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MAPPING POTENTIAL FOR GROWTH IN PRIORITY SECTORS IN IRAQ

Report on constraints, challenges and opportunities

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SECTOR MAPPING IRAQ

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Abbreviations

CBI	Central Bank of Iraq
CMC	Communications and Media Commission of Iraq
EDC	Enterprise Development Centre
FGD	Focus group discussion
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
FINTECH	Financial Technology
HACCP	Hazard Analysis Critical Control Point
ICBG	Iraqi Company for Bank Guarantees
ICT	Information and Communication Technology
IDP	Internally Displaced Person
IFI	Iraqi Federation of Industries
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IOM	International Organization of Migration
IPP	Independent Power Producer
ISID	Inclusive and sustainable industrial development
ISIL	Islamic State of Iraq and the Levant
ISP	Internet Service Provider
IXP	Internet Exchange Point
FAO	Food and Agriculture Organization
FTTH	Fibre-to-the-home
IQD	Iraqi Dinar
IRENA	International Renewable Energy Agency
ITC	International Trade Centre
KRI	Kurdistan Region of Iraq
KRG	Kurdistan Regional Government
KwH	Kilowatt per hour
MoC	Ministry of Communications of Iraq
MSD	Market System Development
MSMEs	Micro-, small and medium-sized enterprises
NDC	National Data Centre
NEET	Not in Employment, Education or Training
NGO	Non-governmental Organization
NIC	National Investment Commission of Iraq
PPP	Public-Private Partnerships
RECP	Resource Efficient and Cleaner Production
SMEs	Small- and medium-sized enterprises
SOE	State-Owned Enterprise
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
USD	United States Dollar
WFP	World Food Programme
ZSVP	Zakho Small Villages Projects

Executive Summary

STUDY OBJECTIVES AND METHODOLOGY

This study aims to identify priority market systems and formulate operational recommendations for UNIDO projects in Iraq that seek to strengthen selected market systems in non-extractive industries. It focuses on women- and youth-led micro-, small and medium-sized enterprises (MSMEs) and start-ups, as well as emergency livelihood support for internally displaced persons (IDPs) and host communities. For this purpose, sectors with strong MSME and job creation potential were mapped. Two priority sectors were then selected for an in-depth analysis, and operational recommendations were developed based on the findings. The study was conducted within the framework of the UNIDO Country Programme for Iraq 2026–2030, which focuses on industrial diversification, strengthening small- and medium-sized enterprises (SMEs) and promoting green growth to reduce oil dependency.

The assessment used a mixed-methods approach to identify priority sectors and examine constraints and opportunities for MSME growth and job creation. A desk review of government strategies, studies, reports and project documents was complemented by a rapid survey with 83 individuals and expert interviews to guide sector selection. Key criteria included potential for MSME growth and job creation; relevance for women and youth; importance for IDPs and host communities in Northern Iraq; alignment with Iraq's Draft Industrial Strategy and sector growth dynamics. Four sectors – renewable energy, tourism, construction and ICT – were selected for the rapid mapping, while agribusiness and textiles were chosen for in-depth market system analysis. Focus group discussions and enterprise surveys with 43 enterprises and further sector expert interviews supported the market system analysis.

RAPID SECTOR MAPPING

In the rapid high level mapping, four non extractive sectors – renewable energy, construction, tourism and ICT – were assessed with regard to their relevance for MSME growth and job creation in Iraq. For each sector, the analysis reviews recent market trends; the role and potential entry points for MSMEs; key stakeholders and regulatory frameworks; and the main constraints and opportunities.

In **renewable energy,** the mapping highlights growing opportunities for MSMEs in solar installation, decentralized energy solutions and related services, driven by persistent electricity shortages and strong policy momentum. At the same time, regulatory gaps, limited access to finance and skills shortages constrain MSME participation. The construction sector is identified as a major source of employment with significant entry points for MSMEs through subcontracting, housing and reconstruction activities. However, reliance on public investment, informality, access to finance and weak working conditions remain key challenges. In tourism, the analysis points to strong MSME potential in religious tourism, hospitality, transport and cultural and niche tourism services. Growth is constrained by underdeveloped infrastructure, administrative barriers, skills gaps and security perceptions, despite increasing government attention. The ICT sector is recognized as a fast growing enabler of productivity and entrepreneurship, offering MSME opportunities in digital services, e commerce and technology-enabled business models. Constraints include uneven infrastructure, limited advanced digital skills, regulatory uncertainty and power supply instability.

FOCUS GROUP FINDINGS

The objectives of the focus groups were to confirm the relevance of the agribusiness and textile sectors for key target groups – IDPs, women, youth and host community members – and to get insights into constraints and the need for support. The 12 focus group discussions with a total of 95 participants across Duhok, Erbil, Sinjar and Mosul revealed a strong interest in agribusiness and textile sectors as realistic and attractive livelihood options. Many participants emphasized the sectors align well with their skills, family traditions and cultural identity. They also see clear potential due to rising market demand, opportunities for value addition and increasing government and donor investment.

At the same time, awareness of concrete opportunities remains low – particularly among youth, women, IDPs and returnees. Participants cited a lack of information, limited exposure to role models, weak coordination among institutions and insufficient access to practical training as key barriers to engagement. Beyond income stability and relevant skills, social and cultural norms continue to strongly influence employment choices. Although gender norms are gradually evolving and both sectors are perceived as relatively inclusive, women still face significant obstacles such as limited mobility, family responsibilities, unequal pay and restricted access to resources. IDPs and returnees also face additional challenges, including weak networks, language barriers, lack of documentation, capital constraints and limited access to land or workspaces.

Participants expressed strong demand for hands-on, market-oriented skills development combined with mentorship, business training and leadership development. Skills considered as priorities included those required in agribusiness supply chain management, food processing, packaging and food safety. There is also a high interest in modern textile production and design, digital marketing, financial literacy, entrepreneurship and the use of digital tools. Beyond training, participants highlighted the importance of access to physical infrastructure such as workshops, shared production spaces and incubators, as well as equipment, raw materials and financial support (e.g. grants, microloans, low-interest loans). Simplified government procedures, stronger professional networks and market linkages were also frequently mentioned. Given the high number of current or former students, many participants expressed interest in programmes that provide concrete entry points into the sectors, such as internships or mentoring opportunities.

Overall, participants' aspirations centre on achieving economic independence, building sustainable businesses, contributing to community development and eventually creating jobs for others – especially youth and women. This highlights the strong social and economic multiplier potential of targeted support to agribusiness and textile value chains.

FINDINGS AGRIFOOD SECTOR

The agrifood sector is a cornerstone of livelihoods, food security and employment, particularly in rural areas and displacement affected regions. It spans primary production (crops, livestock) and downstream activities, such as processing, storage, packaging and distribution. MSMEs dominate the sector, ranging from household based food producers to small and medium agro processors supplying local and regional markets. In the Kurdistan Region (KRI) and northern governorates, agribusiness is increasingly positioned as a driver of economic diversification away from oil, with growing government and donor support.

Several structural trends shape the sector's trajectory:

- A policy push to **reduce food imports** and increase domestic production of fruits, vegetables and high value crops
- **Water scarcity and climate stress,** driving shifts towards less water intensive crops, greenhouse farming and improved irrigation
- **Rising demand for post harvest services** (cold storage, grading, packaging) and value added food processing
- Gradual **adoption of modern technologies** (mechanization, improved seeds, drip irrigation), though uptake remains uneven and constrained by cost and skills gaps

The Kurdistan Region stands out for relatively stronger momentum, including expanding agro processing capacity, improved quality standards and growing exports to domestic and international markets.

Agrifood MSMEs play a central role in Iraq's economy by producing most locally consumed food and employing a large share of the rural workforce. Their proximity to communities makes them particularly relevant for IDPs, returnees, women and youth, especially in displacement affected and rural areas. The sector offers relatively accessible entry points through home based businesses, small processing units and local trading activities, which lowers barriers to participation for vulnerable groups. Women are especially active in home based food processing, including baking, dairy production and pickling, while youth participation increases when agribusiness is perceived as modern, profitable and technology-enabled. However, most agrifood MSMEs continue to operate informally, which limits their access to finance, certifications and higher value domestic and international markets.

Enterprise surveys and expert interviews highlight several systemic bottlenecks:

- **Limited access to finance,** especially for small and youth or women led enterprises lacking collateral
- **High production costs,** driven by energy, utilities and imported inputs
- **Outdated machinery and low productivity,** with many enterprises operating far below capacity
- **Skills shortages,** particularly in machinery operation, food safety, quality management, marketing and business management
- **Logistics and market access challenges,** including transport constraints, weak cold chains, price volatility and limited market information
- **Competition from informal and imported products,** reinforced by weak enforcement of standards and high consumer price sensitivity

Despite these challenges, the agrifood sector demonstrates strong potential for inclusive and sustainable growth. Opportunities exist to expand high value horticulture, including fruits and vegetables and orchard crops and to link primary production more effectively with food processing activities, such as tomato paste production, dried fruits and juices. There is considerable scope for developing small and medium scale food processing in priority value chains, such as dairy, grains, dates, poultry and vegetables. Improving product quality, branding and packaging could enable import substitution and strengthen the competitiveness of local products. Upgrading agrifood MSMEs also offers significant job-creation potential, both directly within enterprises and indirectly through spillovers into transport, packaging and related services, while stronger farmer–processor linkages can help stabilize supply and demand. These opportunities are reinforced by alignment with government priorities on youth employment, SME development and food security, creating space for targeted industrial and market system support.

Overall, the agrifood sector combines high relevance for vulnerable groups with clear opportunities for value addition, MSME upgrading and job creation. However, unlocking this potential requires moving beyond primary production towards systemic market strengthening, including finance, skills, infrastructure, energy solutions and stronger linkages along the value chain. These characteristics make agrifood a strategic entry point for interventions that link emergency livelihoods with longer term industrial development.

RECOMMENDATIONS FOR SUPPORT IN THE AGRIFOOD SECTOR

The agrifood sector represents a strategic opportunity for linking emergency livelihood support with longer term industrial development in Iraq. A focus on industrial upgrading and market system development, especially by addressing the "missing middle" between farming and trade through support to agrifood MSMEs, offers considerable potential for inclusive growth.

In the short to medium term, priority should be given to expanding value added food processing by upgrading the productive, technological and managerial capacities of agrifood MSMEs in priority value chains, such as dairy, dates, grains, poultry and vegetables. This includes combining access to finance with tailored technical assistance such as matching grants to upgrade machinery, processing equipment, packaging and storage facilities. To address high operating costs and unreliable power supply, solar and energy efficient solutions for agro processing –especially for cold storage, milling and dairy chilling – could complement the capacity upgrading of agrifood MSMEs. Capacity building efforts should focus on practical business skills, financial management, food safety and quality standards, and regulatory compliance, while stronger linkages between farmers, processors and buyers should be facilitated to stabilize demand and improve raw material quality.

In the medium to long term, agrifood value chains and local market systems should be strengthened through investments in agro processing infrastructure and shared facilities such as collection centres, cold storage, packing houses and agro industrial hubs in high potential regions. Supporting producer organizations, cooperatives and cluster models is critical to improving aggregation, supply reliability and bargaining power. There are also opportunities to pilot digital and Industry 4.0 solutions, including low cost traceability systems and energy efficient or smart cold chains, alongside improved quality infrastructure, certification, branding and packaging to enhance competitiveness and market access.

Over the long term, the sector's resilience should be strengthened through climate smart and resource efficient agro industry, circular economy approaches that valorize agrifood waste, and improved public-private dialogue and investment promotion. Together, these interventions position the agrifood sector as a scalable entry point to support inclusive job creation, MSME upgrading and sustainable industrial development while progressively transitioning beneficiaries from emergency livelihoods to resilient market participation.

FINDINGS TEXTILE SECTOR

Iraq's textile and clothing sector has a long historical legacy but today is largely import-dependent, following decades of underinvestment, policy neglect and strong competition from low-cost imports from Türkiye, China and Iran. The sector remains **highly labour-intensive** and plays a critical role in employment generation, particularly for women, youth and vulnerable groups, through tailoring, sewing and home-based production. While culturally distinctive products, such as embroidered fabrics and traditional garments, retain relevance and niche market potential, domestic production accounts for only a small share of total consumption. Large-scale industrial production is limited; state-owned factories operate below capacity with outdated machinery, and MSMEs, often informal, dominate the market, especially in tailoring and small workshops.

The sector faces a complex set of structural challenges. These include outdated technology, limited access to affordable finance, high operating costs (especially electricity and inputs), shortages of skilled labour and weak market access. Informality is widespread, reducing productivity, limiting access to finance and public procurement and intensifying price-based competition. Producers struggle with quality control, high defect rates, logistics constraints and dependence on imported raw materials, exposing them to currency fluctuations and rising transport costs. Training opportunities are fragmented and mostly introductory, leaving gaps in advanced technical skills, production management, quality assurance, digital design and marketing. Weak regulatory enforcement, complex customs procedures and limited sector-specific incentives further undermine competitiveness.

Despite these constraints, the textiles sector holds significant untapped potential. It offers strong prospects for inclusive job creation, especially for women-led and home-based enterprises and can respond to growing domestic demand for school uniforms, workwear, traditional clothing and customized products. Niche export opportunities exist for handcrafted and culturally specific textiles, particularly targeting regional and diaspora markets, while medium-term prospects include supplying institutional buyers and replacing a share of imports with competitive local production. Opportunities also lie in cooperative models, shared production hubs, targeted skills upgrading, adoption of modern machinery and investments in solar energy to reduce operating costs and improve reliability.

Policy signals suggest renewed interest in reviving the sector. Iraq's Draft Industrial Strategy identifies textiles as a priority manufacturing industry, highlighting the need to restructure state-owned enterprises and the potential of local production (e.g. uniforms, medical textiles, protective equipment). Recent protective measures and investment incentives indicate political willingness to support industrial recovery. However, these measures remain broad, with little

sector-specific focus. Stronger coordination among government, donors, financial institutions and the private sector – combined with targeted industrial policy, market-oriented skills development and productivity-focused investments – will be critical to translating this renewed interest into sustainable sector growth.

RECOMMENDATIONS FOR THE TEXTILE SECTOR

The vision for the textile and clothing sector is to revive and structurally transform the industry into a competitive, sustainable and socially inclusive sector, with a strong focus on MSME growth and employment creation for women, youth, IDPs and host communities. Given the sector's high informality and labour intensive nature, interventions should prioritize gradual upgrading, livelihoods support and market integration rather than immediate large scale industrialization.

In the **short to medium term**, priority should be given to **improving livelihoods and economic integration of vulnerable groups through targeted skills development and basic productivity upgrading of textile MSMEs.** Interventions should focus on practical, market oriented training in sewing, machine operation and maintenance, quality control, digital and social media marketing, costing. and basic business management. Support for **women led cooperatives and informal producer groups** is recommended, including assistance with formalization, cooperative management, collective branding and access to shared resources. Limited but **strategic machinery upgrading** – focusing on essential equipment rather than advanced automation – should be combined with hands on coaching. The establishment of **model factories and shared design studios** can serve both as production units and training platforms, supporting product development, standardization and exposure to market requirements.

In the **medium to long term**, the recommendations emphasize **policy and institutional support to revive the sector and promote value chain integration.** This includes the development of textile clusters and shared production hubs to reduce fragmentation, lower transaction costs and improve access to services such as quality control, digital design and productivity advisory support. **Integrating solar energy solutions** into clusters and cooperatives is recommended to address high electricity costs and improve reliability. **Stronger market linkages with institutional buyers** such as schools, NGOs and private companies should be facilitated to create stable demand, particularly for uniforms, workwear and basic garments. Dedicated incubation and safe transport solutions for women are also highlighted as critical enablers of participation.

In the **long term**, the recommendations call for supporting **export readiness and deeper integration into regional and global value chains.** This includes strengthening the "Made in Iraq" brand, supporting export consortia and improving compliance with international quality, sustainability and certification standards. Investments in **more advanced machinery**, sustainable and circular production models and strengthened **vocational training systems** are recommended to enhance productivity and competitiveness. Policy dialogue and investment promotion should focus on attracting strategic partners, aligning incentives with sector needs and embedding sustainability and decent work principles across the industry.

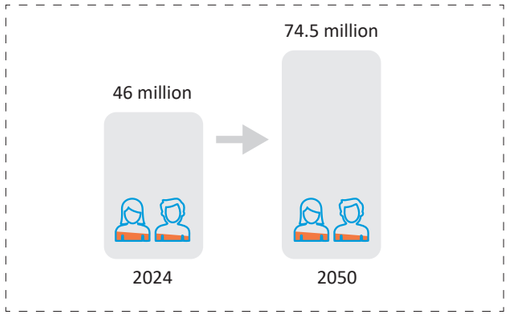
Overall, the textile sector is positioned as a high impact entry point for inclusive job creation where targeted MSME upgrading and market system interventions can gradually shift the sector from informal survival activities towards sustainable, competitive manufacturing.

1. BACKGROUND



Iraq's economy faces significant challenges, including high unemployment, an excessive state footprint, a weak banking sector, corruption and an inefficient electricity sector. Its high dependence on oil, accounting for over 90% of government revenue and over 95% of exports, makes the country extremely vulnerable to global oil price fluctuations and limits the growth of other productive sectors that could provide employment. Non-oil sector growth slowed from 13.8% in 2023 to an estimated 2.5% in 2024 due to reduced public investment, a weaker trade balance and financing constraints. For 2025, it is forecast at 1%.[1] This will impact overall growth and worsen the already challenging employment situation.

Iraq has one of the fastest-growing populations in the region, projected to surge from 46 million in 2024 to 74.5 million by 2050, creating pressure for employment creation. Currently, 70% of Iraqis live in urban areas and 30% in rural areas,[2] primarily along the Tigris and Euphrates Rivers. Nearly 60% of the population is under the age of 25, forming a vibrant yet underutilized workforce. While the overall unemployment rate stands at 16.6%, it is much higher for women and youth, with 28.2% and 38.5% respectively (about 7.5% higher than the MENA average). In addition, youth have a very high informal employment rate of 93.2% (compared to an overall informal employment rate of 67.6%).[3] Female unemployment is higher across all age groups and educational levels. Even in the labour market, women are disproportionately affected by underemployment or part-time employment.[4] High graduate unemployment highlights the mismatch between educational outcomes and labour market needs.



The public sector is the largest employer in Iraq, accounting for approximately 40% of total employment, largely surpassing regional and global standards. It has grown substantially over the past two decades in terms of nominal wages (12%) and the number of people employed (7%),[5] exceeding economic growth and the labour force by a large margin. Public employment is crowding out private employment. This distorts the labour market and educational outcomes and impacts technical and vocational skills available in the private sector. This has contributed to lower productivity in Iraq compared to the region.

Years of conflict have taken a toll on the labour market and social stability, eroding human capital and contributing to high poverty rates. From 2014 to 2017, Iraq endured devastating conflict with the Islamic State of Iraq and the Levant (ISIL), leading to nearly six million people becoming IDPs. Although Iraq has made considerable strides towards recovery, areas of origin are still in volatile security and economic situations. Although the Government announced a resolution to close IDP camps by July 2024, the resolution's full execution is still pending. As of December 2025, 1,031,475 IDPs remain displaced in Iraq. This includes 101,886 people living in the 20 IDP camps located in the Kurdistan Region of Iraq.[6] IDPs considering returning to areas of origin continue to encounter significant barriers, including a lack of safety and security, a lack of housing, basic services and job opportunities, as well as a lack of clarity on support programmes due to a significant decrease in funding.

Strengthening non-extractive value chains and supporting the growth of SMEs in Iraq is crucial for building a more resilient, inclusive and sustainable economy. According to estimates, more than one million MSMEs[7] and between 377,000 and 840,000 SMEs[8] operate in the country, with smaller businesses accounting for two-thirds of all private sector jobs. Beyond employment, they deliver crucial goods and services for the functioning of the local economy and for the well-being of communities. Non-extractive sectors such as agro-processing, manufacturing, services and the digital economy hold far greater potential for employment generation, regional development and private-sector dynamism. SMEs are central to these value chains, driving innovation, absorbing labour and linking local producers to domestic and export markets. By strengthening these value chains and enabling SMEs to grow, Iraq can diversify its economic base, reduce unemployment and underemployment, foster social stability and create more equitable opportunities across regions, including for women and youth. Iraq can gradually shift from a rent-based economy towards one driven by productivity and entrepreneurship.

UNIDO projects in Iraq address the need for sustainable livelihood creation in non-extractive sectors, focusing on recently established MSMEs and start-ups, as well as the most vulnerable groups such as IDPs, refugees, host communities, women and youth. The UNIDO project "Emergency livelihood support to internally displaced persons affected by camp closures and host community members for the development of an inclusive market system"[9] focuses on addressing the urgent need to create sustainable livelihoods and an environment conducive to voluntary and safe return, resettlement and local integration through enhancing entrepreneurship among unemployed IDPs and host community members in areas of return, resettlement or local integration. It aims to reach this goal by providing entrepreneurship training and essential equipment, tools and supplies to help alleviate the issue of no or limited start-up capital and to start a business. This approach addresses the critical need to create sustainable income-generating opportunities in the absence of wage employment. Future projects will look at value chains and collaboration among stakeholders within their respective market systems.

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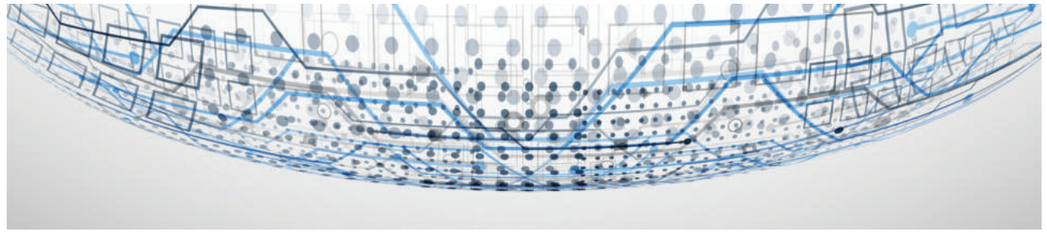
2. OBJECTIVE

The objective of this assignment is twofold. First, it aims to develop operational recommendations for future UNIDO projects in Iraq that seek to **strengthen selected market systems** in non extractive industries, with a particular focus on MSMEs and emerging start ups. Second, it aims to provide operational guidance for ongoing and upcoming initiatives that deliver **emergency livelihood support to IDPs** affected by camp closures as well as host community members in Northern Iraq.

To achieve this, relevant sectors that promote MSME growth and job creation – particularly in areas of IDP return, resettlement or local integration were first identified, selected and mapped, including their respective market systems. In a second step, two priority sectors were chosen for an in depth analysis to better understand their market dynamics. Finally, detailed operational recommendations were developed for these two sectors based on the findings from the deep dive assessment.



