
Iraq High Frequency Phone Survey (IHFPS)

To Assess the Impact of COVID-19 on Firms

JUNE 2021



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Executive Summary

During the months of October to December of 2020, the World Bank, through a collaboration with the World Food Programme, conducted a rapid, monthly, phone survey to assess the impact of COVID-19 on firms and business activities in Iraq. The survey was administered to a total of 671 firms from the Manufacturing and Services sectors in the country. The firms were selected from a sample frame that was aggregated using official lists from the Central Statistics Organization in Iraq, the World Bank previous work, as well as online directories of businesses in the country. The survey solicited key information about firms' operational status before and during the pandemic, their general business outcomes, the severity of some of the challenges they have been facing and finally some of their coping strategies.

This survey is different from others conducted by international organizations in three ways. Firstly, the sample included firms that were relatively more established compared to other surveys, as seen through the age of the enterprises. In fact, the average age of the interviewed enterprises was about 16 years, and the median was about 14 years old. Still most of these enterprises were micro and small, with at most 19 workers. Secondly, the survey relied on firms that were more spread out across Iraq. Thirdly, the survey originally focused on firms that were registered with the Iraqi authorities¹, or at least visible to them, with the final sample having a majority of formal firms.

¹ Informal businesses (not registered with the Iraqi authorities) were not originally targeted for the survey. However, when the survey asked about the registration status of the interviewed firms, some reported not having any – hence the designation of informal businesses. On the other hand, sectors like mining and quarrying, and social services such as healthcare, education, and social work were excluded from the survey.

The focus on understanding the state of firms and business activity in Iraq during the pandemic comes from the recognition that it is a precursor to what might await the broader economy as well as workers and their families. Enterprises, especially smaller ones, are inextricably linked to the state of the workers and households that may be more vulnerable to shocks. Out of the 9 million workers estimated in Iraq in 2019, a majority are employed as waged workers, mostly in micro, small or medium enterprises, or operate their own businesses (own-account workers). Still, the private sector in the country has been anemic both in terms of production and decent employment creation.

The survey results highlight the importance of some key challenges that firms have faced since the beginning of the pandemic. By October 2020, seven months into the pandemic, only half of surveyed firms in Iraq were operating their usual full hours. The other half were operating partial hours and a minority of those captured in the survey were temporarily or permanently closed – with the Services sector at the Federal level more likely to experience shutdowns compared to their counterparts in the Kurdistan Region ². However, by the second and third rounds of the survey, more firms had begun to return to their full opening hours, indicating a general improvement – albeit still with various risks. Still, about 40% of interviewed firms reported having had at least one worker that contracted COVID-19, and this is particularly the case in the Services sector.

Although firms reported a decrease in their revenues, mirrored to a lesser extent by a decrease in the supply of intermediate goods, worker lay-offs were still less common during the pandemic. The contraction of the supply, like the contraction of revenues, was reported mostly by firms in the Services sector, and much less so by the Manufacturing firms in the sample. Still, despite these revenue and supply contractions, the survey indicates that firms were far less likely to let go of their workers during the pandemic. This may be due to firms following other coping mechanisms (e.g. changing/reducing operating hours) and the prevalence of informal employment which also allows firms to alter the length and type of work of the employees more freely than formal employment, consequently also allowing them to hold on to these workers.

As a repercussion to these business difficulties, firms in Iraq have faced significant challenges in paying the costs of their utilities, their rent, their loans and even their worker wages and suppliers. The perception of the severity of these challenges is highest for rent and loans – conditional on the firm having them. The severity increased over the course of the following months of November and December. While paying suppliers and workers was less of a challenge compared to others in the first round of the survey,

² The Kurdistan Region of Iraq (KRI) is a relatively autonomous region dominated by the oil industry in Northern Iraq. It is comprised of three Kurdish-majority governorates of Dohuk, Erbil, and Sulaymaniyah.

the perception of this challenge increased over the following months, indicating a possible catch up of bills that are due. This is especially important since many firms reported delaying supplier payments as one of their cash flow coping mechanisms. These payments may be due now.

Most firms utilized one or two mechanisms to cope with cash flow contraction. Dipping into retained earnings or into personal savings were prevalent but firms also reported delaying supplier payments and borrowing from family and friends. In October, 75% of firms reported having to dip into personal savings to make the business survive during the period since the pandemic. In the following months of November and December this share continued to increase and persist. Moreover, around 25% of firms reported borrowing from their families or friends. This has large ramifications on the wellbeing and welfare of the owners' own households and would have knock-on effects on individual consumption and savings should the difficulties persist. Service firms were more likely to dip into personal savings while unregistered firms were more likely to delay supplier payments.

More than a third of firms reported having started or increased their online sales. The increase in the use of online sales was more evident for the Services sector, and slightly more so among firms in KRI than those in other governorates. Still, the share of online sales out of firm sales is relatively small, with an average of less than 10%. Moreover, while internet affordability does not appear to be a bottleneck, more than half of the firms that use the internet for their business report network reliability as a challenge for them.

Although the Government of Iraq, namely through the Central Bank, has taken some measures to alleviate the cash flow contraction that firms faced, the survey highlights the need for a broader agenda for the recovery phase. General financial sector reform is key for a revived private sector in Iraq, along with essential non-financial services such as access to markets, to technology and even to support measures such as networking and coaching for smaller firms. At the same time, a larger jobs agenda that focuses on the financial inclusion of workers and continued human capital accumulation is essential for higher productivity and higher value-added private sector. The Government of Iraq fully recognizes the importance of persistent and wholistic reforms, as evident in the White Paper.

I. Introduction

Like the rest of the world, Iraq has seen the spread of the coronavirus pandemic (COVID-19) since its first case was detected on February 24th, 2020. More than a year into the pandemic, Iraq has registered over 1.1 million confirmed cases, and around 16,000 deaths.³ The first shipment of vaccinations has been administered only in the middle of March 2021.

In addition to the human toll of the pandemic, the economic impact of COVID-19 on Iraq has come through two primary channels. Firstly, the pandemic necessitated lockdowns and curfews that lasted for a period of time and repeated over the course of the past year. The first lockdown was initiated on March 17th, 2020, in the capital, Baghdad,⁴ and later extended to other areas (by March 22nd).⁵ The initial measures banned all non-essential traffic, public gatherings and have suspended events. While some of these measures eased around Ramadhan 2020 (late April), freedom of movement was still restricted between 7pm and 6am, while keeping complete curfews over the weekend (Friday and Saturday) – and another complete lockdown was instituted during Eid Al-Fitr.⁶ This episode was repeated again over the summer, when the government issued another nation-wide lockdown for Eid Al-Adha between July 31st and August 8th, 2020.⁷ Between February 18th and May 13th, 2021, curfews applied during the weekdays between 8pm and 5am, in addition to complete curfews on the weekends of Friday and Saturday. Since mid May and to the writing of the report, Iraq had night curfews between 9pm and 5am. Iraq's Stringency Index score is about 77 (out of 100), higher than most countries in the MENA region, and around the world.⁸ These curfews and restrictions of

³ World Health Organization Coronavirus Disease (COVID-19) Dashboard. Accessed on May 18th, 2021. Link [here](#).

⁴ Reuters (March 2020). Iraqi Government Imposes Curfew in Baghdad over Coronavirus Cases. Link [here](#).

⁵ International Monetary Fund (2020). Policy Responses to COVID-19: Policy Tracker. Link [here](#).

⁶ Reuters (April 2020). Iraq Eases Some Lockdown Restrictions Ahead of Ramadan. Link [here](#).

⁷ Middle East Institute (December 2020). Iraq's Fragile State in the Time of COVID-19. Link [here](#).

⁸ Hale, T., Angrist, N., Goldszmidt, R., Kira, B., Petherick, A., Phillips, T., Webster, S., Cameron-Blake, E., Hallas, L., Majumdar, S., & Tatlow, H. (2021). A global panel database of pandemic policies (Oxford COVID-19 Government Response Tracker). *Nature Human Behaviour*, 5(4), 529-538. Link [here](#).

movement have had a direct impact on the opening hours and business activities in the country, limiting foot traffic, consumption and earning opportunities for the vast majority of the population that still work informally.

Secondly, Iraq's economy has also been impacted by the drop of oil prices. Iraq's average export price of oil dropped from around \$60 a barrel at the end of 2019, to less than \$20 in March 2020.⁹ While today's oil prices have climbed back to their 2019 levels, the Iraqi government's breakeven price is still more than \$71 a barrel for the year 2021. The drop and volatility of these prices, considering the country's large reliance on the sector for both government revenues and output production, has meant considerable fiscal pressures and economic downturn. This is amplified by the devaluation of the Iraqi Dinar in mid-December 2020, from 1,182 Iraqi Dinars for every US Dollar, to 1,460 Dinars.

