



Surviving the COVID-19 Crisis: Preliminary Findings of the Economic Impact on Iraq

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List of Abbreviations

CBI	Central Bank of Iraq
COVID-19	Coronavirus disease-19
GDP	Gross Domestic Product
ILO	International Labor Organization
MBPD	Million barrels per day
MENA	Middle East and North Africa region
MENAP	Middle East, North Africa and Pakistan
OPEC	The Organization of the Petroleum Exporting Countries
ROI	Return on Investment
TVET	Technical Vocational and Educational Training
SMEs	Small and medium-sized enterprises
SPSS	Statistical Package for Social Sciences
UNCTD	United Nations Conference on Trade and Development
UK	United Kingdom
USD	United States Dollar

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Executive Summary

The COVID-19 pandemic is inflicting serious damage on the world's economy. Unemployment rates are through the roof, oil prices have collapsed, businesses are shutting down and whole sectors are struggling to stay afloat. Iraq was not exempted from being hit by the world-scale crisis. A country that is heavily reliant on oil exports with poor infrastructure and a low level of preparedness for such a crisis, Iraq is facing a special set of challenges during these times. This research aims to evaluate the current situation in an attempt to quantify the magnitude of the crisis on various business sectors and individuals alike, which can be used in the formulation of a plan to emerge from the current crisis and stimulate economic recovery.

A combination of quantitative and qualitative methods was adopted to collect data. An online survey comprising 3 main sections (demographic information, employee/daily wage workers section and business shops/property owners' section) was conducted to gain an insight on individual perspectives and semi-structured interviews were conducted with businesspeople and experts to consolidate the insights gained through the survey with recommendations on effectively passing the crisis. Convenience sampling was used for the online survey, while snowball sampling was used for interviews. Statistical Package for Social Sciences (SPSS) was used to analyze data from the survey, while thematic qualitative analysis was conducted on the interviews after being transcribed to English.

More than 680 individuals responded and interviews were conducted with 15 experts. The majority of respondents (more than 50%) were of the 20-30 age group and from Baghdad. Three-quarters of respondents were males and the rest were females. About 95% of respondents were literate with more than 50% of them holding a bachelor's degree. Private sector employees formed the majority of respondents (33.5%), while unemployed individuals, business owners (shops/property) and daily wage workers had almost similar response rates (17%); public sector employees formed a relatively lower rate of responses (12.1%).

Stress levels significantly increased among all workers, especially among daily wage workers and private sector employees. Also, changes towards a more stressful attitude were more prominent in the southern provinces. The study showed that public sector salaries and social support were the most stable income sources. Daily wages and private sector salaries significantly decreased as being the main sources of income, while savings and having no source of income significantly increased during the crisis. A period of 2-4 weeks was mainly reported when respondents were asked how long their savings can last. However, savings lasting less than a week was significantly more reported by daily wage workers and unemployed individuals, while savings lasting 1-3 months was significantly more reported by private and public sector employees denoting a significant association between employment status and how long the savings could last.

This crisis had a dramatic effect on salaries and working hours. The study showed that about one-third of respondents had their salaries cut-off while a quarter of them were laid off, stopped working or closed their businesses. Unpaid salaries and pay cuts were significantly more frequent with private sector employees, while laying off and closed businesses were significantly more

reported in daily wage workers and shops/property owners, respectively. A “no effect” was significantly reported more by public sector employees.

Insights and perspectives from the interviewed experts corroborated the findings of the survey. Most of the experts expressed that public sector employees are better standing financially and are less affected by the current crisis, while a heavier toll was inflicted on private sector employees, considering that the vast majority of private sector employees do not have social security and have no contracts signed with their employers. They also reported that many private sector employees were forced to take unpaid leaves or had their salaries completely cut off or discounted because businesses could fail if they paid salaries. However, employees of large corporations are still getting paid normally, while employees of small and medium businesses were impacted by this. Moreover, according to the interviewed experts, daily wage workers are likely to be the most affected during this crisis and unemployment rates are projected to increase due to layoffs, decreased revenues and business operations.

As to the impact on businesses according to their size, there were two opinions presented during the interviews. The first one is that large businesses are going to pass this crisis, but the small and medium ones are not due to their lack of resources and cash flow. The second opinion, however less prevalent, was the complete opposite stating that bigger corporations will sustain more damage because they are less able to adapt and modify their operations than smaller businesses.

As per the different sectors of businesses, they all have been affected to various extents. Iraq's income relies massively on oil exports (forms 90% of Iraq's government revenue) and oil prices are plummeting during this crisis. Hence, there will be a plethora of detrimental consequences on various sectors and on top of them is the energy sector. Also, the construction sector relies heavily on governmental investments, and since oil prices are falling, many construction projects have been put on hold.

Transportation and logistics were unquestionably severely hit as well due to the curfew. Whole business operations relying on transportation froze except for the transportation of food. The travel sector also took a harsh hit since countries are shutting borders and airline companies are cancelling flights by the thousands. Not to mention that the travel-suited season has passed which is crucial for travel agencies.

The curfew has left the e-commerce sector struggling. They could receive orders but not deliver them to customers. They were left with stock debts and fixed costs payments despite not generating revenue. Brick and mortar stores suffered a larger impact than e-commerce although groceries, pharmacies and bakeries were less affected because they were allowed to operate with fewer restrictions. However, after the lockdown, they have a great potential to scale-up their businesses because people's behaviour is changing as they tend to avoid crowded places.

As for education, private schools were under financial stress. They were unable to pay their teachers' salaries because, for many schools, tuition fees are paid on a monthly basis. Even

though private universities were relatively financially standing better due to the payment of the fees which usually takes place one or two times a year, they are facing multiple challenges and many are unable to pay their staff. Also, the increasing trend towards e-education surfaced more challenges arising from staff unpreparedness and the internet. Although the internet service capacity was increased by 25% to relieve some of the burden on internet service providers, maintenance and operation were difficult during the curfew.

The banking sector has experienced problems on multiple levels. Most private banks clients are contractors working with the government, and since the government is in debt to those contractors, the activities of private banks have been limited. Moreover, the liquidity in banks is at a minimum because of the reserve requirement in the CBI and the fact that people usually open current accounts, and therefore decreasing the banks' ability to invest. In conclusion, the COVID-19 crisis has adversely affected businesses and individuals alike and a robust plan needs to be devised in order to outlast this period.

Recommendations:

- Diversification of the sources of income for Iraq is crucial to be less vulnerable to fluctuations in the oil market
- The government must start implementing a bailout plan, or it will eventually be unable to pay public sector employees their salaries.
- Supporting the sustainability of paying the salaries of public sector employees is essential, otherwise the whole economic cycle will be impacted causing a further recession and an increased rate of unemployment and business closure.
- Disparities in public sector employees' salaries must be reduced.
- Daily wage workers and unemployed individuals should be included in a social relief package able to cover their daily essentials. The current 30 thousand Iraqi dinars per month package of support is not enough for their essentials and should be increased.
- Individuals who have taken loans from banks and are due their payment time need to be exempted from paying extra fines or interest that might have occurred during the crisis.
- Private sector businesses that have their employees registered for social security can be supported through the social security fund. Also, this will encourage unregistered workers and businesses to seek registration.
- If the previous recommendation is implemented, an awareness campaign should be launched for private sector employees and businesses to encourage them to register in social security.
- Market assessments need to be conducted after this crisis to detect the most needed skills in the market. Accordingly, TVET centers could be activated to train unemployed people in those needed skills.
- Relief packages for SMEs could be issued by the CBI through private banks in order to save them from permanently shutting down, such as bank loans with a concessional interest rate.
- Businesses need to be exempted from taxes, tariffs and customs for at least the period of the crisis, giving a priority to registered businesses.

- A plan for stimulating multiple business sectors through domestic and foreign investments must be developed.
- Increasing banks' liquidity in order to support individuals and SMEs is essential for the current situation.
- Agriculture and the food industry must be supported to ensure food security and, also, contribute to job creation.
- The industrial sector must be supported on many levels to cover the local needs of various sectors which will also lead to an increase in GDP and employment.
- Improving the internet service is essential to meet the exponentially growing demand; therefore, decreasing band costs for internet companies is essential to enable them to increase capacity and improve the internet service.

الملخص التنفيذي

تسبب فيروس COVID-19 في إلحاق أضرار جسيمة بالاقتصاد العالمي حيث وصلت معدلات البطالة إلى أعلى المستويات، بالإضافة إلى انهيار أسعار النفط، وإغلاق الشركات، بينما تكافح كافة القطاعات من أجل الحفاظ على استمرارية أعمالهم. لم يكن العراق بمعزل من الأزمة العالمية، البلد الذي يعتمد بشكل كبير على صادرات النفط مع البنية التحتية الركيكة وانخفاض مستوى الاستعداد لهذه الأزمة، يواجه العراق مجموعة خاصة من التحديات خلال هذه الأوقات. يهدف هذا البحث إلى تقييم الوضع الحالي في محاولة لتحديد حجم التأثير على مختلف قطاعات الأعمال والأفراد على حد سواء، والتي يمكن استخدامها في إيجاد خطة إنقاذ للخروج من الأزمة وإنعاش الوضع الاقتصادي.

تم اعتماد عدد من الأساليب الكمية والنوعية لجمع البيانات والتي اشتملت على إجراء استبيان عبر الإنترن特 يضم ثلاثة أقسام رئيسية (المعلومات الديموغرافية وقسم العمال / العمال بأجر يومي و محلات الأعمال التجارية / قسم مالكي العقارات) للحصول على نظرية شاملة على الآراء الفردية وأجريت مقابلات شبه مركبة مع رجال الأعمال والخبراء لتعزيز الأفكار المكتسبة من خلال الاستبيان مع توصيات لكيفية النجاة من هذه الأزمة وتطبيتها. تم استخدام طريقة أخذ العينات الملائمة لأجل الاستبيان عبر الإنترن特، بينما تم استخدام العينات المتسلسلة (كرة الثلج) لإجراء المقابلات. استخدمت الحزمة الإحصائية للعلوم الاجتماعية (SPSS) لتحليل البيانات من الاستبيان، في حين تم إجراء تحويل موضوعاتي للمقابلات بعد تحويلها إلى اللغة الإنكليزية.

شارك في الاستبيان 683 شخص وتم إجراء مقابلات مع 15 خبير في مجالات مختلفة. أظهرت النتائج أن أكثر من 50% من العينة كانوا من الفئة العمرية 20-30 ومن بغداد. ثلاثة أرباع منهم كانوا من الذكور والباقي من الإناث. حوالي 95% كانوا يعرفون القراءة والكتابة وأكثر من 50% منهم حاصلون على درجة البكالوريوس. شكل موظفو القطاع الخاص غالبية المستطلعين (33.5٪)، في حين كان لدى الأفراد العاطلين عن العمل وأصحاب الأعمال التجارية (المتاجر / الممتلكات) والعاملين بأجر يومي معدلات استجابة مماثلة تقريباً (17٪)، شكل موظفو القطاع العام معدل استجابة أقل نسبياً (12.1٪).

من الجدير بالذكر أن مستويات القلق زادت بشكل ملحوظ بين جميع العاملين، خاصة بين العاملين بأجر يومي وموظفي القطاع الخاص. وأيضاً زادت معدلات القلق بشكل واضح في المحافظات الجنوبية. وأظهرت الدراسة أن رواتب القطاع العام والضمان الاجتماعي كانت مصادر الدخل الأكثر استقراراً. بينما انخفضت الأجر اليومية ورواتب القطاع الخاص بشكل كبير باعتبارها المصادر الرئيسية للدخل، في حين زادت الاعتمادية على المدخرات وعدم وجود مصدر للدخل بشكل كبير خلال الأزمة. عندما سُئل المستجيبون عن المدة التي يمكن أن تستمر فيها مدخراتهم كان الاختيار الأساسي فترة 2-4 أسابيع. ومع ذلك، استمرار المدخرات لأقل من أسبوع كان اختيار العاملين بأجر يومي والأفراد العاطلين، في حين اختيرت المدخرات التي تستمر من 1 إلى 3 أشهر بشكل أكبر من قبل موظفي القطاعين العام والخاص مما يدل على وجود ارتباط كبير بين حالة التوظيف ومدى استمرارية المدخرات.

كان لهذه الأزمة تأثير كبير على الرواتب وساعات العمل. وأظهرت الدراسة أن حوالي ثلث العينة قطعت رواتبهم بينما تم تسريح ربعهم أو تم توقيفهم عن العمل أو إغلاق أعمالهم. كانت الرواتب غير مدفوعة وتحفيضات الأجر أكثر وجوداً مع موظفي القطاع الخاص، في حين تم تسريح العاملين في الشركات وإغلاقها بشكل تام لفئة العمال بأجر يومي والمتاجر / أصحاب العقارات. ومع ذلك موظفو القطاع العام لم يتأثروا بشكل ملحوظ.

وأكّدت الآراء ووجهات نظر الخبراء الذين تمت مقابلتهم نتائج الاستبيان حيث أعرب معظم الخبراء عن أن العاملين في القطاع العام يتمتعون بوضع مالي أفضل وأقل تأثراً بالأزمة الحالية، في حين تم تكبد خسائر فادحة لموظفي القطاع الخاص، معتبرين أن العالمية العظمى من موظفي القطاع الخاص ليس لديهم ضمان اجتماعي وليس لديهم عقود موقعة مع أصحاب العمل. كما أفادوا بأن العديد من موظفي القطاع الخاص أجبروا على أخذ إجازات غير مدفوعة الأجر أو تم قطع رواتبهم بالكامل أو تحفيضها لأن الشركات قد تتوقف عن العمل إذا دفعوا الرواتب. ومع ذلك، لا يزال موظفي الشركات الكبيرة يتلقون رواتبهم بشكل طبيعي، في حين أن موظفي الشركات الصغيرة والمتوسطة تأثروا بذلك. علاوة على ذلك، وفقاً للخبراء الذين تمت مقابلتهم، من المؤكد أن يكون العمال بأجر يومي هم الأكثر تأثراً خلال هذه الأزمة، ومن المتوقع أن ترتفع معدلات البطالة بسبب حالات التسريح من العمل وانخفاض الإيرادات والعمليات التجارية.

وفيما يتعلق بالتأثير على الأعمال حسب حجمها، الأول هو أن الشركات الكبيرة سوف تتخبطى هذه الأزمة، ولكن الشركات الصغيرة والمتوسطة لن تستطيع فعل ذلك بسبب افتقارها إلى الموارد المالية والتدفق النقدي. بينما كان الرأي الثاني معاكس تماماً ويفيد بأن الشركات الأكبر حجماً ستشهد ضرر أكبر لأنها أقل قدرة على التكيف وتعديل عملياتها من الشركات الصغيرة.

وفقاً لقطاعات الأعمال المختلفة، فقد تأثرت جميعاً لكن بدرجات متفاوتة إذ يعتمد دخل العراق بشكل كبير على صادرات النفط (تمثل صادرات النفط 90% من إجمالي واردات العراق الحكومية) وأسعار النفط تتراجع خلال هذه الأزمة. وبالتالي، سيكون هناك عدد من العواقب الضارة على مختلف القطاعات وعلى رأسها قطاع الطاقة. كما يعتمد قطاع البناء بشكل كبير على الاستثمارات الحكومية، وبما أن أسعار النفط تتراجع، تم تعليق العديد من مشاريع البناء.

كما تضرر قطاع النقل والخدمات اللوجستية بشدة بسبب حظر التجول. حيث توقفت العمليات التجارية بالكامل، التي تعتمد على النقل باستثناء نقل المواد الغذائية. كما تضرر قطاع السفر بشدة حيث أغلقت الدول حدودها وشركات الطيران تلغى الآلاف من رحلاتها. ناهيك عن أن الموسم المناسب للسفر قد انقضى وهو أمر خطير لوكالات السفر.

واجه قطاع التجارة الإلكترونية تحدياً كبيراً. إذ من الممكن أن يتلقى صاحب العمل طلبات ولكن لن يتمكن من تسليمها للعملاء. لقد تناقلت ذممهم المالية بسبب ديون البضائع والتکاليف الثابتة وتوقف الإيرادات. عانت المتاجر من تأثير أكبر من التجارة الإلكترونية على الرغم من أن محلات البقالة والصيدليات والمخابز كانت أقل تأثراً لأنها سمح لها بالعمل مع قيود أقل.

أما التعليم، فكانت المدارس الخاصة تحت ضغوط مالية. لم يتمكنوا من دفع رواتب معلميهم لأن في العديد من المدارس الخاصة يتم دفع الرسوم الدراسية على أساس شهري. من ناحية أخرى، وان كان للجامعات الخاصة وضع مالي أفضل لأن الرسوم الدراسية يتم دفعها مرة أو مرتين في السنة، واجهت هذه الجامعات مشاكل في دفع رواتب موظفيها. أيضاً، اظهر التعليم الإلكتروني المزيد من التحديات الناشئة منها عدم استعداد الموظفين وضعف خدمة الإنترن特. على الرغم من زيادة سعة خدمة الإنترن特 بنسبة 25٪ للتخفيف من الضغط الواقع على عاتق مقدمي خدمات الإنترن特، إلا أنها لم تكن كافية لتحسين جودة الخدمة. من الجدير بالذكر أن الصيانة والتشغيل كانت صعبة خلال فترة حظر التجول.