3. METHODOLOGY



3.1 BROADER SECTOR SELECTION

The first step was to select sectors that are relevant for MSME growth and job creation. The following **criteria** were considered:

- Potential for employment creation and/or MSME growth
- Potential to increase women's and youth labour market participation
- Relevance for IDPs, women and host community members in current and future UNIDO emergency livelihood support projects[10]
- Relevance of the sector in Iraq's Draft Industrial Strategy
- Growth trends and sector dynamics
- Linkages to manufacturing and core focus areas of UNIDO with growth potential for the private sector

The assessment of sectors was conducted in two steps:

- Desk research
  - Academic papers and studies
  - Relevant government documents (e.g. Industrial Strategy, National Development Plan, Regional Strategies, Investment Promotion Strategies, Policies, Speeches and Announcements, etc.)
  - Available data and reports from International Organizations (e.g. World Bank, IMF, ILO) and government sources
  - UNIDO project documents from past projects in Iraq as well as project documents from other International Organizations and NGOs
- Primary data collection
  - A rapid survey conducted with 83 individuals in Erbil, Sulaymaniyah, Duhok and Nineveh to gain insights into perceptions and challenges of most promising economic sectors[11]
  - Six unstructured interviews with experts from International Organizations, NGOs and Government to get sector-specific perspectives

TABLE 1. SECTOR SELECTION CRITERIA[12]

Sector	Job creation / MSME growth	Relevant for women/ youth	Relevant for IDPs, women, host community in Northern Iraq	Relevance in Iraq's Draft Industrial Strategy	Growth trends and sector dynamics	Linkages to manufacturing and core focus areas of UNIDO
Agribusiness (16)	XXX	XX	XXX	XXX	XX	XXX
Renewable energy (12)	XX	XX	X	XXX	XXX	XX
Textile and clothing (14)	XXX	XXX	XXX	XXX	X	XX
Construction (13)	XXX	X	XX	XXX	XX	XX
Tourism (12)	XX	XXX	XX	X	XXX	X
ICT (13)	XXX	XX	XX	XX	XXX	X
Pharmaceuticals (11)	XX	X	X	XXX	XX	XXX
Fintech (9)	X	XX	X	X	XXX	X
Education (10)	XX	XX	X	XX	XX	X
Creative industries (10)	XX	XX	XX	X	XX	X

10. Such as the "Emergency livelihood support to internally displaced persons affected by camp closures and host community members for the development of an inclusive market system" project in Northern Iraq.

11. Participants were asked in which sector they are currently active, which sectors they think hold most potential for MSME growth and job creation and why. The analysis also included questions regarding general challenges of the sectors and specific challenges for IDPs and women. The selection of participants is not representative, and survey results have been used in general terms to provide supporting evidence. It can be found in the Annex.

12. More background on the ratings and a detailed overview of all sectors is provided in a table in Annex 3.

Based on the above-mentioned criteria, the selected sectors are agribusiness, renewable energy, textile and clothing, construction, tourism and ICT. For the selected sectors, a rapid assessment was conducted focusing on the trends in the sector; its relevance for MSME growth; relevant players, laws and regulations and projects; and key challenges and opportunities.

3.2 SELECTION OF SECTORS FOR MARKET SYSTEM ANALYSIS

In the following step, two sectors were chosen for a market system analysis. Drawing on the broader sector review and an emphasis on relevance for women, IDPs and connections to the manufacturing sector, agribusiness and textiles were identified as priority sectors. To confirm the selection of these two sectors and to get first insights into the perception, challenges and needs of individuals who would like to join or work in one of the two sectors (with a focus on vulnerable groups), 12 Focus group discussions (FGDs) were conducted across Duhok, Erbil, Sinjar and Mosul.

3.3 MARKET SYSTEM ANALYSIS

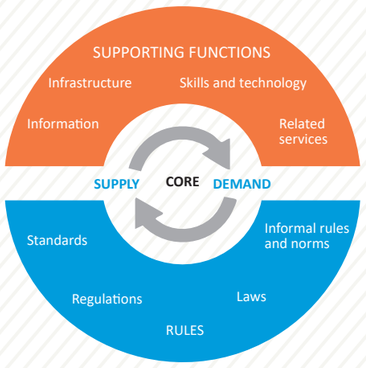
For the market system analysis, additional data were collected in both sectors. A total of 22 agrifood enterprises and 21 textile enterprises of different sizes were surveyed across Basra, Nineveh, Duhok and Erbil to assess challenges and opportunities along the value chain.

MARKET SYSTEM DEVELOPMENT (MSD) APPROACH

The market system is the overall picture of how a market functions. It includes the supply-demand transactions of the core value chain as well as the supporting functions and the rules and regulations that shape the functioning of a sector. The approach acknowledges that actors in the value chain do not operate in isolation but are embedded in a wider system influenced by supporting functions, norms, rules and regulations. For example, financial services, which are a supporting function, do not directly operate within the agrifood value chain, but they strongly influence how agrifood businesses are set up, operate and grow and how customers pay for their products.

Key steps for MSD Analysis

- **Define the scope and target group:** elect a sector[13] (e.g. agriculture, finance) where improvements can significantly impact poor, women or youth populations.
- **Map the market system ("The Donut"):**



Source: M4P Operational Guide (2015)

- **Core value chain:** map the transaction flow (producers, traders, processors, buyers)
- **Supporting functions:** identify relevant services (e.g. information, infrastructure, finance)
- **Rules and norms:** analyse formal laws and informal norms governing the market

13. Sector selection criteria: relevance for target group, sector growth, prospects for job creation and feasibility for change. Detailed sector selection criteria are presented in the Annex.

- **Identify systemic constraints ("why-why" analysis):** Repeatedly ask "why" to move past symptoms to root causes (e.g. lack of skills, poor regulations, lack of trust).
- **Analyse incentives and capacities:** Understand what motivates local actors to change, ensuring interventions are sustainable and not dependent on long-term subsidies.
- **Identify intervention opportunities:** Focus on systemic changes rather than direct delivery, such as strengthening supporting services or reforming rules.
- **Validate with data:** Use in-depth interviews, market data and poverty probability indices to confirm findings.

Source: Based on Springfield Centre (2015) and ILO (2020).

To validate the findings from the enterprise surveys and to gain a broader perspective of the challenges and opportunities of the sectors, **15 interviews were conducted with experts** from the Government, NGOs, Chamber of Commerce, private sector, academia and training centres.[14]

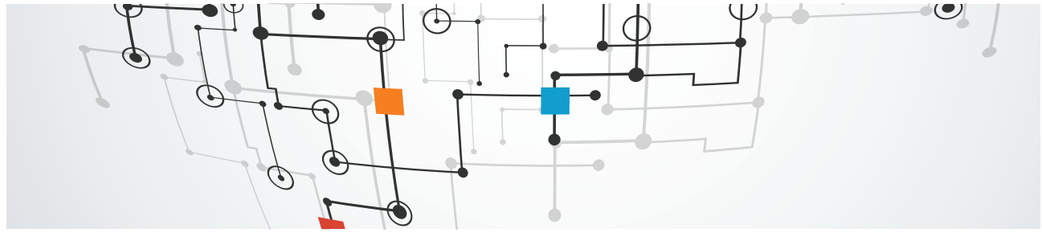
Table 2 provides an overview of all instruments used for primary data collection.

TABLE 2. DESCRIPTION OF THE INSTRUMENTS FOR PRIMARY DATA COLLECTION

Instrument	Objective	Respondents
Questionnaire 1 (83 individual answers)	Support identification of sectors with most potential for MSME growth and job creation, with a particular focus on women, IDPs and host community members; gain insights into perceptions and challenges in those sectors	Individuals in Erbil, Sulaymaniyah, Duhok and Nineveh
Unstructured interviews (six interviews)	Get expert perspectives and insights into most promising economic sectors	Experts from International Organizations, NGOs and Government
Focus group discussion form (12 FGDs)	Gain perspectives on attractiveness of agribusiness and textiles sector; respective challenges for women and IDPs; need for support, recommendations and aspirations	IDPs, returnees and host community members
Questionnaire 2.1 and 2.2 (22 agrifood enterprises and 21 textile enterprises)	Identify key constraints and opportunities along the value chain and need for support	Businesses active in the agribusiness and textile sectors
Sector expert interview questions	Validate enterprise survey findings and gain broader picture and expert insights into agribusiness and textile sectors	Sector experts (e.g. Chamber of Commerce, Regional Government, academia, private sector, training centres, NGOs)

14. The list of anonymized interview partners can be found in the Annex.

4. LIMITATIONS



Limited scope of data collection. The data collection was limited to the current project region in Northern Iraq. To better understand differences between governorates, more data would need to be collected from different governorates. Furthermore, given the limited sample sizes and the lack of representativity, the findings cannot be extrapolated at the national level or other regions.

Limited availability of official data. National and governorate-specific data on the number and size of MSMEs, their productivity and their growth trajectories are very sparse. This hinders detailed productivity assessments and sector comparisons.

Balancing inclusivity with long-term opportunities. The study aims to better understand the specific challenges faced by IDPs, women and other vulnerable groups when entering or participating in the labour market and therefore focuses on sectors that are more inclusive for these specific groups. Other sectors that might offer growth opportunities for vulnerable groups in the long term and under specific conditions, for example, better access to formal education, changing cultural norms and significant Government investment, were not included, such as financial technology[15] (fintech), education and transport.

Extent of market system analysis. While the data collection was extensive and business owners and sector experts provided significant input, it would have been valuable to include more interview partners from other supporting functions as well as from the regulatory side (e.g. bank employees, customs intermediaries, or logistics services providers), which would have exceeded the scope and resources for the data collection.

15. UN Economist Network, "Fintech and digital finance for financial inclusion", policy brief, 14 March 2023. Available at www.un.org/sites/un2.un.org/files/fintech4_14_march_2023.pdf.

5. RAPID SECTOR MAPPING

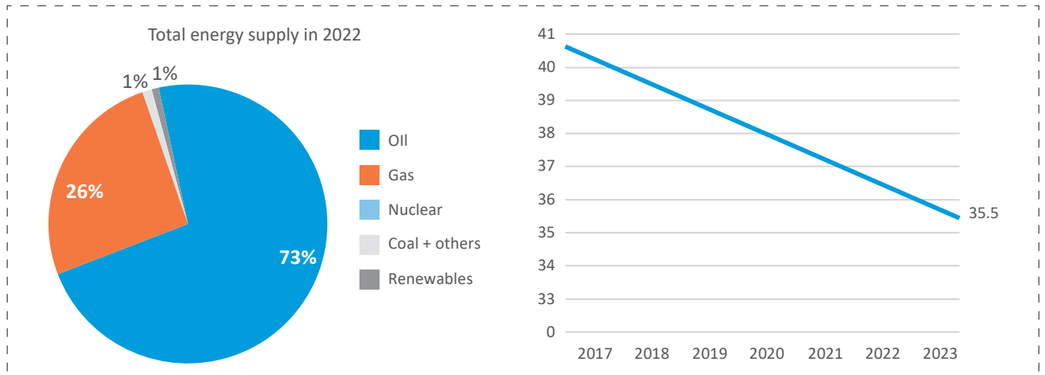


5.1 RENEWABLE ENERGY

5.1.1 OVERVIEW

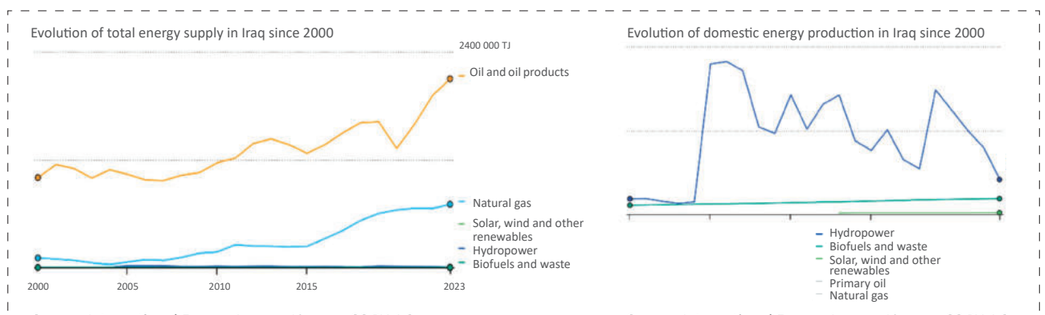
Iraq is heavily reliant on fossil fuels, which exposes the country to the volatility of global oil prices and contributes to environmental degradation. In 2022, electricity production from renewable sources stood at only 1% (see Figure 1). Although it is still at an early stage, the renewable energy sector is growing. Iraq possesses vast renewable energy potential, since the country is rich in renewable energy sources such as solar, wind and hydropower. Scaling up its renewable energy capacity would allow Iraq to reduce its reliance on fossil fuels, boost energy security and create new economic opportunities through the development of green industries.

FIGURE 1. (A) SHARE OF RENEWABLE ENERGY IN TOTAL ENERGY AND (B) PER CAPITA RENEWABLE CAPACITY



Source (Figures 1 and 2): IRENA

FIGURE 2. COMPOSITION OF TOTAL ENERGY SUPPLY IN IRAQ 2000 – 2023 (INCLUDING OIL AND NATURAL GAS AND ONLY RENEWABLES)



Source: International Energy Agency. Licence: CC BY 4.0

Source: International Energy Agency. Licence: CC BY 4.0

Source: International Energy Agency. Available at www.iea.org/countries/iraq/energy-mix.

While hydropower has historically been the country's main renewable source (see Figure 2), its output is increasingly constrained by water scarcity and regional upstream developments. Solar energy has therefore emerged as the primary focus of expansion, supported by high solar irradiation levels and a series of utility-scale project agreements under independent power producer (IPP) models.

5.1.2 TRENDS AND MARKET STRUCTURE

Iraq has announced major plans and initiatives to increase the share of renewable energy. Within the next three years, the country plans to implement at least 1,000 small solar energy projects.[16] By 2030, the Government aims to generate 12 gigawatts (GW) of energy from renewable energy sources through large-scale solar and wind projects in partnership with large foreign companies (e.g. TotalEnergies, PowerChina, Masdar). For that purpose, the Government has initiated investment opportunities in renewable energy worth around USD 6 billion – moving from zero utility-scale solar to a multi-GW pipeline.

TABLE 3. LARGE SOLAR POWER PROJECTS

Project / location	Governorate / region	Estimated capacity	Status (as of 2024–2025)	Notes
Karbala Solar Power Plant	Karbala	~300 MW (phased)	Under construction / early operation	Iraq's first utility-scale solar plant; initial phase reportedly producing power, with full capacity planned through phased expansion
Basra Solar Project (TotalEnergies)	Basra	~1,000 MW	Under development	Flagship project under the Gas Growth Integrated Project; linked to broader energy reforms and gas capture
Erbil Solar Power Plant	Erbil (KRI)	~25–50 MW (reported)	Planned / early development	KRG-led project intended to supply the regional grid; smaller scale than southern projects
Najaf Solar Project	Najaf	~1,000 MW	Planned	Part of national solar roll-out announced by Ministry of Electricity
Babil Solar Project	Babil	~1,000 MW	Planned	Identified among priority governorates for utility-scale solar
Muthanna Solar Project	Muthanna	~1,000 MW	Planned	High solar irradiation zone; often cited in national plans
Dhi Qar Solar Project	Dhi Qar	~1,000 MW	Planned	Included in government announcements with international developers
Nineveh Solar Project	Nineveh	~1,000 MW (indicative)	Concept / early planning	Mentioned in broader investment pipeline rather than confirmed contracts
Distributed Solar (Nationwide)	Nationwide	Hundreds of MW (aggregate)	Ongoing roll-out	Rooftop and institutional solar supported via Central Bank loans and public buildings

While there are many large-scale projects in the pipeline, only one is (partly) operational so far.

16. Jawad Al-Samarraie, "Iraq targets 1,000 solar projects in ambitious 3-year energy plan", Iraqi News, 27 May 2025. Available at www.iraqinews.com/iraq/government-announces-major-solar-energy-push/.

5.1.3 RELEVANCE FOR MSME AND JOB CREATION

The renewable energy sector in Iraq offers significant potential for SMEs, driven by abundant natural resources – particularly solar energy – persistent energy deficits, and growing government support and international collaboration. In line with the Government's focus on promoting SME participation, large-scale solar and hydroelectric projects create opportunities for small enterprises across the value chain, including installation, operation and maintenance, environmental services and related support activities:

- **Solar energy installation and maintenance:** Iraq has among the highest solar radiation levels globally. There is high demand for installing photovoltaic (PV) systems for residential, commercial and agricultural use to reduce reliance on the unreliable national grid and expensive local diesel generators.
- **Off-grid and hybrid solutions:** SMEs can specialize in providing small- to medium-scale distributed energy solutions in areas where the national grid is weak or non-existent. These solutions offer a more affordable and stable power source compared to traditional generators.
- **Energy efficiency services:** Opportunities exist for SMEs to offer services focused on improving energy efficiency, which is a key part of Iraq's energy transition strategy.
- **Waste-to-energy solutions:** Innovative approaches such as methanation and pyrolysis can turn organic and other waste (e.g. tyres) into biogas, biochar and other usable products. This addresses waste management issues while producing energy and other valuable commodities.
- **Ancillary services and supply chain:** SMEs can engage in the import, assembly, and distribution of renewable energy components (solar panels, inverters, batteries) and offer related training and consultancy services.

5.1.4 RELEVANT PLAYERS, PROJECTS, LAWS AND REGULATIONS

In federal Iraq, the renewable energy sector is led by the Ministry of Electricity, which oversees policy, planning and the implementation of national renewable energy projects. International energy companies play a major role in project development, including TotalEnergies and Masdar, with additional interest from regional and global players such as ACWA Power and PowerChina. International financial institutions such as the World Bank and development agencies, for example, the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), support the sector through regulatory reforms, investment frameworks and infrastructure development. Complementing these efforts, smaller foundations – such as the Rwanga Foundation – are implementing solar energy projects aimed at empowering rural communities. Together, these actors constitute the core ecosystem underpinning the early-stage development of Iraq's renewable energy sector.

In the Kurdistan Region, the sector is led by the Ministry of Electricity of the Kurdistan Regional Government, which is responsible for electricity policy, licensing and renewable energy planning in the region. The region has placed increasing emphasis on private investment in solar energy and decentralized generation to address electricity shortages and diversify energy supply. Local companies play a more prominent role than in federal Iraq, including Kar Group and Mass Group Holding, both active in power generation and emerging solar investments. In parallel, smaller private developers and solar installation firms are expanding in urban centres such as Erbil and Sulaymaniyah, reflecting growing demand for rooftop solar and decentralized renewable systems among households and businesses.

Renewable energy lacks a fully enacted, dedicated law in Iraq. The Draft Renewable Energy Law from 2023[17] has not yet been enacted. Currently, the sector is governed by interim policies and executive measures,[18] and the existing Investment Law (Law No. 13), which creates the basis for renewable energy investment. Electricity sector reform and emissions commitments will shape the final renewable regulatory framework (see Table 4).

17. The first iteration was prepared in 2018 with UNDP support.

18. For example, Ministerial and Prime Minister's Office Decisions (measures to fast-track renewable energy project approvals at provincial and federal levels have been approved by the Economy Ministerial Council. Technical plans and requests for proposals (RFPs) have been issued for solar deployment at governmental buildings and broader grid integration.

TABLE 4. SELECTED RELEVANT LAWS AND REGULATIONS IN THE RENEWABLE ENERGY SECTOR

Law / Legal or Regulatory Mechanism	Content
Draft Renewable Energy Law	Iraq has a Draft Renewable Energy Law, but it has not yet been enacted.[19] This law would establish the legal basis for renewable energy development, provide a regulatory framework for renewable energy projects, establish clear authorities and procedures for licensing and oversight, support the integration of solar, wind and other renewable sources into the national grid and clarify investment rules and incentives for renewables.
National Investment Law No. 13 (2006)	Although not specific to renewable energy, it is central to renewable energy investors because it provides a stable legal framework to attract investment in solar or wind energy manufacturing and projects. Key aspects relevant to renewable energy: non-discrimination – foreign investors enjoy the same rights as Iraqi ones; tax incentives and exemptions – including tax holidays and customs exemptions for new investments.
Draft support mechanisms	Some draft support mechanisms are being developed under the Ministry of Electricity: feed-in tariff proposals; net-metering schemes; fiscal incentives to encourage solar PV uptake; and the adoption of technical codes for grid integration of solar power.
Electricity sector policies (ongoing reforms)	While not renewable energy specific, Iraq's broader electricity sector policies and reforms affect how renewables will be incorporated. Ongoing reforms to tariffs, billing and transmission aim to make the power sector more efficient and attractive for IPPs. Policies addressing grid modernization are emphasized in international assessments as necessary preconditions for meaningful renewable integration.
Nationally Determined Contribution (UNFCCC) (active, conditional targets)	Emissions reduction targets with renewables implied
Interim renewable initiatives & RFPs (administrative actions)	Pilot solar projects and approvals

TABLE 5. SELECTED RELEVANT PROJECTS IN THE RENEWABLE ENERGY SECTOR

Project / Programme	Lead org. (implementer)	Core focus	Geographic focus	Status/Duration
Catalysing the Use of Solar Photovoltaic Energy in Iraq	UNDP	Demonstration of solar PV technologies; development of standards and policy frameworks; and support for regulatory reforms to promote renewable energy adoption	Nationwide	2012–2017 (with follow-up policy work)
Energy Transition: From Policies to Actions in the Power Sector of Iraq	UNDP with UK Government funding	Policy road map for integrating renewables into the power sector, analysis of investment frameworks and energy transition pathways	Nationwide	2024–2026
Mashreq Digital and Energy Transition Support Programme	World Bank / ESMAP	Technical assistance for energy sector reforms, renewable integration, and regional energy market development	Regional (Iraq, Jordan, Lebanon	2019–ongoing
Solar Energy Development Programme (1 GW Solar Initiative)	Government of Iraq with Masdar (UAE) and international partners	Development of five solar PV plants totalling around 1 GW capacity to increase renewable electricity generation	Nationwide (Dhi Qar, Ramadi, Mosul, Amarah)	2021–ongoing
Green Lending and Renewable Energy Financing Initiative	GIZ	Analysis and development of financing mechanisms for photovoltaic investments; cooperation with banks and financial institutions to support solar installations	Kurdistan Region of Iraq	2023–ongoing
Solar Energy Access and Rural Electrification Initiatives	NGOs and development agencies (e.g. Welthungerhilfe and partners)	Solar-powered water pumping and decentralized energy solutions to support rural livelihoods and climate resilience	Localized areas (e.g. Sinjar)	2022–ongoing

19. Regional Centre for Renewable Energy and Energy Efficiency (RCREEE) (2025).

5.1.5 CHALLENGES

- **Dominance of state-owned utilities.** The electricity sector is dominated by state-owned utilities with limited financial viability, high losses and delayed payments. For SMEs, this creates serious off-taker risk, making it extremely difficult to secure bankable power-purchase agreements or long-term contracts. As a result, most SMEs are effectively excluded from grid-connected projects and pushed into small, off-grid or behind-the-metre solar systems, which limits scale and revenue certainty.
- **Institutional fragmentation.** The federal-regional fragmentation that hinders policy coherence remains a structural challenge. The Kurdistan Regional Government (KRG) has historically pursued different legal regimes for energy that may overlap with federal frameworks.
- **Transmission bottlenecks.** Decades of conflict have left the grid fragile, and corruption causes project delays.
- **Financial instability, heavy electricity subsidies, outdated infrastructure and reliance on imported fuels distort incentives for investment in new energy technologies.** Because electricity tariffs are far below cost and the sector struggles to recover operational expenses, large-scale renewable investments remain difficult to integrate into the system.
- **Lack of specialized technical skills.** Many smaller enterprises lack specialized technical skills in system design, installation, operation and maintenance, quality assurance and grid integration. Access to certified technicians, engineering expertise and reliable suppliers is often limited, increasing the risk of poor system performance or reputational damage. This is especially challenging in markets where renewable energy is relatively new, and training ecosystems are still developing.
- **No comprehensive stand-alone renewable energy regulation.** Currently, Iraq does not yet have a fully operative renewable energy law, renewable generation target or comprehensive support scheme such as feed-in tariffs or renewable portfolio standards under national legislation.
- **There is also a need for broader electricity sector reform.** Grid and market rules are pending modernization. Modern grid codes and electricity market structures that reliably integrate independent renewable producers are still under reform, as highlighted in UNDP and IRENA assessments.
- **Limited access to finance.** According to the International Renewable Energy Agency, limited access to affordable financing, combined with perceived investment risks, is a major barrier to renewable energy deployment in Iraq and other emerging markets.[20] Domestic banks often have limited experience financing renewable energy projects and are reluctant to provide long-term loans. Iraq lacks well-developed financing instruments such as green funds, concessional loans or risk-sharing facilities that could support private renewable energy investment. As a result, large projects are typically developed by international energy companies with stronger access to capital, while SMEs face greater barriers to entry.