As a result, Iraq's real GDP is estimated to have contracted by 10% in 2020, reversing two years of steady recovery. Recent data from the Iraq authorities shows that the contraction during the first 9 months of 2020 was more than 10% year-on-year, exacerbated by the fact that the government's limited fiscal space restrained its ability to stimulate the economy through various fiscal measures.¹⁰ In fact, there were only two key measures that were undertaken by the authorities to attenuate the impact of the pandemic on the economy: (1) a one-time cash transfer, under the "Minha" program managed by the Ministry of Planning and the Ministry of Labor and Social Affairs, that was supposed to disburse IQD 30,000 (about \$25 at the time and \$21 today) to around 10 million beneficiaries,¹¹ (2) the Central Bank of Iraq reduced reserve requirements for banks, announced a moratorium on interest and principal payments by small and medium-sized enterprises through its directed lending initiative (the "one trillion ID" initiative) and encouraged banks to extend the maturities of all loans as they deem appropriate. It also offered, more recently, 5 million Iraqi dinars (\$4200) of additional support to existing projects under the "one trillion ID" initiative.¹²

Rapid phone surveys of enterprises conducted by other international organizations during the first nine months of the pandemic showed a notable impact on private sector activity. Among the first of these surveys, in June 2020, was conducted by the ILO, jointly with the Danish Refugee Council, Oxfam, Mercy Corps and the Norwegian

⁹ World Bank (2020). Iraq Economic Monitor, Fall 2020: Protecting Vulnerable Iraqis in the Time of a Pandemic, the Case for Urgent Stimulus and Economic Reforms. World Bank, Washington, DC.

¹⁰ Mansour, W., Kazemi Najaf Abadi, M., Maseeh, A. N. (2021). Iraq Economic Monitor: Seizing the Opportunity for Reforms and Managing Volatility (English). Washington, D.C.: World Bank Group.

¹¹ World Bank (2020).

¹² International Monetary Fund (2020). Policy Responses to COVID-19: Policy Tracker. Link [here](#).

Refugee Council, and administered to 1,175 firms in the Northern governorates and the KRI, namely Anbar, Diyala, Kirkuk, Ninawa, Salah al-Din, Erbil, Duhok and Sulaymaniyah. The results showed a significant reduction of operating hours at the time, while another 15% closed altogether until further notice. Three quarters of the interviewed enterprises also reported a reduction in revenues. As a result, many reduced their wage bill, including a quarter of firms laying off their workers, temporarily or permanently, while the few that paid social security and health insurance for their workers stopped doing so during the pandemic.

A second survey was conducted by the International Organization for Migration (IOM), the International Trade Centre (ITC) and the Food and Agriculture Organization (FAO), and administered to 893 small and medium enterprises in Iraq over three rounds (panel survey). The results also confirmed the impact on revenues, especially the Food and Agriculture sectors. To cope with this contraction, around half of interviewed firms had borrowed, and most of this new debt (as the World Bank survey also shows), was through informal channels such as friends and family. Moreover, a quarter of interviewed firms reduced their wage bill, followed by requesting leniency in repaying financial responsibilities (including suppliers).

The World Bank's survey emphasizes and further expands on some of these key findings. Its primary difference is in the sample frame and the enterprises that were targeted and eventually included. The two surveys mentioned above were administered to enterprises that were part of the databases of the international organizations involved – meaning that the sample was conditional on enterprises that have benefited or are currently benefiting from some NGO support. Moreover, for the ILO-led survey, enterprises were located only in the Northern governorates and the KRI, which are the primary areas of operation for international organizations in Iraq. The World Bank sample frame was designed originally to capture firms that were part of government lists. As such, it included many firms that were located around the entire country, officially registered, visible in terms of operations and relatively older.

The rest of this note is structured as follows. Section II below describes the sample frame, sample selection, and the process of data collection. Section III briefly describes the questionnaire. Section IV delves into the results such that it first gives a set of descriptive statistics of the firms that were interviewed, then elaborates on their responses related to the pandemic and its various challenges and coping mechanisms. Section V concludes with some policy implications.

II.

Sample and data collection

***Caveat:** The sample was designed to provide information about firms in the Manufacturing and Services sectors at the Federal level and KRI of Iraq. Statistically accurate findings can only be derived using these four strata. Consequently, the report avoids results based on sub-sectors and/or governorates. For more information on the sample, see Appendix B.*

During the months of July and August of 2020, the World Bank team began to assemble a sample frame of firms in Iraq using three sources. The first was data from Iraq's Central Statistics Organization (CSO) on firms of various sizes in four key sectors: manufacturing from a survey of 2019, hotels and accommodation from 2018, tourism offices from 2015, and finally money exchange businesses from 2018. The second was a list of firms in various sectors aggregated by the World Bank for a previous phone survey conducted in 2019 based on information shared through the Prime Minister's office.¹³ The third was a list of firms compiled from two online directories: the Iraq Business Directory and Dalil Iraq.¹⁴ This aggregation of these various sources yielded a sample frame that contained 33,386 businesses of various sectors, locations and of various sizes. Several sectors were excluded from the sample frame given their particularities, namely: mining and quarrying, and social services such as healthcare, education, and social work.¹⁵

¹³ Hussain, S. S. and Pintado Vasquez, M. G. (2019). Bringing Back Business in Iraq: Analytical Note. Washington, D.C.: World Bank Group.

¹⁴ The first can be found in the link: <http://www.iraqdirectory.com/>, while the second can be found in the link: <https://daliliraq.com/>

¹⁵ The exclusion of these sectors is based on the fact that they have a much larger public sector involvement, and the fact that for social services, the typical importance of profit-making is arguably less.

The sample frame has five key challenges that must be acknowledged from the outset. Firstly, and most importantly, it is not comprehensive of the entirety of private sector activity in Iraq. This is especially the case given the fact that lists from the Kurdistan Regional Statistics Office (KRSO) were not available for use at the time, while lists from the CSO had only a few sectors of the economy. This implies a potential bias, albeit one that exists in most sample frames for businesses in developing countries. Secondly, the list does not exclude informal businesses, defined as those not registered with the Iraqi authorities in some form. In fact, as the survey shows in subsequent sections, about 40% of surveyed firms reported not being registered with the Chamber of Commerce and Industry (the typical first step, and most common, registration for Iraqi businesses). Thirdly, given the lack of clear information about the specific International Standard Industrial Classification of All Economics (ISIC) sectors and location of all the businesses, at least on the governorate level, the stratification could not be more detailed than general regions and general sectors as will be explained below. Fourthly, the sample frame did not exclude firms that went out of business a while back. This is because the lists were not all up to date to existing businesses only, which means that the process of reaching out to firms included many firms that were out of business for a while. Last but not least, the sample frame did not include phone numbers (not to mention viable phone numbers) for all the firms in the lists. In fact, a considerable share of the manufacturing firms shared by the CSO did not have any contact information. Given the fact that this is a phone survey, this meant the necessary exclusion of all observations in the sample frame that did not have phone numbers. This significantly reduced the final sample frame to 8,118 firms.

However, these challenges are not specific to this particular survey. Given the considerable data difficulties in Iraq and the fact that firm lists are somewhat fragmented across various ministries and sources, shortcomings of any sample frame without months of verification are expected. What has been put together was still substantial and yielded important information.

The survey used a stratified random sampling approach. The sample frame was stratified according to: (1) two regions, namely the Federal level, and KRI,¹⁶ and (2) two broad sectoral classifications of Manufacturing and Services. The sample was split between 400 firms under the Federal level, such that 200 are from Manufacturing and 200 from

¹⁶ The Federal level includes the governorates of: Al-Anbar, Babil, Baghdad, Basra, Dhi Qar, Diyala, Al-Qadisiyyah, Karbala, Kirkuk, Maysan, Muthanna, Najaf, Nainawa, Salah Al-Din and Wasit. At the KRI level, the governorates include: Duhok, Erbil, Sulaymaniyah.

Services,¹⁷ with the remaining 100 focusing on KRI Services. There was an insufficient number of KRI Manufacturing firms in the sample frame so the final sample could only include KRI Services. The inherent trade-offs in designing a sample revolve around the level of precision that can be achieved at a particular level of disaggregation, necessitating sufficient number of observations. For the sample of 500 interviews that were targeted, the sample was designed to guarantee a minimum level of precision consisting of a 7.5% margin of error with a 90% confidence level.

Given the fact that this was a monthly survey, the challenge of attrition was dealt with using substitutions to reach the targeted size of each stratum. For each interview, 10 substitutions were included that followed the original design of the sample. This means that while we aimed to reach 500 firms for the surveys, we drew 5,000 firms from the finalized sample frame of 8,118, and ordered the substitutions such that the enumerator tries the first selected firm, then follows the order of the substitutions if there is no response to the call. The availability of these substitutions is incorporated into the sample design optimization process in order to maximize both the statistical power at a desired disaggregation level and the likelihood that a sample target will be successfully completed. The calculation of the sample weights can be seen in Appendix A.

The data collection¹⁸ was conducted during each of the months of October, November, and December of 2020. The final sample, after data clean up since some observations were not valid, can be seen in Table 1 below. The first round included 516 firms. The following months included 492 firms in November and 492 in December.¹⁹ This has meant that the survey interviewed a total of 671 firms over the course of the three rounds – some appearing once, and others appearing in two or three rounds. The division between Federal and KRI was generally maintained, such that 75% of firms interviewed were under the federal governorates and the remaining under the KRI. There was a slightly larger number of interviews of manufacturing firms. Sampling weights were calculated to ensure representation at the national level given the strata. Finally, the survey was able to capture at least two rounds of the surveys for the sweeping majority of firms.

¹⁷ Note that given the fact that we do not have the full actual universe of firms in Iraq, we can only split the sample equally between Manufacturing and Services.