شهد القطاع المصرفي مشاكل على مستويات متعددة. معظم عملاء البنوك الخاصة هم مقاولون يعملون مع الحكومة، وبما أن الحكومة مدينة لهؤلاء المقاولين، فقد كانت أنشطة البنوك الخاصة محدودة. علاوة على ذلك، السيولة في البنوك عند الحد الأدنى بسبب متطلبات الاحتياطي من البنك المركزي العراقي وحقيقة أن الناس عادة ما يفتحون حسابات جارية، وبالتالي يقلل من قدرة البنوك على الاستثمار. في الختام، أثرت أزمة COVID-19 سلباً على الشركات والأفراد على حد سواء، ويجب وضع خطة قوية من أجل تجاوز هذه الفترة.

التوصيات

● تنويع مصادر الدخل للعراق أمر مفصل ليكون أقل عرضة للتقلبات في سوق النفط

● يجب أن تبدأ الحكومة في تأسيس وتنفيذ خطة إنقاذ ، وإلا فلن تتمكن في النهاية من دفع رواتب موظفي القطاع العام

● دعم استدامة دفع رواتب موظفي القطاع العام أمر ضروري ، وإلا ستتأثر الدورة الاقتصادية بأكملها مما يتسبب في مزيد من الركود وزيادة معدل البطالة وإغلاق الأعمال.

● يجب تخفيض الفروقات في رواتب موظفي القطاع العام.

● ينبغي أن يدرج العاملون بأجر اليومي والعاطلين عن العمل في حزمة الإغاثة الاجتماعية القادره على تغطية احتياجاتهم اليومية. حزمة الدعم الحالية البالغة 30 ألف دينار عراقي في الشهر الثالث كانت غير كافية لتلبية المتطلبات الأساسية و يجب زيادتها.

● يحتاج الأفراد الذين حصلوا على قروض من البنوك والمذممين بموعد الدفع إلى الإعفاء من دفع غرامات أو فوائد إضافية التي حدثت أثناء الأزمة.

● يمكن دعم شركات القطاع الخاص التي تم تسجيل موظفيها في الضمان الاجتماعي من خلال صندوق الضمان الاجتماعي. كما سيشجع ذلك العمال الغير مسجلين في الضمان الاجتماعي على المطالبة بالتسجيل في الضمان الاجتماعي.

● في حالة تنفيذ التوصية السابقة ، ينبغي إطلاق حملة توعية لموظفي القطاع الخاص لتشجيعهم على التسجيل في الضمان الاجتماعي.

● يجب إجراء بحوث تقييم للسوق بعد هذه الأزمة للكشف عن المهارات الأكثر حاجة في السوق. وبناء على ذلك، يمكن تعديل مراكز التعليم والتدريب التقني والمهني لتدريب العاطلين عن العمل على المهارات المطلوبة في سوق العمل.

● يمكن للبنك المركزي العراقي أن يصدر حزم لإغاثة للمؤسسات الصغيرة والمتوسطة الحجم من خلال البنوك الخاصة من أجل إنقاذها من الإغلاق الدائم ، مثل القروض الميسرة.

- تحتاج الشركات إلى الإفادة من الضرائب وتعرفة الخدمات والجمارك على الأقل خلال فترة الأزمة ، مع إعطاء الأولوية للشركات المسجلة.
- يجب وضع خطة لتحفيز قطاعات الأعمال المختلفة من خلال الاستثمارات المحلية والأجنبية.
- زيادة سيولة البنوك لدعم الشركات الصغيرة والمتوسطة أمر ضروري للوضع الحالي.
- يجب دعم الزراعة والصناعات الغذائية لضمان الأمن الغذائي ، وكذلك المساهمة في خلق فرص العمل.
- يجب دعم القطاع الصناعي على العديد من المستويات لتغطية الاحتياجات المحلية لمختلف القطاعات التحويلية مما سيؤدي أيضاً إلى زيادة في الناتج المحلي الإجمالي والعماله.
- تحسين خدمة الإنترنـت أمر ضروري لتلبية الطلب المتزايد بشكل كبير؛ لذلك، يعد خفض تكاليف تشغيل شركات الإنترنـت أمراً ضرورياً لتمكنـها من زيادة السعة وتحسين خدمة الإنترنـت.

Introduction

Coronavirus disease (COVID-19) is an infectious disease caused by a new virus. The disease was first identified in 2019 in Wuhan, China, and has since spread globally, resulting in the 2019–20 COVID-19 pandemic. As of May 8th, 2020, more than 3.5 million cases of COVID-19 and 250,000 deaths have now been reported by the WHO.¹

This newly emerged virus seemed to hit the respiratory system causing possible respiratory failure especially to those who suffer from weak immunity. However, due to the rapid nature of the viral spread, some companies and individuals were reluctant to go to work, shortly after, governmental task forces around the globe issued stay-at-home orders, albeit some countries were more strict than others, this led to a halt in all life aspects except for people involved essential operations like essential healthcare, manufacturing, infrastructure, retail, services, and defence.²

The crisis gradually turned into an economic shock, impacting consumption and investment as well, not only the supply of goods and services. Disruptions to production, which first started in Central Asia, have now spread to supply chains across the world. All businesses, regardless of size, are facing serious challenges, especially those in the aviation, tourism and hospitality industries, with a real threat of significant declines in revenue, insolvencies and job losses in specific sectors.³ Besides the above mentioned critical impacts on various ranges, the global GDP growth has shown a significant decline in 2020 by which is considered the biggest after the 2008–9 crisis.⁴

Global unemployment rates are at an all-time high when compared to rates in the 2008 global financial crisis. International Labour Organization estimates a rise in global unemployment of between 5.3 million to 24.7 million jobs lost from a base level of 188 million in 2019, for comparison, the global financial crisis of 2008–9 increased unemployment by 22 million.⁵

The effect also extended to labour income and working poverty; labour income represents the annual income workers make after producing goods and services, it reported a loss in the range of between 860 and 3,440 billion USD, while working poverty signifies people who spend at least 27 weeks in a year working or looking for employment but remain under the poverty threshold, and this is likely to increase significantly, under the mid and high scenarios there, will be between 20.1 million and 35.0 million more people in working poverty than before the pre-COVID-19 estimate for 2020.⁶

Young persons, the self-employed, casual and daily wage workers (independent contractors, online platform workers, contract firm workers, on-call workers and temporary workers) are

¹ World Health Organization (WHO), *Coronavirus Disease (COVID-19): Situation Report– 108*, 2020. <https://www.who.int/docs/default-source/coronavirus/situation-reports/20200507covid-19-sitrep-108.pdf>. (accessed on 5/10/2020)

² Wood, Johnny. 2020. "Coronavirus – This Is How the World Is Responding". World Economic Forum.

<https://www.weforum.org/agenda/2020/03/coronavirus-this-is-how-the-world-is-responding/>. (accessed on 5/10/2020)

³ United Nations Development Programme (UNDP), *The Social and Economic Impact of COVID-19 In The Asia-Pacific Region*, 2020 <http://www.undp.org/content/dam/undp/library/km-qap/UNDP-RBAP-Position-Note-Social-Economic-Impact-of-COVID-19-in-Asia-Pacific-2020.pdf>. (accessed on 5/10/2020)

⁴ International Labor Organization (ILO), *COVID-19 And The World of Work: Impact and Policy Responses*, 2020, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf. (accessed on 5/10/2020)

⁵ Ibid

⁶ Ibid

considered the most vulnerable to falling labour demand due to the pre-mentioned virus impact. Furthermore, the highly growing outbreak led to downgrades in economic forecasts a slowdown in manufacturing activities, pronounced services contraction, declining oil prices, reduction in global economic activity, stock market rout and lower bond yields.⁷

The COVID-19 effect caused a recession in many countries decreasing the global annual growth this year to below 2.5 per cent due to the losses of consumer and investor confidence, not to mention the effects of asset price deflation, weaker aggregate demand, heightened debt distress and a worsening income distribution.⁸ “Oil-exporting countries like Iraq and other commodity exporters and those with strong trade linkages to the initially shocked economies are the most badly affected economies in this scenario, as they lose more than one percentage point of growth” said UNCTAD’s director of Globalization and Development Strategies, Richard Kozul-Wright. The International Monetary Fund predicted the pandemic affecting real GDP in MENAP oil exporters, reporting it might contract by 4.2% in 2020.⁹

The first confirmed case of COVID-19 infection in the Middle East and North Africa region (MENA) was reported in Iran on February 19th, 2020 in Qom, since then multiple cases were confirmed in other countries in the MENA region.¹⁰ A fall in growth in the Middle East and Central Asia region from 1.2% in 2019 to –2.8% in 2020 is projected, lower growth rates than those witnessed in the 2008 global financial crisis.¹¹

Many obstacles have overwhelmed Iraq’s economy, most prominently the war against the Islamic State in 2014 that claimed the lives of over 67,000 Iraqi civilians, not to mention causing trauma, and rapid increase in poverty with the internal displacement of over three million people across Iraq, that led to a sharp decline in its GDP growth from 7.6 in 2013 to 0.7 in 2014^{12,13}. The economy had a gradual rebound in the following years; it outperformed that of regional peers in 2019.¹⁴

According to the WHO classification of country preparedness, Iraq falls under level 2, sharing it with countries like Afghanistan and Chad, in other words, Iraq’s capacity regarding its healthcare

⁷ Lee, Yen Nee, "6 Charts Show the Coronavirus Impact On the Global Economy and Markets So Far", CNBC, 2020 <https://www.cnbc.com/2020/03/12/coronavirus-impact-on-global-economy-financial-markets-in-6-charts.html>. (accessed on 3/21/2020)

⁸ United Nations (UN), "The Economic Impact of COVID-19: Can Policy Makers Avert a Multi-Trillion Dollar Crisis?". 2020. Unctad.Org. <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=548>. (accessed on 3/21/2020)

⁹ International Monetary Fund, *Regional Economic Outlook: Middle East and Central Asia*, World Economic and Financial Surveys. April 2020, <https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report> (accessed on 3/21/2020)

¹⁰ World Health Organization (WHO), *Situation report – 31, Coronavirus disease (COVID-19)*, 2020 https://www.who.int/docs/default-source/coronavirus/situation-reports/20200220-sitrep-31-covid-19.pdf?sfvrsn=dfd11d24_2. (accessed on 5/10/2020)

¹¹ International Monetary Fund, *Regional Economic Outlook: Middle East and Central Asia*, World Economic and Financial Surveys. April 2020, <https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report> (accessed on 3/21/2020)

¹² World Bank, "Iraq data", 2020, <https://data.worldbank.org/country/iraq> (accessed on 3/21/2020)

¹³ World Bank, *Iraq Economic Monitor: From War to Reconstruction and Economic Recovery*, 2018 <http://documents.worldbank.org/curated/en/771451524124058858/pdf/125406-WP-PUBLIC-P163016-Iraq-Economic-Monitor-text-Spring-2018-4-18-18web.pdf> (accessed on 3/21/2020)

¹⁴ World Bank, *Iraq Economic Monitor Turning the Corner: Sustaining Growth and Creating Opportunities for Iraq’s Youth*, 2019, <http://documents.worldbank.org/curated/en/848371571505101026/pdf/Iraq-Economic-Monitor-Fall-2019-Turning-the-Corner-Sustaining-Growth-and-Creating-Opportunities-for-Iraq-s-Youth.pdf> (accessed on 3/21/2020)

infrastructure and the handling of the pandemic is minimal¹⁵. Following WHO guidelines, the containment measures against COVID-19 taken by the Iraqi government, including the suspension of aviation and trade as all borders were partially closed, and work in both private and public sectors was halted due to imposition of curfew to ensure the safety of citizens. However, some businesses were still able to work online, the public sectors couldn't transfer all administrative, economic and service activities from the real world to the virtual world in order to protect the economy, as Iraq ranked 155 in E-Government Development Index.¹⁶

Such economic recession must be overcome by a well-studied, strategic plan to ensure a fast economic recovery, and hopefully, a sustained GDP growth. The private sector may fuel economic recovery through revolutionary innovations, but legislations and regulations also play a key factor in this process. Consequently, when the pandemic comes to an end and countries reopen their markets, the Iraqi government should set a smart plan to compensate for the losses that have befallen Iraqi citizens in this period.

KAPITA Research Team aims to understand the magnitude of the current economic crisis resulting from low oil prices and preventive measures against the virus, and to identify problems facing owners of companies and workers in the public and private sectors. With such research, the Iraqi government and the corresponding sectors interested in the Iraqi market can devise effective key policies, submit them to the responsible authorities for implementation to assure faster emergence from these challenging times and subsequent efficient economic recovery in Iraq.

¹⁵ World Health Organization (WHO), 2019 Novel Coronavirus (2019-nCoV): Strategic Preparedness and Response Plan, 2020, <https://www.who.int/publications-detail/strategic-preparedness-and-response-plan-for-the-new-coronavirus>

¹⁶ United Nations (UN), E-Government Survey 2018: Gearing E-Government to Support Transformation Towards Sustainable and Resilient Societies, Economic and social Affairs, 2018, https://www.unescap.org/sites/default/files/E-Government%20Survey%202018_FINAL.pdf

Methodology

We adopted a combination of quantitative and qualitative methodologies to collect the relevant information for the study. Through the analysis of these data sources, comprehensive and reliable information was collected in order to address the study's objectives.

Data was collected at two levels:

- a) An online (quantitative) survey, used to gain an understanding of individual perspectives and experiences of COVID-19 crisis
- b) Interviews (qualitative) conducted with businesspeople and experts. This provides a deeper understanding of the answers provided in the quantitative survey.

The Online Survey- Quantitative Component

The survey was designed based on surveys used in other studies to measure the impact of either the current crisis or a previous economic crisis. The questionnaire was piloted to ensure that any difficulties in translation, understanding and delivery were eliminated.

The questionnaire comprised of 3 main sections:

- Demographic information
- Employee/daily wage workers section (Daily wage workers are workers earning their payment at the end of the working day and have no sustainable source of income): this section listed several questions on the individual's occupation and their main source of income. Also, several questions addressed the impact of the current crisis on their lives.
- Business owners section: this section consisted of questions on the type of business and how the current crisis is impacting it. Also, the measures taken by business owners to minimize the losses and the suggestions related to officials to help combat this loss.

Google form was used to deliver the questionnaire, which was distributed on several Facebook pages. Responses were accepted between the 25th of March and the 10th of Apr. After that, no response was accepted. Confidentiality and anonymity of data were maintained, and consent was taken.

Interviews- Qualitative Component

The interviews were conducted with experts in finance, economy, construction and development. The interviews were semi-structured and the questions were based on the questionnaire used to collect quantitative data. The aim was to get an insight into the answers gained from the online survey also to provide recommendations to tackle this crisis from the experts in the field.

Sampling

The quantitative survey adopted convenient sampling as it was delivered using an electronic form. Facebook was the main social media outlet used to deliver the survey. Pages with high reach were contacted through a specialized agency.

Snowball sampling was used when conducting the interviews. Each expert recommended at least 2 experts. Then, these experts were contacted and asked to recommend other experts even if they did not accept the invitation to get interviewed.

A total of 711 responses were collected but only 683 were included in the analysis (cases were excluded after data cleaning). Of them, 121 individuals were employers.

Interviews were conducted with 15 experts in different aspects of economy and business.

Data Management and Analysis

Quantitative data was checked for duplicates (duplicates are described as two rows that share identical columns) and were removed. Errors in entry were corrected where possible (e.g. in the age field, some wrote their date of birth, but we were asking for age; thus, we calculated the age in years from the date of birth). No missing values, upon entry, were identified as all of the questions were required for the form to be submitted. However, system missing values were used to replace logical inconsistencies (e.g. some unemployed individuals chose a number, other than zero, from the question on the number of working days). As a result, only 683 cases were included in the analysis.

Quantitative data from the online surveys were entered and analyzed using Statistical Package for Social Sciences (SPSS). Key findings have been categorized and are presented in the form of descriptive statistics, cross-tabulations and charts in report format. The interviews proceedings were transcribed to English and thematic analysis was conducted.

Limitations

- A major limitation to the generalisability of the study is the age group and provinces of respondents. The majority of respondents were from Baghdad (more than half of them) and below 30 years (about three-quarters).
- The illiterate and primary-school-graduate respondents formed a small fraction of the respondents. This may underestimate the impact on unemployed individuals and wage earners.
- Another limitation is the inability to ensure that one respondent filled the questionnaire for one company/business. We opted not to ask them for the company/business name to ensure the privacy of respondents.