5.1.6 OPPORTUNITIES

- **Political commitment.** The Government has announced ambitious renewable energy targets (10-12 GW by 20230). Solar energy is included in the national energy diversification plans. The Central Bank of Iraq has set up a renewable energy financing initiative. Iraq's most recent Nationally Determined Contribution (NDC)[21] under the United Nations Framework Convention on Climate Change (UNFCCC) includes energy sector emissions reduction and energy efficiency components, signalling a formal commitment to reduce greenhouse gas emissions, support low-emission development pathways and integrate cleaner energy into national climate strategy.
- **Large project pipeline.** Framework agreements have been signed with international developers, and the IPP model is becoming more important.
- **Abundant solar resources.** Iraq has a very high solar irradiation level (≈1,800–2,200 kWh/m² annually) and large desert areas suitable for utility-scale projects.
- **Strong domestic electricity demand.** Chronic electricity shortages create guaranteed demand. The high reliance on expensive diesel generators creates significant opportunities for renewable energy.
- **Strategic geographic location.** There is potential for future interconnections with Gulf States and regional grids as well as export potential for green energy in the long term.
- **Main investment opportunities exist in:**
  - utility-scale solar expansion (Multi-GW solar parks, EPC and O&M service demand)
  - distributed solar market (rooftop solar for

20. International Renewable Energy Agency (2025).

21. United Nations Framework Convention on Climate Change, "Nationally determined contributions (NDCs)". Available at https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs.

commercial and industrial users, net-metering potential, off-grid/hybrid systems)
  - grid modernization and storage (battery storage projects, smart grid solutions, digital metering systems)
- **Climate finance and international funding.** The sector offers high potential for projects with multilateral development banks, green finance mechanisms and carbon reduction initiatives.
- **Job creation and economic diversification.** The sector offers potential for installation and maintenance employment, technical service development and SME participation in value chains.
- **Environmental benefits.** Reduction of dependence on fossil fuels and reduction of gas flaring (solar substitution for gas-fired peak plants).

5.2 CONSTRUCTION

5.2.1 OVERVIEW

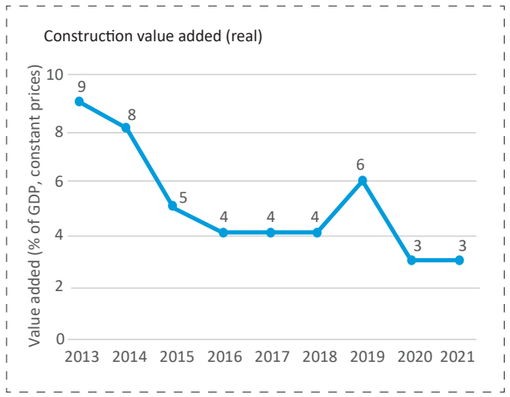
The building and construction sector is a key pillar of Iraq's economy and a critical driver of recovery and development. As a highly labour intensive sector, it has strong potential to create employment, particularly for low and semi skilled workers, while contributing to economic diversification and improved access to housing, infrastructure and basic services.

The sector has faced major challenges over the past two decades (see Figure 3), including infrastructure destruction during the ISIS conflict and reduced public investment following economic shocks, including the COVID 19 pandemic and declining oil revenues. These factors have disrupted project pipelines and employment across regions. Public construction projects follow a centralized approval and financing process led by government institutions, while private projects require licensing through the National Investment Commission. Despite ongoing constraints related to finance, regulation and infrastructure, the sector remains central to job creation and post conflict reconstruction, with future performance dependent on sustained public investment and a more enabling environment for private contractors and MSMEs.

5.2.2 TRENDS AND MARKET STRUCTURE

Iraq's construction industry is undergoing gradual expansion, with forecasts projecting real-term growth of around 5.2–5.5 % in 2025 and continued moderate growth through 2029, driven by infrastructure, housing, energy and transport projects. Both public investment (e.g. ports, airports, railways, metros) and private investment are key drivers of this growth. Major infrastructure projects like the Al-Faw Grand Port, Nasiriyah International Airport and the planned Baghdad Metro are examples of flagship government-led efforts stimulating the construction ecosystem.

FIGURE 3. VALUE ADDED OF THE CONSTRUCTION SECTOR AS % OF THE GDP, 2013 - 2021

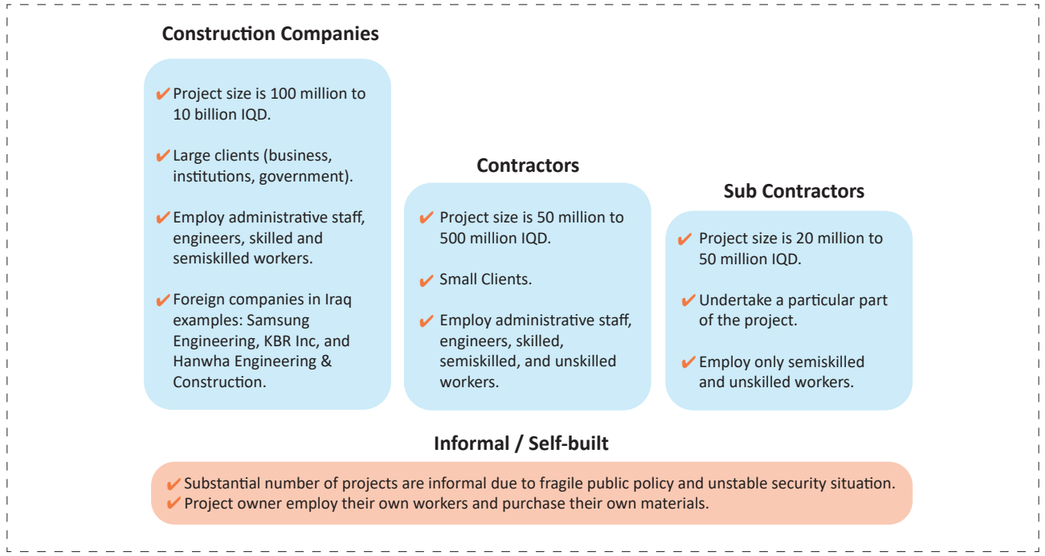


Source: ILO (2025).

5.2.3 RELEVANCE FOR MSME AND JOB CREATION

Four main types of establishments operate in the construction sector: construction companies, contractors, subcontractors and informal or self-built establishments. Construction companies typically serve large clients, such as government entities, businesses and public institutions and are occasionally commissioned by high-income households. They usually employ a mix of administrative staff, engineers and skilled and semi-skilled workers. A significant share of large-scale construction projects is implemented by foreign firms – often linked to the oil and gas sector – such as ENI (Italy), Shell (USA) and Lukoil (Russia). Contractors generally handle smaller projects, typically valued between 50-500 million IQD and employ a diverse workforce that includes engineers, administrative personnel and workers across all skill levels. Subcontractors focus on specific components of construction projects and usually operate on contracts valued between 20 and 50 million IQD. Their workforce is predominantly semi-skilled or unskilled. A substantial portion of construction activity takes place informally, influenced by factors such as weak institutional capacity, a volatile security environment and limited regulatory enforcement. In many cases, households undertake construction activities themselves, procuring materials independently and hiring workers on an ad hoc basis.

FIGURE 4. ENTERPRISE TYPES IN THE BUILDING AND CONSTRUCTION SECTOR



Source: KAPITA (2021).

The construction sector is strategically important for Iraq's labour market, as it is the largest employer across all economic activities, accounting for 16.3% of total employment or approximately 1.4 million jobs.[22] Employment in the sector has expanded over the past five years, driven largely by strong demand for reconstruction, alongside substantial private-sector involvement. In 2018, construction accounted for an estimated 15% of private-sector employment.[23] By 2021, this share had increased by more than 10 percentage points to over one-quarter (26%) of all private-sector employment.

Previous research highlights the construction sector as a key, short-term source of job creation in Iraq, driven by post-conflict reconstruction needs, ongoing maintenance of basic infrastructure and severe housing and social-infrastructure shortages, including a shortage of schools. Beyond direct employment, the sector generates important indirect jobs through strong backward linkages with other industries, particularly **construction materials manufacturing, which is the second-largest manufacturing subsector after food processing.**[24]

Construction also contributes to productivity gains by reducing transaction costs through infrastructure rehabilitation, improved road connectivity and better access to schools, health facilities and labour markets.[25] Overall, employment in Iraq's construction sector represents a relatively large share of total jobs and has grown faster than the regional average.

5.2.4 RELEVANT PLAYERS, PROJECTS, LAWS AND REGULATIONS

The construction sector in Iraq involves a broad range of actors, including government institutions, domestic construction firms, international contractors, development partners and manufacturers of construction materials, such as cement and steel. At the federal level, public authorities – most notably the Ministry of Construction, Housing, Municipalities and Public Works and the National Investment Commission – play a central role in planning infrastructure, housing and urban development projects, with large reconstruction and infrastructure programmes often supported by development partners, such as the World Bank and UNDP. International engineering and construction firms participate primarily in large-scale infrastructure and energy projects, while domestic firms dominate small- and medium-scale works. A key supporting industry is construction materials manufacturing, particularly cement production, led by companies such as Lafarge Iraq (Holcim Group), Lucky Cement and Kurdish industrial

22. CSO et al. (2022).
23. World Bank (2018).
24. World Bank (2018).
25. ILO (2025).

groups, including Mass Group Holding, which operate major plants supplying domestic demand and, in some cases, export markets.

In the Kurdistan Region, the construction sector is overseen by the Kurdistan Regional Government through its investment authorities and infrastructure ministries. The region has attracted significant private investment in real estate and urban development, especially in Erbil and Sulaymaniyah, where local conglomerates and regional construction firms play a prominent role. The KRI also hosts several large cement manufacturing facilities, notably those operated by Lucky Cement and Mass Group Holding, supplying both regional and national markets. Supported by a strong industrial base and relatively favourable investment conditions, the Kurdistan Region has emerged as an important hub for construction materials production and large-scale real estate development, complementing reconstruction and infrastructure activity in federal Iraq.

TABLE 6. SELECTED RELEVANT LAWS AND REGULATIONS IN THE CONSTRUCTION SECTOR

Law / Policy	Year	Responsible institution	Main focus	Relevance for construction sector
Investment Law No. 13	2006 (amended 2015)	National Investment Commission	Investment promotion and private-sector participation	Provides incentives and legal framework for domestic and foreign investment in infrastructure, housing and construction projects
Public Procurement Law / Government Contracts Regulations	Various regulations	Ministry of Planning	Public procurement and tendering procedures	Governs how government construction contracts are tendered and awarded, including infrastructure and public works projects
Urban Planning Law No. 156	1971	Ministry of Construction, Housing, Municipalities and Public Works	Urban planning and land-use regulation	Establishes rules for city planning, zoning and development of urban infrastructure
Municipal Administration Law No. 165	1964 (amended)	Municipal authorities	Local governance and municipal services	Regulates local authority responsibilities for building permits, public works and urban services
Building Code and Engineering Standards (various regulations)	Various	Ministry of Construction and Engineering Associations	Technical standards for construction	Defines engineering standards, building safety requirements and design guidelines for construction projects
Labour Law No. 37	2015	Ministry of Labour and Social Affairs	Labour standards and employment regulation	Sets rules for employment conditions, occupational safety and worker protection in construction and other sectors
Industrial Investment and Production Laws	Various	Ministry of Industry and Minerals	Industrial production and manufacturing	Governs production of construction materials, such as cement, steel and other building materials
National Housing Policy and Housing Programmes	Various policy frameworks	Ministry of Construction, Housing, Municipalities and Public Works	Housing development	Provides policy guidance for large housing projects and urban development programmes
National Development Plans (e.g. 2018–2022, 2024–2028)	Various	Ministry of Planning	Economic development strategy	Sets national priorities for infrastructure development, housing and reconstruction
Environmental Protection and Improvement Law No. 27	2009	Ministry of Environment	Environmental regulation	Requires environmental impact assessments for large infrastructure and construction projects

International development institutions play a significant role in supporting construction and infrastructure development in Iraq. The World Bank has financed several major reconstruction initiatives, including the Reconstruction and Rehabilitation of Liberated Areas Project, which supports rebuilding damaged infrastructure and restoring municipal services in conflict-affected cities. The World Bank has also supported infrastructure rehabilitation through projects such as the Emergency Water Supply, Sanitation and Urban Reconstruction Project and the Emergency Operation for Development Project. More recently, new investments such as the Iraq Railways Extension and Modernization Project aim to upgrade transport infrastructure linking Umm Qasr port with Mosul, improving trade connectivity and creating employment opportunities. These initiatives form part of a broader reconstruction and investment framework designed to rebuild infrastructure and support economic recovery in Iraq.

5.2.5 CHALLENGES

- **Heavy dependence on oil revenues and limited economic diversification** reduce demand for sustained construction investment. The sector is highly sensitive to oil price fluctuations that affect government spending on infrastructure.
- **Strong reliance on public funding makes the sector highly sensitive to government capacity, political dynamics and security conditions.** Periods of unrest and conflict–most notably between 2014 and 2017 – led to widespread destruction of infrastructure and housing and sharp declines in construction activity (see Figure 3).
- **Corruption and procurement risks remain a major constraint, discouraging private investment and undermining compliance with laws and regulations.**[26] In 2025, Iraq ranked 136 out of 182 countries in Transparency International's Corruption Perceptions Index, despite a gradual improvement trend.[27]
- **Project execution challenges are common and often linked to contractor performance,** including weak leadership, poor team selection and insufficient technical qualifications. Project outcomes are further affected by inadequate designs and specifications, payment delays and excessive client interference.[28]
- **Institutional and regulatory bottlenecks,** including complex administrative procedures, unclear regulations and slow permitting processes, continue to delay project implementation and increase costs.
- **Limited access to finance for MSMEs.** Small contractors often struggle to obtain credit, equipment financing or guarantees required for construction projects.
- **Competition from large international contractors.** Local SMEs may struggle to compete with international firms on large infrastructure projects.
- **Skills shortages and productivity gaps**. Lack of technical skills and modern construction technologies reduces efficiency and quality in some projects.
- **Precarious working conditions remain widespread** in the construction sector, where a large share of employment is informal, unregulated and based on temporary or day labour (casual work). Although labour laws in federal Iraq and the draft labour law in the KRI formally grant temporary and casual workers the same rights as permanent workers, practical mechanisms to enforce these provisions and ensure effective coverage remain largely absent.[29]
- **Infrastructure and supply chain constraints.** Electricity shortages, logistics challenges and outdated infrastructure increase construction costs.
- **Environmental and climate challenges.** Extreme heat and water scarcity increase costs and complexity for infrastructure projects.

5.2.6 OPPORTUNITIES

- The Iraqi construction sector presents significant opportunities for MSMEs and job creation, largely driven by reconstruction needs, urban expansion and growing demand for infrastructure and housing. The following areas offer the largest opportunities for MSMEs and employment generation:
  - **Reconstruction and infrastructure development.** Years of conflict and underinvestment have created substantial demand for rebuilding roads, bridges, housing, public facilities and energy infrastructure. Large infrastructure projects typically involve major contractors, but they generate extensive subcontracting opportunities for MSMEs in areas such as earthworks, masonry, electrical installation, plumbing and finishing works. Reconstruction and infrastructure investment are among the most effective ways to generate employment in Iraq, as construction projects create large numbers of jobs across the supply chain.[30]
  - **Housing and urban development.** Iraq faces a significant housing shortage due to population growth and urbanization, which is driving demand for residential construction. This creates opportunities for small construction firms, contractors and service providers involved in building, renovation and maintenance of housing. The development of new urban areas and real-estate projects – particularly in cities such as Baghdad, Basra and Erbil – also stimulates demand for construction services and materials.
  - **Local production and supply of construction materials.** The expansion of construction activity increases demand for materials such as cement, steel, bricks and prefabricated components. SMEs can participate in manufacturing and supplying these materials or in related services such as transportation, logistics and equipment rental. The strong

26. Al-karawi, Sultan (2018).
27. ransparency International, Corruption Perceptions Index 2025, CPI database. Available at www.transparency.org/en/cpi/2025/index/irq.
28. Mahmoud, A.H. (2020).
29. ILO (2025).
30. World Bank (2019).

domestic cement industry – including companies such as Lafarge Iraq and Lucky Cement – also supports a network of smaller suppliers and distributors.
    - **Green construction and energy-efficient buildings.** As Iraq begins to invest in renewable energy and climate-resilient infrastructure, there is increasing demand for solar installations, energy-efficient building materials and sustainable construction techniques. SMEs can play an important role in installing rooftop solar systems, improving insulation and providing energy-efficient construction services.
- **Construction has strong employment multipliers.** The sector is labour-intensive and absorbs large numbers of workers with varying skill levels, from engineers and technicians to skilled traders and casual labourers. This makes it a key sector for job creation, particularly for young workers and returning migrants.
- **Digitalization and modern construction technologies.** The adoption of digital project management, Building Information Modelling (BIM) and prefabrication can increase productivity.
- **Large domestic market and population growth.** Rapid urbanization and population growth drive demand for housing, urban infrastructure and commercial buildings.
- **Abundant domestic construction materials.** Iraq has a relatively large cement industry and access to raw materials for construction.
- **Growing interest from international investors and contractors.** Reconstruction and infrastructure projects attract international companies and development partners.

5.3 TOURISM

5.3.1 OVERVIEW

Iraq possesses a rich cultural heritage, religious significance and diverse natural landscapes, including six UNESCO Heritage Sites.[31] Following decades of conflict and instability, the tourism sector has shown a strong recovery in recent years. However, Iraq's share of global tourism remains limited, with around 892,000 international arrivals (0.1% of worldwide tourist traffic).[32] Religious tourism continues to dominate the sector.

Religious tourism is the most significant segment of Iraq's tourism industry and a major driver of local economies, particularly in the holy cities of Karbala, Najaf and Samarra. Iraq hosts some of the most significant pilgrimage sites in Shia Islam, including the shrines of Imam Hussein in Karbala and Imam Ali in Najaf, which attract millions of visitors annually. The annual Arbaeen pilgrimage alone draws more than 21 million pilgrims each year,[33] making it one of the largest religious gatherings globally, with visitors from over 50 countries. Overall, the majority of Iraq's international visitors travel for pilgrimage purposes, generating substantial economic activity and employment in accommodation, food services, transport, retail and other pilgrimage-related services. In the Kurdistan Region of Iraq, religious tourism plays a smaller but still relevant role, with key destinations including Lalish (the holiest site of the Yazidi religion) and Islamic shrines and monasteries that attract regional visitors. Taken together, religious tourism constitutes a central pillar of Iraq's tourism economy and is an important source of jobs and small business opportunities in both federal Iraq and the Kurdistan Region.

5.3.2 TRENDS AND MARKET STRUCTURE

Iraq's tourism sector is experiencing strong growth, with revenues reaching USD 5.7 billion in 2024 – up 25% from USD 4.6 billion in 2023[34] – driven primarily by religious tourism, particularly from Iran and Türkiye, and by rehabilitated cultural sites in the Kurdistan Region. The sector contributes around 3–5.4% of GDP and is increasingly viewed as a key non-oil pillar for economic diversification. In this context, the Government has launched a national tourism development strategy, prepared by the Tourism Authority under the Ministry of Culture, Tourism and Antiquities, aiming to attract around 10 million international tourists by 2035. The strategy focuses on rehabilitating major archaeological and cultural sites, improving tourism infrastructure, strengthening human resource capacity and expanding cultural, heritage and nature-based tourism. It also promotes international events – such as the Babylon International Festival – and seeks to enhance international marketing of Iraq's historical and religious destinations. These efforts are complemented by cooperation with international partners (e.g. GIZ), and measures to encourage private investment in tourism infrastructure and services. In 2025, Baghdad was selected as the Arab Capital of Tourism 2025 by the Arab Tourism Organization.