¹⁸ The data collection was done through an Iraq-based firm called Stars Orbit, who also have another base in Jordan. The enumerators were all Iraqis, based in various parts of the country. The commissioning of Stars Orbit was done through the World Food Programme, which was the World Bank's partner for the Household phone surveys conducted using the same funding source and proposal as this firms phone survey.

¹⁹ There are 8 extra observations of manufacturing firms that operate in KRI and that had to be dropped because they were included by mistake.

TABLE 1. Sample interviews: Number of firms per monthly round, divided by regions and sectors

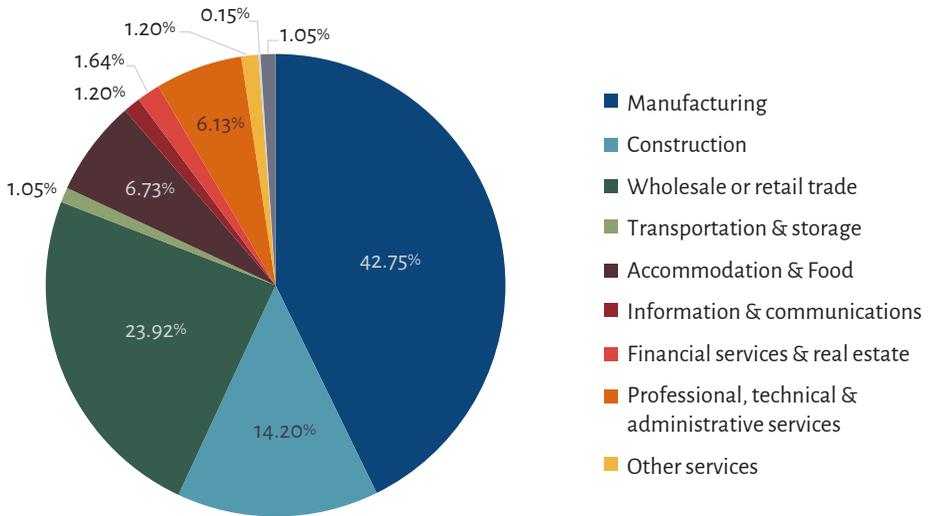
Round	Federal									KRI		
	Type of firm			Manufacturing			Services			Services		
	Panel	New	Total	Panel	New	Total	Panel	New	Total	Panel	New	Total
October	0	516	516	0	215	215	0	186	186	0	115	115
November	347	145	492	155	54	209	114	76	190	78	15	93
December	482	10	492	208	3	211	181	6	187	93	1	94

Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020

Outside of Manufacturing, which represented 43% of total sampled firms, the majority of Services firms were in either Wholesale or Retail Trade, or in Construction. Using the broad categories of ISIC, Revision 4, 24% of surveyed enterprises were in the Wholesale or Retail Trade sector (including repair of motor vehicles), while another 14% were in Construction.²⁰ The third largest services sector is Food and Accommodation with 12% and finally an aggregated sector of Professional, Technical and Administrative Services – which combines ISIC divisions 69-82. There are slight differences between the distributions of economic sectors between firms in the Federal governorates and those in KRI, but the rankings remain the same. Note that the distribution of these sectors is not necessarily representative of the country, nor were they one of the stratification criteria. Consequently, the results will still aggregate by the two broad sectors of Manufacturing and Services.

²⁰ Note that it is often difficult to disentangle construction from wholesale or retail trade for smaller businesses, largely because those that engage in construction may opt for selling or trading construction material in more difficult times and may derive more of their enterprise income from it. Therefore, it is likely that the share of Wholesale or Retail Trade sector enterprises is larger than what is reported here.

FIGURE 1. Distribution of economic sectors of sample firms



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Within the governorates, the majority of interviewed firms were located in Baghdad, followed by Anbar and Erbil. In fact, about 28% of firms were located in Baghdad, 23% in Anbar and 16% in Erbil. Moreover, 12% were in Diyala, 5% in Muthanna and lastly 3% in Sulaimaniyah. Like the economic activities, these governorate distributions are not necessarily representative of the actual shares of firms that the governorates have as the sample stratification did not include specific governorates. Consequently, the results will still aggregate by the two broad regions of Federal and KRI. (For more information see Appendix B).

III.

The questionnaire

The questionnaire was designed to be short and rapid, recognizing that the survey was to be carried over the phone and fundamental information was needed to understand the state of firms and the impact of COVID-19 on their activities. The questionnaire was administered over 10-15 minutes, and this relative brevity was intentional so as not to take respondents too long away from their businesses. Moreover, the fact this was a phone survey meant that the interviewer had much less of an opportunity to gain the trust of the respondent for more in-depth questions.

The survey collected four types of information:

1. Basic information on the firm's main economic activity, location, and respondent position within the firm.
2. Information on the current status of operations of the firm – hours of operations, employment (in the reference period), and registration status.
3. Information on the impact of COVID-19 on the firm in terms of revenues, supply of intermediate goods and services, employment, the extent of the challenge of paying different costs, and cash flow availability.
4. Coping strategies to deal with the contraction of cash flow, such as utilizing various sources of cash, as well as increasing revenues through online sales, and modifying products offered.

The questions were designed to be simple. Answers had options such as Yes or No, or simplified multiple choice to understand the extent of the impact of the pandemic and the perception of the severity of the challenges.

While the majority of the questions remained the same to trace improvement or deterioration throughout the various rounds of the survey, new questions were added in the second and third rounds after some trust has been gained with the interviewee.

For instance, the question about providing social security contributions to employees and the question about the extent of the reduction in the firm's wage bill were only asked in the second round. At the same time, the survey learned greatly from the first round. In the second and third rounds, for example, the question about sources to deal with cash flow constraints was modified to include the sale of assets, and to reduce the categories of formal borrowing to only one lumped category, recognizing that only few firms actually ever borrowed from formal financing institutions in the country. Lastly, the third round took the opportunity to also ask more questions about internet use and affordability, recognizing that digital commerce is inevitable in today's world.

IV. Results

a. Descriptive statistics: Basic information about the firms in the sample

The survey shows several key statistics about sampled firms regarding age, registration, and initial number of workers before COVID-19.

Firstly, the majority of the firms are not new nor young establishments. In fact, out of all the firms that have been interviewed for the survey, the average (unweighted) age was around 16 years old, with a range of 1 to 103 years old, while the median stood at around 14 years. Some differences exist between the two broad sectors and the regions. Firms in KRI, which include only Services, had an average age of about 15.3 years old, and a median of 13 years, which is slightly younger than their Federal Services counterparts, averaging 16.1 years old, with a median of 14. About 11% of the firms in the sample were less than 5 years old. This emphasizes one of the key differences between this survey and other similar phone surveys conducted by other international organizations, which, by design, had considerably younger firms interviewed. The firms in this survey are arguably more established.

Secondly, when it comes to registration, about 54% of responding firms in the first October round reported being registered with the Chamber of Commerce or Iraqi authorities, while 40% reported not being registered.²¹ The remaining 6% did not answer either (the responding person reporting not knowing). In November, 81% of the

²¹ In the October round, 27 respondents reported not knowing whether the firm is registered, whereas the remaining 496 responded with either Yes or No. In November, the question was asked to new firms added to the round, out of the 145 of which, 113 responded with Yes or No, with 4 reporting “Don’t Know” and 29 having missing values. Using weights, 81% of the new firms added to the November round were formal.

new firms added to the sample following attrition reported being formally registered. However, it is worth mentioning here that many respondents hesitated when answering this question. Some respondents asked why this question was of interest for the survey, whether this would be reported to the authorities or whether divulging their registration numbers was required. This signifies not only a general lack of trust, but that the actual share of registered firms within the sample may be higher than what is currently reported. While the survey had originally targeted registered firms only, recognizing that informal firms may have their own peculiarities and challenges, it was inevitable to interview informal ones as well given sample frame difficulties mentioned before. Within the regions and sectors, the data shows that only 23% of Manufacturing firms at the Federal level were registered, compared to 78% among Services, and a slightly higher 79% among their counterparts in KRI. The low share of registration among Manufacturing firms is expected given the fact that many of these firms are bakeries, tailor shops, blacksmiths, or similar professions.

Among registered firms, the majority were registered as sole proprietorships. In the October round, the share of firms that were registered as sole proprietorships was 51% (of registered firms), followed by shareholding companies at 37%. Notably, however, about a quarter of firms under the Federal level were also limited liability companies. There were only a handful of firms that were officially foreign companies. These shares do not change much in November with the addition of new firms that came as a replacement, with a slight increase in the share of firms that were shareholding companies.

The number of workers as of March 1st, 2020 – before the beginning of lockdown and movement restrictions due to the pandemic, was on average 14 workers, with a median of 4. This includes both full-time and part-time workers, although less than a third of firms reported having part-time workers, and most of them at most 2. Figure 2 shows the share of firms by their various sizes before the pandemic for the first October round of the survey.

