of negotiations, a potential breakthrough appeared in early February 2025 with the ratification of the Iraqi budget law, in which Baghdad agreed to pay $16 per barrel to international oil companies (IOCs) operating

under production-sharing agreements with the KRG.[14] Myles Caggins III, spokesperson for the Association of the Petroleum Industry of Kurdistan which represents eight IOCs, welcomed the measure as "an important step toward reopening the Iraq-Turkey pipeline and boosting economic growth" across Iraq, as it could facilitate the resumption of KRG oil exports through Iraq's Ministry of Oil. However, Caggins III noted that this remains contingent on agreements regarding oil sales, payment guarantees for past and future exports, and direct payments to producing companies by the Iraqi government.

Moreover, the FSC has also intervened in Kurdish internal politics. In February 2024, the Court reduced the number of seats in the Kurdistan Parliament from 111 to 100 and abolished seat quotas for minorities.[15] The move was viewed by some as an attempt to influence political dynamics within Kurdistan and as diminishing of political representation by non-Kurdish ethnic and religious groups. Amid widespread criticism and threats from the KRG's major governing party, the Kurdistan Democratic Party (KDP), to boycott the upcoming Kurdish parliamentary elections, a largely unknown entity called the Electoral Judicial Board issued a decision in May 2024, reinstating five minority seats.[16] However, the redistribution of seats in the Kurdish provinces—two in Sulaimaniyah, two in Erbil, and one in Dohuk—appeared arbitrary. For instance, Dohuk, which is home to many Assyrian Christians, received no seats for them, while Armenians were granted one. Meanwhile, Sulaimaniyah, with a far smaller Christian and Turkmen population, received two seats, the same as Erbil, which has a significantly higher percentage of both groups.

Erbil, Capital of the Kurdistan Region of Iraq (Danar Kayfi / Shutterstock)

Internal Kurdish rivalries have contributed to the Kurdistan Region's weakening status and Baghdad's efforts to assert control, as key lawsuits on elections and salaries were brought to the FSC by Kurdish parties to challenge KDP's growing dominance in KRG politics.[17] Further compounding this dynamic, PUK's recurring internal splits over the past decade and a half and its reliance on Iran and pro-Iran groups in Baghdad to maintain its influence have enabled greater Iraqi and Iranian interference, further undermining Kurdish autonomy. Baghdad has capitalized on and deepened these divisions to its advantage.

Baghdad's recentralization efforts have also extended to the Kurdish region's financial autonomy. In another unprecedented ruling in February 2024, the FSC decided that the federal government should take control of the KRG's payroll, effectively stripping the Kurdish government of its financial autonomy.[18] This decision followed repeated delays in the delivery of salaries from Baghdad to the KRG. Baghdad continues to disburse KRG's budget with significant delays, even after the KRG lost the ability to independently export oil following a March 2023 ruling by the Paris-based International Court of Arbitration.[19] While, according to some recent estimates, Baghdad itself has up to 250,000 duplicate names and 300,000 ghost employees on its payroll, it continues to pay KRG salaries with delay over similar concerns.[20] As recently as March 2025, former Prime Minister Nouri al-Maliki confirmed the existence of ghost employees within PMF ranks.[21]

"There is an attitude in Baghdad to strip the KRG of its powers and turn it into a weak and powerless region… Both Baghdad and the KRG want to politically control the issue of finances and salary in Kurdistan," said Mohammed Hussain, a member of the Iraqi Economists' Association. While stressing the centrality of the salary question for the political survival of the KRG's ruling parties and their local patronage networks, Hussein said renewed centralization by Baghdad would hinder Kurdistan and its development akin to the pre-1991 era.