Similarly, the KRG is planning to significantly grow the tourism sector, aiming to attract 20 million tourists annually by the year 2030.[35] Over the last five years, 80 strategic tourism projects have been carried out throughout the Kurdistan Region with a value of more than USD 7.5 billion, complemented by more than 700 road projects to improve access to the sites. As of October 2025, Kurdistan had 3,100 designated tourist sites, 482 hotels, 282 motels, nearly 1,000 restaurants, 44 large-scale tourist complexes, 700 registered tourism companies and capacity to accommodate 100,000 tourists. While the number of international tourists is on the rise, most tourists in the Kurdistan Region come from southern and central Iraq.[36]

5.3.3 RELEVANCE FOR MSME AND JOB CREATION

The tourism sector in Iraq has significant potential to support MSMEs and generate employment, particularly through religious tourism, cultural heritage tourism and related service industries. Millions of pilgrims visit religious sites such as Najaf and Karbala each year, creating strong demand for services including accommodation, restaurants, transport, retail and tour services. These activities are typically managed by small and family-run businesses. These tourism value chains provide opportunities for MSMEs not only in hospitality but also in food supply, handicrafts, construction and maintenance of tourism facilities, and local transport services. Because many tourism services are labour-intensive and require relatively low entry barriers, the sector can generate large numbers of jobs for youth, women and informal workers, particularly in urban pilgrimage centres and surrounding regions. According to assessments by the World Bank and the World Tourism Organization, tourism development in emerging economies can stimulate local entrepreneurship and employment by linking small enterprises to broader tourism value chains.[37] In Iraq, strengthening tourism infrastructure, improving service quality and promoting cultural and religious destinations could therefore play an important role in expanding MSME activity and creating new jobs across multiple sectors of the economy.

Opportunities for MSMEs in the tourism sector include:

(1) Cultural and heritage site services
- Tour guide services (archaeological sites, specialized tours)
- Crafts, souvenirs and local products
- Heritage-based cultural events (e.g. cultural performances, workshops, etc.)

(2) Tourism infrastructure and hospitality services
- Local cafés, street food vendors, traditional restaurants, food experiences
- Boutique hotels, guesthouses, B&Bs, homestays
- Transport and logistics (e.g. shuttle services, guided transport packages, bike rentals, transfers between airports, cities and tourist spots)

(3) Niche segments
- Agrotourism and ecotourism (e.g. farm-stay and agricultural experiences, rural tours, nature-based activities – hikes, animal watching, etc.)
- Religious tourism support (e.g. pilgrim services, hospitality solutions, guided spiritual tours, selling of religious materials)
- Adventure and outdoor tourism (mountaineering, trekking, etc.)

(4) Site revival and conservation support services
- Restoration and conservation MSMEs (e.g. historical restoration, site maintenance, landscaping, protective structures; potentially in collaboration with local authorities or NGOs)[38]

(5) Digital and tech solutions
- Tourism apps, digital maps, AR/VR interactive guides (would also allow for access to broader markets), online booking platforms
- Development of websites, blogs, social media channels, multilingual travel guides to promote tourist sites

31. They are the ancient cities of Hatra, Ashur and Babylon; the towering Erbil Citadel; the vast archaeological city of Samarra; and the mixed natural-cultural site of the Ahwar of southern Iraq.

32. World Bank, "International tourism, number of arrivals – Iraq", World Development Indicators. Available at https://data.worldbank.org/indicator/ST.INT.ARVL?locations=IQ (based on UN Tourism, *Yearbook of Tourism Statistics and Compendium of Tourism Statistics*).

33. "Over 21 million visitors gather in Karbala for Arbaeen commemoration", *Shafaq News*, 25 August 2025. Available at https://shafaq.com/en/Iraq/Over-21-million-visitors-gather-in-Karbala-for-Arbaeen-commemoration.

34. Amr Salem, "Iraq's tourism revenues surge to $5.7 billion", *Iraqi News*, 5 October 2025. Available at www.iraqinews.com/iraq/iraqs-tourism-revenues-surge-to-5-7-billion/.

35. "Kurdistan's tourism boom creates 20,000 jobs as KRG's strategic vision transforms sector", Kurdistan24, 25 October 2025. Available at www.kurdistan24.net/en/story/871347/kurdistans-tourism-boom-creates-20000-jobs-as-krgs-strategic-vision-transforms-sector.

36. Tourists from southern and central Iraq spend between USD 250 and 350, international tourists spend about 2000 dollars USD per trip. Shanya Salar, "Foreign tourists spend an average of $1,500 during one-week visits to the Kurdistan Region", Channel 8, 8 July 2026. Available at https://channel8.com/english/news/61066; "Over 300,000 tourists visit Kurdistan Region during Eid Al-Adha", +964, 23 July 2024. Available at https://en.964media.com/21353/.

37. World Bank (2023).

38. Cathrin Schaer, "Iraq's ambitious tourism plans: Impossible dream come true", Deutsche Welle, 21 March 2025. Available at www.dw.com/en/iraqs-ambitious-tourism-plans-impossible-dream-come-true/a-71975801.

5.3.4 RELEVANT PLAYERS, PROJECTS, LAWS AND REGULATIONS

The tourism sector in Iraq involves a combination of government institutions, religious authorities, private tourism businesses and international partners, reflecting the strong role of pilgrimage tourism and cultural heritage in the country. At the national level, tourism policy and regulation are primarily overseen by the Ministry of Culture, Tourism and Antiquities, which supervises the development of tourism policies, licensing of tourism enterprises and management of cultural sites. Within the Ministry, the State Board of Antiquities and Heritage plays a key role in protecting and managing archaeological and historical sites that form the basis for cultural tourism. Investment in tourism infrastructure is also facilitated by the National Investment Commission, which promotes domestic and foreign investment in hotels, tourism complexes and related facilities. Because religious tourism dominates Iraq's tourism sector, religious institutions and shrine administrations are also important actors. The management of major pilgrimage sites – such as the shrines in Najaf and Karbala – by religious authorities plays a crucial role in organizing pilgrimage flows, providing services and coordinating with local authorities during large religious events. The private sector includes travel agencies, tour operators, hotels, restaurants, transport companies and pilgrimage service providers, many of which are SMEs. These businesses supply accommodation, transportation, guiding services and other tourism-related activities, particularly in pilgrimage cities. International organizations and development partners – including the World Bank and UNDP – support tourism development through projects focused on heritage preservation, infrastructure development and tourism sector planning. Together, these actors form the institutional and economic ecosystem shaping tourism development in Iraq.

In the Kurdistan Region of Iraq, tourism governance is largely handled by the Kurdistan Regional Government through its tourism authorities, which promote domestic and regional tourism to cultural, natural and religious sites in cities such as Erbil and Sulaymaniyah.

Iraq's Tourism Authority, part of the Ministry of Culture, Tourism, and Antiquities, announced in January 2026 that it is preparing a national strategy to develop the tourism sector through 2035, with the ambitious goal of attracting up to 10 million tourists and increasing the sector's contribution to the GDP to 10%.[39] In this context, the Government is rolling out investment strategies to grow tourism's share of GDP and attract international visitors, including planning for tourist-focused development zones, fiscal incentives and easier licensing.

TABLE 7. RELEVANT LAWS AND REGULATIONS IN THE TOURISM SECTOR

Law/ Policy	Year	Responsible institution	Main purpose	Relevance for tourism
Tourism Law No. 14	1996	Ministry of Culture, Tourism and Antiquities	Establishes the main legal framework for tourism activities	Regulates tourism businesses, licensing of tourism facilities and the role of public authorities in tourism development
Antiquities and Heritage Law No. 55	2002	State Board of Antiquities and Heritage	Protects and manages archaeological and heritage sites	Governs the preservation and tourism use of major historical sites, such as Babylon, Ur and Hatra
Investment Law No. 13	2006 (amended 2015)	National Investment Commission	Promotes domestic and foreign investment	Provides incentives, such as tax exemptions, for investors in tourism and infrastructure (hotels, resorts, tourism complexes)
Visa and entry policy reforms	2021–2025	Government of Iraq / Ministry of Interior	Facilitates international tourism	Introduce e-visa systems and changes to visa-on-arrival rules to manage tourist flows
National Tourism Strategy (to 2035/2045)	Ongoing	Iraqi Tourism Council with international partners	Aims to expand tourism sector and attract international visitors	Strives to attract 10 million foreign tourists by 2035 through restoration of archaeological sites and tourism infrastructure development
Draft Tourism Law (under development)	2026	Ministry of Culture, Tourism and Antiquities / Iraqi Parliament	Modernizes the tourism regulatory framework	Updates tourism legislation to improve governance of tourism facilities, investment procedures and institutional structures for tourism development

39. In countries like Egypt, Tunisia, Morocco and the United Arab Emirates, where tourism is already developed, the sector makes up between about 7% and 9% of national income.

5.3.5 CHALLENGES

- **Underdeveloped tourism infrastructure and degraded heritage assets.** Persistent infrastructure gaps around key tourism sites – including poor road access, utilities and digital connectivity – combined with limited transport systems, accommodation capacities and tourism services constrain the sector's growth. Years of conflict have also damaged many cultural heritage sites and infrastructure and caused environmental degradation.
- **Bureaucracy and licensing obstacles.** For tourism businesses, burdensome procedures can involve tourism authority approvals, municipal permits, land use and zoning permissions and business registration and tax licensing.
- **Weak marketing and global image.** Decades of war, conflict and instability have severely damaged the tourism industry and discouraged international visitors. Many western countries still advise citizens against travelling to Iraq. There is a need to improve security perception for international tourists in some regions. Iraq also lacks an effective tourism promotion strategy.
- **Security, political instability and climate change.** Nearby conflicts – such as in Gaza (State of Palestine) and Iran – and climate change, which is making Iraqi summers increasingly unsuitable for travel, affect tourism in the country. Political instability and regional conflicts remain major deterrents to international tourism.
- **Economic dependence on neighbouring markets.** Tourism in cities like Najaf depends heavily on visitors from neighbouring countries, especially Iran; economic shocks in these markets can reduce arrivals.
- **Competition from other Middle Eastern destinations.** Countries such as Jordan, the United Arab Emirates (UAE) and Türkiye offer more developed tourism infrastructure and stronger global tourism brands.
- **Shortage of skilled tourism workforce.** There is limited training and expertise in tourism management and hospitality services.

5.3.6 OPPORTUNITIES

- **Rich cultural and historical heritage.** Iraq is home to ancient Mesopotamian civilizations and thousands of archaeological sites, including Babylon and the ancient city of Ur. The country reportedly has more than 12,000 historical and archaeological sites, giving it strong potential for heritage tourism.
- **Strong religious tourism market.** Iraq hosts major Shia pilgrimage destinations such as Najaf and Karbala, attracting millions of visitors annually. Cities like Karbala contain hundreds of hotels and depend heavily on pilgrimage tourism.
- **Diverse tourism resources.** Tourism opportunities include religious tourism, archaeological tourism, ecotourism and natural landscapes, such as mountains and marshlands. The Kurdistan Region offers mountain resorts and nature tourism destinations.
- **Strategic geographic location.** Iraq lies between major tourism markets in the Middle East, Europe and Asia, potentially making it an accessible regional destination.
- **The domestic tourism sector.** Domestic tourism offers vast opportunities, particularly in developing traditional handicrafts for tourists, as demonstrated by UNDP and USAID programmes aimed at empowering women and youth.
- **Government tourism strategies and investment plans.** Iraq has launched a national tourism strategy (2025–2035) aiming to increase tourism's contribution to GDP to 5–10%.
- **Growth of niche tourism segments.** Potential growth areas include ecotourism, religious pilgrimage tourism, sports tourism and heritage and archaeological tourism.
- **Development of cultural and heritage tourism.** Restoration of archaeological sites and development of projects such as the Ur tourist city could attract international cultural tourists.

5.4 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

5.4.1 OVERVIEW

The ICT sector can be broadly understood along three interrelated dimensions: ICT infrastructure, ICT industries and digital economy applications. Together, these dimensions shape the development, diffusion and economic impact of digital technologies. ICT infrastructure forms the backbone of the sector. It includes telecommunications networks such as mobile and broadband internet, fibre-optic systems, satellite communications and data transmission infrastructure that enable digital connectivity and information exchange. ICT industries comprise the production and provision of digital technologies and services, including hardware manufacturing (e.g. smartphones, computers and network equipment), software development (applications, operating systems and cybersecurity solutions), and ICT services such as cloud computing, IT consulting and systems integration. Digital economy

applications include the use of ICT across the wider economy, including digital platforms, fintech and mobile payments, e-commerce, e-government as well as the digitalization of traditional sectors such as manufacturing, tourism, healthcare and education. Taken together, the three dimensions illustrate how ICT functions not only as a sector in its own right but also as a critical enabler of productivity growth, innovation and broader economic transformation.

Iraq's ICT sector has expanded significantly over the past two decades, particularly in mobile telecommunications and internet connectivity, following sector liberalization after 2003. Although the sector remains constrained by infrastructure gaps compared to regional peers,[40] it is one of the most dynamic non-oil segments of the Iraqi economy. Key characteristics include high mobile penetration, widespread availability of 4G/LTE services, strong competition among operators, rapidly growing data consumption, steadily increasing internet penetration and high social media usage. At the same time, e-commerce remains nascent and digital payment adoption is limited relative to regional standards.

Growth in the ICT sector has been driven by rapid mobile adoption, rising smartphone usage, increasing demand for digital services and government-led digitization initiatives. In 2024, 81.5% of the population used the internet,[41] although significant disparities persist between urban and rural areas (84.7% and 64.8%, respectively) and between men and women (84.7% and 72.3%).[42] LTE coverage reached 98.5% of the population in the same year. According to the Global System for Mobile Communications Association (GSMA), there were 50.8 million cellular mobile connections by the end of 2025, equivalent to 108% of the population[43] as well as 34 million social media users.[44]

Digital payment adoption has lagged, but recent regulatory initiatives are beginning to reshape the landscape. In 2024, a quarter of all adults received or made a digital payment, compared with 43.9% in the Middle East and North Africa Region and 80.7% in upper-middle-income countries.[45] More broadly, there is widespread distrust in financial institutions, particularly banks, which leads many people to prefer cash transactions over credit cards or digital payment methods such as mobile wallets. This lack of trust also extends to formal financial products, with savings accounts and loans remaining largely underutilized. Only 28.3% of adults have an account at a bank or similar financial institution, compared with 50% in the region and 83.2% in upper-middle-income countries.[46] Iraq's cash-dependent economy presents significant challenges for financial circulation and transparency. However, the Government has recognized the challenges, and in 2024, the Central Bank of Iraq (CBI) introduced a new Digital Payment Regulation that provides a framework for all electronic payment activities. The Digital Payment Regulation No. 2 of 2024 fundamentally changes how businesses conduct transactions, requiring all domestic commercial transactions to be executed in Iraqi dinars through electronic payment systems (except travellers' funds and certain international transactions). In addition, the Government launched its National Financial Inclusion Strategy in May 2025.

5.4.2 TRENDS AND MARKET STRUCTURE

After 2022, mobile-broadband internet traffic[47] within the country increased significantly. Between 2024 and 2025, the number of mobile connections rose by 2.7 million (+5.6%), while the number of internet users increased by 1.8 million (+4.7%) over the same period.[48] The ICT market is expected to grow from USD 0.84 billion in 2025 to USD 0.91 billion in 2026 and is forecast to reach USD 1.31 billion by 2031. Growth is catalysed by government digital programmes, expanded fibre backhaul and rising cloud uptake among oil, banking and retail enterprises.

40. Communications and Media Commission (CMC). The Role and Importance of Developing Broadband Infrastructure in the ICT and Digitization Sector in Iraq (White Paper, 2025).

41. World Bank, "Individuals using the Internet (% of population) – Iraq", World Development Indicators. Available at https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=IQ (based on International Telecommunication Union, World Telecommunication/ICT Indicators Database).

42. International Telecommunication Union Data Hub, Iraq Development Dashboard. Available at https://beta.datahub.itu.int/data/?e=IRQ.

43. Simon Kemp, "Digital 2025: Iraq", DataReportal, 3 March 2025. Available at https://datareportal.com/reports/digital-2025-iraq.

44. Simon Kemp, "Digital 2025: Iraq", DataReportal, 3 March 2025. Available at https://datareportal.com/reports/digital-2025-iraq.

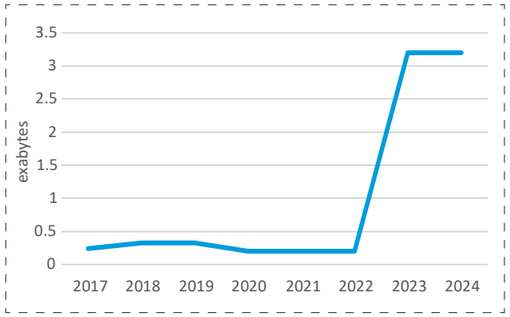
45. World Bank (2025).

46. World Bank (2025).

47. Refers to broadband traffic volumes originating within the country from 3G networks or other more advanced mobile networks, including 3G upgrades, evolutions or equivalent standards in terms of data transmission speeds.

48. Simon Kemp, "Digital 2025: Iraq", DataReportal, 3 March 2025. Available at https://datareportal.com/reports/digital-2025-iraq.

FIGURE 5. DEVELOPMENT OF MOBILE BROADBAND INTERNET TRAFFIC



Source: ITU (2024).

Recent investments are strengthening Iraq's national digital backbone, including those linked to the USD17-24 billion Development Road megaproject, the newly commissioned National Data Centre in Baghdad and the establishment of Iraq's fourth submarine-cable connection through Ooredoo. Between 2020 and 2022, Iraq recorded 12 venture capital deals in the digital sector with a total value of USD 17 million.[49] Communication services currently hold the largest market share (36.88%), while cloud services are projected to register the highest growth rate between 2026 and 2031. Large enterprises dominate the market with a 62.15% share; however, SMEs are expected to experience the fastest growth through 2031.

Overall, the growth trajectory of Iraq's ICT sector is shaped by a combination of strong structural drivers and persistent systemic constraints. Key drivers of ICT sector growth include accelerating digital transformation initiatives (such as one-stop shop company registration and digital tax filing), the roll out of 5G and fibre backhaul infrastructure, expansion of Government e-services and rising investment in cybersecurity and data centre solutions. At the same time, growth is constrained by grid and power supply instability, shortages of cloud-ready and Arabic-speaking ICT talent, exposure to cyberespionage and ransomware and currency and import-licensing volatility affecting the procurement of servers, network equipment and smartphones.[50]

Similarly, the ICT sector in the Kurdistan Region is experiencing rapid growth, supported by an ecosystem of over 500 start-ups and a strong network of incubators and co-working spaces. The region produces approximately 25,000 engineering and computer science graduates annually.[51] Government efforts to advance digital transformation include the roll out of e-government portals, online business registration systems and electronic visa services.

5.4.3 RELEVANCE FOR MSME AND JOB CREATION

Iraq has a youthful and growing population, with roughly 60% under the age of 25, creating a large potential pool of tech talent. At the same time, the country faces persistent youth unemployment and high NEET[52] rates. 59.2% of the youth aged between 15 and 24 lack digital skills to perform basic computer-related activities.[53] Skills pipelines are gradually expanding through coding and design bootcamps and donor-supported initiatives.[54] However, demand for certified professionals in cloud computing, cybersecurity, data and product roles continues to outstrip supply. Female participation remains limited due to a combination of social norms and market constraints.

The ICT sector supports MSMEs and job creation through multiple channels, including strengthening productivity and competitiveness, fostering entrepreneurship and MSME development, generating new employment opportunities and facilitating digital finance and fintech solutions.

Digitalization and productivity in manufacturing

Digitalization – particularly the adoption of ICT, digital platforms and data-driven tools – has emerged as a key driver of productivity growth globally. Evidence shows that digital technologies raise productivity by streamlining business processes, improving the matching of supply and demand, enabling automation and supporting the accumulation of intangible assets such as data and software. Empirical research, including World Bank[55] and OECD studies,[56] finds that digital adoption, digital skills and software investment have a statistically significant positive impact on firm-level productivity, especially in service sectors and among younger firms.

49. World Bank, "Digital progress and trends report", 4 March 2024. Available at www.worldbank.org/en/data/interactive/2024/03/04/digital-progress-and-trends-report-interactive-charts-digital-sector-development

50. Mordor Intelligence, "Iraq ICT market size & share analysis – growth trends and forecast (2026-2031". Available at www.mordorintelligence.com/industry-reports/iraq-ict-market.

51. Numbers based on interviews conducted with KRG officials.

52. ILO, "Measuring what matters: NEET vs youth unemployment".

Available at https://www.ilo.org/resource/article/measuring-what-matters-neet-vs-youth-unemployment

53. UNICEF (2022).

54. For example: Re: Coded graduates in Iraq and ILO/UN led programmes.

55. Nayyar, Gaurav; Pleninger, Regina; Vorisek, Dana; Yu, Shu (2024).

56. Borowiecki, M. et al. (2021).

Primary productivity levers enabled by digitalization:[57]

- Predictive maintenance and condition monitoring (Industrial Internet of Things (IIoT) + analytics): cuts unplanned downtime and boosts Overall Equipment Effectiveness (OEE) by anticipating failures, balancing loads and scheduling micro-stoppages efficiently.
- Digital performance management (real-time OEE, Andon (alert system), Manufacturing Execution System (MES)): provides minute-by-minute visibility that increases line availability and labour productivity through fast problem-solving and standardized responses.
- Digital quality (in-line sensors, machine vision, Statistical Process Control (SPC)): reduces defects and rework; improves first-pass yield with closed-loop control and traceability across batches and suppliers.
- Advanced process control & optimization: real-time set-point tuning and model-based control raise throughput and stabilize processes, especially in continuous/process industries (cement, chemicals, food).
- Robotics & cobots: automate repetitive/ergonomic tasks, improve takt adherence and quality consistency and redeploy labour to higher-value work.
- Digital twins & simulation: test changeovers, layouts and maintenance plans virtually to shorten cycle times and ramp-ups while lowering conversion costs.
- Connected planning & supply chain visibility: better forecasting, inventory and schedule adherence reduce stock-outs, WIP and expediting costs across the network.
- Energy monitoring & optimization: sub-metering, anomaly detection and load shifting reduce energy intensity and operating costs while supporting sustainability KPIs.
- Workforce augmentation (digital work instructions, AR/VR, e-learning): faster time-to-competency, lower variation and safer operations raise labour productivity and quality.
- End-to-end traceability: serialization and genealogy shorten root-cause analysis and recall cycles and cut the cost of poor quality.

In Iraq, digitalization plays an increasingly important role in productivity and economic diversification beyond the oil sector. Studies on Iraq's digital economy show that expanding ICT infrastructure and digital technologies can raise economic output and productivity across sectors such as finance, services and trade by improving communication, lowering transaction costs and enabling digital business models.[58] At the same time, policy reports and national ICT strategies emphasize that broadband connectivity and digital infrastructure are essential foundations for productivity growth and economic development in Iraq, as improved connectivity supports innovation, entrepreneurship and more efficient service delivery. However, despite these opportunities, Iraq still faces challenges – including infrastructure gaps, limited digital skills and uneven technology adoption – that constrain the full productivity gains that digitalization could generate.