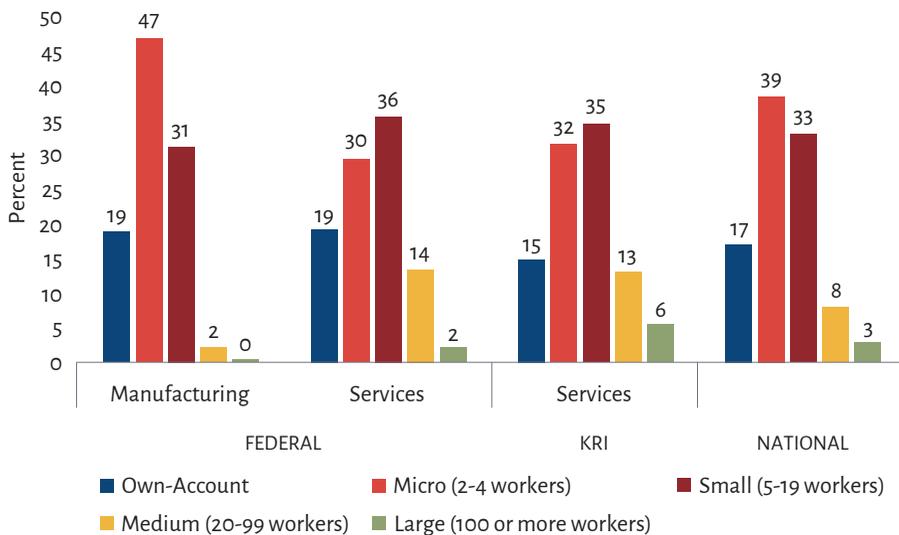
The sweeping majority of firms in the survey are microenterprises, with less than 5 workers.²² In fact, 18% of the firms were own-account workers, i.e. with only one person operating the firm.²³ The Iraq Manufacturing firms interviewed for the survey were more

²² We use the World Bank definition of firm size by number of workers. We do not include the number of part-time workers since the survey does not ask the exact number of hours worked for each of these workers to convert to full-time equivalent. However, as the survey shows, the average number of part-time workers is only one and the majority of firms do not report part-time workers.

²³ Since Iraq has never had a labor force survey, it is difficult to compare this share with the actual share of own-account workers in the country. However, the Iraq Household Socio-Economic Survey of 2012-2013

likely to be smaller firms (2-4 workers), while Service firms were larger, with around two-third of them being micro or small enterprises – at the Federal and KRI levels. As expected, informal firms are more likely to be smaller, with 74% of informal firms at the national level having at most 4 workers (and 22% being own-account workers). Among formally registered firms, this ratio is 43%, with an additional 36% as small enterprises. This is consistent with global evidence on informal firms and size. In terms of female employment – a question that was asked in the November and December rounds – their share in total employment of the firm was on average about 16%, with the majority of firms not having any female employment whatsoever. This is in line with what we know about Iraq, which has a low female participation rate in general, and a significant share of those working being either in government or as non-waged or informal workers, operating household economic activities. Lastly, it is worth noting that the majority of the firms surveyed only had one location. About three-quarters of the firms did not have any branch besides the one being interviewed.

FIGURE 2. Distribution of sampled firms size as of March 1st, 2020 (pre-pandemic)



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: This is for the October firms only. November and December were asked for a different reference period.

showed that about 48% of private sector, non-agricultural workers, are non-waged workers, which include typically own-account workers, employers and unpaid family workers. No further disaggregation can be made at this stage.

Combining the two facts of age and size illustrates an important picture of Iraq's private sector firms and job creation. Firms in Iraq, even prior to the pandemic, were both small and relatively old. This indicates issues when it comes to growth; that while they can survive for some period of time, they do not necessarily grow and increase the number of their workers. This anemic picture is also seen at the macro level,²⁴ and corresponds directly to the challenging labor market outcomes that we see in Iraq in terms of unemployment, informal employment and even low productivity jobs that do not come with significant income to their workers. This anemic picture limits Iraq's job creation capacity at a time when the country continues to be dominated by a young and increasingly ambitious labor force.

b. Facing and coping with the pandemic

i. Status of operations: Partial and full closures

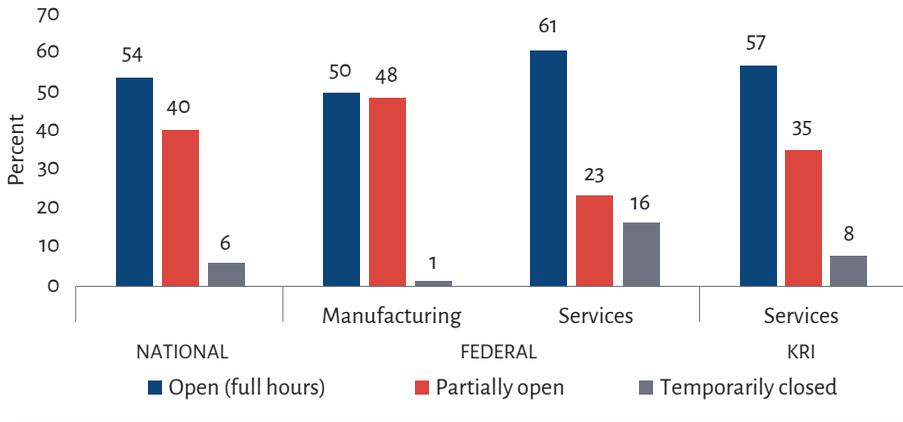
During the first round of the survey, in October 2020, seven months into pandemic, about half of surveyed firms in Iraq were operating full hours. Only a few of those respondents reported being temporarily closed, and practically none were permanently closed due to the pandemic. Still around 40% of firms were operating partially.²⁵ These figures are not vastly different from the first ILO-led survey, which showed that about a third of firms interviewed in June – three months into the pandemic – were operating the same hours, and around half were operating partial hours. Manufacturing firms at the Federal level were more likely to have reduced their working hours compared to Services (Figure 3). Service firms in KRI were more likely to have reduced their hours compared to their Federal level counterparts. Still, the Services sector at the federal level appears to have seen more temporary shutdowns. This is not uncommon, especially for sectors like accommodation, transportation and tourism, which has been significantly impacted by the pandemic.²⁶

²⁴ World Bank (2020). Breaking Out of Fragility: A Country Economic Memorandum for Diversification and Growth in Iraq. International Development in Focus. Washington, DC: World Bank.

²⁵ Note that for this question, the respondent compares to their usual working hours, not a set of hours determined through the survey.

²⁶ Given the limited number of observations in the survey, a more detailed Services disaggregation is not possible. However, the data shows that construction, as well as professional, technical and administrative services have seen a higher share of temporary closures than some other sectors.

FIGURE 3. Proportion of surveyed firms reporting changes in their hours by region and sector



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: This is for the first round of the survey, in October 2020.

However, by the second and third rounds, more firms reported returning to full opening hours. By the end of December, the third and final round of the survey, 89% of firms, which were mostly panel at the time, were open their full working hours, with notable improvements for KRI firms, about 94% of which were open full-time by the end of the survey, showing a general improvement over time in Iraq and a sense of normalcy gradually coming back.

For the firms that have been closed in the first round, the data shows that more than a third were closed shortly after the pandemic hit Iraq, given the lockdowns and curfews. Among the refresher sample of November round, 25% of temporarily or permanently closed firms have been closed during the pandemic. However, for both rounds, the majority of firms appear to have been closed for a period longer than the pandemic, indicating possibly other reasons behind the closure than merely the pandemic.²⁷

ii. Changes in revenues and supply

The questionnaire asked a set of questions about changes in revenues, supply, and employment. In the first round, October, the comparison was to February 2020, i.e.

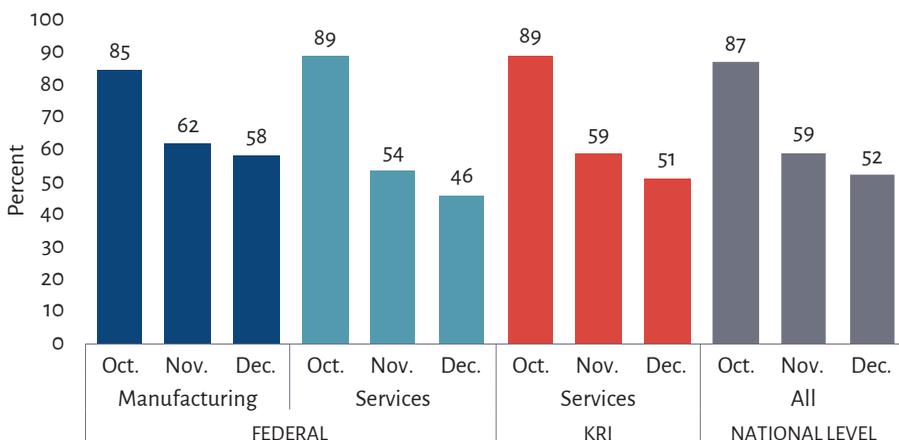
²⁷ While there is not much information about reasons for firm closure in other research for Iraq (much of it due to the difficulty of identifying and reaching closed firms), some evidence has shown that significant government arrears to the private sector constructure companies cause the closure of some in 2019 and earlier (Hussain and Pintado, 2020).

before the pandemic, while it was compared to the month of September for the second, November, and the month of October for the third, December round.

The sweeping majority of firms reported that their revenues had decreased compared to the reference period. About 87% of responding firms in the first round of October reported that their revenues had decreased compared to the month right before the pandemic (Figure 4). A very small percentage mentioned that their revenues have increased, while the rest reported that it remained the same. More Service firms reported a decrease in their revenues compared to Manufacturing, although the difference is not large. These shares of firms reporting decreases in their revenues are not vastly different from the surveys that have been led by the ILO and the IOM. For the ILO-led survey in the early months of the pandemic, 75% of responding firms reported a decrease in their revenues, and 40% reported completed loss of their revenues. For the IOM-led survey, more than half of surveyed firms reported a decline in their revenues, and the decrease was on average 67%.