Since 2020, in addition to these pressures, various Shia actors and Iran have actively worked to destabilize the Kurdish region's security and discourage both local and foreign investment. As such, in 2022 and 2023, Iran targeted the residences of two prominent Kurdish business tycoons with ballistic missiles, citing alleged ties to Israel. Fact-finding missions by the Iraqi government and parliament dismissed these accusations.[22] Although KRG oil was shipped to Israel, Kurdish officials have said they did not sell the oil "either directly or indirectly" to Israel and that the oil was sold to Israel by other international buyers who had purchased the Kurdish oil.[23] Pro-Iran militias have also repeatedly staged drone and rocket attacks against Kurdistan's energy fields and US troops stationed there.[24] The targeting of businessmen with major energy investments and attacks on energy fields suggest that Iranian motives may have been aimed at undermining the KRG and its oil sector, the backbone of its economic and political autonomy.

The combined effect of these attacks, alongside Baghdad's economic and legal measures—even if not coordinated—has been to increase Kurdistan's vulnerability and turn it into a regional conflict flashpoint. While the 2005 Constitution promised a federal Iraq, the reality has been different. Baghdad's recentralization efforts, driven by contentious legal rulings, military actions, and economic pressures, have systematically eroded Kurdish autonomy and cast doubt on the future of Iraq's federal system.

Sunni Arabs and Thwarted Federalism

When the 2005 Constitution envisioned a federated Iraq, Sunni groups were its primary opponents. Having lost their privileged status

after ruling Iraq for the prior eight decades, Sunnis viewed federalism as a ploy to divide the country and establish Shia-Kurdish dominance under American tutelage. However, as the sectarian conflict between Sunni insurgents and Shia militias escalated and eventually receded by the late 2000s, Sunnis began to reassess federalism.[25] What they initially opposed now seemed like a potential path to greater autonomy and influence.

In February 2008, the Iraqi Parliament passed a law outlining the process for creating new autonomous regions in accordance with the Constitution's federal vision. Article 2 of the law allowed one or more provinces to form a region through a formal request from either one-third of the provincial council members or one-tenth of the voters in the province. Article 6 outlined that a referendum would be the final step, requiring majority approval and at least 50% voter turnout in a given province.[26]

Facing the prospects of US troops departing Iraq and estranged by PM Maliki's increasingly authoritarian and sectarian policies, Sunnis invoked the Constitution and the 2008 law to demand the creation of federal regions. In October 2011, the Salahaddin Provincial Council took the lead by invoking Article 119 of the Constitution to initiate a referendum on becoming an autonomous federal region.[27] The Diyala Provincial Council, with its Sunni and Kurdish representatives, followed suit in December.[28] Anbar groups also demanded autonomy, citing injustice and discriminatory practices by Baghdad, but the provincial council never formally acted on the issue. However, the efforts in Salahaddin and Diyala faced fierce opposition from the

Samarra, Iraq in November 2022, a major city in the Salahhidin Province. (Nastya Smirnova RF / Shutterstock)

government and Shia forces who argued that these initiatives were driven by Baathists or fueled sectarian divisions. Maliki blocked the autonomy initiatives, deploying military forces to suppress any practical steps toward self-rule in Salahaddin and Diyala in violation of the Constitution's articles 117 and 119 and the 2008 law which explicitly allows the establishment of federal regions.[29]

Baghdad's response created conditions that allowed ISIS to exploit sectarian divisions, enabling the group to take over Sunni-majority areas of Iraq in 2014. The military campaign to defeat ISIS, carried out by the Iraqi military, Iran-backed Shia armed factions, and a US-led international coalition, left Sunni regions devastated and displaced the bulk of their populations.[30]

Several key issues continue to fuel tensions between Sunni Arabs and the Shia-led government in Baghdad. The widespread presence of the Shia-dominated Popular Mobilization Forces paramilitary groups in Sunni provinces, coupled with the imposing displays of Shia cultural symbols and leaders, as well as their control over local resources and economic activities, continues to fuel discontent among Sunnis. In Babil province, Shia militias have expelled the entire Sunni population from the town of Jurf al-Sakhr, further exacerbating sectarian divides— they have even replaced the name Jurf al-Sakhr (Banks of Stone) with Jurf al-Nasr (Banks of Victory).[31]