Supporting entrepreneurship and MSME development

Because of their economic importance, many government and development programmes focus on digital adoption and technology upgrading among MSMEs. Digital technologies allow MSMEs to adopt new business models such as e-commerce, digital services and online platforms, enabling them to expand their markets and improve operational efficiency. For example, ICT tools allow small firms to market products online, manage digital payments and use cloud-based software for accounting and logistics. Empirical research on Iraqi firms shows that digitalization and e-commerce improve business performance.[59] The expansion of digital payments is another indicator of increasing digital adoption. Digital payments are important because they allow small firms to receive payments electronically

57. Based on: McKinsey & Company (2017); McKinsey & Company (2022a); McKinsey & Company (2022b); World Economic Forum (2025); Deloitte (2025); World Economic Forum (2023).

58. Abdullrada, Maryam & Ali Wehaib, Bushra (2023).

59. "The impact of e-commerce, digital marketing, and digitalization on firm's growth in Iraq", ResearchGate, 2025. Available at www.researchgate.net/publication/394089725_The_Impact_of_E-Commerce_Digital_Marketing_and_Digitalization_on_Firm%27s_Growth_in_Iraq; "The adoption of E-commerce in SMEs. A case study on a sample of Iraqi enterprises, ResearchGate, 2019. Available at https://www.researchgate.net/publication/337827833_The_Adoption_of_E-commerce_in_SMEs_A_case_study_on_a_sample_of_Iraqi_enterprises.

and participate in online markets. Development programmes by organizations such as the World Bank and UNDP also emphasize that technology adoption and digital transformation are essential for improving SME competitiveness and access to markets in Iraq.

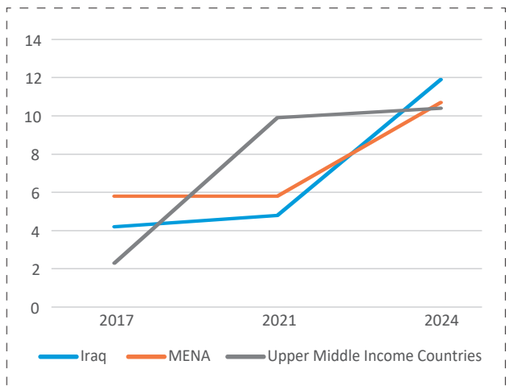
Creation of new employment opportunities

Second, the digital economy creates new employment opportunities, especially for youth. Iraq has a very young population and high unemployment rates, with about one million young people entering the labour market every year. Programmes aimed at strengthening the digital economy emphasize that ICT-related skills, digital entrepreneurship and start-ups can generate new jobs and support employment in emerging sectors such as IT services, digital marketing and software development. Digital work and freelancing platforms also allow Iraqi youth to access international markets without large capital investments.

Digital finance and financial technology

Innovations such as electronic payment systems have helped connect millions of Iraqis to formal financial services and enable small businesses to receive payments electronically and participate in the digital economy. This transition from cash-based transactions to digital payments can support financial inclusion and make it easier for MSMEs to grow.[60] Recent data show a significant increase in mobile money account ownership, with Iraq surpassing both regional and upper-middle-income country averages (see Figure 6).

FIGURE 6. SHARE OF ADULTS WITH A MOBILE MONEY ACCOUNT



Source: Global Findex Database.

60. UNDP, Regional Bureau for Arab States, "The turning point: Iraq's leap into the digital economy", 3 December 2024. Available at www.undp.org/arab-states/press-releases/turning-point-iraqs-leap-digital-economy.

5.4.4 RELEVANT PLAYERS, PROJECTS, LAWS AND REGULATIONS

The ICT and Cellular Mobile sectors in Iraq operate within a complex and evolving policy and regulatory framework that reflects the Government's ambition to accelerate digital transformation while ensuring fair competition, consumer protection and data security. Over the past two decades, Iraq has introduced a series of legislative, institutional and policy reforms aimed at liberalizing the telecom market, expanding digital financial inclusion and aligning national practices with global standards.

Key institutions shaping the ICT policy landscape include the Communications and Media Commission (CMC) – serving as the sector regulator for telecommunications, spectrum management and digital services – and the Ministry of Communications (MoC), which oversees infrastructure development, postal and data services and the implementation of national broadband and e-government programmes. The CBI plays a pivotal role in digital payments and fintech regulation, while other agencies such as the Central Organization for Standardization and Quality Control (COSQC), Consumer Protection Council and General Secretariat of the Council of Ministers (GSCOM) contribute to safety, consumer rights and digital governance frameworks.

In recent years, the Government has demonstrated a growing commitment to enabling the digital economy through flagship initiatives such as the National Data Centre, the UR e-government Portal and the National Financial Inclusion Strategy (2025–2029), alongside emerging regulations for digital platforms, e-payments, data protection and 5G deployment. These efforts are supported by broader digital transformation measures, including expanded e-government services, electronic ID systems and the digitalization of tax and customs administration; however, implementation remains uneven across institutions and regions.

The following table summarizes Iraq's key laws, policies and regulatory instruments that directly or indirectly shape the ICT sector and influence MSMEs.

TABLE 8. SELECTED KEY POLICY INSTRUMENTS ICT SECTOR

Instrument / Policy	Year / Status	Lead authority	Scope	Relevance to ICT and MSMEs
CPA Order No. 65 establishing the CMC	2004 / in force	CMC	Creates the independent telecom and media regulator; mandates licensing, spectrum and market oversight	Sets the regulatory basis for telecom/ISPs and licensing affecting MSMEs (resellers, ISPs)
ESignature & Electronic Transactions Law No. 78	2012 / in force	Ministry of Communications; applies broadly	Recognizes electronic documents and signatures; provides a legal basis for edocs/ecommerce	Enables online contracting, invoicing and egovernment submissions for MSMEs
Electronic Payment Services Regulation (EPS) No. 3 (replaced by No. 2)	2014 (updated 2024)	Central Bank of Iraq (CBI)	Sets licensing/oversight for epayments; updated framework in 2024 to reflect fintech advances	Underpins POS, wallets and merchant acquiring – critical for MSME digital sales
National Financial Inclusion Strategy (NFIS) 2025–2029	2025 / active	CBI & stakeholders	Targets account ownership, digital payments usage; establishes consumer protection and literacy pillars	Expands MSME access to digital finance and payment rails
Council of Ministers measures to activate POS	2023 – 2024 / ongoing	Council of Ministers; line ministries; CBI	Handles tax incentives and POS activation measures across sectors	Accelerates merchant digitization and formalization and supports MSME ecommerce
National Data Centre (NDC) & UR eGovernment Portal	2023 – 2025 / expanding	GSCOM / NDC	Hosts/expands online public services; serves as government cloud and integration hub	Creates sovereign hosting options and GovTech demand for local ICT MSMEs
CMC Framework Regulations for Digital Platforms & Services	2025 / issued	CMC	Provides a framework for platform operations, content and compliance; cites enabling tech laws	Clarifies expectations for platform businesses and local SaaS/content providers
CMC White Paper - The role and importance of broadband infrastructure development on Iraq's ICT sector and digitalization	2025	CMC	Emphasizes critical role of broadband infrastructure in driving digital transformation and economic growth, highlighting need for 4G expansion, 5G rollout and strategic investments in high-speed connectivity. Outlines short-, mid- term and long-term actions, incl. spectrum allocation, infrastructure sharing, legacy network decommissioning, talent development and int. cooperation	Highlights importance of broadband infrastructure in empowering MSMEs by enabling access to global markets, fostering innovation and improving operational efficiency through digital tools like e-commerce platforms, cloud computing and IoT solutions. Enhanced connectivity allows SMEs to streamline processes, reduce costs and expand their customer base, contributing to economic growth and increased competitiveness in Iraq's evolving digital economy
CMC Regulations for Licensing Terrestrial Stations for Space Services	2024 / issued	CMC	Licenses ground stations and governs spectrum coordination for satellite services	Enables lawful satellite connectivity options for enterprises and ISPs
Consumer Protection Law No. 1	2010 / in force	Consumer Protection Council; relevant ministries	Protects consumer rights; regulates warranties, fair trading and information duties	Guides device retail/warranty practices for handset traders and repair MSMEs
Personal Data Protection – national framework	Draft / not enacted (as of 2025)	Parliament / potential data authority (tbd.)	Draft PDP law discussed; no comprehensive data protection law yet; sectoral/privacy rules exist	Data handling and privacy compliance remain evolving risks for ICT MSMEs
National 5G Programme (NMTC public operator plan)	2025 / under judicial review	GoI; CMC oversight	Plan to deploy a nationwide 5G network via a new public operator is currently frozen by court order	Future 5G services could unlock industrial IoT and FWA for MSMEs if legal path clears
CBI Strategic Plan 2024–2026 & Sustainable Finance Road Map 2023–2029	2023 – 2026 / active	CBI	Strengthens compliance and risk standards; promotes sustainable finance and ESG	Improves financial system robustness and supports digital finance scaling for firms
Central Bank Law No. 56 & Banking Law No. 94	2004 / in force	CBI	Provides core prudential/legal basis for banking and payments supervision in Iraq	Provides the legal base for payment regulation that MSME digital commerce depends on

TABLE 9. SELECTED RELEVANT PROJECTS IN THE ICT SECTOR

Project / Programme	Lead org. (implementer)	Core focus	Geographic focus	Status / Duration
Promoting Financial Inclusion in Iraq	GIZ with Iraq's Ministry for Planning Main donor: German Federal Ministry for Economic Cooperation and Development (BMZ)	Advice to financial service providers on developing inclusive and innovative financial services; training programmes on financial literacy and awareness- raising on tailored financial services; support for CBI to promote and regulate inclusive financial services; improvement of financial access for women-led businesses	Iraq	2020–2026
ProDIGI – Promoting Employment in the Digital Economy in Iraq	GIZ, with German and EU partners	Promotion of digital skills training; support for start-ups and MSMEs in the digital economy; advancement of employment opportunities for youth in IT and digital services	Iraq	2021–2025
Digital Economy and Digital Payments Initiative	UNDP	Support for Iraq's transition to digital payments to improve efficiency, transparency and financial security in economic transactions	Iraq	2023–ongoing
Towards More and Better Employment through Enhanced Support to Private Sectors and SME Development and Financial Access	ILO, with many partners, such as GIZ	Provision of entrepreneurship training, MSME support services, formalization tools (e.g. business registration guides); access to finance initiatives to strengthen SME ecosystems	Iraq	2024–2027

5.4.5 CHALLENGES

- **Infrastructure gaps.** Broadband infrastructure remains uneven, particularly in rural areas. While fibre-to-the-home (FTTH) is expanding, many regions still suffer from outdated network infrastructure, resulting in slow internet speeds and high latency (often over 250ms). Furthermore, there is a shortage of localized data centres, limiting the domestic hosting and processing of data.
- **Power supply instability**. This affects network reliability and forces enterprises to rely on private generators to power network equipment.
- **Skills shortages.** Digital skills and advanced ICT expertise are limited,[61] affecting innovation and technology adoption. The lack of specialized technical expertise, particularly in cloud services and cybersecurity, also restricts the maintenance and optimization of new technology. While digital access (number of mobile users) has grown, it has not been matched by a similar rise in human capital.[62]
- **Regulatory challenges and uncertainties.** The sector has faced regulatory disputes and governance issues that can affect investor confidence. Disjointed policies hinder large-scale infrastructure deployment, for example, related to permissions for laying fibre across public spaces.
- **Limited diversification.** Telecommunications still dominate ICT activity, while software, digital platforms and advanced tech industries remain smaller segments. While the mobile market thrives (USD 2.5 billion in 2024), the broader digital economy faces slow adoption of advanced tech, underdeveloped infrastructure and a largely cash-based economy.[63]
- **Cybersecurity vulnerabilities.** Iraq's cybersecurity landscape is characterized by significant vulnerabilities, including outdated infrastructure and legacy systems; limited cybersecurity capacity and skills gap; weak legal and regulatory frameworks; rapid digitalization without security ("digital leap risk"); critical infrastructure vulnerability; a rise in specific cyberthreats; low cyber awareness among the population; and geopolitical and security exposure.
- **Limited domestic ICT manufacturing.** This creates high reliance on imports of computers, servers, networking equipment, telecom infrastructure and consumer electronics.

61. UNDP (2023).
62. CMC (2025).
63. IOM (2019).

5.4.6 OPPORTUNITIES

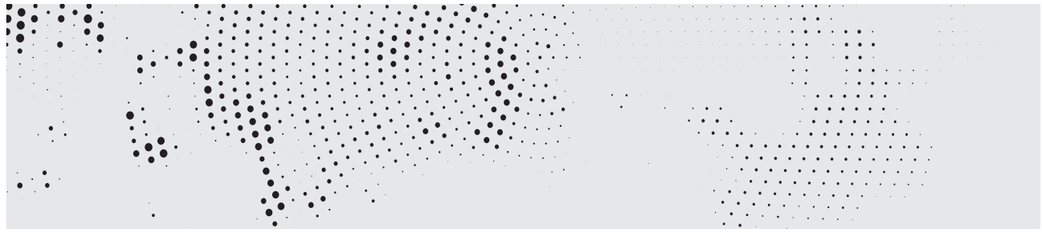
- **Digital skills development.** Iraq has a growing demand for digital services and a young, digitally active population. MSMEs can provide services such as software development, website and mobile application development, digital marketing services, IT consulting and system integration as well as cybersecurity services. Support could include targeted training – integrated into the TVET[64] system, with a special focus on women, to expand knowledge and skills in those areas. In addition, supporting graduates in securing paid internships with internet service providers (ISPs), banks, and system integrators can facilitate access to the labour market and strengthen links between training and private-sector demand.
- **Support MSME participation in e-commerce and online marketplaces.** This includes enabling MSMEs to sell products through online marketplaces, operate digital stores via social media platforms, offer online delivery services and engage in logistics and fulfilment activities. Digital platforms allow small retailers and producers to reach customers across cities and regions without the need for extensive physical infrastructure, thereby lowering entry barriers and expanding market access.
- **Support the adoption of digital production and business tools by MSMEs.**[65] Iraq has a growing, largely untapped private sector and increasing digital connectivity – even incremental digitalization can generate substantial gains in productivity, market access and job creation. To realize this potential, both technical and structural barriers need to be addressed by promoting low-cost, easy-to-use tools (such as mobile-based accounting, inventory and payment systems), combined with hands-on training and ongoing coaching to ensure real uptake. Financial incentives like grants or subsidized software, along with partnerships with local tech providers, can reduce costs and complexity for businesses. Tailoring solutions to specific sectors, improving infrastructure (internet, electricity), and building trust through awareness campaigns and peer learning are also critical to achieving sustainable digital transformation among MSMEs.
- **Build on the momentum of the Central Bank of Iraq initiative for financial inclusion.**[66] This initiative represents a significant opportunity for the broader ICT sector, as it drives demand for digital infrastructure, services and innovation across the economy. Efforts to expand digital payments, mobile banking and access to formal financial services require robust ICT solutions, including secure platforms, payment systems, cloud services and cybersecurity tools. This creates opportunities for local tech firms, telecom providers and fintech start-ups to develop and deliver digital solutions, while also attracting investment and partnerships. At the same time, increased financial inclusion encourages MSMEs and individuals to engage more actively in the digital economy, further accelerating demand for ICT services. Realizing this potential requires supportive regulatory frameworks, strong public-private partnerships, investment in digital infrastructure and targeted capacity-building and financing mechanisms for ICT and fintech actors. In this way, financial inclusion acts as a catalyst for the growth of Iraq's ICT ecosystem, supporting both sector development and broader economic diversification.
- **Utilize strong telecom operator base.** This provides the foundational infrastructure and market reach needed to scale digital services. With widespread mobile penetration and established operators, telecom companies can act as enablers of digital transformation by supporting services such as mobile internet, digital payments, cloud solutions and e-government platforms. This creates a platform for ICT firms, start-ups and fintech companies to build and deliver services on top of existing networks, accelerating innovation and expanding access to digital tools for businesses and individuals. To fully leverage this opportunity, regulatory frameworks need to be strengthened to promote competition, data protection and interoperability in order to create a dynamic and secure digital ecosystem. Investments in network quality and expansion – particularly in broadband and 4G/5G infrastructure – are critical to ensure reliable connectivity across urban and rural areas. Encouraging partnerships between telecom operators, tech companies and financial institutions can help develop integrated digital services, such as mobile banking and e-commerce solutions. Additionally, fostering local innovation through incubators, funding mechanisms and skills development will enable Iraqi ICT firms to capitalize on telecom infrastructure and create locally relevant solutions.
- **Strategic geographic position for regional connectivity.** Iraq's strategic position – situated between the Gulf, Türkiye, Iran and the Levant – represents a significant opportunity for the ICT sector, particularly in terms of regional digital connectivity and data transit. As a potential land bridge between Asia and Europe, Iraq could position itself as a regional hub for fibre-optic networks, data traffic and digital services, enabling faster and more efficient cross-border connectivity. This creates opportunities for investment in backbone infrastructure (high-capacity fibre-optic infrastructure, cross-border connectivity corridors), data centres, internet exchange points (IXPs) and cloud services, while generating revenue from transit services and attracting international ICT companies seeking a presence in the region. A stable and transparent regulatory environment and strengthened cybersecurity are essential to attract foreign investment and enable cross-border data flows. Fostering partnerships with neighbouring countries and global tech firms can help integrate Iraq into regional digital value chains. By building on its geographic advantage, Iraq could move beyond being a transit route to becoming an active player in the regional digital economy.

64. ILO, "Technical and vocational education and training". Available at www.ilo.org/topics-and-sectors/skills-and-lifelong-learning/technical-and-vocational-education-and-training.

65. UNIDO's digital-production diagnostics are a set of tools and frameworks designed to assess the readiness and adoption levels of Advanced Digital Production (ADP) technologies within the manufacturing sectors of developing countries. These diagnostics aim to help firms and governments navigate the fourth industrial revolution (4IR) by identifying gaps in digital adoption, infrastructure and skills, thereby fostering inclusive and sustainable industrial development. For example, this could support manufacturing and agribusiness MSMEs to adopt sensors, MES, and e-maintenance and build ICT–industry matchmaking (oilfield services, logistics, agro-processing).

66. The CBI has made financial inclusion a strategic priority over the past decade, but its efforts became significantly more structured with the launch of the first National Financial Inclusion Strategy (NFIS) for 2025–2029, officially introduced in May 2025. It builds on earlier initiatives (such as promoting electronic payments and expanding banking access from the mid-2010s) and represents the first comprehensive national framework to expand access to formal financial services. Developed in collaboration with international partners, such as the World Bank, the Arab Monetary Fund and GIZ, the strategy aims to increase financial access, particularly for underserved groups like women, youth and MSMEs. The NFIS sets ambitious targets, including raising account ownership to around 50% of the population by 2030, significantly increasing the use of digital payments and reducing the gender gap in financial access.

6. DEEP DIVES: AGRIFOOD AND TEXTILE AND CLOTHING SECTORS



This section first presents the findings from the FGDs that focused on the agrifood and textile and clothing sectors. It then assesses the two sectors separately, starting with a national-level analysis and followed by a specific focus on the northern regions of the country, based on data collected through enterprise surveys.

6.1 FINDINGS FROM THE FOCUS GROUP DISCUSSIONS

12 FGDs with a total of 95 participants were conducted in Duhok, Erbil, Sinjar and Mosul.[67] 64% of the participants were male, and 76% were either IDPs or returnees (see Figures 7 and 8).

FIGURE 7. GENDER OF FGD PARTICIPANTS

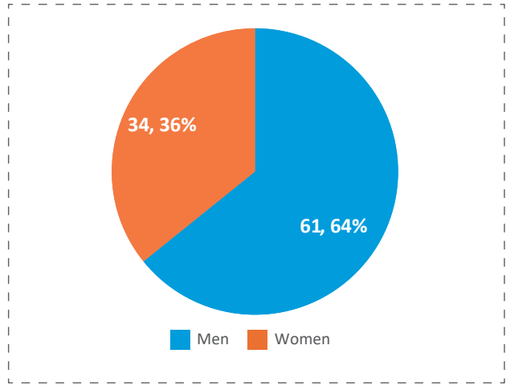
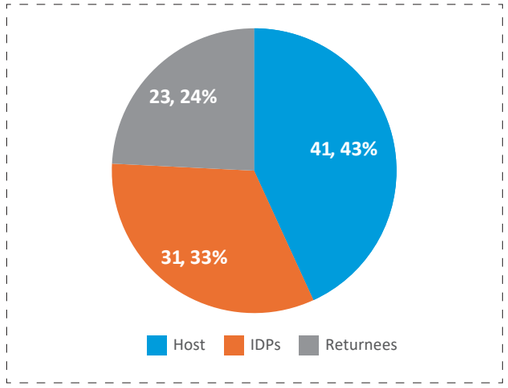


FIGURE 8. DISPLACEMENT STATUS OF FGD PARTICIPANTS



Attitude towards agrifood and textile sectors. The large majority of participants expressed a strong interest in engaging in agribusiness or textile-related work if given the opportunity. Many participants stated that both sectors align closely with their existing talents, creative abilities, and, in many cases, their family backgrounds and traditional livelihoods. Some participants mentioned that they come from families with long-standing experience in farming, animal husbandry or textile production, which has provided them with valuable practical knowledge and a deep cultural connection to these fields. Participants believe that both sectors have great potential and can offer sustainable economic opportunities, citing growing demand for agrifood products, increasing demand for skilled labour, innovation in both sectors and government investments. Participants also mentioned that both sectors would allow them to contribute to community-based economic development and job creation. However, participants also noted that in some cases societal perceptions might limit interest in these fields. Agribusiness, for example, is sometimes viewed as traditional or low-income work, while the textile industry is still emerging and not widely promoted as a viable professional career. Consequently, without access to reliable information, exposure to role models or practical training opportunities, many individuals remain unaware of the economic and employment potential these sectors can offer.

67. The composition of the focus groups can be found in the Annex.

Awareness of opportunities. While a few participants mentioned that they are aware of opportunities through social media and online networks (Facebook, Instagram and local community websites), which feature information about agricultural training programmes, small business grants and textile-related projects, most participants stated that there is a lack of awareness and access to opportunities in these sectors. They stated that many individuals, including youth and displaced populations, are unaware of the large range of activities and value chains involved in agribusiness and textiles (e.g. production, processing, distribution, marketing). Participants expressed a need for guidance and technical support as well as more structured information sharing and outreach. NGOs, local authorities, private institutions and universities should coordinate better to raise awareness about available training and funding programmes. Awareness campaigns should be connected to vocational training and networking opportunities. Some participants mentioned that learning about successful entrepreneurs and local cooperatives in these sectors significantly increased their interest.