When asked about the extent of the decrease in revenues, the sweeping majority of firms reported a decline of at least 50% compared to pre-pandemic. During the October round, 70% of firms across Iraq reported that their revenues decreased by more than 50% since the pandemic. This is driven largely by service firms, as expected, although half of manufacturing firms also reported a decrease of at least 50% in their revenues.

FIGURE 4. Share of firms reporting a decrease in their revenues by survey month, compared to reference period



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: Reference period for October is February 2020, for November is September 1st and for December is October 1st.

When looking at differences between sizes of firms and between formal and informal firms, the data shows that medium and large firms, and formal firms²⁸ were far more likely to report a decrease in their revenues than smaller firms. This comes with the caveat that they also have a smaller number of observations. This is an interesting, albeit perhaps expected, finding. Smaller firms in Iraq, including own-account workers, are likely to operate on a much smaller scale. They may have more personal relationships with their clients, and in the case of many, they operate as Manufacturing, as small-scale bakers and tailors and blacksmiths. Informal firms, who are also smaller in size, were also less likely to report a large decrease in their revenues. While 76% of registered firms reported a decrease in their revenues of at least 50% compared to the month before the pandemic, 54% of informal firms reported experiencing this fall. This may be indicative of the agility that some informal firms have in diversifying their revenue sources for instance, or even in the type of products and clientele that they have compared to formal firms. It may also be indicative of the fact that enforcement of lockdowns and restrictions is not so possible when compared to formal firms.

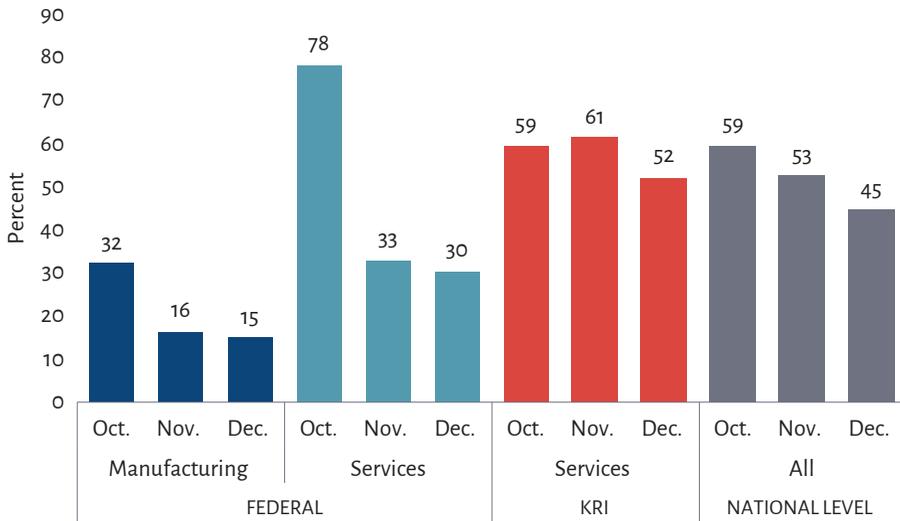
The experience of revenue contraction appears to have been assuaged in the following months. This can be seen through a general decrease in the share of firms reporting a contraction in their revenues compared to the previous month, in the rounds of November and December, and an increase in the share of firms that reported that their revenues were the same, or higher (this alleviation was also seen in the IOM-led panel survey). For firms that continued to experience a contraction in their revenues on a monthly basis, the majority indicate changes in revenues of less than 50%.

The decrease in revenues was mirrored by a decrease in the supply of inputs, although to a lesser extent. In October, 59% of firms reported a decrease in their supply compared to before the pandemic (Figure 5). In November, the contraction in the supply continued, such that 53% of firms reported a decrease compared to the beginning of September. In December this continued, although to a lesser extent. The contraction of the supply, like the contraction of revenues, was reported most by firms in the Services sector, and much less so by the Manufacturing firms in the sample. This may be due to the shutdowns that the Services sector has witnessed, which may have affected their supply from other firms. Manufacturing firms may have longer-term contracts for the supply of goods that they need to operate, and it may also be due to

²⁸ It is crucial here to caution on the interpretation of formal and informal firm differences. While the sample of formal firms may be somewhat representative of the formal private sector in the country, informal firms in the sample are not. The sample frame originally targeted formal and visible firms, and the fact that the sample had some informal firms was not intentional, albeit unavoidable given the size of the informal sector.

the fact that they operate more essential economic activities, especially bakeries for example, that were less impacted by the pandemic in the earlier months.

FIGURE 5. Share of firms reporting a decrease in their supply by survey month, compared to reference period



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

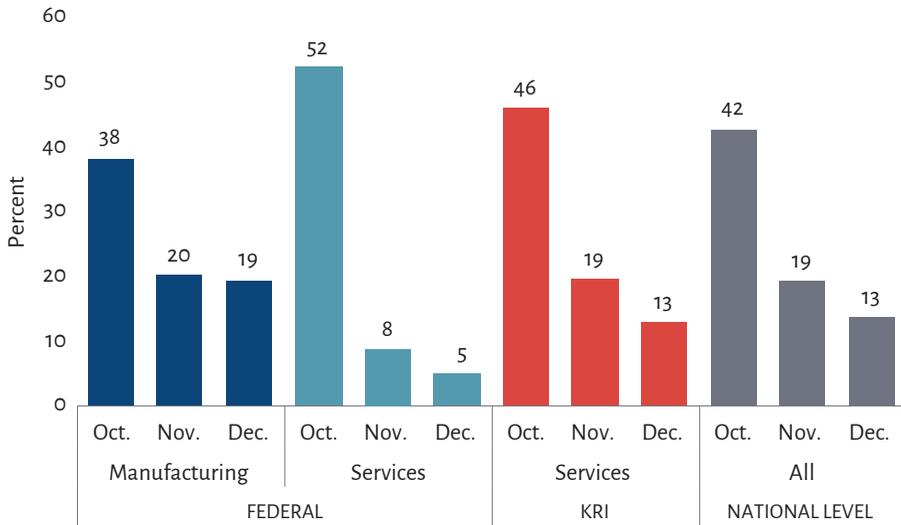
Note: Reference period for October is February 2020, for November is September 1st and for December is October 1st.

iii. Changes in employment and the state of workers

Unlike revenues and the supply of intermediate goods, firms were far less likely to report a decrease in their workers during the pandemic. In the October round, 42% of firms reported a decrease in the number of their workers (compared to pre-pandemic), while 53% reported that their employment remained the same (Figure 6). In November and December, a significant share of firms reported that the number of employees had remained the same compared to the previous month. The results highlight also a tapering of worker contraction, where the beginning of the pandemic has made firms decrease their workers, while the later months of the year they could hold on to those that remained. Moreover, the fact that many firms are micro and small, as explained before, limits the extent to which a firm can fire without completely losing all of its workforce. Still, it is worth noting that even in November 19% of firms reported a decrease in their workforce compared to September 1st. Lastly, and as expected, firms in the Services sector were more likely to report a decrease compared to pre-pandemic than

Manufacturing firms, although the latter were more likely to continue to see a contraction in the November and December rounds.

FIGURE 6. Share of firms reporting a decrease in their number of paid workers, compared to reference period



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: Reference period for October is February 2020, for November is September 1st and for December is October 1st.

The fact that firms appear to have held on to their workers may not be so surprising.

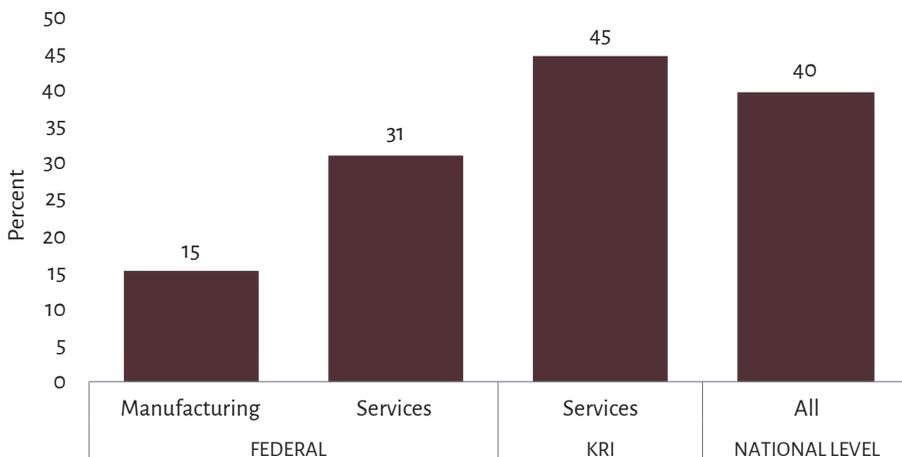
Firstly, firms appear to have decreased the work hours in general, which may mean they could retain some workers but alter their hours of work. In fact, of the firms that reported a decrease in the working hours, more than half (55%) maintained the same number of workers. Moreover, the sweeping majority of the firms that maintained their working hours also maintained their number of workers. Secondly even though firms may be registered, half of the firms in the November round,²⁹ for instance, reported that they do not pay their workers any social security contributions. This means that while the firm may be formal, employment is not necessarily formal - highlighting the intensive margin of informality in Iraq. This allows firms to alter and modify the relationship with the worker without adhering to the labor code in the country – for instance by reducing the wage, reducing the hours worked, or even the job functions

²⁹ The question of social security was asked in the November round only, given its sensitivity and the importance of establishing trust with the firm.

itself without necessarily firing the worker. Manufacturing firms were more likely to have informal employment than Services, while also being more likely to maintain their employment. In fact, 81% reported that none of their employees had any social security contributions. Thirdly, as will be shown in the section below, 39% of firms in the survey reported that they decreased the wages of their workers as a coping strategy for their cash flow challenges during the period. This was especially the case during the first six months of the pandemic, and less so in the following rounds of the survey.