Provincial administrations in Nineveh, Diyala, and Salahaddin are increasingly under Shia groups' influence, sidelining local Sunni leadership.[32] Recent sectarian-tinged legislation surrounding controversial historical incidents in Shia-Sunni relations, such as Al-Ghadeer Day also continues to stoke Sunni resentment toward Shia political dominance—Shia Muslims believe the day marks Prophet Muhammad's appointment of his cousin Imam Ali as successor, a view rejected by Sunnis.[33]

Additionally, Sunni Arab politics remains subject to Shia intervention through courts and de-Baathification. In late 2023, Mohammed al-Halbousi, Iraq's leading Sunni politician, was removed as parliament speaker, officially for document forgery, though many attribute it to his alliance following the 2021 parliamentary elections with Muqtada al-Sadr and KDP against pro-Iran Shia leaders.[34] Similarly, Khamis al-Khanjar, another prominent Sunni figure, stepped down as head of the Sovereignty Alliance amid allegations of past Baathist ties, which were long suspected but overlooked when he was first allowed to enter the political process after ISIS's rise in 2014.[35]

There is also the ongoing tendency of central authorities to reduce the powers of provinces. While the 2008 provincial decentralziation law recognized in Article 2 the provincial councils as the "highest" legislative and oversight authority within provinces, the Baghdad-based State Consultative Council has ruled the provincial councils lacked legislative powers as a parliament would do and could only regulate administrative and financial affairs.[36] A 2013 amendment of the law removed the term "highest" from the article. The 2013 law, unlike its predecessor, subjugates provincial councils to the national parliament's authority, granting parliament the power to overturn council decisions deemed in violation of laws or the Constitution.[37] This contradicts Article 61 of the Constitution, which does not grant parliament such authority.

Commenting on the overall trajectory of events, Yahya Kubaisi, an analyst and longtime observer of Iraq affairs said, "What we're seeing is a coup against the Constitution…It is not the logic of the Constitution, citizenship, and decentralization. It's a logic of force by some Shia groups who believe that they won and are imposing their identity on a state with a diverse population…This is a dangerous illusion."

Sunni calls for federalism have not entirely faded, as evident in ongoing calls in Anbar to transform

the province into a federal autonomous region.[38] Discussions continue in Sunni circles over which form of decentralization best serves the population. "Demanding a united Sunni region is unrealistic and cannot be realized. But as far as province-based regions are concerned, this is a more realistic and implementable idea," said Meshaan al-Jabouri, a prominent Sunni politician and former MP. It is clear that a sense of Sunni political identity continues to persist, propelling the calls for decentralization and federal regions. However, in response to federalism demands in Sunni areas, the head of the Iraqi judiciary, Judge Faeq Zaidan, told Anbar Governor Mohammed Nouri in February 2024 that "the idea of establishing another federal region was rejected because it threatened Iraq's unity and security." This statement contradicted the Constitution.[39]

Fluctuating Shia Perspectives on Federalism

The Shia political role was critical in enshrining federalism in Iraq's 2005 Constitution. Initially, groups like the Supreme Council for the Islamic Revolution in Iraq (SCIRI) championed federalism as a safeguard against the potential return of a Sunni-dominated, centralized state. In the aftermath of the 2003 war, SCIRI emerged as the most powerful Shia political force, securing the governorship of five of the nine southern Shia-majority provinces and Baghdad in the 2005 provincial council elections. SCIRI's leader, Abdul Aziz al-Hakim, even championed creating two super-Shia federal regions between Baghdad and Basrah.[40] Yet, as Shia parties consolidated power in the post-2003 state, their enthusiasm for federalism began to fade.