Factors influencing willingness to work in a sector. Overall, participants' willingness to work in specific sectors is shaped by a blend of economic opportunities, cultural traditions, social recognition and gender dynamics, determining the attractiveness and feasibility of different career paths. Income level and financial stability to meet household needs, support children's education and maintain a decent standard of living are key factors.[68] Furthermore, many participants stated that family history and tradition are important factors, as they provide them with early exposure and practical skills and allow them to preserve family identity, reputation and cultural heritage. Participants expressed that working in a socially respected and valued profession brings a sense of pride and community belonging. They noted that certain jobs – especially those aligned with local customs or contributing to community welfare – are viewed more positively. Conversely, employment in less socially recognized sectors might be met with hesitation due to fear of stigma or lack of support from family and peers. Other important criteria stated include skills and interest matching the job, opportunities for skills and career development, safety and security, inclusivity and respect – especially for women – and access to tools, materials and financial resources. Further key factors include market demand and level of competition, long-term growth and sustainability and existing opportunities from the Government and NGOs.

Gender differences. Generally, the participants noted that in recent years, both men and women have been increasingly encouraged to participate in diverse fields, driven by changing cultural norms, educational advancements and the growing influence of organizations promoting gender equality and women's empowerment. As a result, women are now more visible in professions that were once considered male-dominated, while men have also started engaging in areas traditionally associated with women, such as fashion and textile design.

However, while equality of opportunity has improved, most participants acknowledged that women still face major challenges, influenced by cultural norms, societal expectations and traditional gender roles, which continue to shape labour market dynamics and access to economic opportunities.[69] Examples cited include limited mobility; restrictions regarding fieldwork and interactions with male clients; family responsibilities and preference for home-based and socially acceptable work; limited support from family and peers to enter certain professions; less money for the same work; and more limited access to equipment, finance and training opportunities. Some participants stated that in some communities, there remains a cultural perception that women are less suited for physically demanding or leadership positions, and that their primary responsibilities should centre around the household and family care. Furthermore, it was mentioned that employers sometimes demonstrate a lack of trust or confidence in women's professional abilities, especially in traditionally male-dominated sectors such as construction, transport or large-scale agriculture. As a result, women are often confined to positions that are considered "socially acceptable", such as small-scale trade, which tends to offer lower wages and fewer advancement opportunities.

Regarding the agribusiness and textile sectors, participants highlighted that these fields are generally perceived as inclusive and open to both genders. The textile and fashion industry, in particular, is seen as offering ample opportunities for women to demonstrate creativity, entrepreneurship and technical skills. Similarly, agribusiness has become more accessible to both men and women, especially in areas related to agricultural marketing and sales, food processing, value addition and packaging. Some participants mentioned that agribusiness, textiles and education are among the most inclusive in terms of gender equality. Suggestions to further increase women's participation in these sectors include promoting community awareness, targeted capacity-building programmes and gender-sensitive employment policies.

68. In groups with more students and more displaced individuals, there is a stronger preference for jobs that offer financial stability not only to meet daily needs but also as a pathway towards independence and long-term security.

69. Some participants mentioned that this is particularly the case in rural or conservative communities.

Challenges of other vulnerable groups. Most participants believe that there are notable differences in the opportunities and challenges faced by IDPs, returnees and host community members when it comes to finding employment or starting livelihood activities. While all groups may experience economic hardship, IDPs and returnees often face additional social and structural barriers that make it more difficult for them to secure stable work or access to business opportunities. In general, IDPs and returnees have limited capital, weaker social and professional networks,[70] and less access to training, compared to the host community, affecting their ability to find employment or establish a business (e.g. renting a property). It also affects access to governmental and economic support (e.g. public employment programmes, business grants, credit opportunities). Another key challenge stated is the language barrier for IDPs and returnees who are not fluent in Kurdish, limiting their ability to communicate effectively in the workplace, engage with customers, participate in training programmes and job interviews and access information about available employment opportunities and relevant government initiatives. Participants also stated that in some cases unstable living conditions, administrative challenges, lack of proper documentation or unfamiliarity with local systems further restrict their ability to register, pay taxes or access support measures. While both sectors are considered to have high potential to be inclusive, specific challenges exist. Regarding agribusiness, participants stated that IDPs and returnees may not have access to land, tools or start-up capital. In the textile sector, limited professional networks and lack of awareness of market opportunities may reduce their chances of securing stable employment or launching a small business. To counter this, participants suggested joint programmes to foster cooperation and knowledge-sharing, while also addressing language barriers and limited access to training and finance to support integration into local labour markets.

Skills FGD participants would like to acquire. Participants expressed a strong interest in developing new skills and receiving advanced training to enhance their employability and entrepreneurial potential, particularly within the agribusiness and textile sectors. Table 10 summarizes the skills mentioned most by FGD participants.

TABLE 10. SKILLS FGD PARTICIPANTS WOULD LIKE TO ACQUIRE

Agribusiness	Textiles	Other
Supply chain management for agribusiness	Modern tailoring and sewing techniques and fabric technology	Digital marketing and e-commerce (e.g. social media platforms and online marketplaces)
Packaging and labelling standards	Advanced textile production and design	Marketing, market research and brand identity
Baking	Fabric selection	Business proposal writing and grant applications
Producing sweets	Embroidery	Financial literacy, bookkeeping and financial management
Olive processing	Use of digital tools for fashion creation	Business development, management and sales; project management and planning
Modern, sustainable agribusiness and farming techniques (e.g. smart agriculture)	Deeper understanding of the technical and creative aspects of textile work	Customer relationship management and external presentation
Environmentally friendly and sustainable practices (e.g. packaging)	Machine maintenance and operation	Kurdish,[71] English and other language skills
Advanced dairy production techniques and other advanced food processing techniques	Quality management	Leadership, negotiation and professional etiquette
Managing machines and operation of dairy processing equipment		IT skills, use of AI
Greenhouse skills		Entrepreneurship
Food safety and hygiene		Communication, networking and teamworking skills
		Other sectors: cooking, barbering, beauty services

Source: Focus group discussions.

70. Many returnees and IDPs of the FGD participants stated that they were students before being displaced, which could contribute to having a smaller professional network.

71. Primarily mentioned by IDPs.

6.2 AGRIFOOD

6.2.1 OVERVIEW

Agriculture and food processing play a crucial role in livelihoods and food security in rural areas in Iraq. Farming is predominantly small-scale, with over 80% of farms having less than 10 hectares – often fragmented across multiple plots.[72] In 2024, the sector contributed approximately 3.4% to the GDP,[73] significantly less than in the early 2000s, when it contributed around 7-9%, indicating a long-term structural decline.

According to the 2021 Labour Force Survey, it accounts for approximately 8% of total employment and 14% of female employment.[74,75] **The sector has a large potential but is facing significant challenges.** Iraq has a rich agricultural heritage and a large share of land with agricultural potential (about 9.5 million hectares, accounting for 22% of land area,[76] of which only 5 million are utilized), presenting a significant opportunity for agrifood processing. A large proportion of the arable land[77] is in the north and northeast, where rain-fed irrigation dominates and is sufficient to cultivate winter crops, mainly wheat and barley. About one-eighth of Iraq's total area is arable, and another one-tenth is permanent pasture. The remainder is in the valleys of the Tigris and Euphrates Rivers, where irrigation – approximately half of Iraq's arable land is irrigated – is necessary throughout the year. In addition to crops and livestock (sheep, goats, cattle, camels, buffalo), inland fisheries and backyard poultry farming also contribute significantly to rural nutrition and household income.[78] However, while livestock rearing is widespread, output is still recovering. The ISIS conflict devastated herds (an estimated 75% of livestock were lost, with losses of up to 95% in the hardest-hit areas).[79]

The sector remains underdeveloped due to decades of conflict and sanctions, followed by an influx of cheap imports. Furthermore, water scarcity, rising temperatures of more than 50 degrees Celsius, desertification that claims more than 150,000 hectares annually, and the environmental impact of traditional farming systems are adversely affecting crop yields and driving rural-to-urban migration.

6.2.2 TRENDS AND MARKET STRUCTURE

The agrifood sector's market structure is fragmented and dominated by smallholder farmers or micro-enterprises, selling raw or semi-processed goods to local traders. Large-scale agribusiness remains limited, with only a few state-supported initiatives (e.g. grain procurement for the public food ration system) and a small number of emerging private investors. A central example is the Government's extensive wheat procurement and flour milling scheme. Through this scheme, the Ministry of Trade purchases wheat from farmers at guaranteed prices and supplies it to mills to produce subsidized bread. While this system secures a stable market for farmers, it also results in the state maintaining a dominant role in grain processing.

Iraq's agriculture centres on a few key staples and high-value crops. Crop production is the primary source of income for 75% of farmers, while the rest engage in livestock or mixed crop-livestock systems.[80] Cereals dominate the agricultural landscape, covering around 80% of cultivated land. Wheat is the strategic cornerstone, accounting for approximately 70% of cereal output, with production fluctuating around 5–6 million tons. Key wheat-producing zones are rain-fed areas in the north and centre of the country. Wheat is crucial for national food security, and much of the domestic production feeds into the Public Distribution System (PDS) to provide subsidized food to Iraqis. Barley is the second staple (around 1–2 million tons per year), with smaller volumes of rice (notably the aromatic Ambar rice grown in the south) and maize cultivated in irrigated areas. Iraq is also famous for its date palms – in 2024 it produced over 800,000 tons of dates (fourth highest globally) and exported more than 700,000 tons, making dates the country's second-largest export after oil.[81]

72. FAO (2021).

73. World Bank, "Agriculture, forestry, and fishing, value added (% of GDP)", World Development Indicators. Available at https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=IQ (based on country official statistics, national statistical organizations and/or central banks; national accounts data files, OECD).

74. World Bank, "Employment in agriculture (% of total employment)", World Development Indicators. Available at https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=IQ (based on ILO Modelled Estimates database).

75. According to FAO, the agricultural sector employs more than 19% of the workforce, of whom about a quarter are women. Available at www.fao.org/hand-in-hand/previous-editions/hih-investment-forum-2025/iraq/en

76. World Bank, "Agricultural land (% of land area)", World Development Indicators. Available at https://data.worldbank.org/indicator/AG.LND.AGRI.ZS?locations=IQ (based on FAO data). Estimates, however, vary depending on the source.

77. 4-5 million hectares.

78. Lucani and Saade (2012).

79. Amnesty International UK, "Iraq: ISIS systematically destroyed Yezidi farms during onslaught - new report", 13 December 2018. Available at www.amnesty.org.uk/knowledge-hub/all-resources/iraq-isis-systematically-destroyed-yezidi-farms-during-onslaught-new-report/

80. FAO (2021).

81. "Iraq first globally in number of palm trees", RUDAW, 16 March 2025. Available at https://www.rudaw.net/english/categories/iraq/858149.

In recent years, Iraq has seen significant gains in staple crop production, particularly wheat. In 2024, Iraq produced between 5 and 6 million tons of wheat, surpassing domestic consumption needs and achieving a surplus. For the first time, Iraq achieved self-sufficiency in multiple products (including vegetables, fruits, poultry, and dairy), reduced reliance on imports and started exporting crops like dates, potatoes and fodder. However, while wheat import requirements for 2025/26 are forecast to be below average due to an adequate local wheat harvest in 2025 coupled with available stocks from the above-average 2024 output, Iraq still has to import 2 million tons of wheat. Cereal imports in total are estimated to be around 5 million tons in 2025/26.

TABLE 11. IRAQ'S CEREAL PRODUCTION 2020–2025

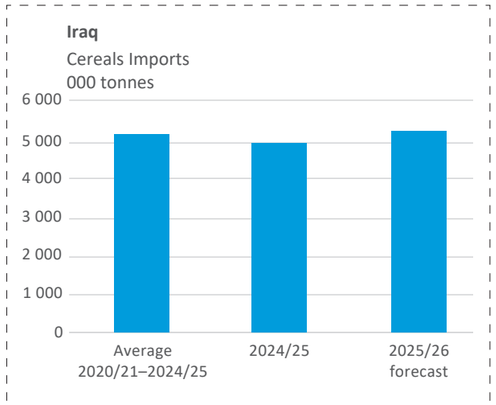
Iraq

Cereal Production

	2020–2024 average	2024	2025 forecast	change 2025/2024
		000 tonnes		percent
Wheat	4 544	5 234	5 120	-2.2
Barley	488	164	120	-26.8
Maize	482	580	500	-13.8
Others	276	227	73	-67.9
Total	5 789	6 205	5 813	-6.3

Note: Percentage change calculated from unrounded data.

FIGURE 9. IRAQ'S CEREAL IMPORTS 2020–2026



Notes: Includes rice in milled terms. Split years refer to individual crop marketing years (for rice, calendar year of second year shown).

Source: FAO (2025).

The food manufacturing industry, however, remains modest. Its output was about USD 3.2 billion in 2021 and was projected to decline to USD 2.6 billion by 2026 without new investments. Notably, in 2025, a major private conglomerate launched a USD 2 billion agrifood investment in Karbala, including one of the world's largest dairy plants (3,000 tons/day capacity) and modern meat and fish processing facilities.[82] Such projects underscore opportunities for growth. However, most of Iraq's food supply is still either imported or produced by informal small-scale enterprises with limited value addition.

Women play a significant role but face additional constraints. Women play an essential role in agriculture – accounting for an estimated 25% of the workforce[83] – yet they continue to face significant constraints. Much of their contribution occurs as unpaid family labour or in subsistence activities, and they have limited access to land ownership, financial resources and other productive assets.

Key trends impacting the agrifood industry in Iraq include the push for diversification, water resource limitations, increased infrastructure needs and adoption of technology. To reduce import bills and raise farmer incomes, there has been a push from the Government to increase the share of fruits, vegetables and high-value crops, also expressed through the development of specific strategies for some of the products. Water scarcity and drought increasingly reshape cropping choices. Therefore, less water-intensive crops and irrigation efficiency are gaining priority. Demand is rising for better post-harvest storage, grading, packaging and processing facilities. While technology adoption in general faces significant obstacles, key modernization trends include mechanization, improved seeds and supported irrigation (e.g. drip/sprinkler).

Agribusiness in the Kurdistan Region is undergoing a major transformation, driven by Government priorities and growing investment. The region is shifting from a traditionally consumption-based economy towards one centred on local production, food security and export-oriented agriculture. Supported by the KRG and international partners, the sector has seen substantial expansion – particularly in high-value crops, greenhouse technologies and post-harvest infrastructure such as modern silos. Over the past decade, the number and scale of agribusiness projects have risen significantly.

82. John Lee, "Iraq launches $2bn dairy and food industry projects in Karbala", Iraq Business News, 11 August 2025. Available at https://www.iraq-businessnews.com/2025/08/11/iraq-launches-2bn-food-industry-projects-in-karbala/.

83 FAO, "Iraq: Investment Plans and Opportunities", Hand-in-Hand Initiative. Available at www.fao.org/hand-in-hand/previous-editions/hih-investment-forum-2025/iraq/en

Enterprises are employing more workers, including skilled labour, while also improving product quality and increasing adopting modern technologies. Exports have also grown sharply, both to other parts of Iraq and to international markets. This has positioned the agribusiness sector as a critical driver of economic diversification, employment and long-term growth in the Kurdistan Region. Several large agribusiness factories now operate in the Kurdistan Region, each employing more than 300 workers – entirely from the local workforce – highlighting the sector's strong contribution to job creation. Exports of locally produced food products to Europe, Gulf countries, the United States of America and other destinations have increased notably in recent years, supported by government facilitation and investment incentives. The KRG Cabinet continues to prioritize agribusiness development as a key pathway to a more diversified economy, expanded employment opportunities and enhanced social stability, with particular attention to empowering youth-led initiatives.

6.2.3 RELEVANCE FOR MSME AND JOB CREATION

From smallholder family farms to neighbourhood flour mills and dairy shops, MSMEs produce the majority of locally consumed food and employ a large share of the rural workforce. These enterprises are agile and deeply rooted in their communities, yet they face major constraints that limit their growth. Most agrifood MSMEs operate informally and on very thin profit margins, making it difficult to reinvest in improved equipment or obtain the certifications needed to access larger markets. They also struggle to compete with large-scale imports; for example, a small local processor producing tomato paste or fruit juice must compete with imported goods that benefit from foreign economies of scale.

Despite limited access to finance, technology and markets, the growth potential of agrifood MSMEs is substantial. They fill crucial gaps that larger firms or state institutions often overlook – serving remote village markets, preserving traditional foods and creating employment where alternatives are scarce. MSMEs also drive innovation, developing unique products, such as local cheeses, sweets and processed foods that build on Iraq's culinary heritage. As they grow, these enterprises generate jobs not only within the agrifood sector but also in related areas such as transport, packaging and distribution. They are critical to the agrifood sector's growth.

Agrifood MSMEs are especially important for women and youth. The agribusiness sector continues to be labour-intensive and serves as an important source of employment for women and youth. Many rural women run home-based food businesses – baking, pickling or dairy processing – which could significantly scale up if organized in cooperatives or supported with shared facilities. Young people too are more likely to enter agribusiness when they view it as modern and profitable. Supporting youth-led initiatives in areas such as hydroponics, food delivery or agro-processing can help unlock new skills and entrepreneurship opportunities.

The number of agribusiness SMEs is growing at the national level and in the Kurdistan Region. This trend and the potential of the agrifood sector are highlighted by a renewed focus on its growing role in supporting economic growth, diversification and job creation. This momentum is further evidenced by an increase in registered projects[84] and the launch of large-scale support programmes targeting thousands of SMEs,[85] particularly within the agricultural sector.

6.2.4 RELEVANT LAWS AND REGULATIONS

Table 12 summarizes key national-level laws, regulations and policies that impact micro, small- and medium-sized agribusinesses and food processors in Iraq. It also notes any Kurdistan Region-specific frameworks where applicable, and the primary government agencies responsible for implementation or enforcement.

84. Officials from the Directorate of Company Registration and Trade in Kurdistan mentioned that official data indicates a significant increase in the number of registered projects, particularly SMEs operating in the agribusiness sector, reflecting increased investor confidence. Furthermore, they state that a gradual expansion in import and export activities related to agribusiness is observed, encompassing both the import of inputs and raw materials and the export of processed agricultural and food products.

85. ILO, "ILO, the German Embassy and Iraqi partners launch a guarantee fund to empower SMEs and boost inclusive growth in Iraq", 7 October 2025. Available at www.ilo.org/resource/news/ilo-german-embassy-and-iraqi-partners-launch-guarantee-fund-empower-smes.

TABLE 12. SELECTED RELEVANT LAWS AND REGULATIONS FOR AGRO-PROCESSING

Law / Policy	Scope & Iimpact (focus on agribusiness/food MSMEs)	Responsible Agency/ Ministry	Region applicability
Business Registration – Company Law No. 21 (1997) (as amended) and Law of Commerce No. 30 (1984)	Set requirements for business licensing, commercial activities and defines the process for formalization, mandating that MSMEs above a certain capital must formally be incorporated under the Company Law (e.g. capital > IQD 15 million requires registering as a company or enterprise), whereas smaller sole traders can register a business name with the Chamber of Commerce	Ministry of Trade (Companies Registration Directorate) and Chambers of Commerce *(In Kurdistan Region, the KRG Ministry of Trade & Industry manages a parallel companies registry)*[86]	Federal law (applies nationwide); KRG generally adheres to it (administered by KRG authorities)
Public Health Law No. 89 (1981) and Food Law No. 29 (1982)	Establish basic food safety and hygiene standards for all food businesses; empower the Ministry of Health and its provincial health directorates to issue health certifications and conduct inspections of food products and facilities; require agrifood processors to meet sanitation standards (e.g. safe handling, facility hygiene) and obtain health permits *NB: In practice, any enterprise involved in producing, cooking or selling food must obtain a health certificate (renewed annually) from health authorities.*	Ministry of Health (Public Health Directorate and local health departments); municipal authorities enforce food establishment hygiene standards at the local level *(KRG's Ministry of Health follows the same General Health Law and food safety regulations, with inspections by KRG health directorates)*	Federal law (KRG applies equivalent provisions under KRG Health Ministry)
Standards and Consumer Protection – COSQC Law No. 54 (1979) and Consumer Protection Law No. 1 (2010)	Mandate quality standards, labelling and consumer safety for products including foods; Central Organization for Standardization and Quality Control (COSQC) sets and enforces national standards for food products and processing, food producers must comply with standards (e.g. for product quality, packaging, shelf-life) and may have products tested in COSQC labs; Consumer Protection Law 2010 ensures consumers' rights to safe, correctly labelled food and penalizes deceptive or unsafe practices *NB: The Kurdistan Region established the Kurdistan Standardization & Quality Control Administration in 2006 to apply Iraq's standards law in the region. The KRG also enforced the 2010 Consumer Protection Law via a regional law.*	COSQC (under Ministry of Planning) sets food standards and runs quality labs; Consumer Protection Council (under Ministry of Trade) oversees fair trade and consumer rights *(KRG's KSQCA under Ministry of Planning handles standards; KRG Ministry of Trade & Industry and Consumer Protection offices handle consumer issues)*	Federal law (standards apply nationwide); KRG has parallel standardization body and has adopted a consumer protection law)
Plant Protection and Quarantine Laws – Law No. 71 (1978) and Law No. 17 (1966)	Aim to control pests, diseases, and pesticide use in crop production and enforce phytosanitary measures for importing/exporting plants; mandate quarantine inspections for plant products crossing borders *NB: Agribusinesses must comply with the rules and requirements stipulated by these laws to ensure raw agricultural products meet safety standards (e.g. free of pests or excessive chemical residues).*	Ministry of Agriculture (Plant Protection Directorate) and quarantine offices at borders *(KRG's Ministry of Agriculture and Water Resources implements similar plant health controls in the Kurdistan Region, coordinating with federal authorities)*	Federal laws (apply countrywide, with KRG implementing through its own MoA)
Animal Health and Food of Animal Origin – Animal Health Act No. 32 (2013) and Slaughterhouses Law No. 22 (1972)	Aim to ensure that livestock products are safe and meet health standards *NB: The Animal Health Act modernized veterinary public health rules, including control of animal diseases and vaccination programmes. It requires farmers and processors (e.g. dairy plants, butchers) to follow veterinary guidelines and report outbreaks. The Slaughtering Law regulates abattoirs and meat processing, stipulating proper slaughter methods and inspection of meat.*	Ministry of Agriculture (Veterinary Directorate) with local municipality and Health authorities enforce slaughterhouse hygiene standards *(Kurdistan Region has its own veterinary departments under KRG Agriculture Ministry and local slaughterhouse regulations in line with federal law)*	Federal laws (Animal Health Law and slaughter regulations apply nationally; KRG implements via its vet services)

86. The KRG Ministry of Trade reported that the time for SME registration, in particular, has been significantly reduced (from approximately one month to just one day), and registration fees and annual charges have been lowered. Businesses can now register online via a website. In addition, the Chambers of Commerce Law has been amended so that the process of registering the trade or business name can be done by the Companies Registration Directorate instead of the Chamber of Commerce.