Lastly, when firms were asked whether any of their workers contracted COVID-19 since the beginning of the pandemic, about 40% mentioned that at least one worker did. Firms in the Services sector were more likely to report at least one infected worker during the period, and in KRI more than in Federal governorates (Figure 7). Service sectors are of course much more likely to interact with customers and be more exposed to the pandemic than Manufacturing type of firms. When asked whether the firm paid for any healthcare costs to support the infected worker, only half of the firms reported doing so, and Service firms both at the Federal and KRI levels were more likely to report paying for some costs than Manufacturing.

FIGURE 7. Share of firms reporting having at least one worker affected by COVID-19 since the beginning of the pandemic



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: This question was asked in the November round.

BOX. Understanding the situation of workers from Iraq’s High Frequency Phone Surveys on Households

Results from the first three rounds of the Iraq’s High Frequency Phone Survey³⁰ (IHFPS) that focused on households provide key information about the state and changes to employment, household food consumption, cash and in-kind transfers, access to health services, as well as children’s education and learning during the months of August, September, and October 2020. Some of the important take-aways from the IHFPS that focus on households are as follows:

- The average number of people (per household) that are able to work, and the share of households with at least one working member, has decreased during the pandemic. This is especially the case in rural Iraq.
- Pre-pandemic public sector workers were most successful in holding onto their jobs compared to private sector workers. Nearly 34% of private sector waged workers lost their jobs, and 33% of the self-employed, compared to only 13% of public sector workers. The pandemic also moved some unemployed to out of the labor force.
- About 44% of workers reported working with reduced hours or days, and 71% reported receiving a reduced income. When asked about the reasons behind this reduction, 37% of workers reported government-mandated closures and mobility restrictions, 27% reported due to generally low business activity due to the economic downturn, 13% reported due to reduction of the hours/days worked, and 9% reported reductions in the salary mandated by the employer. Remote work from home and income reduction were stronger among the women.
- The survey captured only a small percentage of households that operate some type of business from the house, mostly focused on trade and repair of goods. Nevertheless, family businesses have seen a significant decrease of the number of employees and have yet to show recovery.
- Among the households that needed health services (around 30%), around 1 in every 4 households reported facing challenges accessing these services. While lack of funds remained the main challenge throughout, travel restriction was of main concern for many in August.
- Only 20% of households with children attending school before the pandemic reported having their children involved in any catch up or learning activities during the months of September and October. This means that learning has ceased to a large extent.

Source: Krah, K., Phadera, L. and Wai-Poi, M. G. (2021). Iraq – High Frequency Phone Survey (IHFPS) to Monitor Impacts of COVID-19: Results from August, September and October 2020 Rounds. Washington, D.C.: World Bank Group

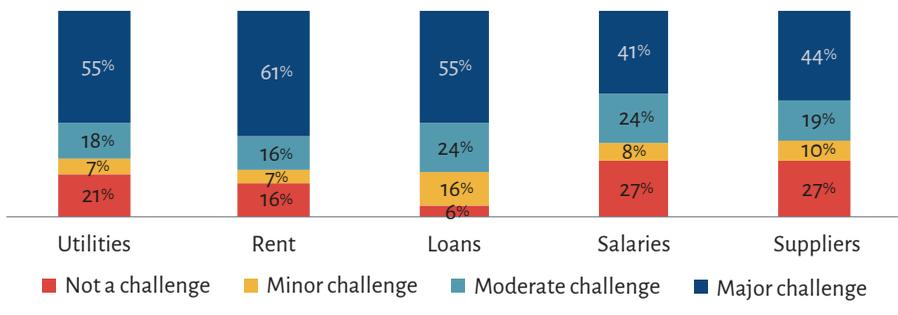
³⁰ The sample included over 1,600 households in all regions of the country (Kurdistan, North, Baghdad, Center and South) and 18 governorates (Anbar, Babylon, Baghdad, Basrah, Diyala, Dohuk, Erbil, Kerbela, Kirkuk, Maysan, Muthanna, Nainawa, Najaf, Qadisiya, Salah al-deen, Sulaimaniyah, Thi-Qar, and Wasit).

iv. Perceived severity of cost challenges

Paying utility, rent, and loan installments was a considerable challenge for firms in Iraq. In October, when firms were asked about the severity of these various challenges, as they perceive them, the most prevalent of the challenges appear to have been paying rent. About 86% of the firms in the survey were renters, and 61% of them reported paying rent as a major challenge compared to prior to the pandemic (Figure 8). For the few firms that were indebted at the time, which was only 15% of surveyed firms,³¹ paying loan installments was also a considerable challenge. When looking at the combined perception of “major” and “moderate” challenge, paying loans was cited as the most challenging, followed by utilities and rent – conditional on having to pay these costs. Out of the firms that had loans at the time, about 40% of them borrowed in the past few months to deal with cashflow constraints, and the sweeping majority of these loans are from family and friends, not from official institutions (elaborated upon in the next section).

Paying workers and suppliers appear to be less of issue – although still significant. This may be related to the fact that for both of these, other informal arrangements could have been made to delay payments or even divide them in various ways, or in the case of workers also reduce hours. As mentioned above, the fact that workers tend to be informal also means that modifications to their wages and the way they are payed (and when) would be possible. The data also shows that registered firms were more likely to perceive these challenges as major, compared to unregistered firms (Figure 9). Again, this goes back to the firm’s size and the fact that informal firms operate differently, with slightly more agility and possibly different clientele.

FIGURE 8. Severity of challenges of paying various costs

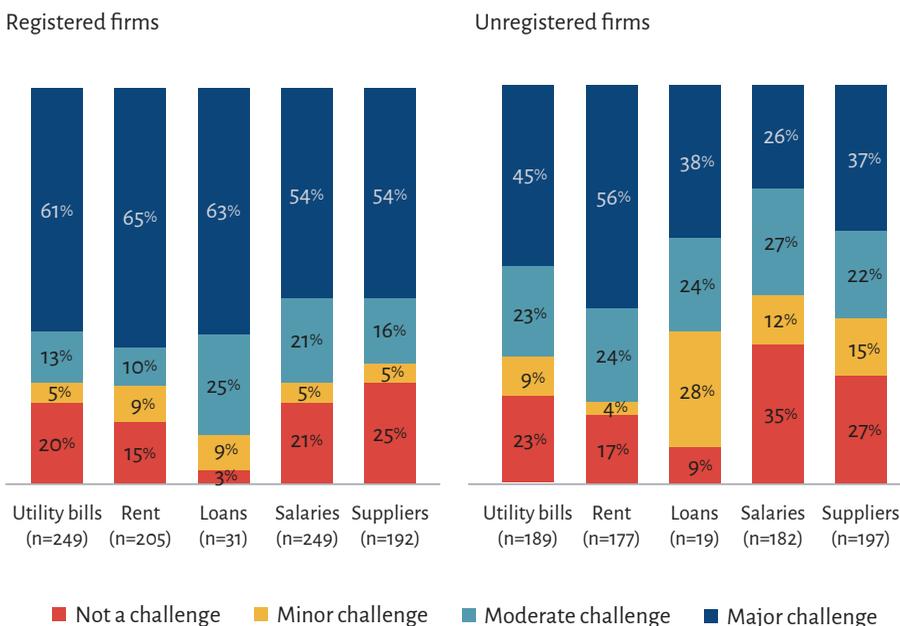


Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: This is data for October, compared to February 2020, conditional on having to pay these various costs.

³¹ A slightly higher of KRI Service firms, about 25%, were indebted, compared to their Federal counterparts (10%). About 14% of Manufacturing firms under the Federal level in the sample were indebted.

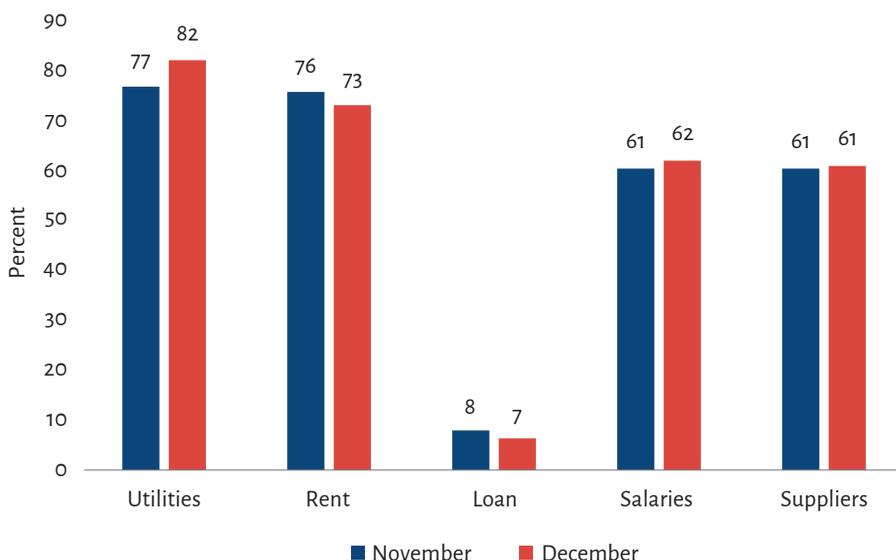
FIGURE 9. Severity of challenges of paying various costs (October round) by firm registration



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.
Note: This is data for October, compared to February 2020, conditional on having to pay these various costs. The numbers in the parentheses in the x-axis is the number of observations.