Results

1. The impact on individuals: quantitative and qualitative findings

The following section presents the insights obtained from the responses of the general population (Subsections 1.1 - 1.6) during the initial days of the crisis and the subsequent lockdown that was imposed by the Iraqi government; thus, the findings are representative of that specific period. The insights are also obtained from a quantitative survey of employers and qualitative interviews with experts (Subsection 1.7).

1.1 Demographics of the population

There is a unique set of demographic characteristics defining the Iraqi population from the rest of the world. The population of Iraq exceeded 40 million as of July 2018, with Baghdad having the highest number of residents. The working age population (25-54 years) constitutes 34% of the total population. The rest is distributed among the other age groups. Interestingly, the sex ratio between males and females in all age groups is approximately 1:1. The literacy rate among the Iraqi population reaches almost 80%.¹⁷

The age distribution of respondents showed that the youth (20-30 years) formed the majority of them comprising more than 50%, which reflects the working age group (Fig.1). Gender participation, on the other hand, was disproportionately represented as more than three-quarters of the respondents were males (Fig.2). This result is expected as previous analyses conducted by KAPITA for data collected online showed a similar participation ratio. Expectedly, about 95% of respondents were literate and more than 50% with a Bachelor's degree (Fig.3). The highest response rate was from Baghdad with about 50%, and the second highest is from Nineveh with 15.3%. This disproportionate representation will limit the generalization of results (Fig.4).

Landing a decent employment for young people is a challenge in and of itself, even in great economic circumstances. The majority of young people work in “non-standard forms of employment” which can include part-time and temporary jobs. These kinds of jobs are often of low payment and irregular hours, with little job security and poor or no social protection.¹⁸ These findings are worrisome considering that the majority of respondents are of the youth.

Iraqi women participation rate to the workforce is low. About 10% of women of working age are employed and another 2% are looking for a job.¹⁹ Accessing employment has its unique set of

¹⁷ Central Intelligence Agency (CIA), “The World Fact Book”. Cia.gov. 2020.

<https://www.cia.gov/library/publications/the-world-factbook/attachments/summaries/IZ-summary.pdf> [Accessed 7 May 2020].

¹⁸ Puerto, S. and Kim, K., “Young Workers Will Be Hit Hard by COVID-19’S Economic Fallout”. ILO Blog. 2020

<https://iloblog.org/2020/04/15/young-workers-will-be-hit-hard-by-covid-19s-economic-fallout/> [Accessed 7 May 2020].

¹⁹ International Labor Organization (ILO), *World Employment and Social Outlook*, 2020

<https://www.ilo.org/wesodata/> [Accessed 7 May 2020].

challenges with limited opportunities and community barriers.^{20, 21} Added to this, the new challenge of COVID 19-associated health risks as most women work in health services or education.²²

Educational level has a well-known association with income. The higher the degree of an individual, the higher the income. Thus, the impact of this crisis will be tremendous on those of lower educational levels because they will be having less saved money.²³

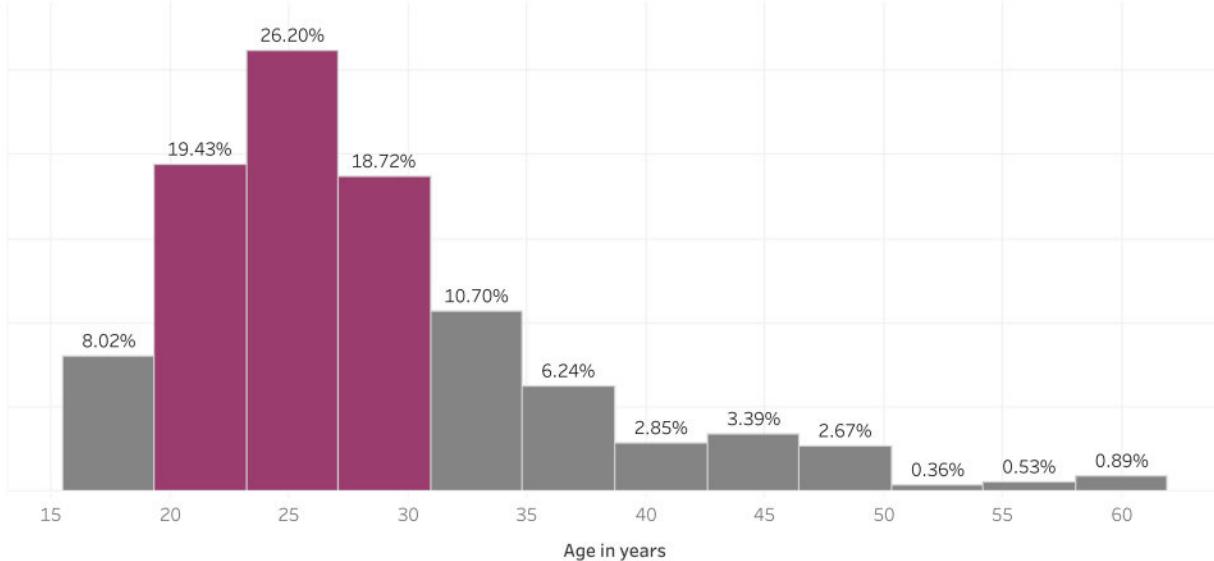


Fig.1 The age distribution of respondents showing the youth forming the majority (20-30 years)

²⁰ Jayasinghe, D, "Choices, changes, and safety in crisis: A model for women's economic empowerment". International Rescue Committee. 2019.

<https://reliefweb.int/sites/reliefweb.int/files/resources/choiceschancesandsafetyincrisis2019final.pdf> [Accessed 7 May 2020].

²¹ United Nations (UN) Women "Progress of the World's Women 2015-2016: Transforming Economics, Realizing Rights.", 2015, http://progress.unwomen.org/en/2015/pdf/UNW_progressreport.pdf [Accessed 7 May 2020].

²² International Labor Organization (ILO), *Care work and care jobs for the future of decent work*. ILO, Geneva. 2018

²³ Elka Torpey, "Education pays," Career Outlook, U.S. Bureau of Labor Statistics, February 2019.

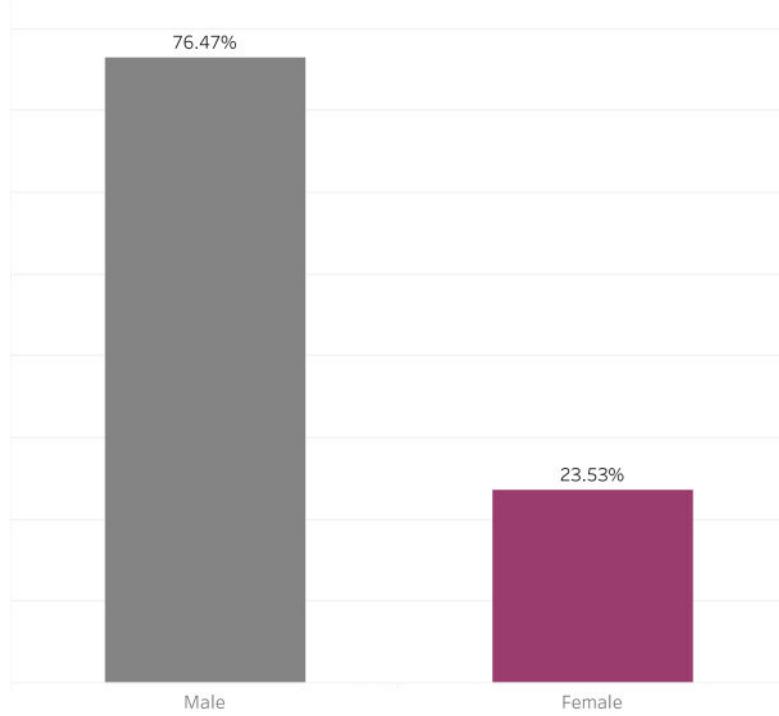


Fig.2 The distribution of gender showing the disproportionate representation of females

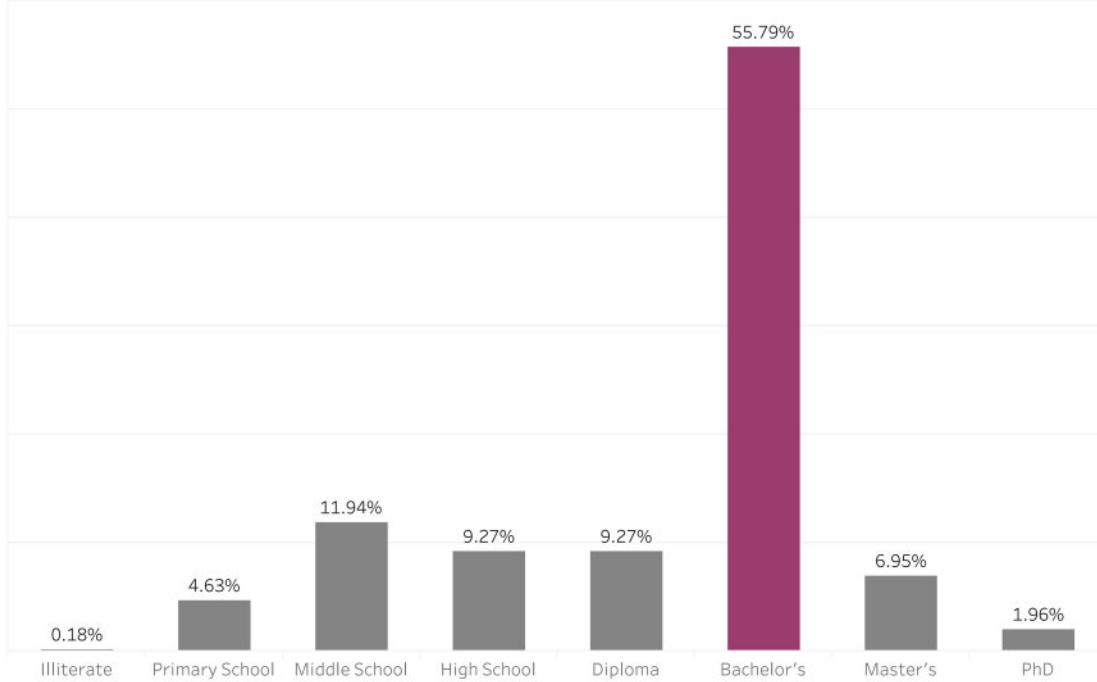


Fig.3 The frequency of different educational levels with Bachelor's forming the majority

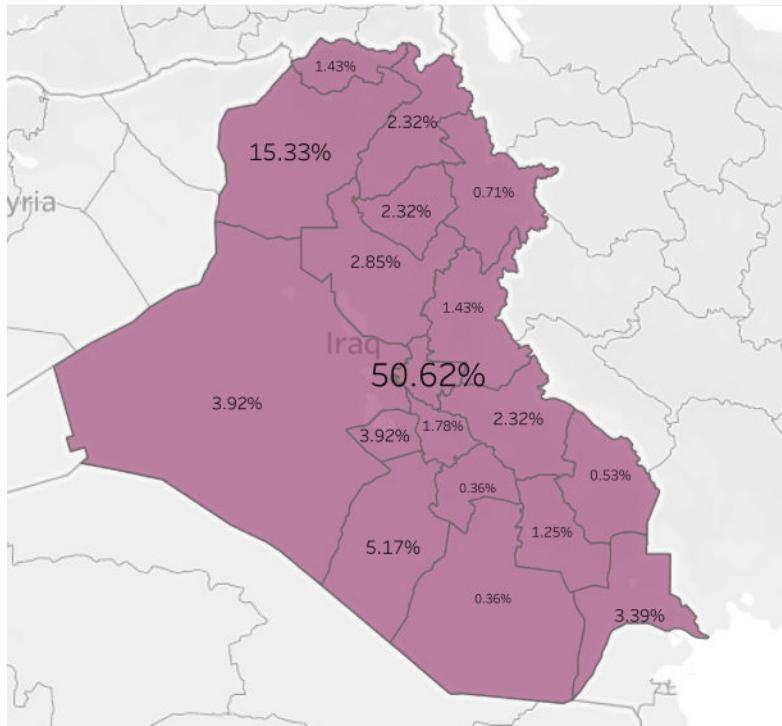


Fig.4 Participation rate from different provinces

1.2 Employment status: What are they doing for a living

The impact of the COVID-19 pandemic on businesses of various economic sectors has been catastrophic so far. Business operations and solvency have faced great reductions, which is particularly threatening to small businesses. The effects of these reductions will be especially detrimental for people working in part-time and temporary jobs with poor job security and no social protection. All of this, will lead to increasing unemployment rates, income loss and layoffs.²⁴

Iraq continues to rely on the public sector in providing jobs. About four-fifths of the jobs created between 2007-2012 were in the public sector, which, by 2012, accounted for 60% of total employment. This led to ballooning in the government wage bill. Despite that, the jobs created are not enough to contain the available workforce and shifting to the private sector is promising.²⁵ Private sector employees formed the majority of respondents with 33.5%. Unemployed individuals, owners (shops/property) and daily wage workers shared a similar participation rate of about 17% while public sector employees formed only 12.1% (Fig.5). The low participation rate of public sector employees could be a result of the perceived security towards financial and employment status.

²⁴ International Labor Organization (ILO), COVID-19 And The World of Work: Impact and Policy Responses, 2020, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf. (accessed on 5/10/2020)

²⁵ World Bank, *Iraq Economic Monitor*, Documents.worldbank.org, 2020,
<http://documents.worldbank.org/curated/en/771451524124058858/pdf/125406-WP-PUBLIC-P163016-Iraq-Economic-Monitor-text-Spring-2018-4-18-18web.pdf> [Accessed 7 May 2020].

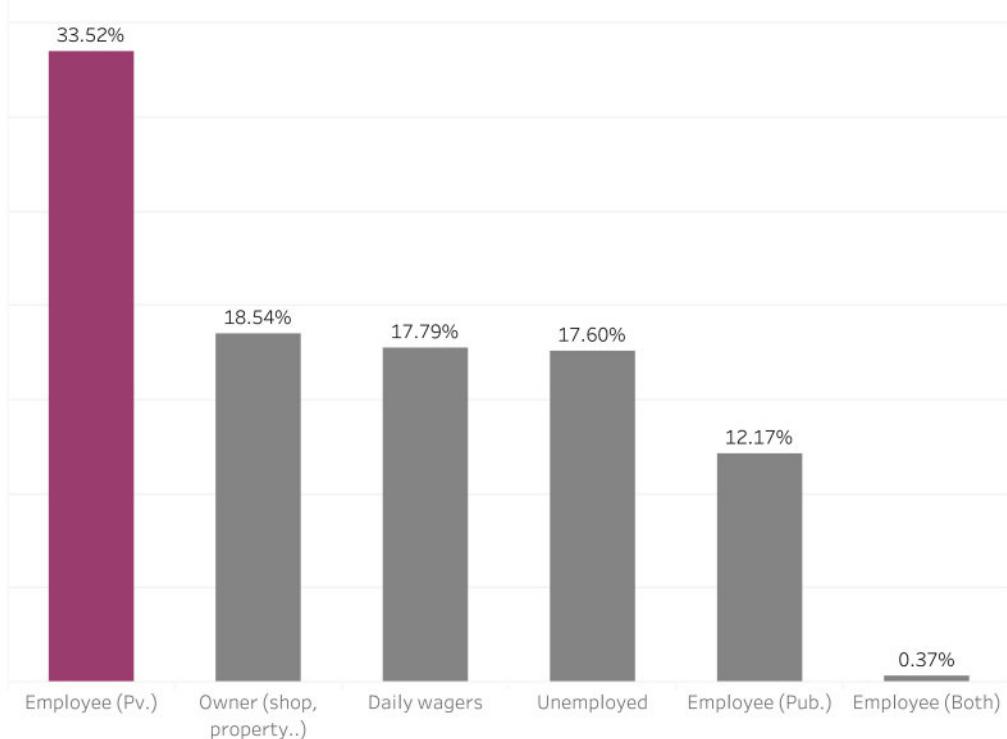


Fig.5 Participation rate by employment status

1.3 The extent of the crisis

The findings showed that the majority (more than half) of private sector employees, owners (shops/property) and daily wage workers are working with less than 10 co-workers which, indirectly, points to the nature of business they are working in. Another quarter of them is working with 11-24 co-workers. Working with more than 25 co-workers formed the remaining percentage (Fig.6). Owners (shops/property) and daily wage workers mostly worked with less than 25 co-workers while private sector employees worked with a variable number of co-workers. Additionally, about 40% of respondents reported having supervising responsibilities (Fig.7).