Industrial Licensing – Industrial Investment Law No. 20 (1998) (Private Industrial Development)	Requires manufacturing enterprises (including food processing factories) to obtain an industrial licence; aims to encourage private sector industry and provides a framework for registering industrial projects *NB: For an agrifood MSME operating a processing facility, registration under this law (with the Ministry of Industry) may be needed to access industrial zones, utilities or incentives. Compliance ensures the enterprise is recognized as an "industrial project" and can benefit from technical support or exemptions (e.g. on equipment import).*	Ministry of Industry and Minerals (Directorate of Industrial Development) issues licences for factories and monitors compliance with industrial safety and zoning *(KRG's Ministry of Trade & Industry handles industrial project licensing in the Kurdistan Region)*	Federal Law (the KRG generally mirrors it for regional licensing of industries)
Investment Promotion Laws – Investment Law No. 13 (2006, amended) and KRG Investment Law No. 4 (2006) Public-Private Partnership Instructions No. 1 of 2024	Encourage larger-scale investments in sectors including agriculture and food processing through incentives, such as tax holidays (often up to 10 years), customs duty exemptions on imported raw materials and equipment and land lease advantages for approved projects *NB: While typically benefiting medium to large investors, even MSMEs can seek investment licences for agribusiness projects above certain capital thresholds (e.g. in Iraq, projects over a few hundred thousand US dollars). The laws aim to attract capital for agro-processing facilities, cold storage, etc. boosting value chains.*	National Investment Commission (NIC) and Provincial Investment Commissions review and grant investment licences for eligible agribusiness projects *(KRG: Board of Investment (BOI) – administers the regional investment incentives under KRG Law 4/2006)*	Federal (law 13/2006 covers all Iraq except KRI); Kurdistan Region has its own Investment Law 4/2006 (administered independently by KRG BOI)
Labour Law No. 37 (2015) (and KRI Labour Law No. 71 (1987) still in force in KRI) *(Kurdistan Region as of now applies an older 1987 labour code, pending adoption of the new federal law.)*	Govern employment conditions for all sectors, including agribusiness; set minimum standards on wages, working hours, safety, social security and rights for workers *NB: MSMEs in food processing must adhere to these labour regulations if they hire staff – e.g. by providing proper contracts, complying with occupational safety (especially for food handling and use of machinery) and avoiding child labour in farms or factories. The law also facilitates women's and youth employment protections, which can be relevant in agro-processing enterprises.*	Ministry of Labour and Social Affairs Labour Inspectorate for workplace safety and labour rights enforcement) and Social Security Department (for worker insurance schemes) *(KRG's Ministry of Labour and Social Affairs oversees these functions in the region under its labour law)*	Federal (2015 law in Federal Iraq); KRG has separate labour law (1987) currently, with similar basic provisions
Pension and Social Security Law for Private Sector Workers (Law No. 18 of 2023)	Significantly expands the legal coverage of the social security system, covering all workers including informal workers, the self-employed and contributing family workers; expands the range of entitlements to include maternity and unemployment benefits for the first time and provides health insurance obtained from public, cooperative and private providers	Ministry of Labour and Social Affairs (Department of Social Security)	Federal law
Environmental Protection Law No. 27 (2009) (and KRG Environmental Law No. 8 (2008))	Require projects (e.g. food processing plant, agro-industry facility) to undergo an Environmental Impact Assessment (EIA) before approval; set rules on pollution control (waste management, wastewater, emissions) that agrifood processors must follow to prevent environmental harm *NB: Non-compliance can lead to penalties or closure. The laws are aimed at ensuring sustainable practices and mitigating environmental risks in farming and food production.*	Ministry of Environment (Federal) oversees EIA approvals, environmental monitoring and enforcement through environmental police *(KRG's Environment Board / Ministry enforces the KRG's Law 8/2008 in Kurdistan, with similar EIA and pollution control requirements)*	Federal (2009 law nationwide); Kurdistan Region has its own 2008 environmental law (administered by KRG)
Project Gashanawa	Major initiative designed to provide commercial loans through private banks to support SMEs *NB: Loans of up to 150 million IQD are available and applications are submitted through a digital platform, improving transparency and access. The KRG has also emphasized the importance of a modern and supportive banking system, prioritizing financial sector reform to better serve SMEs and investors.*	KRG Ministry of Labour and Social Affairs	Kurdistan Regional Government (KRG) initiative

In addition to the key laws, sector experts highlighted several positive regulatory and policy developments. These include the introduction of customs protection measures for certain local agricultural products; the establishment of special inspection committees at border crossings to inspect feed consignments (soybeans); and partial support for some agricultural inputs in specific sub-sectors – including seeds, fertilizers and, in some periods, fuel. Experts also noted the role of established inspection committees that review pesticides and seeds entering Iraq and issue the necessary certificates, as these inputs are typically imported by foreign companies. Several experts highlighted the Government's focus on promoting youth entrepreneurship and youth in agriculture in recent years through several policies and development strategies. One such example is "The Goodness Initiative", which fosters economic growth and creates jobs by empowering youth in the sectors of agriculture, food security, livestock and climate through training, technical support and limited start-up assistance. These initiatives aim to reduce reliance on public-sector employment and encourage private sector growth.

However, experts also underscored several persistent challenges. Administrative procedures and licensing requirements remain complex and time-consuming. Registering a new product, for example, can take between one and two years due to bureaucratic delays. Coordination among key ministries (Agriculture, Trade, Industry) is weak, and the enforcement of import-restriction policies and consumer protection laws is inconsistent.[87] Experts also pointed out weak enforcement of quality and food-safety standards, which is to the disadvantage of compliant (formal) enterprises and reduces their competitiveness.

6.2.5 RELEVANT PLAYERS

Currently, there is a lack of synergy among the institutions involved. Nevertheless, a higher-level committee – comprising representatives from selected institutions and advisers to the Prime Minister – has been established to formulate policies and resolutions aimed at supporting the industrial sector. This committee is chaired by the Prime Minister.

TABLE 13. RELEVANT PLAYERS

Institution	Role in agribusiness	Relevance to MSMEs
Ministry of Agriculture (MoA)	Develops agricultural policy and programmes; oversees extension, plant protection and veterinary services; coordinates donor programmes; provides SPS compliance support and input schemes	Seed gatekeeping; animal health and on-farm support; provision of extension services; farmer registration; access to public programmes
Ministry of Agriculture and Water Resources – KRG (MoAWR-KRG)	Regional counterpart; manages crop and livestock services and irrigation operations in KRI	Primary channel for KRI farmers to access extension; manages irrigation services; provides SPS compliance support
Ministry of Industry and Minerals (MoIM)	Licenses industrial projects; protects national products; manages industrial estates; supports technology upgrading and compliance for factories	Crucial for formalizing food processors; accessing industrial zones and utilities; obtaining plant licences and incentives
Ministry of Trade and Industry – KRG (MTI-KRG)	Registers companies and industries in KRI; regulates internal trade; coordinates with KRG Board of Investment	Acts as one-stop shop for KRI MSME formalization; manages industrial licensing; facilitates market access arrangements
Ministry of Planning & International Cooperation (MoPIC)	Leads national planning; public investment management; statistics; COSQC standardization oversight; coordinates donor programmes	Sets product and packaging standards; testing frameworks via COSQC; aligns donor and government funds MSMEs can tap into
Ministry of Planning & International Cooperation - KRG	Manages regional planning investment prioritization; compiles statistics; oversees KSQCA for standards and metrology in KRI	Facilitates access to regional development programmes; provides standards and testing for KRI MSMEs
Ministry of Health (MoH)	Regulates food safety; issues hygiene permits; conducts health inspections for food establishments	Issues and renews health certificates; inspects MSME food facilities, essential for legal operation and retail access
Ministry of Health – KRG	Regional food safety and public health inspections in KRI	Performs same functions as federal MoH for KRI food MSMEs
Ministry of Environment (MoEnv)	Sets environmental policy; requires Environmental Impact Assessments; enforces pollution and waste rules	Determines EIA and permit needs; enforces compliance for agro-industry effluents and solid waste, affecting plant siting and costs

87. One sector expert cited as an example that despite the agricultural calendar, borders often remain open. In the Kurdistan Region, the agricultural calendar is not applied due to different regional needs, allowing products restricted elsewhere to enter the market. The ease of moving goods between northern governorates in the KRI and central/southern Iraq contributes to market flooding, often forcing Iraqi farmers to sell below production cost.

Environment Protection & Improvement Commission	Supervisory and regulatory body for environmental protection at federal, regional and provincial levels; supports enforcement of environment law and EIAs	Interfaces with MSMEs on permits; conducts inspections; implements corrective actions to meet environmental standards
Iraqi Federation of Industries (IFI)	Represents industrial companies; provides advocacy and training; fosters linkages to services and markets	Acts as platform for MSME processors to access policy advocacy, B2B networking and capacity-building
Federation of Iraqi Chambers of Commerce (FICC)	Acts as umbrella body for local chambers; facilitates trade information and market access; provides business services	Supports MSMEs with registration, matchmaking, trade documents and participation in fairs and wholesale markets
Farmers' Associations and Cooperatives	Organize producers for input purchase; aggregate production; conduct control; manage collective marketing and finance	Enable scale; reduce costs; improve standards compliance; strengthen price negotiation; facilitate access to finance for smallholders

6.2.6 RELEVANT RECENTLY CLOSED OR ONGOING PROJECTS

TABLE 14. SELECTED RELEVANT RECENTLY CLOSED OR ONGOING PROJECTS

Project / Programme	Lead org. (Implementer)	Core focus	Geography (examples)	Status / Duration
SAAVI – Strengthening the Agriculture & Agrifood Value Chain and Improving Trade Policy EUR 22.5 million	ITC[88] (with partners incl. WFP; NRC)	Value chain upgrading; market linkages; trade policy; aggregation hubs for farmers	Ninewa (Hamidat; Al-Quba); national policy	2020-2025; aggregation hub inaugurated May 2025
Enhanced Climate Resilience of Vulnerable Agricultural Households in Southern Iraq	FAO	Climate-smart agriculture; solar systems; training (2023–2027 window)	Southern governorates (Muthanna; Najaf; Karbala)	Ongoing; project documents 2024–2025
SRVALI – Scaling Resilience of Vulnerable Agricultural Livelihoods	FAO + Government of Iraq	Drought resilience; climate adaptation for rural households	Karbala; Najaf; Muthanna	Ongoing; launched Sept 2025
WFP – Smallholder Agriculture Market Support (SAMS) / Climate-smart Livelihoods	WFP (with Government & NGOs)	Market access for smallholders; asset creation; climate-smart agriculture	National; current operations reflected in 2025 briefs	Ongoing; Country Brief Sept 2025
IFAD – Smallholder Agricultural Revitalization Project (SARP)	IFAD + Government of Iraq	Irrigation rehabilitation; diversification; dairy/fish/poultry; resilience	Multiple rural areas	Ongoing; 2023–2025 supervision record
EU-funded TVET for a Competitive Agriculture / ISDEHARAK	GIZ / Cowater[89]	TVET reform for agri-value chains; youth skills & entrepreneurship	National	Recently closed; 2022–2025
Promoting Agriculture and Peace in Iraq	GIZ	Reconstruction of infrastructure (irrigation systems, warehouses); access to agricultural machinery; training; loans	Anbar	2019–2024
FAO – Agricultural Value Chain Assessment (baseline for programming)	FAO	2024 sector/value chain diagnosis informing interventions	National	Ongoing output; published 2025
IOM – Livelihoods Support in Displacement-affected Areas	IOM	MSME grants; agriculture inputs; economic recovery	Ninewa; Anbar; other affected areas	Ongoing; policy brief 2024; country plan 2024
Agrifood Business Development Programme (AfBDP)	FAO, GIZ, ILO, UNESCO, ITC, Cowater	Transformation of agrifood sector through a coordinated Farm-to-Fork approach, strengthening agrifood systems from production to market	National	Launched in 2021
IFC – Agro-industrial complex development	International Finance Corporation (IFC)	Development of an agro-industrial complex in Iraq's Umm Qasr Port, including a soybean crushing plant and warehouses	Southern Iraq	Launched in 2023

88. ITC, "Transforming trade, changing lives: Impact stories from Iraq", September 2025. Available at https://www.intracen.org/sites/default/files/media/file/media_file/2025/09/01/impact-stories-iraq_web.pdf.

89. Cowater International. Available at https://www.cowater.com/.

6.2.7 MAIN CHALLENGES

Iraq's agribusiness sector faces structural challenges that cut across the value chain, from production to processing to market access, often affecting MSMEs the most. These include the following:

- **Financing gap.** Access to finance for both starting new projects and expanding or modernizing existing businesses is challenging. Banks perceive small farmers and food processors as high-risk.[90] Generally, agriculture is viewed as riskier than other sectors due to environmental exposure and intense competition, making loan recovery more uncertain. Few small agribusinesses can meet high collateral requirements and comply with complicated procedures. Therefore, they rely on personal savings or informal loans, which are often insufficient for investments in inputs or equipment. Limited capital and high financing costs particularly affect SMEs, which, for example, cannot cover urgent working capital needs, upgrade outdated machinery and technology, expand their business or get access to solar panel subsidy programmes, resulting in a vicious cycle of low investment and low productivity. Based on a recent survey, the financing needs of SMEs are between USD 3.77 billion and USD 8.40 billion. Less than 18% of SMEs have a bank account, and less than 5% have access to credit.[91] The still limited use of digital and banking payment systems causes delays and inefficiencies, especially in transactions between businesses and suppliers.
- **Cost of electricity.** Electricity costs have increased noticeably due to unstable Government supply. SMEs are more affected because they often rely on generators. Furthermore, power outages disrupt food processing stages, such as milling, baking and dairy chilling. Grid outages also increase electricity costs as many SMEs use generators. There is limited direct government support to offset electricity costs. Some projects have started shifting to solar power, but the initial investment cost remains high. Although the Government encourages the use of solar energy, the support is mainly indirect, such as encouraging banks to offer loans rather than providing subsidies.
- **High rent and access to land.** Rental costs for production, storage and commercial facilities have risen, and this remains a major challenge, especially near urban markets and main transport corridors. However, these costs vary significantly by area. Government support is largely absent, except for some farmers affected by force majeure or environmental shocks who request rent cancellation. There is limited availability of equipped government industrial or agricultural zones. Identifying new land for investments can be challenging.[92]
- **Infrastructure gaps**. Iraq's agricultural infrastructure requires significant rehabilitation and modernization. Irrigation and water infrastructure are in disrepair – many canals, pumps and wells built in the mid-twentieth century have been damaged by conflicts or poor maintenance. In conflict-affected regions like Ninewa and Anbar, irrigation networks were deliberately sabotaged by ISIS. By 2017, only 20% of farmers nationally had irrigation access, down from two-thirds before 2014.[93] This leaves most agriculture dependent on unreliable rainfall. Storage and processing facilities are also inadequate. There is a shortage of grain silos, cold stores, packing houses and agro-processing units, leading to high post-harvest losses (farmers often watch portions of perishable crops spoil due to lack of cold chains). Rural roads and market facilities are weak links in the value chain – many villages lack all-season farm-to-market roads, and marketplaces are rudimentary (e.g. dirt lots without cooling or sanitation). These bottlenecks mean producers struggle to transport goods to consumers or processing facilities efficiently, raising production costs and reducing the competitiveness of Iraqi agribusiness products.
- **Policy and institutional challenges.** While the Government has programmes to support agriculture (e.g. input subsidies, guaranteed

90. RED ROOTS: TOMATOES FROM THE HEART OF BAGHDAD (2025). Unpublished paper, European Institute for Innovation and Sustainability.

91. GIZ (2023).

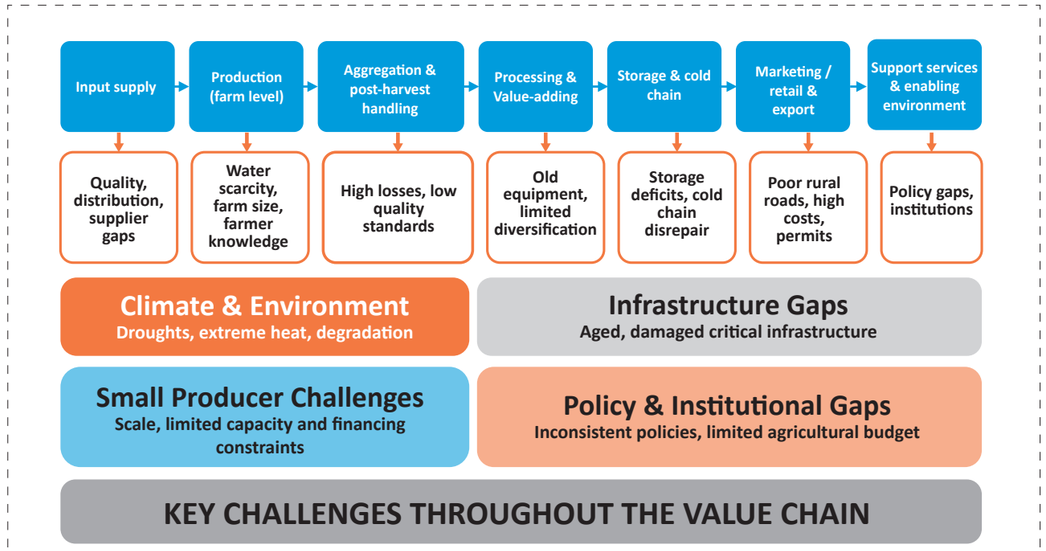
92. Interviewed experts noted that in areas with high-quality land and adequate water allocations, land is frequently occupied under old legal contracts that are still in force. For lands not contracted with the state, farmers often cultivate them as if they own them (de facto possession). It is difficult for anyone to stop them or take these lands away, effectively making these areas closed to outsiders and controlled by local communities.
Lands that lack irrigation water, are infertile or saline are usually left unused. Outsiders cannot exploit them except in limited cases (e.g. when there is kinship or a social relationship between the investor and someone in the area who endorses and supports them to avoid problems).
Desert lands are typically vast and often sandy. They usually do not have a formal water allocation and rely on artesian wells. They can have high productivity for strategic crops such as wheat, barley and fodder using modern irrigation systems (centre-pivot and fixed sprinkler irrigation). These desert lands fall into two broad categories: (i) desert lands close to cities and paved roads for which obtaining investment rights or contracts can be difficult and is often dependent on personal connections; and (ii) remote desert lands, especially in Anbar, Karbala and Samawa which are harder to reach and may require travelling thousands of kilometres, and there can be additional issues with sheep and camel herders (nomadic Bedouins).

93. Amnesty International UK, "Iraq: ISIS systematically destroyed Yezidi farms during onslaught - new report", 13 December 2018. Available at www.amnesty.org.uk/knowledge-hub/all-resources/iraq-isis-systematically-destroyed-yezidi-farms-during-onslaught-new-report/.

wheat prices, import restrictions at harvest time) as well as agribusiness (agrifood value chain initiatives), these policies can be inconsistent and are not always suitably targeted to help MSMEs. They are fragmented and lack the framework of a coherent, long-term national agribusiness policy. Budgetary allocations to agriculture have historically been low, and support tends to focus on a few staple crops rather than diversified value chains. Gaps in the enforcement of policies can hurt competitiveness – for instance, border controls on cheap imports are sporadic, exposing local producers to sudden influxes of foreign products. Land tenure uncertainties (especially in areas to which people displaced by conflict are returning) also impede investment, as farmers without clear land titles or long-term leases hesitate to invest in orchards or irrigation. Extension and research services remain weak, as does coordination among ministries (agriculture, water, trade, etc.) on an integrated agrifood strategy. Furthermore, the red tape in registering enterprises, accessing electricity or exporting goods affects agribusinesses. In sum, the enabling environment for agribusiness needs strengthening – from more consistent pro-farmer trade policies to improved credit schemes and clearer land policies – to unlock the sector's potential.

- **Climate and environmental challenges.** Iraq is extremely vulnerable to climate change. Rising temperatures (with summer highs above 50 °C) and decreasing rainfall have intensified drought cycles and water scarcity. Desertification is advancing at an alarming rate – an estimated 400,000 acres of arable land are lost each year. Water resources are under severe strain: Iraq utilizes over 80% of its available fresh water for agriculture, yet river flows are declining due to upstream damming and erratic rainfall. The country lacks formal water-sharing agreements with Türkiye and Iran, which has exacerbated downstream shortages. Frequent droughts in the past decade have sharply reduced crop yields and forced farmers to leave fields fallow. For example, wheat output dropped by approximately 20% in dry years (e.g. 2021 and 2025) due to insufficient irrigation. Soil degradation is another concern – decades of traditional flood irrigation and inadequate drainage have led to salinization of prime farmland, especially in central and southern Iraq. In Basra and other southern areas once famous for date palms, high soil salinity and heat have withered millions of trees. These climate impacts not only reduce current production but also threaten the long-term sustainability of agriculture and connected sectors.
- **Knowledge and technology challenges.** Years of conflict and underinvestment have weakened agricultural extension services. Many producers lack training in improved farming techniques, pest control, post-harvest handling and food safety standards. For example, adoption of efficient irrigation (drip or sprinkler) and high-yield crop varieties remains limited. An estimated 70% of farmers still use wasteful flood irrigation methods. Without technical support, small producers struggle to improve yields or quality. This significantly affects the agribusiness and food processing sectors, since reliable access to good-quality inputs is crucial. Access to modern technology, generally available through local suppliers, direct imports or facilitated through international trade fairs, is limited due to a lack of financing, especially for small producers and processors. Furthermore, experts note that business owners, especially youth or those who recently entered the sector, often lack knowledge and information regarding market dynamics, financial management, business planning, marketing or regulatory frameworks. In particular, newly established SMEs have limited experience navigating regulatory frameworks and trade procedures (e.g. import-export regulations, customs requirements and market standards). Smaller enterprises, especially, would need more guidance on what is required, how to achieve compliance and how their business can benefit from formalization. These gaps often result in inefficiencies, increase the risk of business failure and hinder the ability of firms to expand to regional or international markets.
- **Other small producer challenges.** Most farmers cultivate modest plots, often less than 2.5 hectares, and lack economies of scale. They have little bargaining power and often sell at farm-gate to intermediaries for low prices. They are rarely organized into cooperatives that could scale up processing or marketing. They have limited access to modern equipment – mechanization rates are low, so activities like land preparation and harvesting are labour-intensive and time-consuming. Traditional farmers also struggle to adapt to modern technologies because they are attached to old methods and fear change amid rising production costs. Furthermore, working conditions are often worse in smaller or informal businesses, where compliance with labour standards and the enforcement of labour and social security laws are generally weak. Finally, they also face bigger challenges in accessing skilled labour. There is a limited number of skilled workers, and they are often employed by large companies.