Firms continued to experience an increase in the severity of these challenges throughout November and December. When asked if paying these various costs became more challenging compared to the previous month, most firms said yes when it comes to all of these costs (Figure 10) – with the exception of loans, which did not appear to increase in terms of perceived severity – recognizing that it was already severe when firms were asked. Paying salaries and supplies increased slightly in terms of severity– and this is expected as the crunch may soon begin to hit these costs since firms can delay or deal with these costs for a period of time, before having to pay them fully eventually. This may have some repercussions in the months following the survey if the situation continues to be difficult.

FIGURE 10. Share of firms reporting increased challenge of paying various costs



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

Note: Reference period for November is the month of September, and for December the month of October.

v. Cash flow: Dealing with the shock

Firms in Iraq used different coping mechanisms to deal with their cash flow contraction. In October, 86% of firms reported a decrease in their cash flow, in line with the decrease in their revenues. To better understand how they coped with this challenge, the questionnaire asked whether the firm had utilized some strategies to ensure the survival of the business, namely: dipping into retained earnings from the previous periods, taking loans from families or friends, delaying payments to suppliers, decreasing wages, dipping into personal savings, and lastly selling firm assets.³²

A striking finding of the survey is the fact that firms utilized both whatever profit retained from the business to plug expenses, but that they also used owners' savings – with the latter being reported more (Figure 11). In October, 74% of the respondents said that they had to dip into their own savings to cope with decreases in cash since March 1st

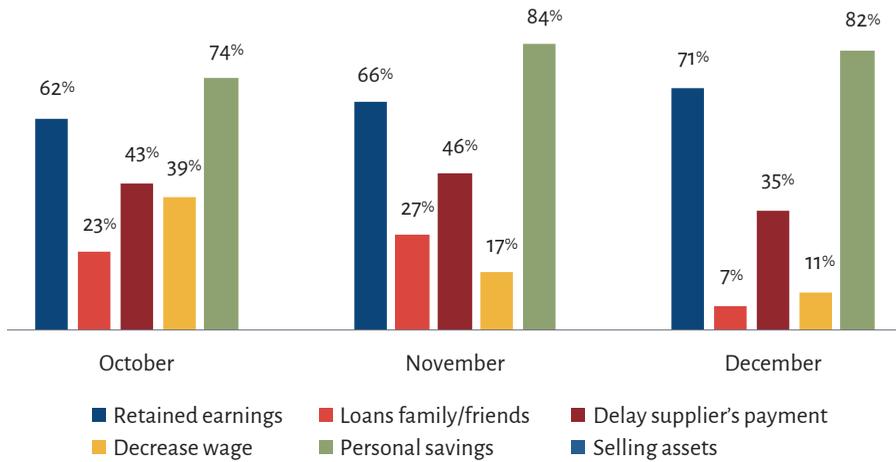
³² Selling assets was added for the rounds of November and December.

of 2020. In November, the share rose to 84% (with the reference time being September 1st) and in December the share continued to be high (with the reference date being October 1st). This highlights a very important aspect of firm survival in Iraq: firms rely heavily on owners' savings. The fact that many firms are informal, or sole proprietorship, makes this possible, if not necessary since other, namely formal options, are relatively limited. In fact, in October only 19 firms reported taking a loan from formal institutions since the beginning of the pandemic. In November and December, the number drops to a handful at most. Moreover, only a handful of firms reported benefiting from any government schemes regarding the suspension of loan installments. This has large ramifications on the wellbeing and welfare of the owners' own households since a dip in their savings dedicated to the survival of the firm possibly takes away from immediate consumption needs of household members. It may leave the owners and their families more impoverished.

The findings also show that a significant share of firms reported two other major coping strategies: the first is delaying suppliers' payments, and the second is borrowing from family and friends. In October, 43% of firms reported delaying the payments of their suppliers. This share continued in November and decreased only a little bit in December. Around a quarter of firms reported borrowing from their families or friends in October and November – and to a lesser extent in December. When it comes to workers' wages, and this relates to the employment findings mentioned in the previous subsection, about 39% of firms across Iraq reported decreasing their workers' remuneration during the pandemic as a coping strategy. However, this share drops significantly in November and December. Last but not least, it appears that few firms sold their assets to tackle cash flow challenges. However, it is worth noting that this was only asked in the rounds of November and December, and it is possible that some firms resorted to this earlier in the pandemic.

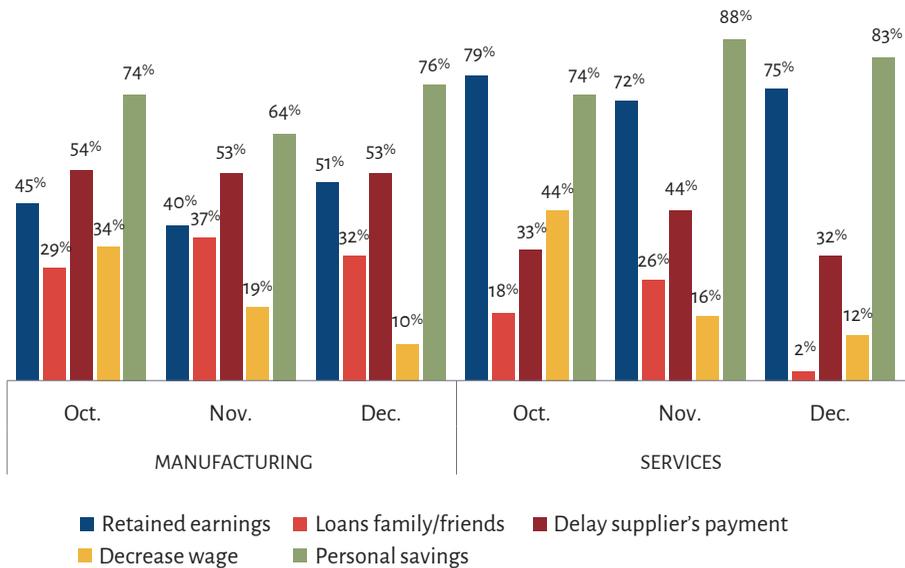
Some sectoral differences in these coping strategies exist. Service sector firms were more likely to utilize personal savings and retained earnings than manufacturing firms. Manufacturing firms appear to have utilized more a mix of strategies, where delaying payment for suppliers was more prevalent, which is expected given the sector (Figure 12). Moreover, unregistered firms were less likely to use personal savings (likely an indication that owners may not be able to afford it), and more likely to delay suppliers' payments and borrow from family or friends. In general, of the firms that utilized some coping strategy to deal with their cash flow challenges, the majority used 1 or 2 strategies at most, while the remaining used 3 to 5.

FIGURE 11. The use of various coping strategies to cash flow contraction by round of survey



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

FIGURE 12. The use of various coping strategies to cash flow contraction by sector



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

When it comes to other coping strategies to increase revenues and ensure the survival of the firm, responding firms appear to have increased online sales over the past months. The survey finds that by October of 2020, 35% of firms in Iraq had started or increased their online sales compared to the period before the pandemic. The share increased in November, when compared to the reference period of September, and again in December. The increase in the use of online sales was more evident for the services sector, and slightly more so among firms in KRI than those in other governorates. The manufacturing sector (which excludes KRI as mentioned in the sample section) did not seem to utilize this avenue throughout 2020. Registered firms saw an increase in online activities when compared to the period before the pandemic. Such activities kept growing in the following months. Unregistered firms reported a smaller share in general and it was not sustained throughout the second and third rounds. Still, the share of online sales out of firm sales is relatively small, with an average of less than 10%. Moreover, while the majority of firms do not appear to see internet affordability as a challenge, 56% of firms that utilize the internet for their business report network reliability as a challenge for them.