According to a survey conducted on 5850 small businesses, it was found that a huge number of small businesses will be at a significant risk of permanently shutting down their operations in a matter of months should the crisis continue at the current pace. About 34% of the respondents in that survey indicated that their businesses will be at risk of closing in 3-5 months. The COVID-19 pandemic has had a catastrophic toll on small businesses revenue with approximately 57% indicating that their revenue has decreased by more than 75%. Moreover, about half the businesses indicated that up to five employees could be at risk of unemployment and/or layoff.²⁶

²⁶ Main Street America, *New Report: The Impact of COVID-19 On Small Businesses*, Mainstreet.org, 2020,

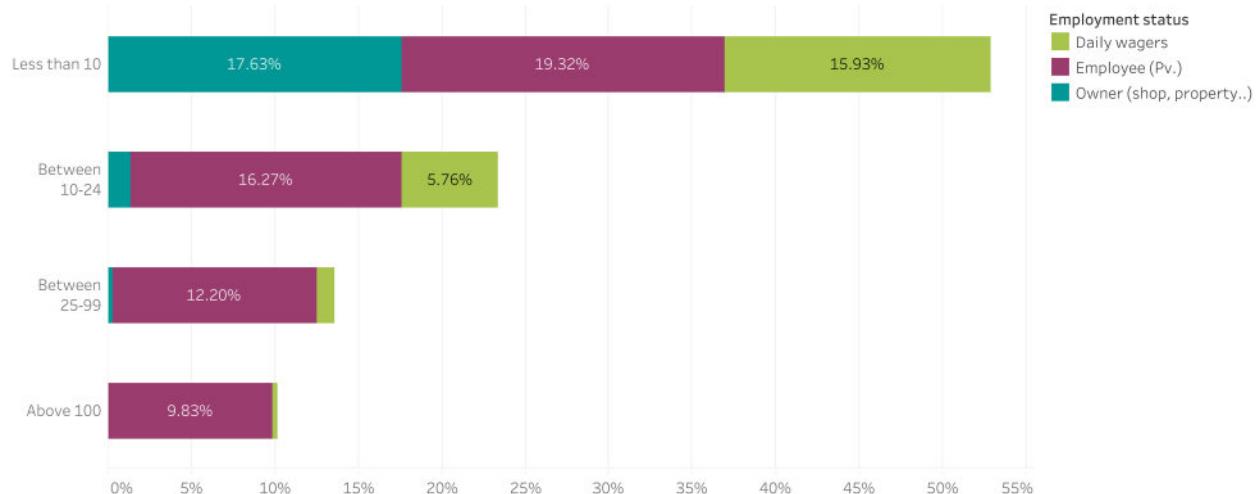


Fig.6 The number of co-workers by the type of work

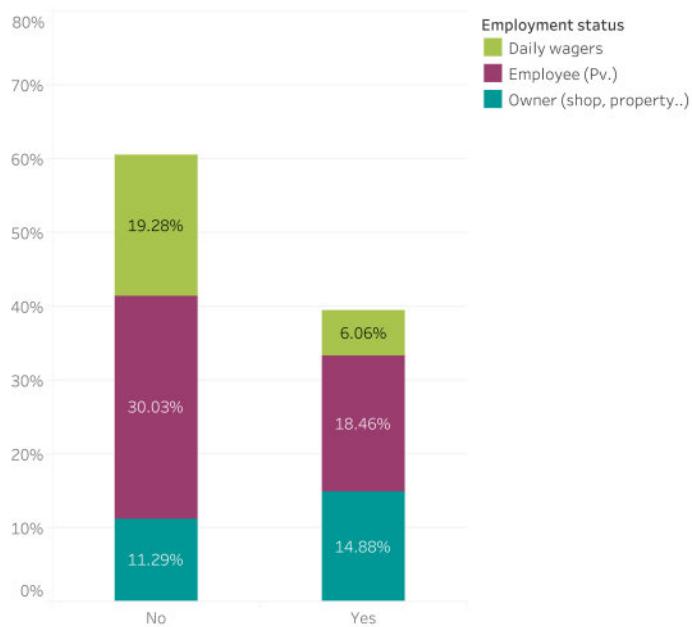


Fig.7 Frequency of respondents with supervising responsibilities by the type of work

1.4 Attitudes towards the financial situation: before and during the crisis

The attitudes of respondents towards financial status changed dramatically during the crisis. Statistical analysis showed that the change in stress level was significant.* Those who admitted to being stressed and very stressed increased dramatically. While the number of individuals feeling neutral to the situation declined to some extent, however, the change was significant. Those who were comfortable or very comfortable showed a significant sharp decline (Fig.8). Analysis based on employment status (Fig.9) showed that public sector employees were very comfortable before the crisis and remained so afterwards* while private sector employees felt

* Statistically significant difference at a p value < 0.05

comfortable before but changed to becoming neutral afterwards.* On the other hand, daily wage workers and unemployed respondents were stressed and very stressed, respectively, before the crisis and remained so after it.* Owners (shops/property) were neutral before the crisis but after the crisis they became stressed.

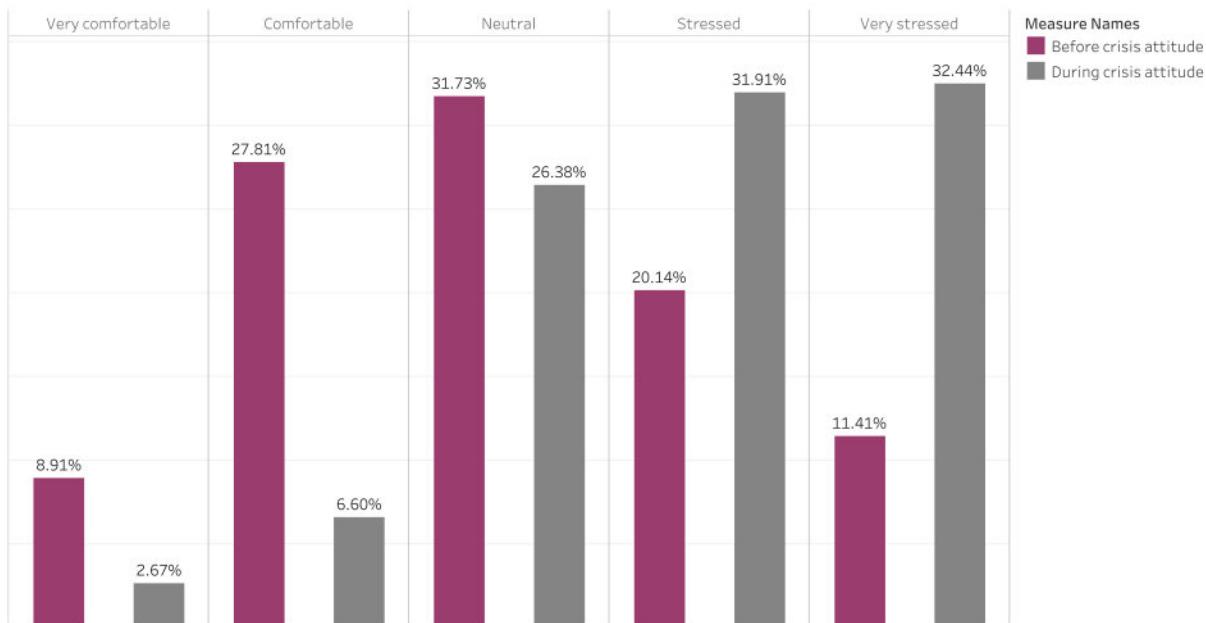


Fig.8 The attitudes of respondents before and during COVID-19 crisis showing the clear change towards more stressful conditions

Evidently, people became more stressed during the crisis and this can have detrimental effects on many aspects. Becoming more stressed towards the financial situation will force people to try to save money and decrease spending where possible; hence, the impact on businesses that rely on retail, leisure and entertainment will be undeniably harsh. Nevertheless, consumers shifted towards online shopping as lockdown was imposed on many countries.²⁷ In addition, it has been shown that increased stress levels can adversely affect mental and physical health, which will increase the burden on the already overwhelmed healthcare sector.²⁸

* Statistically significant difference at a p value < 0.05

²⁷ McKinsey & Company, "A Global View Of How Consumer Behavior Is Changing Amid COVID-19", 2020, <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19> [Accessed 7 May 2020].

²⁸ Marmot, M. and Bell, R., *How will the financial crisis affect health?*. BMJ, 338(apr01 3), pp.b1314-b1314.



Fig.9 The attitudes of respondents before and during COVID-19 crisis by employment status

The change in attitudes spread across the country. Southern provinces were severely affected by the crisis more than other provinces (Fig.10). This indicates that the current crisis might have exacerbated the instability of the financial situation of the southern provinces. Basra, despite being one of the main sources of national income, has also shown an increasing trend towards a more stressed attitude. This can be partially attributed to the falling oil prices during this crisis (Basra Heavy reaching a drastic low of 18.68\$ on April 28th).²⁹ However, these findings should be interpreted cautiously as the participation rates in all provinces were low when compared to that of Baghdad (Fig.4).

²⁹ oilprice.com [accessed 14th may, 2020]

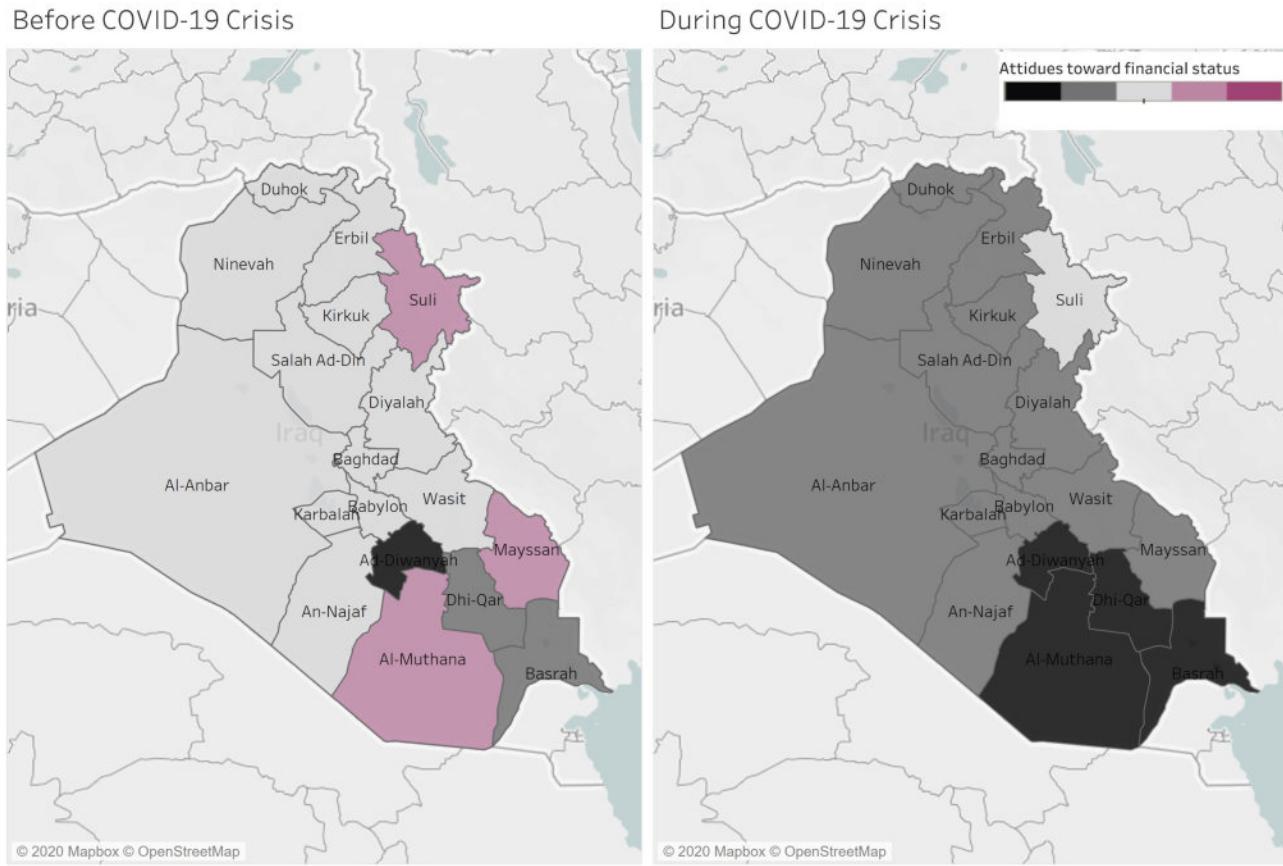


Fig.10 The changes in attitudes towards the financial situation before and after the crisis (Black shade indicates a very stressed attitude while purple shade indicates very comfortable attitude).

1.5 Main source of income: before and during the crisis

The last census in Iraq was conducted about three decades ago. However, a recent survey was conducted in the Kurdistan Region of Iraq showed that about 36% of households have an income of less than 500,000 IQ dinars, 51% have an income between 500,000 - 1,000,000 IQ dinars and the remaining have more than 1,000,000 IQ dinars. These results bear resemblance to the income in the remaining parts of Iraq.³⁰ The limited amount of income for most Iraqis make them vulnerable to economic crises; therefore, shifts in sources of income become a necessity. Survey findings showed that the most stable source of income is public sector salaries and social support, as both did not show a significant statistical change during the crisis.[▽] Concurrently, private sector salaries and daily wages changed significantly as they decreased dramatically, while savings and having no source of income significantly increased (Fig.11).*

³⁰ International Organization for Migration (IOM), *Demographic Survey: Kurdistan Region Of Iraq, 2018*, <https://iraq.iom.int/demographic-survey-kurdistan-region-iraq> [Accessed 7 May 2020].

▽ Test results showed a $p > 0.05$

* Statistically significant at $p < 0.05$

A recent study ³¹ conducted in the UK during this crisis showed that there has been a wide-scale income drop among workers. Younger workers have had a larger income drop than older workers decreasing down to the half of their usual income. As a result, there is a high probability that many workers will not be able to pay their bills. The crisis has made the concept of working from home trending and, as a result, relatively mitigates the impact on labour earnings. While some people experienced an income decline, others have lost their jobs as a result of the crisis. In Iraq, the situation might be different as working from home is applicable to a small group of employees in the private sector mainly; however, much like in the UK and likely to an exaggerated effect, many Iraqis will not be able to afford many amenities and will struggle with housing.

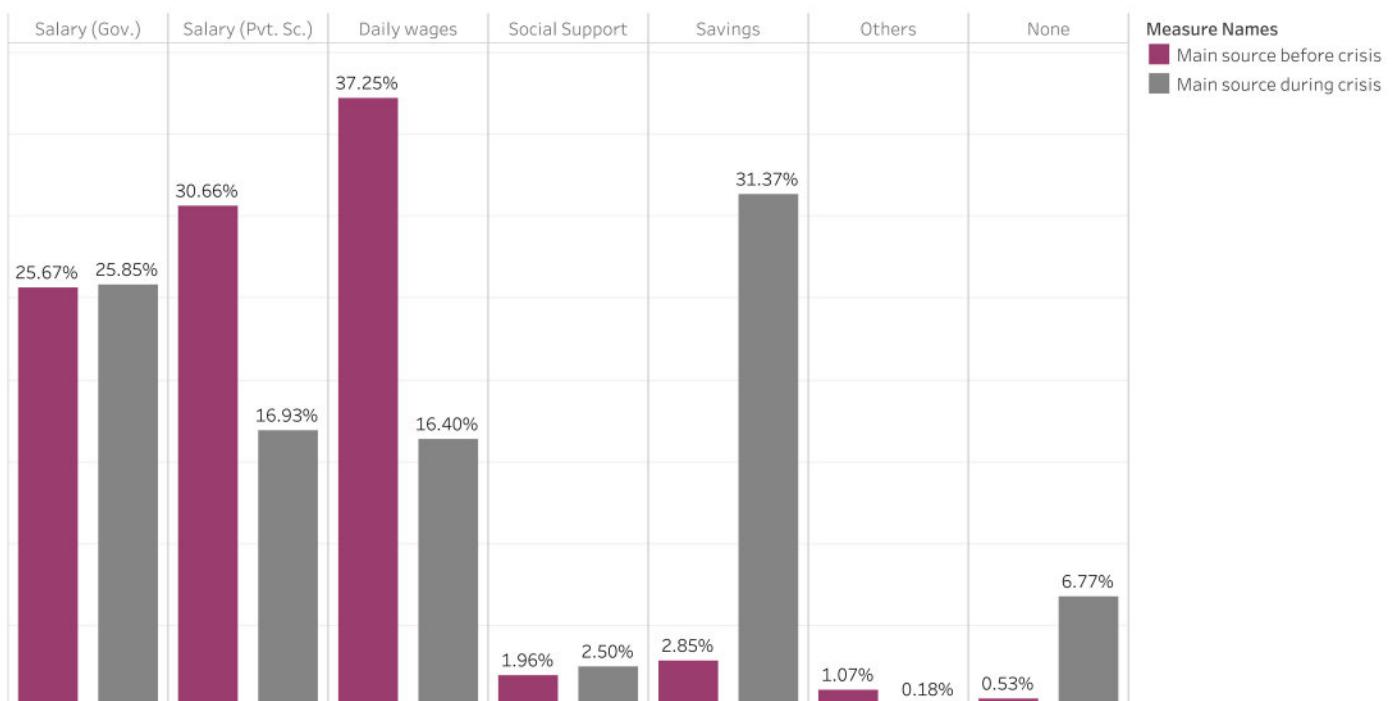


Fig.11 The main source of income for Iraqi households before the crisis and the subsequent change that occurred

When respondents were asked about how long their savings can last, they mainly reported a period of 2-4 weeks (Fig.12). Employment status showed a statistically significant association with how much time the savings can last.* As expected, savings lasting less than a week were significantly higher in daily wage workers and unemployed individuals and significantly lower in employees both in public and private sectors. No group showed a significant difference in savings lasting 2-4 weeks; however, it contained more respondents from private and public sectors. Savings lasting 1-3 months were significantly higher in public and private sectors employees and significantly lower in wage workers and the unemployed which is expected when considering the

³¹ Adams-Prassl, A., Boneva, T., Golin, M. and Rauh, C. "The Large And Unequal Impact Of COVID-19 On Workers", Voxeu.org, 2020, <https://voxeu.org/article/large-and-unequal-impact-covid-19-workers> [Accessed 7 May 2020].