Basrah, Iraq. In 2008 and 2010 the provincial council voted to establish an autonomous region. (David Stanley /Flickr)

Nevertheless, at the popular level, calls for federalism have periodically resurfaced in southern Shia provinces such as Basrah. Like Kurdistan, Basrah has a long history of seeking self-rule, including independence, dating back to the inception of the Iraqi state.[41] However, its vast oil resources, which have sustained Iraq for decades, continue to prevent governments from granting the province autonomy. Following a prior failed attempt in 2008, in 2010, 16 members of the Basrah Provincial Council formally requested a referendum to establish a federal region, but Baghdad ignored the request.[42] Five years later, a voter petition for autonomy was rejected on technical grounds, with the Iraqi electoral commission claiming that only half the nearly 44,000 submitted signatures were verifiable.[43] Local discontent persisted, and in 2019, amid growing protests over poor services, 20 Council members renewed the call for federal status, even inviting surrounding provinces to join, but to no avail.[44]

"Federalism is the amber under ashes and it is alive," said Mohammed al-Taee, a former MP and head of the Alliance for a Federal Basrah Region. Taee, who has been a key leader in Basrah federalism campaigns, says locals are fed up with mismanagement by the central government and provincial administration, a reality that they cannot fathom given that Basrah's energy resources provide the bulk of Iraq's revenues. "If you want to build a hospital, you need approval from the federal health, finance, and planning ministries, which can take months," he said, adding that in the current climate, calls for federalism and decentralization are met with threats and intimidation by pro-Iran militias.[45]

In June 2023, activists in Basrah revived their campaign for decentralized rule, calling for a federal Basrah region to "eliminate the dictatorship of the center."[46] The broader local electoral trends suggest decentralization, in some form, remains a relevant issue. The 2023 provincial elections in Basrah and other Shia provinces showed a growing preference for candidates focused on local agendas, highlighting the ongoing tension between centralized and local governance.[47]

Yet, despite the persisting desire for federalism at the local level, Shia parties do not support the idea. As Fahad al-Jabouri, an official in the Hikma Movement, which is a key constituent of the governing Shia Coordination Framework, said, the "Framework rejects the issue of federalism… [as] the current circumstances are not conducive to the implementation of federalism."[48]

Saad al-Mutalabi, a former MP and advisor to former Prime Minister Maliki, said "Iraq needs a period when the state is centralized, and the centralized state works on enhancing the provinces and distributes the resources of provinces equally." He admitted that although "legally we're still a federal state, in practice we see more domination by Baghdad."[49]

The Regional Dimension of a Recentralized Iraq

The recentralization of power in Iraq carries significant regional implications, both in how Iraq's neighbors influence the process and in the impact on Iraq's role in the region. As Baghdad consolidates power, regional dynamics, especially the role of Iran, become increasingly critical.

Iran has been a central player in Iraq's political landscape since the US-led invasion in 2003, which shifted Iraq's communal power balance by elevating Shia groups. For Iran, maintaining Shia dominance in Iraq is crucial to its broader regional strategy. Key electoral moments and conflicts, from the 2005 and 2010 parliamentary elections to the civil war of the mid-2000s and the rise and fall of ISIS, have served to entrench Iran's influence over Shia groups and the broader country. The unprecedented concentration of political and military power in the hands of Shia factions has created ideal conditions for Tehran to wield outsized influence over Iraq's internal affairs.

However, there is a critical subtlety to Iranian policy toward Iraq that needs to be understood. Iran faces a persistent dilemma in Iraq: while it seeks to maintain Shia dominance, it also fears the rise of a strong centralized Iraqi state under the tutelage of a single group or leader. After all, the majority of Iraqis, including many Shias, oppose Iran's involvement, as reflected in the 2019 protests where the slogan "Iran, out, out" gained traction.[50] On top of that, the memory of the eight-year war is very much alive in the minds of Iranian policymakers when thinking about Iraq.[51]

Adel Bakawan, Director of Centre Français de Recherche sur l'Irak (CFRI) said, "Iran does not want a centralized state to emerge in Iraq that might pose a threat to Iranian national security. But it also does not want Iraq to be dismantled."[52] Iran appears to benefit from a fragmented Iraq, both at inter- and intra-community levels, as long as it remains manageable, non-threatening, and friendly toward Tehran's influence and regional strategic objectives.