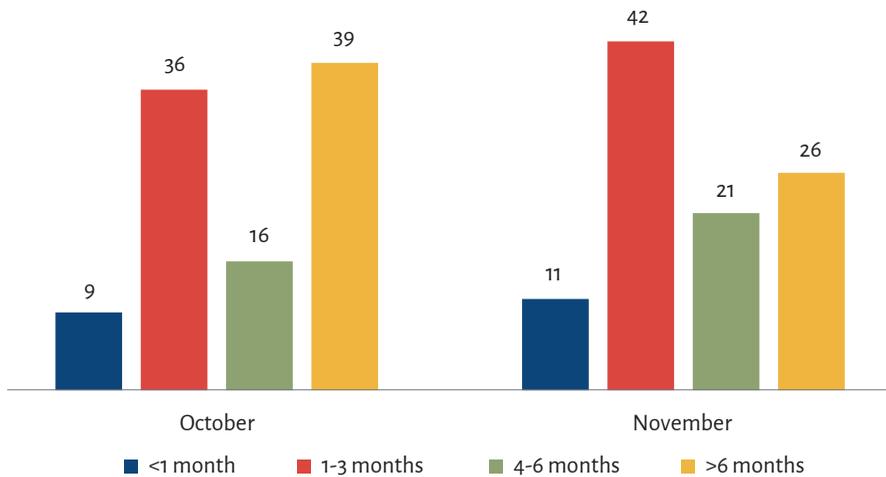
The October round also asked the firms whether they had changed their location as a response to COVID-19, whether they modified their product offering, and whether they used contactless sales methods (such as plexiglass) other than digital tools. The results show that while only 5% of firms had changed their location during the pandemic – which was expected given the fixed costs associated with it – about 36% of them had modified their product offering in some shape or form, and 86% had used some contactless method of sales.

vi. Expectation of survival

When asked about how long the respondent thinks the firm could survive if sales stopped completely at the time of the survey, half of firms indicated a period between 1-6 months. In fact, 36% of firms interviewed in October indicated that they would survive between 1-3 months, and another 16% indicated that they would survive between 4-6 months. Moreover 9% indicated less than 1 month. New firms added in the November round tended to also struggle with their runway, where more than half of them indicated a runway of no more than three months. This, combined with cash flow availability and revenue struggles, highlight the importance of targeted support to firms to ensure a longer runway. Registered firms appear to have a longer runway, with a higher share of them (46%) expecting to survive (if sales stopped) for more than 6 months, compared to only 32% among unregistered firms. Most unregistered firms, in fact, reported having a runway of at most 3 months. Manufacturing firms were more

likely to report a short runway compared to services. Interestingly, micro and small firms were more likely to report a shorter runway compared to 1-person firms (i.e. own-account workers) and medium and large firms – highlighting the importance of further support for these firms.

FIGURE 13. Share of firms reporting expected months of survival should sales stop by round



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

vii. Closed firms

A small number of the surveyed firms (127 in total) reported their operations were partially or temporarily closed. Figure 14 below shows that most closures are recent, up to 8 months which coincides with the COVID crisis timeline. Figure 15 shows that a considerable number of the closed firms (44%), have not applied any type strategy to deal with cash flow issues before closing. Among the firms which applied 1 or 2 forms of coping strategies, the most cited ones were retained earnings and using personal savings. In terms of reopening the firm, just a small number of firms answered this question. Most of those (74 out of the 89) believed the firms would reopen at some point in the future.

FIGURE 14. Number of months of closure

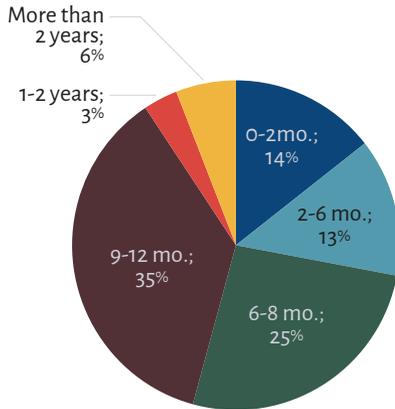
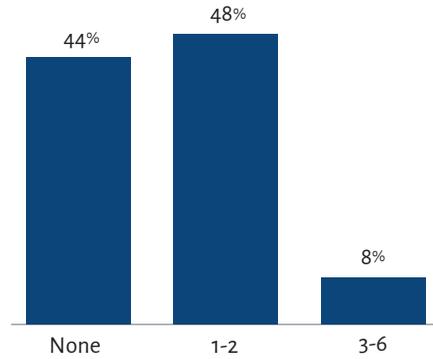


FIGURE 15. Number of coping strategies used to deal with cash flow issues before permanently closing



Source: Iraq High Frequency Phone Survey for Firms (IHFPS), 2020.

V.

Concluding remarks and policy priorities

The results of this survey, in line with other international organizations' work, highlight the importance of reviving private sector business activity in Iraq, especially for micro, small and medium enterprises that have been impacted by COVID-19, while at the same time improving the lives of workers and their families in the country.

While some of the issues that Iraq's private sector faces today are structural and date back to challenges prior to the spread of COVID-19, the pandemic increases the urgency of reforms for both firms and job creation and retention in the recovery period. Support for smaller enterprises and workers in the country can focus on two key areas.

The first is alleviating the financial losses that these enterprises and their owners continue to incur. This falls under a larger agenda that includes financial sector reform to facilitate funding and financing to enterprises. The fact that many firms reached out to informal channels to deal with cash flow contraction necessitates these reforms, not only in times of shocks, but also in better times. Financial sector reform does not only include larger financial institutions but also microfinancing, since many firms in Iraq continue to be microenterprises. Support for enterprises in the country may not only be restricted to what pertains to financial. Smaller enterprises in the country could also benefit from further business development support such as access to markets and value-chains, general expansion guidance, mentorship and even networking in the recovery. Connecting and enhancing the digital economy is also a key way forward.

Alleviating financial losses also implies a larger agenda of financial inclusion for workers, such that they can access, for example, social insurance in difficult times such as this. The fact that only a small fraction of enterprises provide social insurance to workers means that the sweeping majority of informal employees of the private sector have little to fall back on during shocks. This necessitates a broader agenda that incentivizes more financial and social inclusion that benefits both enterprises and workers. In the recovery phase, reforms can also focus on launching a broader jobs agenda that focus on increasing the productivity of workers, increasing their human capital and consequently boosting revenues and incomes in the coming years. There is potential in revamping active labor market policies by developing and expanding programs that focus on life-long learning for workers, providing quality training opportunities that respond to private sector needs, as well as offering key services that are needed for faster recovery such as matching, referrals and counselling for Iraq's young population.

The Government of Iraq recognizes the need for reforms through its White Paper. The White Paper highlights the importance of reforms in the business environment that can facilitate business creation and expansion, reforms for investment attraction both domestically and internationally, reforms of the financial sector that can facilitate funding to firms, reforms in infrastructure, and reforms in education and labor that focus on upgrading skills for higher human development and productivity.

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APPENDIX A

Calculating Sample Weights

The aim of calculating sample weights is to make the data representative of the entire country as the completed interviews which might oversample some types of firms. To calculate the sample weights, we have to first identify the stratification dimensions of the survey. The Iraq Covid-19 Rapid Phone Surveys is stratified on three dimensions:

- sector of activity (Manufacturing, Services)
- geographical location (Federal, KRI)
- Panel status (Fresh/New, Panel)

And each combination of these dimensions is called a “cell”. Therefore, the total number of cells is: $\#sector \#location \#panel$. The total number of all enterprises in a country is called “universe”, and from there, we can obtain the total number of firms in each cell (cell universe).

In an ideal world, all interviews are completed completely randomly. So the weight can be easily calculated, such that $weight = \frac{universe}{completed\ interviews}$, and this is calculated separately for each cell. However, in reality, adjustments are needed due to oversampling of some cells.

To adjust the weights, we need additional information:

- Input information and count firms in each cell of the following:
 - universe of fresh and panel firms (i.e. “sub-universes”)
 - completed interviews in both sub-universes
 - used contacts in both sub-universes (i.e. number of non-eligible firms + number of eligible firms)
 - number of eligible firms in both sub-universes

Once we have the above information, we can calculate the adjusted weights separately for fresh and panel. The formulae are as below:

- base weight is: $base_{weight} = \frac{sub-universe}{completed\ interviews}$
- basic adjustment factor is: $\frac{eligible\ firms}{used\ contacts}$
- and so, $adjusted_{weight} = \frac{eligible\ firms}{used\ contacts}$

APPENDIX B

Additional Sample Information

TABLE 2 Distribution of interviews by region and sector

Sector	Federal	KRI	Total
Manufacturing	272	0	272
Services	268	131	399
Total	540	131	671

TABLE 3. Distribution of interviews by governorate

Governorate	Frequency	%	
Federal	Anbar	150	23.1
	Babylon	5	0.8
	Baghdad	183	28.2
	Basrah	20	3.1
	Diyala	76	11.7
	Kerbela	4	0.6
	Kirkuk	2	0.3
	Maysan	1	0.2
	Muthanna	36	5.6
	Nainawa	7	1.1
	Najaf	27	4.2
	Qadisiya	2	0.3
	Thi-Qar	4	0.6
	Wasit	3	0.5
KRI	Dohuk	4	0.6
	Erbil	105	16.2
	Sulaimaniyah	20	3.1
Total	649	100	

* There are some missing observations for the governorate question

TABLE 4. Average and median age of firms in years by survey round

	Federal		All	KRI	Total
	Manufacturing	Services		Services	
October Round					
Mean	16	17	15	15	16
<i>Standard Deviation</i>	11	11	11	11	11
Median	14	15	14	13	14
No. of observations	194	173	367	101	468
<i>"Don't know" response</i>	21	13	34	14	48
November Round					
Mean	16	16	16	15	15
<i>Standard Deviation</i>	12	11	12	12	12
Median	14	15	14	12	12
No. of observations	187	160	347	83	430
<i>"Don't know" response</i>	22	30	52	10	62
December Round					
Mean	16	16	16	15	15
<i>Standard Deviation</i>	12	11	12	12	12
Median	14	15	14	12	12
No. of observations	188	156	344	81	425
<i>"Don't know" response</i>	23	31	54	13	67

**Note: This is calculated using survey weights*