* Statistically significant at p< 0.001

fact that their savings might last less than a week. Savings lasting more than 3 months were not significantly higher in any specific group.

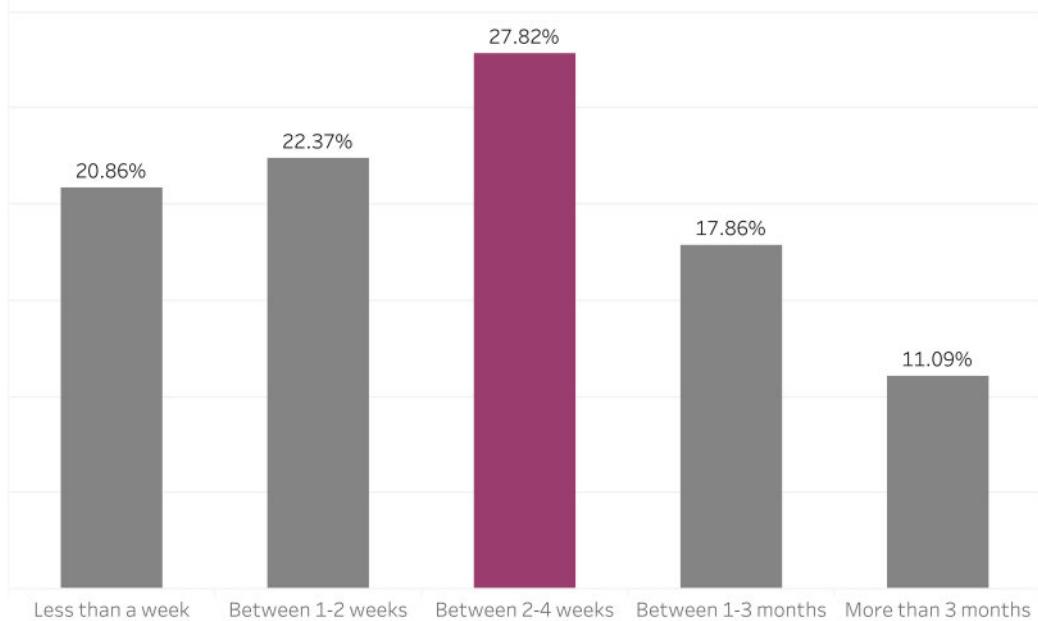


Fig.12 The period of time the savings can last as reported by respondents

1.6 The effects of the crisis

During the financial crisis of 2008, millions of jobs were lost and unemployment rates rose dramatically; the youth saw a surge in unemployment rates more than other age groups.³² Remarkably, unemployment rates continued rising even after the crisis had ended. This paints a dull picture for the current crisis and what to expect afterwards, for an analysis conducted by the International Labor Organization shows that the impact of the COVID-19 pandemic far exceeds that of the 2008 financial crisis.³³ The ILO also states that about 200 million full-time jobs could be lost globally during the coming months, which translate to a cutback of 6.7% in working hours. Large reductions in working hours are predicted to occur in the Arab countries (8.1%), Europe (7.8%) and Asia and the Pacific region (7.2%). The worst affected workers are in business sectors of food and accommodation, retail and wholesale, manufacturing and business services and administration.

The effects according to respondents varied, but the main themes were: unpaid salary/wages, laid off/closed the business/stopped working, salary/wages cut, no effect and other effects. Unpaid salaries/wages was the most reported effect of the crisis with about the third of respondents being affected. Additionally, about a quarter reported being laid off, stopped working or closed their businesses (Fig.13). Statistical analysis showed that the effects of the current crisis

³² Kurt, D., "How The Financial Crisis Affected Millennials", Investopedia, 2020, <https://www.investopedia.com/insights/how-financial-crisis-affected-millennials/> [Accessed 8 May 2020].

³³ International Labor Organization (ILO), COVID-19 And The World of Work: Impact and Policy Responses, 2020, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf. (accessed on 5/10/2020)

were significantly associated with employment status.* “No effect” was significantly higher in public sector employee’s group and significantly lower in shops/property owners (i.e. the crisis impacted owners). Unpaid salaries were significantly higher in private sector employees and employees with 2 jobs, while public sector employees were significantly not affected. Pay cuts were also significantly higher in private sector employees and significantly lower in public sector employees. Laying off and closed businesses (in regard to shop/property owners) were significantly higher in daily wage workers and owners (shops/property), respectively, and, interestingly, significantly lower in private sector employees (Fig.14).

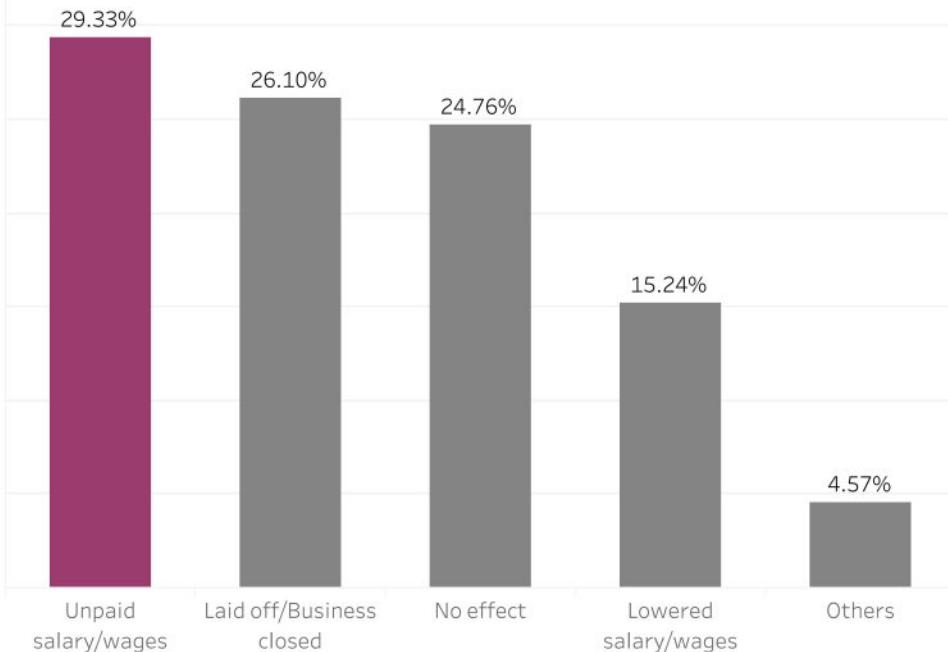


Fig.13 The frequency of different effects as reported by respondents

* Statistically significant at $p < 0.001$

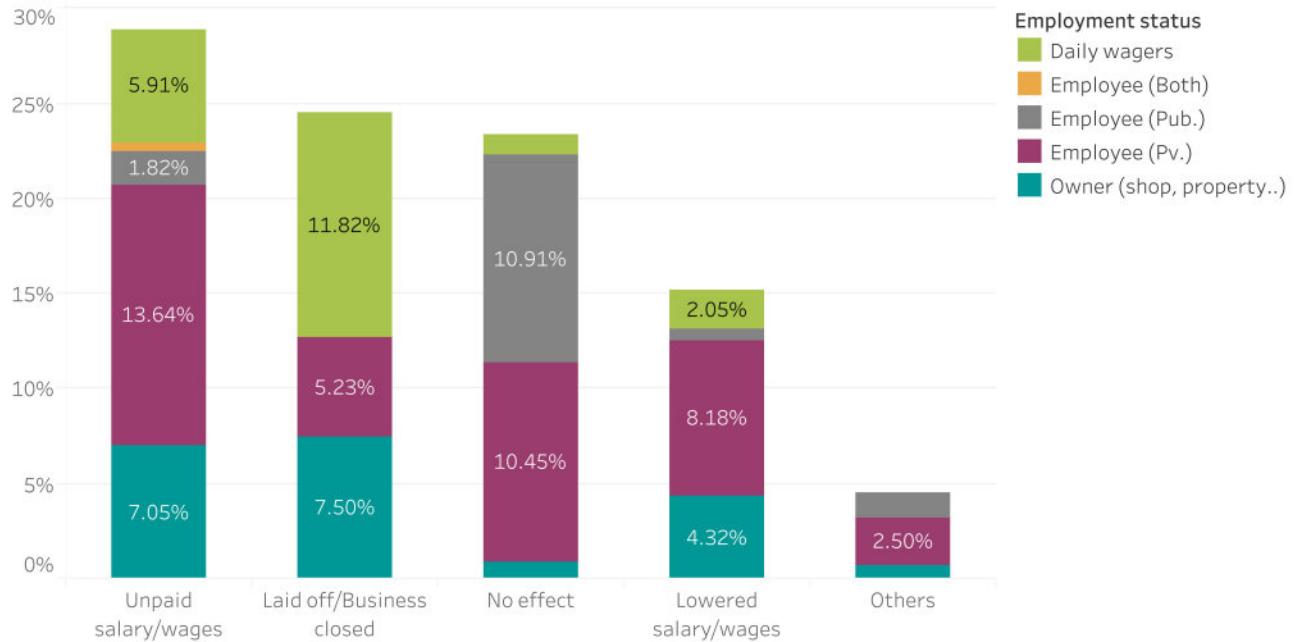


Fig.14 The frequency of different effects by employment status

Sub-analysis, after excluding public sector employees, showed that the number of coworkers was associated with the type of effect.* Respondents working with less than individuals suffered mostly from laying off/closing the business while those who worked with 10-24 individuals showed no distinct effect more than the others. On the other hand, those who worked with 25-99 individuals were mainly affected by unpaid salary/wages while those with more than 100 coworkers were significantly higher to report no effect (Fig.15).

* Statistically significant at p<0.001

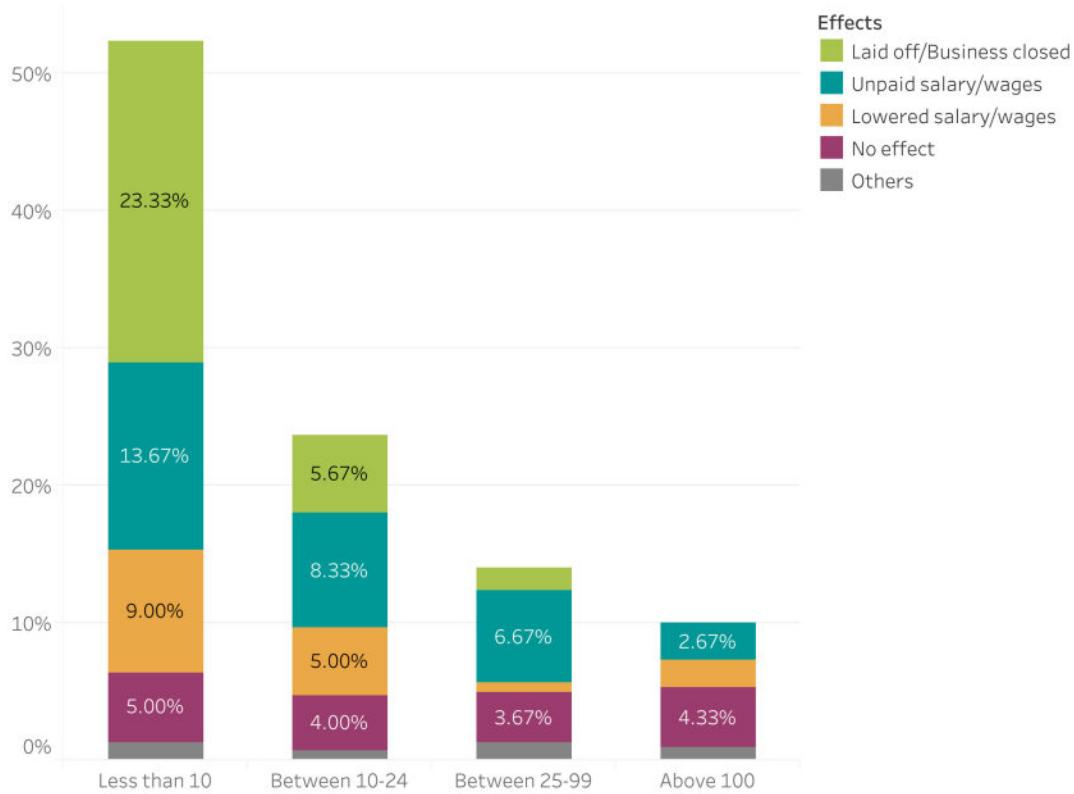


Fig.15 The effects of the crisis on individuals with different number of coworkers which relates to business size (the data of public sector employees was excluded from the analysis)

1.7 Insights from experts and employers on the crisis and its impact on employees in different sectors:

The opinions and perspectives of interviewed experts conformed with the insights obtained from the survey conducted on the public (Subsection 1.5 and 1.6). Public sector employees are in a better financial position and are less affected by the current crisis.

“Public sector employees are in a relatively better position since their salaries will be paid regularly. The governor of the Central Bank of Iraq stated that Iraq can bear through 2020.

Meanwhile, we must seek solutions.”

- Ammar Al-Khatib, Executive Director of the Station

However, there is a possibility that after 2020 the financial crisis will continue and the government might eventually fail to pay salaries lest a bailout plan is not implemented. Bearing in mind that the public sector is the largest employer in Iraq (accounting for 60% of total employment), this prospect will take a huge toll on the financial situation of individuals.

“The government is going to continue paying its employees’ salaries. If the oil prices keep declining, we will have a problem paying salaries at some point”

- Abdul Ghani Al-Hassani, Financial Expert & Investment Manager at GroFin

In addition, there are vast inequalities in the salaries distribution of public sector employees between the ministries. As a result, an employee in one ministry with skills and experience similar to another employee in another ministry may be impacted by the crisis differently.

"A particular engineer's salary in a specific ministry can reach up to 2 million Iraqi dinars, while an engineer with the same title and position in another ministry can have a salary as low as 600 thousand Iraqi dinars. And the allocated benefits will also be different between ministries"

- Hyder Zahid, Financial Advisor at PMO

Most of the experts expressed that the crisis took a heavier toll on private sector employees, as the vast majority of private sector employees do not have social security and have no contracts signed between them and their employers. There are around 4 million employees in the private sector; however, only about 237,000 of them have social security. This reflects a state of unawareness of the advantages and guarantees social security can offer.

"The workforce in Iraq is 10 million workers, 6 million employed by the public sector, 3.5 million in the domestic private sector, and 820 thousand work abroad, from these only 237 thousand registered in the social security in 2019. The ratio is low due to lack of awareness of the private sector workers in social security benefits."

- Mustafa Sirri, Business Environment and Policy Development Advisor in the PSD project of GIZ

Many of the private sector employees have been forced to take unpaid leaves or had their salaries completely cut off or discounted to a half or even a third. The main reason for this is that businesses may become insolvent (cannot pay their obligations when they are due), and thus liquidate. The opinions conformed with the findings from the surveys on employees (mentioned earlier) and of employers as 26% of them and an additional 22% reported that they either stopped or reduced the salaries of all of their employees, respectively (Fig.16).