Iran has sought to use Iraqi territory and groups as a key link within its broader strategy for regional domination and projection of power. Some of the dominant factions within the PMF, identifying as the Islamic Resistance in Iraq, claim a significant portion of the country's military budget and resources while aligning their actions with Iran's regional agenda. These groups in the past fought in Syria to support the Bashar al-Assad regime and have launched attacks on US and Israeli targets since October 7.[53] They have even begun agitating against Jordan, targeting a US base there.[54] They also reportedly deployed to Syria shortly before the collapse of the Assad regime in December 2024 but pulled out when it became clear the regime was not salvageable.[55] Such aggression risks dragging Iraq into conflicts that many within the country—particularly Kurdish and Sunni factions but also moderate Shia groups—are eager to avoid.

With such an increasingly aggressive posture, Israel and Turkey in particular may perceive the country's recentralization around the Shia pole and Iraq's growing alignment with Iran as a direct threat. Turkey, already wary of PMF's ties to its Kurdistan Workers' Party (PKK), and Israel, concerned about Iran's regional ambitions and nuclear program, may respond to Iraq's shifting role in the region with countermeasures that could further destabilize the country.[56] Aware of such risks, the government of Iraqi Prime Minister Mohammed Shia al-Sudani has repeatedly warned against dragging Iraq into regional struggles.[57]

Iran is likely to leverage Iraqi armed factions—operating in a gray zone between the legitimate state security apparatus and insurgents—to advance its interests, particularly as its broader regional influence declines. While recent setbacks to the Iranian-led axis in Gaza, Lebanon, and Syria have heightened Iraq's strategic importance to Iran, these developments could strain its relations with some Iraqi Shia groups seeking to shield Iraq from regional conflicts. However, Iran is unlikely to relinquish two decades of investment and influence in the country easily.

The View from Western Capitals

For several years, Iraq has been on a path of recentralization, steadily moving away from the federal and decentralized vision outlined in its 2005 Constitution. As this report has shown, the country has undergone three major political, economic, and military recentralization processes under Shia leadership, particularly after ISIS's defeat and the failed 2017 Kurdish referendum. Baghdad tightened control through political means by extending Shia influence into Sunni and Kurdish regions, economic measures by primarily restricting Kurdistan's budget and oil exports while expanding the federal bureaucracy's reach over KRG's financial-economic sector, and military expansion through the presence of the PMF and army in Sunni provinces and disputed territories.

This recentralization of power, as several experts interviewed for this report noted, has, in effect, been a sectarianization of power in the sense of its concentration in the hands of Shia political factions, particularly those close to Iran, increasingly reshaping governance along Shia Islamist ideology and objectives. Domestically, a less federal Iraq risks becoming less democratic, and civic-oriented. While Iraq has held regular elections since 2005, critical moments like the 2010 and 2021 elections saw outcomes influenced through legal rulings by the courts. In both instances, pro-Iran groups, despite not being the top vote-getters, successfully leveraged the courts to issue controversial rulings that enabled them to form the government. The increasing efforts to suppress free speech, along with religious legislative measures that disadvantage children and women, further illustrate the shift toward a less liberal trajectory.[58] Regionally, key forces driving Iraq's recentralization have adopted a more assertive and at times aggressive posture toward neighboring countries.

Following years of war and conflict, the prospect of a recentralized Iraq might seem appealing, including to policymakers in Western capitals. This perspective is especially more understandable when viewed in the broader context of shifting global power rivalries and the US's pressing priorities in the Indo-Pacific region and Eastern Europe. The consensus among those interviewed for this report is that the US welcomes the state recentralization in Iraq, believing it enhances the prospects of domestic and regional stability. However, this view is challenged by evidence from the past few years, particularly the unprecedented aggressiveness of pro-Iran Shia groups since the events of October 7.