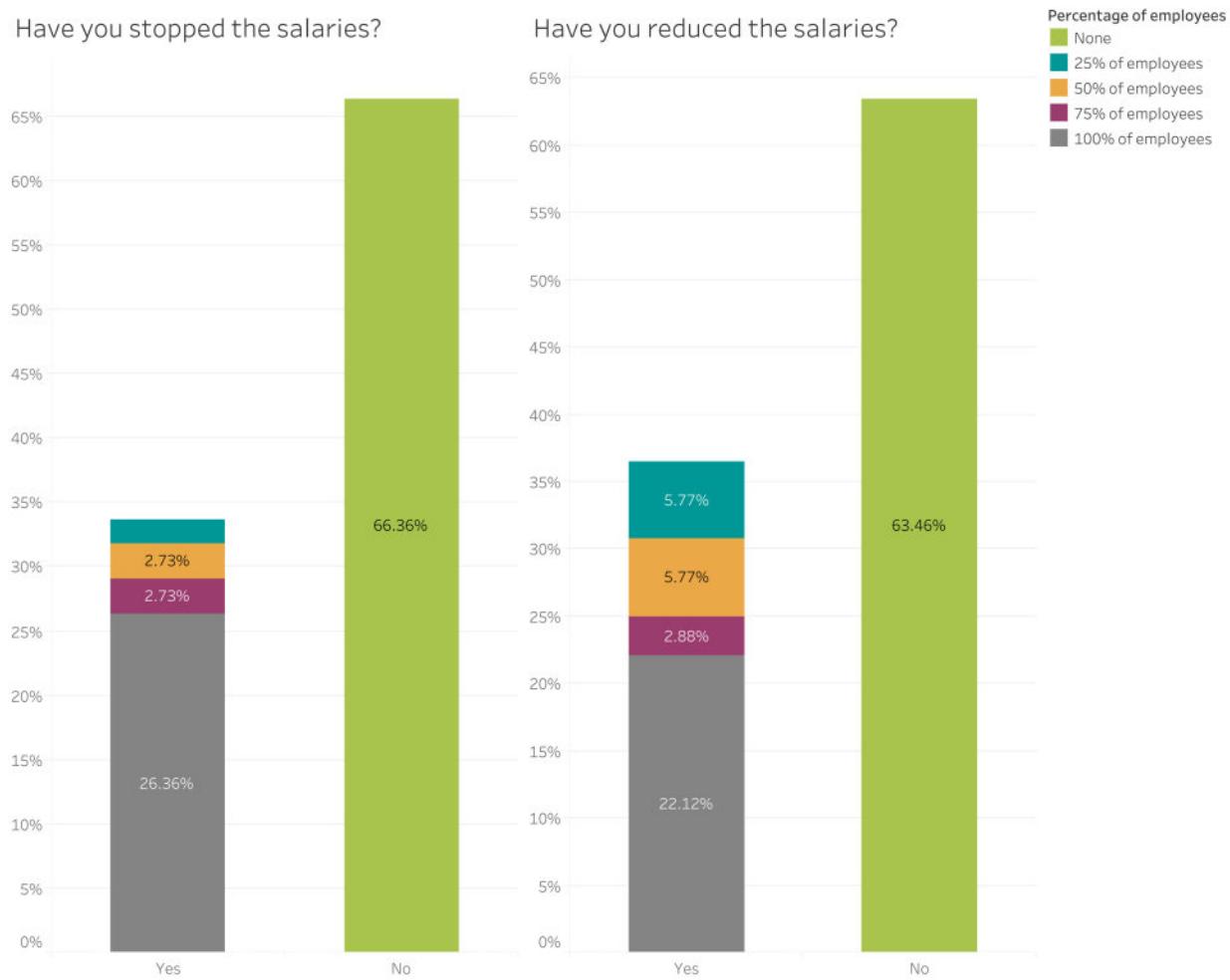


Fig.16 The percentage of employers who either reduced or stopped the salaries of their employees

Employees of large corporations are still getting paid normally, while employees of small and medium businesses witnessed this impact. These findings conformed with the results of the survey conducted on employees.

"There is no protection for the private sector employees; the majority have not signed any contract and are not registered for social security"

- Anas Morshed, Economics Blogger & Business Development Consultant

According to the interviewed experts, daily wage workers are likely to be the most afflicted during this crisis. Findings from the survey (mentioned earlier) showed that they possess less savings than other workers and will more likely have a crippling difficulty covering daily expenses.

Daily wage workers are part of the parallel economy, which, in Iraq, majorly contributes to the GDP. Therefore, daily wage workers cannot be supported by the government due to a lack of databases and surveillance. Moreover, the Social Security Law does not accept self-employed members; however, in the newly drafted law they can register, but this law hasn't been enacted by the parliament since 2016.

"The most impacted workers are the daily wage earners, their share of the GDP is large and can impact the GDP, they are totally stopped from working due to the lockdown, they also don't have a fixed source of income. It's hard to aid this segment because they are not under surveillance, monitoring and planning; thus, the most impacted segment isn't going to have targeted compensations"

- Anas Morshed, Economics Blogger & Business Development Consultant

During this period, the unemployment rate will increase due to layoffs, decreased revenues and business operations, causing less people landing jobs (cyclical unemployment). About 20% of employers that the working force in their businesses will be reduced by 100% (Fig.17). After the situation normalizes, the priority will be to re-employ laid-off workers rather than employing new workers in an attempt to revert to the pre-crisis state.

Frictional unemployment is the time spent between jobs when a worker is searching for a job or transferring from one job to another. The period of frictional unemployment will also be increased due to a lack of employment opportunities. This will increase the competition on job vacancies because businesses will try to cut back on their losses and employ more experienced workers.

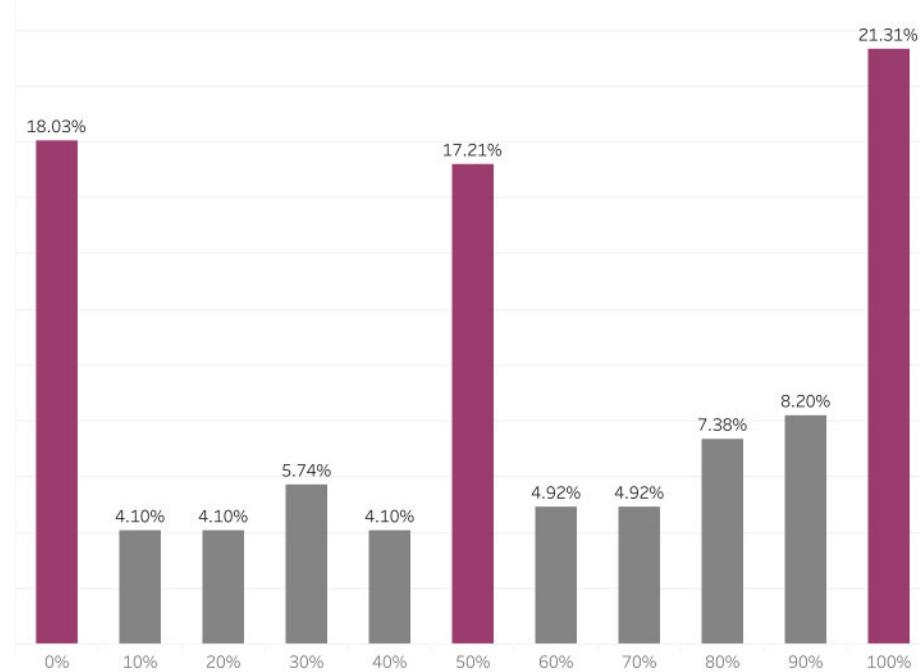


Fig.17 The reduction in working force during the crisis as reported by employers

2. The impact on businesses: quantitative and qualitative findings

The following section presents the findings of the interviews conducted with experts in different fields supported by findings from the survey which was administered to employers in different sectors.

2.1 The general view on the private sector in Iraq

Across the last few decades, the private sector struggled to thrive. From economic sanctions and political turmoil to governmental monopolies and widespread corruption have all impeded the development of the private sector. Other reasons that hindered the private sector attaining a solid foothold are weak governance, dominance of the public sector on commercial activities, limited access to finance and a deteriorating infrastructure.¹³ Despite many efforts made to revive the private sector, they have failed because of the consecutive crises Iraq has gone through.

“Until this moment, there hasn’t been a real action taken to help the private sector. Only loan payment postponements, and a fundraising campaign initiated by private banks. We have yet to witness organized action! Even the ministry of labour’s initiations were below the bar.”

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

“The problem with the Iraqi economy is that it does not respond only after a crisis ends. But this crisis is going to be devastating and multifaceted and what comes next could be worse”

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

The COVID-19 pandemic is yet another crisis Iraq is going through. The resultant lockdowns have dramatically decreased all business activities affecting businesses and individuals alike. Experts indicated that the curfew restrictions imposed to limit the spread of the virus have led to large-scale reductions in the activities of the public sector (like registration and tariffing services), and since the operations of the private sector rely on the public sector, they too have been brought to a halt

““The curfew has led to a loss of services offered by the public sector; services that the private sector relies on”

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

The impact of curfew is witnessed in the responses of the employers as the most severely affected domains were on delivering services/products and on customer acquisition (Fig.18)

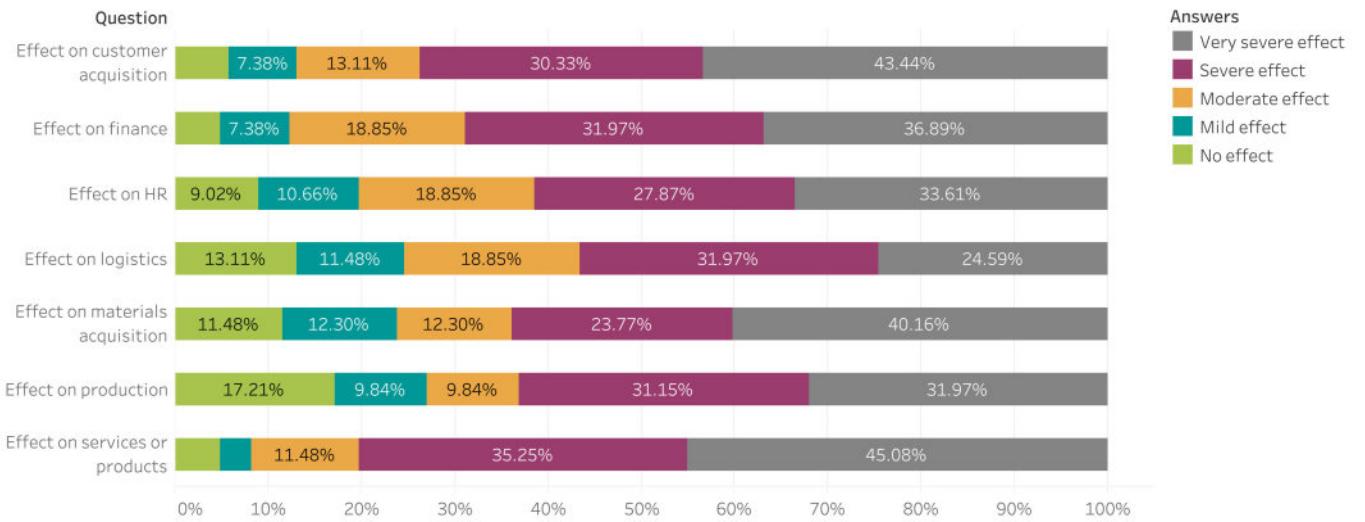


Fig.18 The severity of the effects on different domains of businesses as reported by employers

The employers' anticipation of the post-crisis also varied (Fig.19) but reduced revenues stood as the most expected post-crisis effect with about 40% of them reporting it as an expected effect.

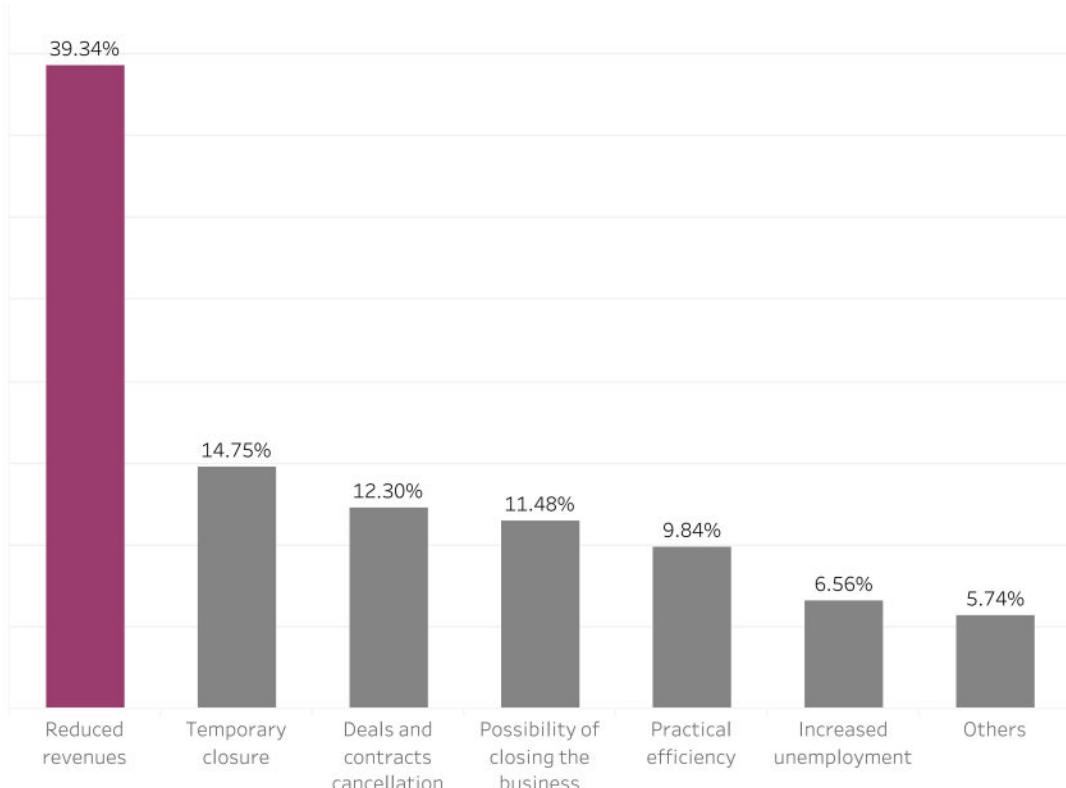


Fig.19 The frequency of expected post-crisis effects as reported by employers

Employers were asked about how to mitigate the effects on the reduced demands and most of them reported decreasing the production as one way to respond to this effect, other adoptions

are shown in figure 20. To reduce the costs, most of the employers preferred to reduce the salaries or the number of employees they work with (Fig.21)

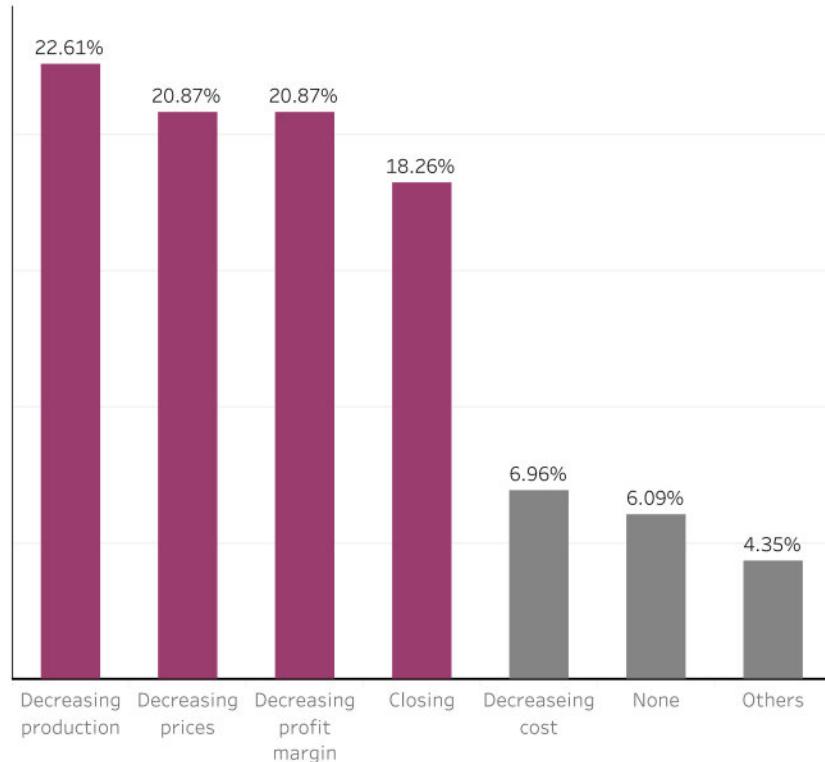


Fig.20 Different adoptions of employers to the reduced demand on their products/services

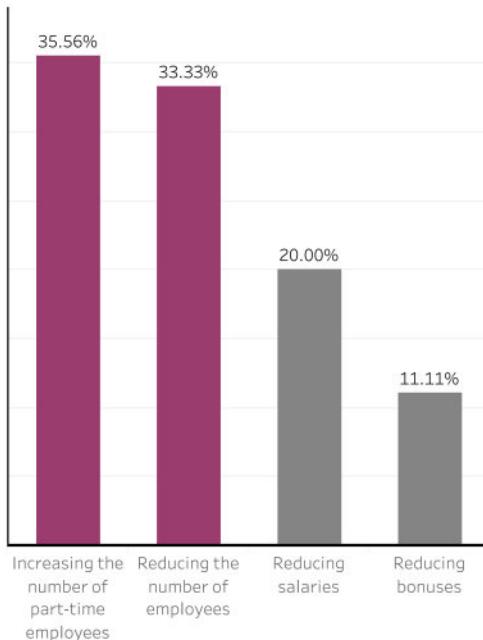


Fig.21 The adopted methods by employers to reduce the costs on the customer

The time needed to recover from the crisis, as reported by employers, is about 1-3 months. Only 1.6% of them reported that the businesses will not recover (Fig.22). When asked about the

interventions the government can provide them with to recover, half of them preferred to get loans without interest (Fig.23).

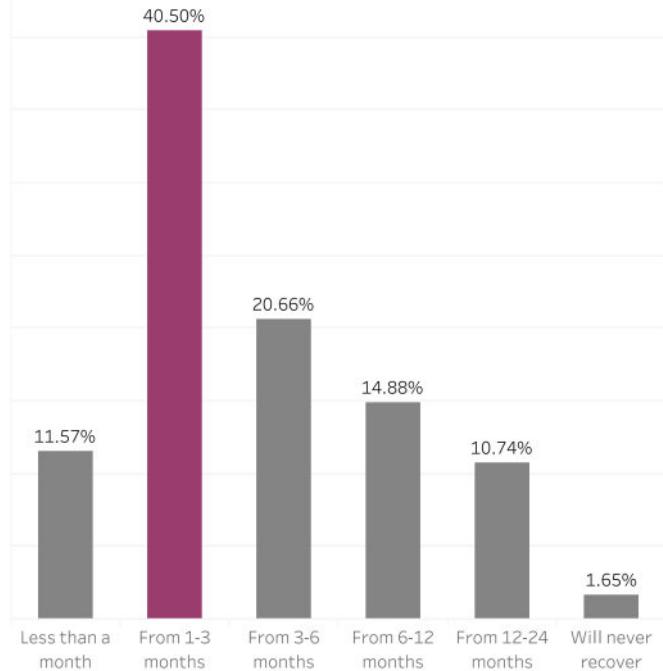


Fig.22 The time needed to recover as reported by employers

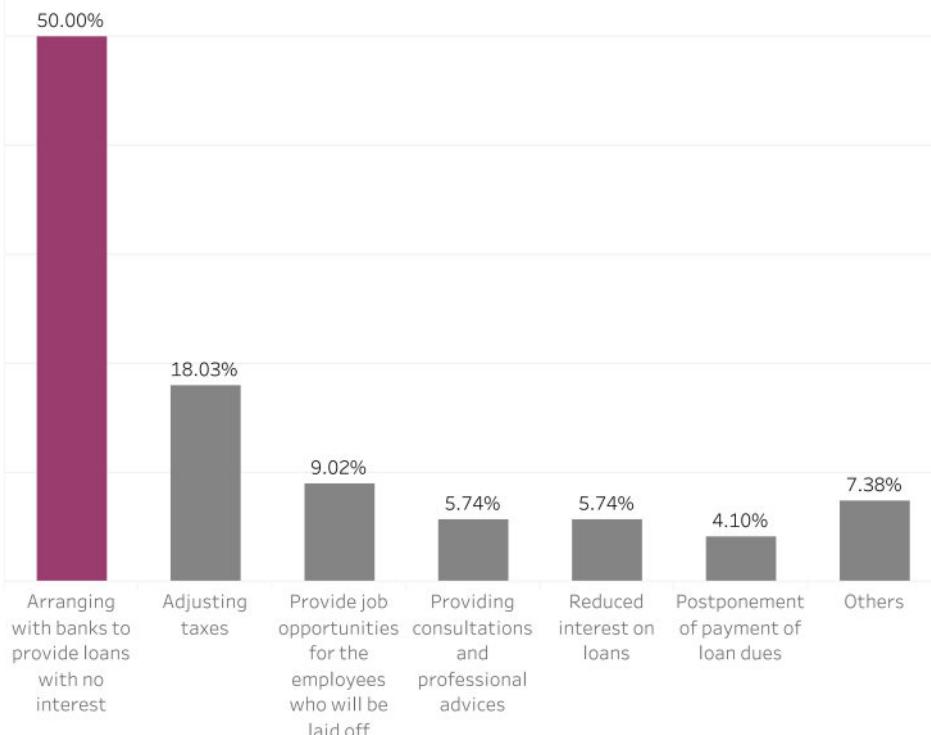


Fig.23 The anticipated governmental support to businesses affected by the crisis

2.2 Economic impact on businesses by size:

On the different sizes of businesses, there were two opinions presented during the interviews. The first one is that big corporations are going to pass this crisis, but the small and medium enterprises are not due to their lack of resources and cash flow.

“SMEs is the most impacted segment of businesses due to lack of cash to operate”

- Abdul Ghani Al-Hassani, Financial Expert & Investment Manager at GroFin

This perspective conforms with the findings of the survey conducted on individuals and with a study from the UK²⁹ (see earlier) conducted on small businesses. This study reported that a vast number of small businesses are in danger of shutting down operations permanently because the COVID-19 pandemic has had a devastating toll on their revenues; some businesses indicated that their revenues have decreased by over 75%. Findings from employers' survey showed that about 30% of them anticipate a reduction in revenues by 100% (Fig.24). Moreover, the experts indicated that big corporations might lose some of their revenues, but after the crisis is over, they might start buying smaller businesses and control their shares of the market.

“Some corporations will start to acquire small and medium enterprises in their sector to increase their market share”

- Anas Morshed, Economics Blogger & Business Development Consultant

The first opinion is far more prevalent; however, some experts stated that big corporations will sustain more damage because their ability to adapt is far lower than SMEs. They argue that smaller businesses are more malleable and their operations can more easily be adjusted in order to decrease the inflicted damage.

“The bigger the company the more impacted they get, small enterprises have the ability to adapt, unlike big corporations”

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

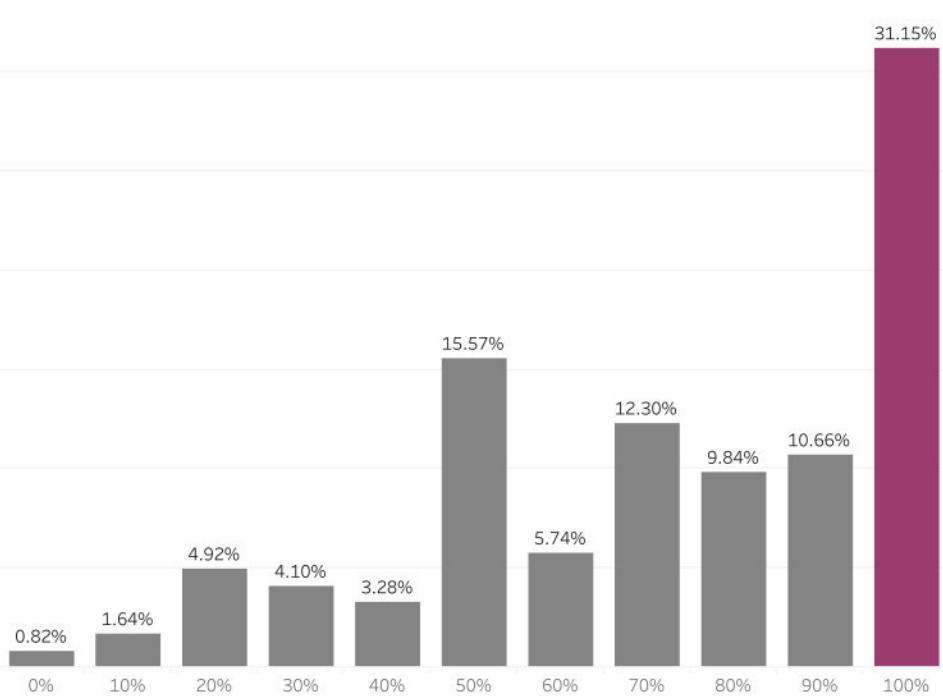


Fig.24 The reported expected reduction in revenues by employers

2.3 Impact by sectors:

Since the momentum of the economic cycle has slowed, all of the sectors were affected but to different extents. However, the most affected sectors were reportedly the energy and the travel sectors.

2.3.1 Energy sector:

Globally speaking, the total oil market size is around 100 million barrels per day (MBPD), but for this year, a great reduction in the demand happened due to lockdowns and lower energy consumption. One expert reported that the global oil demand decreased by about 30 million barrels per day (MBPD) in April, and the resultant oversupply has caused a freefall in the oil prices. For that reason, steps were taken by the Organization of the Petroleum Exporting Countries (OPEC) to decrease production by 22% of the total share in the market which translates to a cut of approximately 10 MBPD of around 40 MBPD held by OPEC. Despite all that, there is a 20 MBPD oversupply of oil in the market. The storage capacities have already reached their maximum limits, which is the reason that made the oil prices decline globally and some even falling below zero.

For electricity, even after the reduction in demand, people are heading towards more renewable energy sources for certain environmental and economical reasons. This made the demand on oil and gas under pressure.³⁴

Moreover, before the pandemic, forecasts predicted that there will be an increase in the demand on crude oil caused by an increase in demand on jet fuel due to the growing demand on transportation.³⁵ But at the current time, the demand on transportation has decreased drastically, and it will take some time to overcome the crisis and recover.

"Demand on oil in the next two years won't be the same before the crisis"

-Ahmed Tabaqchali, a senior fellow at IRIS

2.3.2 Travel sector:

As a consequence of social distancing and lockdown, the travel sector and other related sectors such as hospitality and entertainment have been severely damaged. Globally, the COVID-19 pandemic puts around 100 million jobs related to the travel sector at risk.³⁶ In Iraq, travel agencies usually witness a surge in business operations during the travel-suited season more than the other times of the year. But this year, they are not able to operate or generate as much revenue as they used to during the travel-suited season. Thus, they are in a difficult financial situation.

"One of the most impacted sectors, it relies on marginal profits, the tourism companies will be subjected to strong shocks. Majority operates in debt during the whole fiscal year, but when the travel season comes, they start to repay their debts, and generate profit. This year the tourism season has passed with a total ban."

- Anas Morshed, Economics Blogger & Business Development Consultant

2.3.3 E-commerce:

E-commerce relies on the internet and delivery services. During October and November of 2019, e-commerce went through rough times due to the internet service cuts; however, they started to heal when the service returned.

But now, a curfew was imposed and made things even less approachable than before. They could still receive orders during the curfew, but they could not deliver them to customers. The simple e-commerce accounts on social media platforms have low fixed costs compared to e-commerce applications and brick and mortar stores. But they still have stock debts, and they could not sell the stock, and above that, they still have to repay the debts which turned into a loss that will reflect on the whole fiscal year.

³⁴ Johnston, R., Blakemore, R. and Bell, R., *The Role of Oil and Gas Companies In The Energy Transition*, Atlanticcouncil.org, 2020 <https://www.atlanticcouncil.org/wp-content/uploads/2020/01/OGT-final-web-version.pdf> [Accessed 18 May 2020].

³⁵ Piotrowski, M., *Strong Jet Fuel Demand To Have Long-Term Impacts On Global Oil Market*, The Fuse, 2020, <http://energyfuse.org/strong-jet-fuel-demand-long-term-impacts-global-oil-market/> [Accessed 18 May 2020].

³⁶ WTTC, "WTTC Now Estimates Over 100 Million Jobs Losses in The Travel & Tourism Sector – And Alerts G20 Countries To The Scale Of The Crisis.", 2020, <https://wttc.org/Portals/0/Documents/Press%20Releases/WTTC%20now%20estimates%20over%20100%20million%20jobs%20losses%20in%20the%20Travel%20Tourism%20sector.pdf?ver=2020-04-30-194731-350> [Accessed 12 May 2020].

“During the lockdown, 90% of them [e-commerce and delivery services] were paralyzed, restrictions have been placed, and means of payment were halted”.

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

E-commerce applications have higher fixed costs of operations, employees, warehouse rentals, app hosting and others and, consequently, things were more complicated for them. However, after the lockdown, they have a great potential to scale-up their businesses because people's behavior is changing as they tend to avoid crowded places.³⁷

“Sales at e-commerce registered businesses like online payment and applications have come to a standstill, but they still have warehouse rent. Many of these companies work through selling merchandise which will cause a deficit.”

- Anas Morshed, Economics Blogger & Business Development Consultant

2.3.4 Brick and mortar stores:

The impact on brick and mortar stores was noticeably larger than that on e-commerce. They all have been affected and have expenses they are obligated to pay despite closure. On the other hand, groceries, pharmacies and bakeries were relatively less affected because they were allowed to operate at a specific time of the day.

“Main markets have gone paralyzed, and local markets work under governmental regulations and restrictions.”

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

2.3.5 Transportation and logistics:

The transportation and logistics sectors were also severely affected during the curfew, except those who worked in food transportation. The whole operation and revenues froze that they had to make some reforms and downsize the staff and fleet. Those who kept operating during the lockdown and passed this period will have a larger market share after the lockdown ends.

“Definitely suffering a loss! If the merchandise wasn’t alimental then it doesn’t pass, layoffs, or leave without pay, distributing the Financial loss on the entire year, they will face difficult decisions like reductions in staff number, automobiles, thus lowering the competence when the crisis passes, on the other hand, companies that survive this hardship will control of the market.”

- Anas Morshed, Economics Blogger & Business Development Consultant

Even app-based companies like Careem had a rough time considering that they had to sit through the protests and internet service cuts and then the curfew. Also, they have already made investments, and these events impacted the ROI (return on investment) of these companies.

³⁷ Lin, C., *In The Face Of Lockdown, China'S E-Commerce Giants Deliver*, Harvard Business Review, 2020, <https://hbr.org/2020/04/in-the-face-of-lockdown-chinas-e-commerce-giants-deliver> [Accessed 18 May 2020].

However, some of them are trying to modify their business model by adding more services (like delivering goods for people) in an attempt to cope with the crisis.

“Transportation applications like Careem if they pass this crisis, they are going to increase their market share. But their ROI was impacted by several factors, one of them the internet block.”

- Anas Morshed, Economics Blogger & Business Development Consultant

2.3.6 Education:

Despite all the efforts made on distance learning, the schooling system is facing many obstacles. The numbers of students already exceed the maximum capacity of schools (as of 2019, the average number of students in a class is about 37),³⁸ and the poor infrastructure is making matters worse.

“Despite the efforts exerted on online education but schools, due to the large number of students and the decrepit internet infrastructure, are finding it very difficult to reach students and deliver the curriculum.”

Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

Private schools are suffering from financial stress, as they cannot pay their teachers' salaries due to the fact that, for many schools, tuition fees are paid on a monthly basis and most parents stopped paying for schools. Even though private universities were relatively financially standing better due to the payment of the fees which usually takes place one or two times a year, they are facing multiple challenges and many are unable to pay their staff.

“Private colleges aren't paying now, and management is complaining by attributing the reason to students not paying their tuition which caused paralysis in the entire process.”

- Mahmoud Al-Daghir, Former Director General of Financial Operations and Debt Management. CBI

It is also worth mentioning that the capacity and skills of the staff made them not fully prepared for such a situation in e-learning.

2.3.7 Construction:

The construction sector is mainly reliant on governmental investments.

³⁸ Central Statistical Organization, *Educational Parameters*, 2013. <http://www.cosit.gov.iq/ar/2013-02-25-07-39-31> [Accessed 31 May 2020].

“A great fall back! A disaster! A crisis in the sector, as the greater part of this sector depends on the government, this means that this sector will have a huge problem and it won’t find a straightforward accessibility for years, not until oil markets recover.”

- Omar Salam, Secretary-General of Engineers Syndicate

However, the crisis of oil prices is not the first of its kind in this decade, for we have been through a similar experience in 2014. The Iraqi government stopped paying for the construction contractors, which led to huge problems and debts on the government. And not until 2016 that the government started releasing sovereign bonds to repay the debts for the contractors, and up until last year, there were some of the debts that had not yet been paid.

“After 2014, about 4000 projects came to a halt, and many contractors were owed by the country debts equal to 5.5 trillion Dinars, this was sorted out after a while with contractor-claim bonds, right up until last year many of which are still unpaid.”

- Zuhair Sabri, Secretary-General of the Iraqi Contractors Federation

Therefore, the low oil prices and lockdown will hit the construction industry even harder than before. The vast majority of contractors are dealing with the government and the latter will put most of the investments and constructions on hold due to the government’s inability to pay the contractors at the required time. This shrinking of demand will lead to a fall in the prices of construction materials, and the working force in the construction industry will also witness lower payment.

2.3.8 Internet service:

The demand on the internet service hugely increased due to people being quarantined at home and having nothing to do but use the internet. The 25% increase in the supply capacity relieved some of the burden on the internet service providers, but still, operation and maintenance during the lockdown were difficult (hardware used in network maintenance was not allowed to be transported during the lockdown besides technicians being unable to commute). The internet sector has a great potential in growth but needs a more efficient management of regulations to help develop the infrastructure.

“The main issue with the internet sector is the lack of regulation. There are no clear legislations and rules managing the distribution of the internet service to the end customers, no qualifications set in choosing resellers who work in this sector and, above all, the extremely expensive band costs.”

- Alaa Jassim, Vice President of Earthlink

2.3.9 Human resources management and development:

This sector will be still operating due to the need of skills development for all types of unemployment, frictional in particular.

"This sector [Human resources] will stay operational, especially the training aspect due to the frictional unemployment and the already existing unemployment, which will cause companies to ask for the best there is, forcing people and companies alike to head towards investing in the development of skills."