Iraqi, mostly Shia Militias contributed to the recapture of Fallujah from the Islamic State in 2016. (Mahmoud Hosseini / Wikipedia)

The major forces driving the centralization of the state fundamentally view their interests and vision for the region in opposition to the US presence and its regional and domestic allies. [59]

"The US supports a recentralized Iraq under the control of the Shia. They think a centralized Iraq will give them leverage over Baghdad. They think a centralized government in Baghdad would oppose Tehran," said Brendan O'Leary, Chair of the Political Science Department at the University of Pennsylvania and an international constitutional advisor to the KRG during the negotiation of Iraq's 2005 Constitution. "It would not. Iran has already dominated Iraq."[60]

However, former US Ambassador to Iraq, and Chair of the Middle East Program at the Wilson Center, James Jeffrey said change might be coming to Washington. "I'd say under the Trump administration, it would very much support a federalized Iraq. This is a major change," he said. Jeffrey noted that while the US initially backed a federal Iraq during the constitution-drafting process, this stance shifted under the Obama and Biden administrations, who favored centralization—aligning with Iran's preference amid nuclear negotiations. "The question is which would generate a better path to those things: federalism or centralism. This is open to debate. But what we have seen is that centralism under the influence of Iran has not done so, it has led to crisis after crisis with the Sunni Arabs and the Kurds."[61]

Frustration has grown among Kurdish and Sunni groups regarding US policy in Iraq over the years. KRG's Waisy noted that the US now rarely emphasizes Iraq's federal character and has not taken steps to mediate between Kurds and Baghdad, despite the widening rift. This is particularly disappointing for Kurds, who joined the post-2003 political process "hoping the US would ensure the implementation of the Constitution," he said.[62]

The Promise of a Federal Iraq

Iraq's post-2003 experience offers valuable lessons for governing religiously and ethnically pluralistic societies across the broader region. Because the post-2003 order has faced significant issues, including corruption and conflict—it has become common to attribute these problems to the muhassasah system. This has led to calls for a majoritarian, recentralized Iraq, versus a federal one, under the firm control of Shia political forces.[63] As Kamaran Palani, Iraq expert and researcher at London School of Economics Middle East Center, observes, "federalism, power-sharing, and decentralization should not be blamed for the failure of the current system. Since 2017, Iraq has effectively experienced 'Shia rule.' No one has stopped or can stop the Shia groups from combating corruption and delivering good governance, but that has not happened."[64]

Historically, during Iraq's long periods of unitary and centralized rule, its population endured realities of poor governance, war, conflict, and even genocide. Similar dysfunction can be observed to varying degrees in other diverse but centralized or formerly centralized states, such as Syria, Yemen, and Libya. A unitary, centralized model risks reigniting unrestrained authoritarianism, regional adventurism, and other flaws of pre-2003 Iraq. A liberal civic nationalism model, which prioritizes citizenship and individual rights while still tolerating communal identities, could work. However, such a model has yet to emerge in Iraq, despite aspirations to that end in some circles.

For Iraq to function successfully as a state, whether federal or not, the first major step would be "working on defining and developing an Iraqi identity, an identity that is a mix of all the current identities, Shia, Sunni, Kurdish, and others," said Ali Taher Alhammood, the Managing Director of Al-Bayan Center for Planning and Studies in Baghdad. He acknowledges the challenges of this process,

noting that Iraqis still tend to identify with their immediate religious and ethnic communities, a dynamic likely to be further exacerbated by the growing "centralizing and authoritarian" tendencies in Baghdad.[65]

Some critics describe the Kurdistan Region as a failed experiment in federalism. However, this perspective is both ahistorical and inaccurate. While grappling with challenges such as corruption, inequality, and internal divisions, Kurdistan has achieved unprecedented development, prosperity, and political recognition over the past two decades— a fact that can be quickly verified with an on-the-ground tour. Despite Baghdad's persistent economic pressures since 2014, Kurdish provinces had lower poverty rates compared to the rest of Iraq as recent as late 2022.[66] Internal migration flows primarily move from other regions of Iraq to Kurdistan, even as many Kurds continue to migrate to the West.[67] The establishment of the KRG in 1992, and its formal recognition after 2005, allowed Kurds to transform their region from an underdeveloped periphery into an important center of power and prosperity in Iraq. Additionally, the experience of Iraq's Sunnis and Kurds in other parts of the broader Middle East region suggest that a Kurdistan subjected to Baghdad's centralized rule is unlikely to achieve better outcomes.

Iraq's 2005 Constitution offers much to commend. The charter represented a new social contract designed to address Iraq's historical pathologies of authoritarianism, ethnic-sectarian marginalization, and resource mismanagement. Its spirit and text emphasize extensive decentralization and inclusive governance, shaped by the debates leading up to its adoption. The Constitution's drafters deliberately avoided imposing a rigid federal framework, instead granting the local populations the flexibility to determine their preferred level of decentralization—whether as province-based regions, decentralized provinces, or larger regions defined by ethnic and religious solidarity. Experts warn that without a genuine commitment to decentralization, the country risks exacerbating divisions and reverting to the very issues the Constitution sought to avert.

"The state cannot contain the tensions emerging from centralization. Neither Kurds nor Sunnis will accept such centralization under Shia control," warned CFRI's Bakawan. "There is always a potential and readiness for rebellion against this trend. The Iraqi state will not be able to contain these tensions."[68]

In light of recent regional developments and the weakening of the Iranian-led front, which includes influential Iraqi Shia groups, indications are emerging that Sunni and Kurdish actors are determined to resist recentralization. Sunni politicians appear increasingly emboldened, bolstered by the successes of Sunni groups in bringing down the Assad regime. Khamis al-Khanjar, a prominent Sunni politician and head of the Sovereignty Alliance, recently called on Iraq to draw lessons from Syria's experience by moving toward justice and away from tyranny.[69] Tensions between Kurds and Baghdad remain high over delayed salary and budget payments and the extent of the Kurdish region's autonomy.[70]

Under such circumstances, Shia forces might reassess their relations with other communities. This reconsideration could follow one of two paths: either reversing the trend toward centralization by fostering broader participation in national decision-making and upholding constitutional provisions for local autonomy or reinforcing centralization due to concerns that flexibility might be interpreted as weakness, affecting the authority of Shia forces in Baghdad.

Recommendations

Revive and Implement Federalism in Iraq

The United States should support Iraq in upholding its 2005 Constitution, which grants meaningful autonomy to regions, including potential Sunni and Shia federal units. Baghdad must establish the long-overdue Federation Council to ensure regional representation in national decision-making. A federal system is key to Iraq's long-term stability and a balanced foreign policy.

Address Sunni Grievances and Support Local Governance

Iraqi authorities must revisit constitutional provisions that allow for the creation of autonomous Sunni federal region(s). Baghdad's suppression of Sunni federalism demands, in violation of the Constitution, has fueled resentment and instability.

Strengthen Kurdish Autonomy and Resolve Budget Disputes

Baghdad must uphold its constitutional commitments to the Kurdistan Region, particularly regarding the management of oil resources, budget allocations and revenue-sharing from oil exports. The United States should engage diplomatically to mediate disputes between Kurds and Baghdad, ensuring that Kurdish financial autonomy is restored and preventing further erosion of Iraq's federal structure.

Curb Destabilizing Activities by Armed Factions and Preserve Iraq's Neutrality

The growing influence of Iran-backed armed groups in Iraq's military, economy, and foreign policy undermines domestic stability, national sovereignty, and regional stability. The participation of these groups in the regional conflict since October 7, 2023, is a case in point. The United States should support Iraq in strengthening its military-security institutions and prevent destabilizing outside influence in this regard.

Shias, Kurds, and Sunni Arabs Should Find Common Ground

Iraq's stability depends on a governance model that respects each community's distinct identity and way of life while fostering national unity. A flexible, decentralized system can help manage intra- and inter-communal diversity, while ensuring Baghdad serves as a unifying center. A strong but decentralized Iraq is in the best interest of all three major communities.

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