- Anas Morshed, Economics Blogger & Business Development Consultant

2.3.10 Healthcare:

Since the situation revolves around a fight against a virus, the healthcare system is forming the frontline to facing this contagious virus and treating infected people. The healthcare sector did not witness any losses as a public system, but the beauty and dentistry clinics as well as private hospitals were not in the best conditions. Also, there is a substantial potential for development in the private sector in terms of electronic healthcare services and hygiene industry

"The cosmetic and dentistry sectors will witness a huge decline. Private hospitals' suffering is similar to that of other institutions but they can endure, they are under demand, and they may raise their prices."

- Anas Morshed, Economics Blogger & Business Development Consultant

2.3.11 Banking system:

The Iraqi banking system consists of public and private banks. According to an expert, there are 7 public banks and 69 private banks, of which 25 are commercial banks, 27 Islamic banks and 17 foreign banks. Nevertheless, the share of the total deposits is 86% in public banks and 14% in private banks. In terms of capital share, private banks possess 70% of the capital of the banking system, while their profits are around 11% of the total profits of the banking sector.

"Even though there are about 70 private banks, their deposits form only 14% of the total deposits, the remainder of the deposits (86%) are in the governmental banks (Alrafidain, Alrasheed, TBI, etc.)."

- Samir Al-Nosery, Banking & Economics Consultant

"Private bank assets, which are about 70 banks, form only 10% of assets and stocks of the banking sector, in addition, private bank capital forms 70% of the total banking sector capital but 11% of banking sector profits."

- Samir Al-Nosery, Banking & Economics Consultant

The majority of the private banks' customers are contractors working with the government; therefore, and because of the crisis of the government's debts to those contractors, the private banks' activities have been limited and affecting the banking sector.

"Since 2018, the banking sector is suffering a regression in its activity. Revenue and deposits were affected, profit tumbled severely and liquidity was very low at our banks."

- Samir Al-Nosery, Banking & Economics Consultant

“Contractors were affected in the previous crisis, they were the banks’ major clients, and banks were greatly affected in due course.”

- Ahmed Tabaqchali, a senior fellow at IRIS

People usually open current accounts, not savings accounts. That is the reason why banks cannot invest much of their deposits. Also, the banking sector's role in the development of the economy relies heavily on financing and investments, but currently, there is a liquidity issue in banks.

“Some banks have their liquidity within the minimum limit; this requires increasing bank liquidity by decreasing the reserve requirement”

- Samir Al-Nosery, Banking & Economics Consultant

Recently, according to a press release from the CBI, the reserve requirement was decreased from 15% to 13% providing a liquidity of 1 trillion Iraqi Dinars. Further reduction might be possible following the example of the Central Bank of the UAE which has decreased the reserve requirement by half (from 14% to 7%).

2.3.12 Food industry:

Generally, the demand on food has increased by many folds, but there are some products more important than other supplementary products. For local products, the demand increased due to shortage in supply of international products in the local markets because the demand on food has also increased. In addition, the distribution networks suffered during the lockdown from the checkpoints, as every checkpoint had a different way of implementing the law despite food transportation being exempted from the curfew.

“Shortage in supply of imported goods in the local markets opened the area to local producers to obtain a larger share of the market especially for dairy products.”

- Hamid Ridha, CEO and founder of the royal nuts co.

2.4 Readiness of the SMEs and big corporations for this crisis:

The classical environment of business in Iraq, besides the lack of knowledge and experience in management, created businesses that are not familiar with risk management and emergency preparedness.

“The business environment is very classical, lack of administration and management skills will help to increase the demand on consultancy services.”

- Anas Morshed, Economics Blogger & Business Development Consultant

As a consequence, the majority of businesses in Iraq were not expecting this crisis. In addition, the vast majority of businesses are commercial and have products to be sold, that is why it needs physical work and not distancing.

“The majority of companies weren’t ready to work from home, due to their commercial activities and have a product to be sold. Thus, there’s a need for the physical presence of the salesman.”

- Anas Morshed, Economics Blogger & Business Development Consultant

Recommendations

Based on the study results and experts' suggestions these recommendations need to be implemented in order to allow individuals and businesses to survive the current economic crisis:

- Diversification of the sources of income for Iraq is crucial. Oil exports constitute over 85% of the income for Iraq. This causes Iraq's income to be exceptionally vulnerable to fluctuations in the oil market. Hence, to achieve sustainability in annual income, Iraq needs to diversify and exploit other ways of income generation like agriculture and industrial businesses.
- Due to the current challenges of the COVID-19 pandemic and decreasing oil price, the government should start implementing a bailout plan to meet its commitments, or it will eventually be unable to pay public sector employees their salaries.
- Supporting the sustainability of paying the salaries of public sector employees is essential, as the government is the major employer in Iraq. If their spending behaviour was impacted due to an inability of the government to secure their salaries, this would impact the whole economic cycle causing a further recession in multiple sectors leading to an increased rate of unemployment and business closure.
- As employees with the same qualifications and educational backgrounds receive drastically different salaries in different ministries, disparities in public sector employees' salaries must be reduced. Because this could lead to a shift in preferences of workplaces impacting productivity of the public sector employees.
- Daily wage workers and unemployed individuals should be included in a social relief package able to cover their daily essentials to help them withstand the crisis. The government has already released a grant of 30 thousand Iraqi dinars per month which, according to a press release from the Minister of Labour and Social Affairs, more than 11.5 million people have been included in the grant. Also, the lack of previously established databases on daily wage workers and unemployed people, has made it difficult to restrict the grant to people who are really in need. Moreover, a study should be conducted on individuals and

households to measure their monthly expenses needed for buying essentials, so that the amount of the grant is reconsidered.

- Individuals who have taken loans from banks and are due their payment time need to be exempted from paying extra fines or interest that might have occurred during the crisis. These individuals would be needing money to pay for essentials, and thus repaying loans could be financially damaging for them.
- The Ministry of Labor and Social Affairs can support private sector businesses that have their employees registered for social security. They can help businesses pay their employees' salaries through the social security fund. This will encourage unregistered workers in the parallel economy to seek registration for social security becoming a part of the formal economy to be included in social support should there be another crisis in the future.
- If the previous recommendation is implemented, an awareness campaign should be launched for private sector employees and businesses to know the benefits of registering for social security and encouraging them to do so, as most of them do not know the current or possible benefits of social security.
- Market assessments need to be conducted after this crisis to detect the most needed skills in the market. Accordingly, the technical vocational and educational training (TVET) centers owned by the Ministry of Labor and Social Affairs could be activated to train unemployed people in the needed skills; hence, increasing their chances in landing jobs in SMEs because SMEs usually struggle from a lack of skilled individuals.
- Relief packages for SMEs could be issued by the CBI through private banks in order to save them from permanently shutting down. The relief packages could be in the form of bank loans with a concessional interest rate. Also, deferring SMEs loan payments is an important issue.
- Businesses need to be exempted from taxes, tariffs and customs for at least the period of the crisis. Businesses registered in the formal economy should have a priority in considering them for the exemption. Also, they might be given priority to use governmentally owned unused facilities, lands or warehouses at low costs.

- A plan for stimulating multiple business sectors through domestic and foreign investments should be developed. For example, in October of 2019, the Iraqi government worked on a memorandum of understanding valued at 5 billion dollars with EXIM bank in financing projects by American contractors. Adopting such a strategy with banks from various countries during and after this crisis will help reduce the magnitude of the impact inflicted by the crisis.
- Increasing banks' liquidity in order to support individuals and SMEs is essential for the current situation. This can be achieved via various methods including decreasing the reserve requirement for banks by the CBI to a plausible limit. Even though the CBI currently issued such a reduction from 15% to 13%, further reduction might be possible following the example of the Central Bank of the UAE which has decreased the reserve requirement by half (from 14% to 7%).
- Agriculture and the food industry must be supported (by encouraging investments and private sector companies' development through the facilitation of acquiring funds and loans) to ensure food security. The growth of these sectors' value chains will lead to job creation, increasing GDP and decreasing the dependence on imported food, as the latter was noticeably affected during this crisis because of the increased local demand and decreased manufacturing capacity in the exporting countries, which poses a threat to Iraq's food security. Moreover, the regulations and tariffs on imports should be reconsidered so that the local products can stand a chance at competition.
- The industrial sector should be supported on many levels to cover the local needs of various sectors which will also lead to an increase in GDP and employment. The government can lease abandoned state-owned factories for manufacturers at low prices to encourage this sector. Also, applying quality control checks equally on domestic and foreign products.
- The need for an improved internet service is exponentially growing by the current demand for e-learning and businesses operations; therefore, decreasing band costs for internet companies is essential to enable them to increase capacity and improve the internet service.

النحوبيات

بناء على نتائج الدراسة واقتراحات الخبراء، يجب تنفيذ هذه التوصيات لتمكين الأفراد والشركات من المحافظة على نشاطهم الاقتصادي خلال الأزمة الاقتصادية الحالية:

- تنويع مصادر الدخل للعراق أمر بالغ الأهمية حيث تشكل صادرات النفط أكثر من 85% من دخل العراق مما يجعل دخل العراق أكثر عرضة للتقلبات بسبب تقلبات الأسعار في سوق النفط. وبالتالي ، لتحقيق الاستدامة في الدخل السنوي ، يحتاج العراق إلى تنويع واستغلال طرق أخرى لتوليد الدخل مثل الزراعة والقطاع الصناعي.
- نظراً للتحديات الحالية الناتجة من الوباء الحالي وانخفاض سعر النفط ، يجب على الحكومة البدء في تأسيس تنفيذ خطة إنقاذ للأيفاء بالتزاماتها المالية، والا ان تتمكن في النهاية من دفع رواتب موظفي القطاع العام.
- دعم استدامة رواتب موظفي القطاع العام أمر ضروري ، لأن الحكومة هي المشغل الأكبر للقوى العاملة في العراق، إذا تأثر سلوك الإنفاق لديهم بسبب عدم قدرة الحكومة على تأمين رواتبهم ، فإن ذلك سيؤثر على الدورة الاقتصادية بأكملها مما يتسبب في مزيد من الركود في قطاعات متعددة، وهذا الأمر سيؤدي إلى زيادة معدل البطالة وإغلاق الأعمال.
- نظراً للموظفين الذين يتشاركون نفس المؤهلات والخلفيات التعليمية بينما يتلقون رواتب مختلفة بشكل كبير في الوزارات ، لذلك يجب تقليل هذه التفاوتات في رواتب موظفي القطاع العام لأن هذا قد يؤدي إلى تغيير في تفضيلاتهم بخصوص أماكن العمل مما يؤثر على إنتاجية موظفي القطاع العام.
- ينبغي إدراج العاملين بأجر يومي والعاطلين عن العمل في حزمة الإغاثة الاجتماعية القادرة على تغطية الضروريات اليومية لمساعدتهم على تحمل الأزمة. الحكومة أصدرت منحة قدرها 30 ألف دينار عراقي شهرياً ، و في مؤتمر صحفي لوزير العمل و الشؤون الاجتماعية أعلن عن شمول أكثر من 11.5 مليون شخص في المنحة. أيضا ، وبسبب عدم وجود قواعد بيانات للعاملين بأجر يومي و الاشخاص العاطلين عن العمل من الصعوبة حصر المنحة للاشخاص الذين يواجهونها. اضافة الى ذلك يفترض اجراء دراسة على الأفراد و العوائل لقياس تكاليف المعيشة الأساسية شهرياً و بناء على ذلك يمكن اعادة النظر في مبلغ المنحة.
- يجب إعفاء الأفراد الذين حصلوا على قروض من البنوك من دفع غرامات أو فوائد إضافية ربما تكون قد حدثت أثناء الأزمة. سيحتاج هؤلاء الأفراد إلى الأموال لدفع ثمن الضروريات ، وبالتالي يمكن أن يؤدي سداد القروض إلى الإضرار مالية في الوقت الحالي.
- يمكن لوزارة العمل و الشؤون الاجتماعية دعم شركات القطاع الخاص التي تم تسجيل موظفيها في الضمان الاجتماعي. من خلال مساعدة الشركات في دفع رواتب موظفيها باستخدام صندوق الضمان الاجتماعي وهذا سيشجع العمال في الاقتصاد الموازي (الغير مسجلين) على التسجيل لكي يصبح جزءاً من الاقتصاد الرسمي ليتم إدراجه في الضمان الاجتماعي.
- في حال تنفيذ التوصية السابقة ، ينبغي إطلاق حملة توعية لموظفي القطاع الخاص والشركات لمعرفة فوائد التسجيل في الضمان الاجتماعي و تشجيعهم على القيام بذلك ، لأن معظمهم لا يعرفون الفوائد الحالية أو المحتملة للضمان الاجتماعي.
- يجب إجراء بحوث تقييم للسوق بعد هذه الأزمة للكشف عن المهارات الأكثر حاجة في السوق. وبناء على ذلك ، يمكن تفعيل مراكز التدريب المهني والتعليمي التقني (TVET) التي تملكها وزارة العمل و الشؤون الاجتماعية لتدريب العاطلين عن العمل على المهارات المطلوبة في سوق العمل ؛ وبالتالي ستؤدي إلى زيادة فرصهم في الحصول على وظائف في الشركات الصغيرة والمتوسطة لأن الشركات الصغيرة والمتوسطة تعاني عادة من نقص الأفراد ذوي المهارة والخبرة.
- يمكن للبنك المركزي العراقي أن يصدر حزم الإغاثة للشركات الصغيرة والمتوسطة من خلال البنوك الخاصة من أجل إنقاذهما من الإغلاق. يمكن أن تكون حزم الإغاثة على شكل قروض مصرافية بفائدة بسيطة. أيضا ، تأجيل مدفوعات القروض لمشاريع الصغيرة والمتوسطة هي قضية مهمة.
- يجب أن تغطي الشركات من الضرائب وتعريفة الخدمات والجمارك على الأقل خلال فترة الأزمة و أن تكون للشركات المسجلة في الاقتصاد الرسمي الأولوية في إعفائها. أيضا ، يمكن أن يتم منحهم امتيازات لاستخدام المرافق والأراضي والمستودعات غير المستخدمة والمملوكة للحكومة بتكاليف مخفضة.

● يجب وضع خطة لتحفيز قطاعات الأعمال المختلفة من خلال الاستثمارات المحلية والأجنبية. على سبيل المثال ، في تشرين الأول (أكتوبر) 2019 ، عملت الحكومة العراقية على مذكرة تفاهم بقيمة 5 مليارات دولار مع بنك الاستيراد و التصدير للولايات المتحدة (EXIM) في تمويل المشاريع المنفذة او المجهزة من قبل المقاولين الأمريكيين. إن اعتماد مثل هذه الاستراتيجية مع البنوك من مختلف البلدان أثناء هذه الأزمة وبعدها سوف يساعد على تقليل حجم التأثير الذي أحدثته الأزمة.

● زيادة سيولة البنوك لدعم الشركات الصغيرة والمتوسطة أمر ضروري في الاستجابة للوضع الحالي. يمكن تحقيق ذلك من خلال طرق مختلفة بما في ذلك تخفيض متطلبات الاحتياطي النقدي للبنوك من قبل البنك المركزي العراقي إلى حد معقول. على الرغم من ان البنك المركزي العراقي قد قام بتخفيض مماثل (من 15% الى 13%) الا ان تخفيضا اكبر من الممكن اجراءه كما قام البنك المركزي الاماراتي بتخفيض نصف متطلبات الاحتياطي (من 14% الى 7%)

● يجب دعم الزراعة والصناعات الغذائية (عن طريق تشجيع الاستثمار و تطوير شركات القطاع الخاص عن طريق تسهيلات الحصول على تمويل و قروض) لضمان الأمن الغذائي . مما سيؤدي إلى نمو سلسلة القيمة في هذه القطاعات و بدوره سيؤدي إلى خلق فرص العمل وزيادة الناتج المحلي الإجمالي وتقليل الاعتماد على الغذاء المستورد ، حيث تأثر الأخير بشكل ملحوظ خلال هذه الأزمة بسبب زيادة الطلب المحلي وانخفاض القدرة التصنيعية في البلدان المصدرة ، مما يؤدي إلى تهديد للأمن الغذائي في العراق.

● يجب دعم القطاع الصناعي على عدة مستويات لتنمية الاحتياجات المحلية للقطاعات المختلفة مما سيؤدي أيضاً إلى زيادة في الناتج المحلي الإجمالي والعملة. يمكن للحكومة عرض المصانع المهجرة المملوكة للدولة للأيجار للمصنعين بأسعار منخفضة لتشجيع هذا القطاع. وأيضاً تطبيق ضوابط مراقبة الجودة بالتساوي على المنتجات المحلية والأجنبية على حد سواء.

● تتزايد الحاجة إلى خدمة إنترنت جيدة بسبب الطلب الحالي على التعليم عن بعد والقيام بالأعمال التجارية عن طريق الانترنت ؛ لذلك ، يعد خفض التكاليف لشركات الانترنت أمراً ضرورياً لتمكينها من زيادة السعة وتحسين خدمة الانترنت.



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