FIGURE 10. OVERVIEW OF THE CHALLENGES IN THE AGRIFOOD VALUE CHAIN



6.2.8 KEY OPPORTUNITIES

Despite the challenges, Iraq's agribusiness sector, in particular food processing, offers significant opportunities across different value chains and regions. Key opportunities include the following:

- **Large amounts of arable land and a growing market for local products.** Iraq possesses over nine million hectares of arable land, and KRI has over four million hectares. Fertile river valleys and diverse climatic zones present a significant opportunity in the agricultural and processed food sectors. Iraq also has a large domestic market eager for locally produced, high-quality products. Supporting local capabilities to reduce reliance on imports opens opportunities to empower small enterprises in areas such as canning, cooking and product processing.
- **Demand for date products and other agro-exports.** Iraq's comparative advantage in date production provides an opportunity for diversification. With millions of young date palms recently planted and rehabilitation of neglected groves under way, output is expected to rise. Beyond raw date exports, value-added processing of dates into syrup, confections, alcohol (arrack), vinegar and dietary fibre can considerably boost revenues and create jobs. Some Iraqi firms already produce date syrup and packed dates for Gulf markets, but by scaling this up (with better packaging, quality control and marketing), Iraq could recapture its historic leadership in the date industry. In addition, Iraq could develop and promote other export-oriented agribusiness products, for example, herbs, spices and medicinal plants from the northern highlands (an area where rosemary, thyme, liquorice and others grow wild) or organic produce leveraging Iraq's largely organic traditional farming. If food safety standards and logistics improve, Iraq's proximity to large consumer markets (Gulf, Iran, Türkiye) offers export potential for niche products like pomegranate molasses, speciality rice (Ambar) and processed snacks tailored to regional tastes. Capitalizing on these will require meeting international quality standards and ensuring reliable supply, but even serving diaspora markets with authentic Iraqi products can be lucrative. Every region has its speciality. For example, honey from Kurdistan, truffles from the western desert and sesame-based confections from Mosul – which, with branding and processing, could find high-value markets.
- **Livestock, dairy and poultry value chains with high potential.** Iraq's growing population and urbanization are driving greater consumption of animal proteins (milk, meat, eggs). This presents an opportunity for domestic producers to capture more of the market currently served by imports. For example, much of Iraq's poultry meat and eggs are imported – promoting and supporting local poultry farms and feed mills could create jobs and cut

import bills. Similarly, Iraq imports large quantities of powdered milk and cheese, yet rural communities could supply fresh milk and traditional dairy products. Recent pilot programmes demonstrate the potential. Since 2019, partnerships between the Ministry of Agriculture, FAO and private investors have set up village milk collection centres, small dairy processing units and feed production facilities, which have significantly improved the dairy value chain. Through the provision of cooling tanks, training in hygiene standards and improving their knowledge of the impact of quality animal feed, these clusters have increased milk yields and reduced spoilage, raising incomes for small herders. Similar initiatives for sheep and goat farmers (such as "backyard" lamb-fattening schemes) are being tested to boost local meat supply. There is also scope to develop fish farming (aquaculture), particularly in the south where marshlands and warm climate support fast growth of species like tilapia and carp. A recent Karbala project producing 300 tons of fish daily[94] exemplifies this potential. As these livestock and aquaculture projects expand, they create new linked agribusinesses, such as dairy cooperatives making yoghurt and cheese, abattoirs and meat-packing facilities meeting halal standards along with fish processing for urban retail. Local brands of quality dairy or meat products can gradually replace imports if value chains and the respective market systems are strengthened.

- **Achieving staple crop self-sufficiency.** With improved water management and inputs, Iraq could reliably meet much of its domestic grain demand. Wheat yields are still below regional benchmarks – improving seed quality, expanding irrigation and incentivizing modern farming could raise output in rain-fed areas of the north and irrigated areas elsewhere. The Government's recent success in achieving wheat self-sufficiency for three years (2019–2021) shows this goal is within reach with respective supporting policies (e.g. purchase guarantees) in place. Similar efforts could be extended to other staples like barley, maize and rice to reduce import dependence and create processing opportunities (e.g. feed mills, rice mills). Importantly, investing in climate-resilient agriculture (such as drought-tolerant crop varieties and regenerative farming practices) can both increase production and withstand climate shocks. Every additional ton of grain or feed produced domestically also fuels downstream activity in milling, baking and livestock rearing, multiplying economic benefits.
- **Potential of high-value orchards and tree crops and expansion of value-added food processing.** Iraq's diverse geography offers scope to expand fruits, vegetables and niche crops. The Kurdistan Region and northern governorates (e.g. Duhok, Ninewa) have upland areas with decent rainfall or springs that support orchards and vineyards. These areas historically produced grapes, figs, pomegranates, olives and stone fruits in abundance. Reviving and upgrading these orchards is a high-potential opportunity. For instance, the Sinjar region's climate is ideal for figs, which could be processed into dried figs or jams for national and export markets. Likewise, Ninewa's sesame seed, once a speciality of Tel Afar, could be scaled up to supply tahini and oil processors if cultivation is revived. Similarly, vegetable value chains offer opportunities: demand for tomatoes, potatoes, and onions is very high, and projects in Kurdistan have shown success in this area (Duhok, for example, dramatically increased potato output to an estimated 600,000 tons in 2024 through better seed and government support). Building greenhouses and adopting improved seeds can extend growing seasons and yields for vegetables. In turn, this supports the growth of local canneries or drying facilities. A crop marketing centre, which opened in 2023 on the northern border, helps aggregate farmers' produce (tomatoes, apples, cucumbers, etc.) and distribute it efficiently to Iraqi cities. This model could be replicated in other regions to connect small farmers with larger urban markets, reducing spoilage and stabilizing prices. High-value horticulture not only provides income to farmers but also raw materials for food processing facilities – for example, tomato paste production, fruit canning, juice and jam factories – many of which can be established at small or medium scale.
- **Leveraging government policies and reform agendas that prioritize SME development, youth employment and investment incentives.** Several sector experts highlighted that the youth in agriculture initiative has led to many young entrepreneurs entering the sector with innovative ideas, business models, improved production practices and value-added products.

94. "Iraq launches $2bn dairy and food industry projects in Karbala", INTELLINEWS, 11 August 2025. Available at www.intellinews.com/iraq-launches-2bn-dairy-and-food-industry-projects-in-karbala-395552/.

6.2.9 ASSESSMENT OF AGRIFOOD ENTERPRISES IN NORTHERN IRAQ[95]

Profile of enterprises interviewed

In total, representatives from 22 agrifood enterprises were interviewed across Basra, Nineveh, Duhok and Erbil. The average number of employees is 26, while the median is five. More than half of the enterprises (12) were established less than five years ago (see Figures 3 and 4). Five enterprises (23%) stated that they are not formally registered. On average, less than 60% of the workforce is formally employed, with only three enterprises stating 100% formal employment. Fourteen enterprises (64%) employ 50% or more women. Approximately two-thirds have at least one woman working in a managing role.

FIGURE 11. NUMBER OF EMPLOYEES OF SURVEYED ENTERPRISES

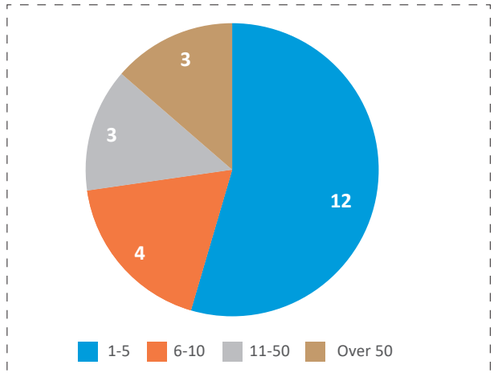
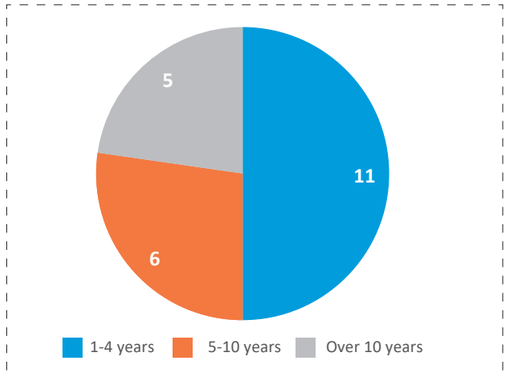


FIGURE 12. AGE OF SURVEYED ENTERPRISES



Productivity

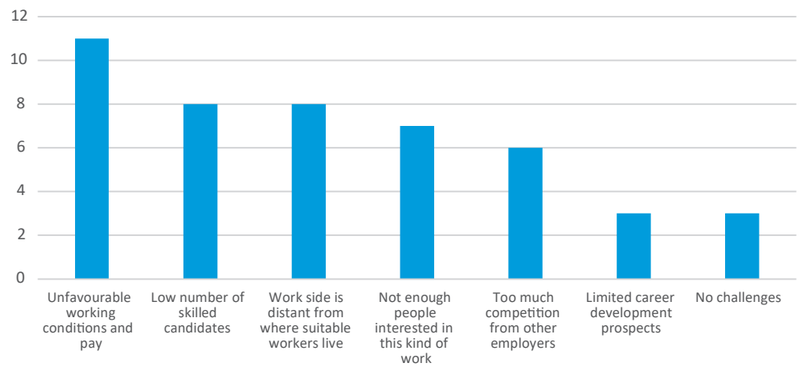
High input costs and high utility costs drive production costs. Input materials represent the highest share of the production cost for the majority of enterprises (63%). Half of the enterprises estimated energy and utility costs to be 20% or more of their production costs.

Workers are often hired without prior experience, and access to training is very limited. On average, one-quarter of the employees were hired without prior experience, and six enterprises reported that 50% or more of their employees were hired without any prior experience. Half of the enterprises provide no training or simply training on the job, which includes two larger enterprises with 10 or more employees. The large majority of enterprises stated that they are not aware of any vocational training institutions or opportunities. The few mentioned include the UNIDO Enterprise Development Centre and some training offered by NGOs.

Worker fluctuation is high, and hiring new skilled staff is challenging. Close to half of the enterprises indicated a high level of fluctuation of workers, with at least a fourth of the workforce leaving in 2025 and new staff being hired. However, enterprises face challenges when hiring new workers, with the most important ones being related to unfavourable working conditions and pay, the low supply of skilled candidates, and the worksite being distant from where suitable workers live (see Figure 5). The skills lacking among the workforce most mentioned by the enterprises were marketing (10), machine operation and maintenance (8), technical skills related to specific products and product development (6), management (5), professionalism (4) and workplace safety (3).

95. All figures and graphs in this section are based on survey data.

FIGURE 13. CHALLENGES OF SURVEYED AGRIFOOD ENTERPRISES IN HIRING WORKERS



Acquisition of agribusiness skills

Skills in the agribusiness sector are obtained through a combination of formal training and informal training on the job. Training locations mentioned by the survey participants included government institutions, such as the government agricultural training centres (Extension and Agricultural Training Directorate under the Ministry of Agriculture), which are present in all governorates as "extension centres".[96] Opportunities were also provided by NGOs, International Organizations, universities, agricultural colleges[97] and private training centres.

In the Kurdistan Region, the Ministry of Labour and Social Affairs operates the Directorate of Vocational Training, which provides free vocational and technical training to all applicants. Six vocational training centres are located in Erbil, Sulaymaniyah, Duhok, Zakho, Soran and Garmeyan. These centres offer training relevant to agribusiness, including machinery operation, food processing and basic technical skills. In addition, several NGOs and international organizations (e.g. UNIDO, GIZ, UNDP) provide specialized training programmes for selected beneficiaries. One such example is the European Technology and Training Centre (ETTC) in Erbil, founded in 2005, which offers technical and professional training aligned with private sector needs.

Private sector training centres also play an increasing role, particularly in areas such as management, quality control and modern production techniques. According to interviews with sector experts, skill gaps and needs include practical skills in operating and maintaining machinery and equipment; food processing skills, packaging and quality assurance; agribusiness management, marketing and export readiness; use of modern technologies in smart agriculture; promoting greenhouse farming, especially on small plots with high financial returns; and specialized courses in cold-chain management, food safety (HACCP) and export standards.

The average rating of machine efficiency on a scale from 1 (not efficient) to 5 (very efficient) is 2.9, with almost one-third of the enterprises rating their equipment 1 or 2.

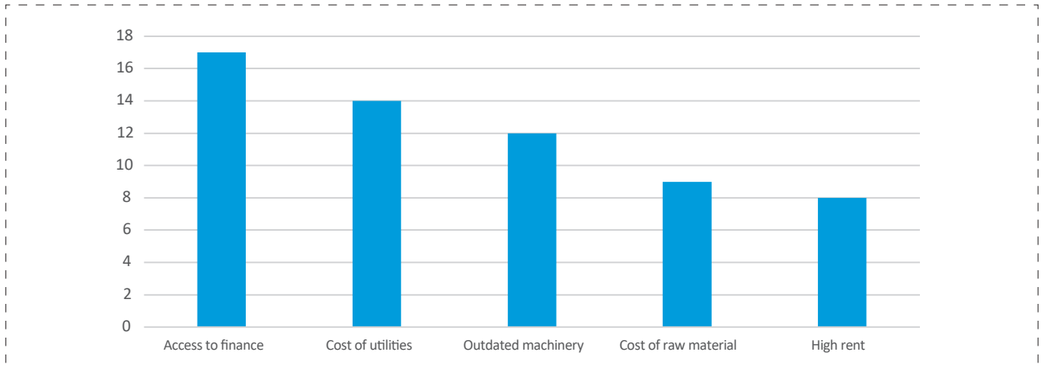
None of the 22 enterprises produces at capacity limit; most could produce at least double the current quantities. The average reported percentage of defective final products is 5%, with six enterprises reporting defects of 10% or higher.

The top three productivity constraints mentioned by enterprises are (1) limited access to finance (77%); (2) cost of utilities (64%); and (3) outdated machinery and technology (55%) (see Figure 14).

96. Disseminate technologies to farmers through rural training courses.

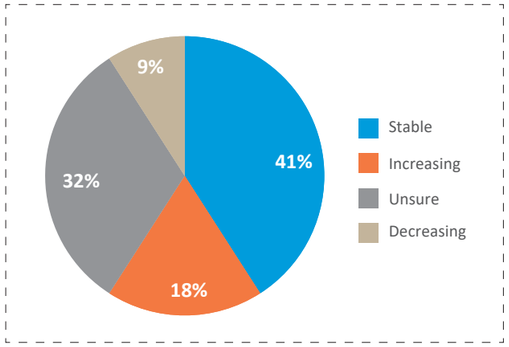
97. Often mostly theoretical; limited trained staff on modern technologies.

FIGURE 14. TOP FIVE PRODUCTIVITY CONSTRAINTS



59% of enterprises consider the market demand stable or increasing (see Figure 15).

FIGURE 15. PERCEPTION OF MARKET DEMAND



Challenges obtaining inputs and selling or distributing products

Almost all enterprises (19 out of the 22) mentioned "Transportation / Logistics" as one of the top obstacles when obtaining inputs, followed by "High cost of inputs" (16) and "Customs duties" (5).

Similarly, when selling or distributing products, the main challenge mentioned by most enterprises is "Transportation/Logistics" (16). This is followed by "Price fluctuations" (14) "Competition" (14), "Payment issues" (13) and "Lack of market access" (7).

While issues with transportation and logistics affect enterprises of all sizes when obtaining inputs or distributing products, other obstacles affect mainly smaller enterprises. Lack of market access and payment issues when distributing or selling products mainly affect enterprises with fewer than 10 employees.

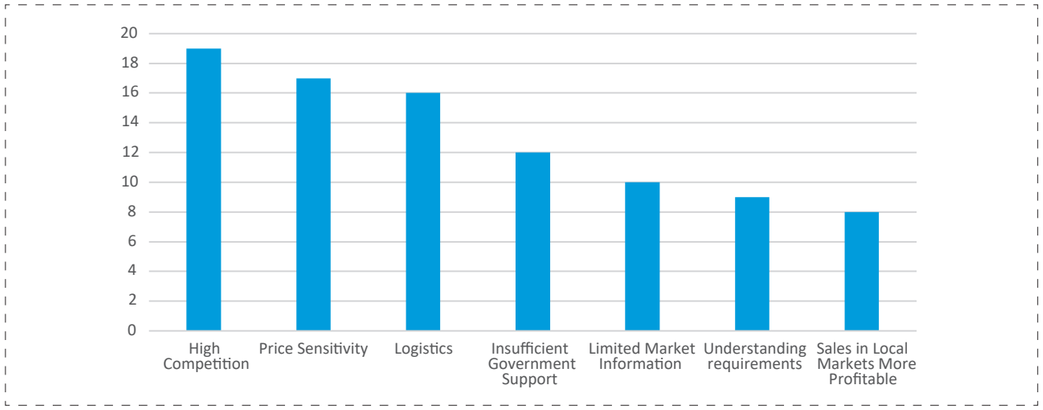
Accessing new markets

Nine out of 22 enterprises are active on a type of online platform mainly to present their products.

The large majority of enterprises (18) are interested in accessing new markets. Eleven enterprises stated other regions in Iraq (mainly Kurdistan and Duhok). Four mentioned the Middle East (Syria, Jordan), and four of the enterprises that took part in the interviews expressed an interest in Europe (Germany, UK).

With regard to the challenges, high competition, price sensitivity of clients and logistics are the top obstacles mentioned. However, limited market information and a limited understanding of the market requirements were also mentioned among the top six obstacles (see Figure 9). Businesses struggle to understand consumer demand, quality standards and export requirements. Support services are scarce.

FIGURE 16. TOP CHALLENGES IN ACCESSING NEW MARKETS



Finally, enterprises rated nine constraints according to their impact on their business from 1 (no impact) to 5 (most severe impact). The five most critical constraints are (1) the lack of support from Government and other organizations; (2) access to finance; (3) market information; (4) availability of skilled labour; and (5) competition from informal businesses. Limited public service provision and infrastructure was also noted as a significant constraint by roughly 30% of the enterprises questioned.

TABLE 15. KEY CONSTRAINTS AND NEED FOR SUPPORT

Constraint	Number of enterprises that rated the constraint as severe[98] (average rating)	Context[99]
Government / other organization's subsidies or support	19 (4.1)	While policies and incentives exist, direct support services and subsidies are still limited, particularly for small farmers and micro-enterprises.
Access to finance	13 (3.8)	While initiatives like Gashanawa and partnerships with banks and international NGOs exist, access to finance remains challenging, especially for small enterprises. Most banks support housing and industrial projects because collateral is reliable and risk is perceived to be lower. For large agricultural investments, collateral may be the investment project itself and/or additional guarantees. For small and medium projects, banks avoid offering concessional finance due to higher risk unless collateral includes real estate valued above the loan amount – something youth and small farmers often do not have.
Market information	11 (3.4)	Businesses often lack clear information on government regulations, fees, taxes and compliance requirements as well as on accessing new domestic and international markets.
Availability of skilled labour	10 (3.2)	The supply of skilled labour– local and foreign – is not sufficient. Also, many small businesses cannot afford the high cost of skilled workers.
Competition from informal businesses	9 (2.8)	Informal agricultural and industrial activities are widespread. There is weak enforcement of laws such as the Labour Law. Competition is less intense in major cities like Erbil. The issue is more prominent in smaller cities, where similar businesses compete for a limited customer base. Companies avoid offering higher-priced products because most focus on low prices, even at the expense of quality. Informal enterprises benefit from not complying with taxes and regulatory standards. Consumer price sensitivity reinforces this competition.
Quality of public service provision	6 (2.9)	
Infrastructure	6 (2.8)	Transport challenges mainly affect farmers and fresh agricultural products due to limited storage facilities and losses due to poor road infrastructure.
Security and stability	6 (2.6)	In 2022, 9.4% of enterprises chose lack of political stability as their biggest obstacle in the World Bank Enterprise Surveys. In the past, conflict has destroyed manufacturing capacity, fostered dependence on imports and limited investments. Areas with higher instability tend to face higher unemployment.
Government regulation	5 (2.5)	Customs procedures can be lengthy and bureaucratic, increasing costs and delays, particularly for imported inputs and exported products. Recently, there has been a slight increase in taxes and customs fees on imported raw materials, raising production costs, particularly for food processing and manufacturing subsectors.

98. Number of enterprises that rated this constraint as "4" or "5".

99. Provided by sector experts (see Annex for list of experts).

Only one enterprise indicated that it has no need for support. Among the rest, the majority of enterprises would like to have support with access to finance and technical support to upgrade and maintain equipment. Other important areas are operational efficiency techniques for workers, training in quality management and standard compliance and training in health and safety measures (see Figure 16).

FIGURE 17. DESIRED SUPPORT INDICATED BY THE ENTERPRISES



6.3 TEXTILES AND CLOTHING

6.3.1 OVERVIEW

Iraq has a long-standing legacy in textiles, with a once-strong cotton and wool textile industry renowned for silk production and weaving. Today, the sector is dominated by imports. Production declined sharply after 2003 due to government neglect, underinvestment and import competition. It remains a labour-intensive sector that represents an accessible and important source of employment, particularly for women, youth and other vulnerable groups, especially in tailoring, sewing and home-based production. Often, it is not only a source of economic empowerment, independence and skills development but also provides access to social networks and communities, especially where cultural barriers exist with regard to working outside the home.

However, local manufacturers struggle to compete on price, variety and quality with cheaper imported garments from Türkiye, India and China, which dominate the market.[100] Especially for small workshops, employment is often informal and characterized by low wages and limited job security. While traditional textiles – especially embroidered fabrics – remain culturally relevant and have some niche markets domestically and abroad, domestic production makes up only a fraction of total consumption.

100. "Iraq's closet goes Turkish: A trade story", Shafaq News, 8 June 2025. Available at https://shafaq.com/en/Report/Iraq-s-closet-goes-Turkish-A-trade-story. In 2023, Iraq imported approximately USD 798 million in Turkish textiles, making Turkey its second-largest supplier after China. Turkish garments now represent nearly 90% of clothing in Iraqi shopping centres, according to the Head of the International Association of Industrialists and Businessmen in Turkey.

6.3.2 TRENDS AND MARKET STRUCTURE

Modern, large-scale industrial textile production is very limited in Iraq, with only a few active textile mills (e.g. in Erbil, Samawah). There are a few large textile factories that have significant production capacities (e.g. in Baghdad, Najaf, Mosul, Karbala, Falluja, Babil),[101] but they often operate below full potential due to outdated machinery and management challenges. The Ministry of Industry and Minerals oversees several state-owned enterprises (SOEs), such as the State Company for Textile and Leather Industries and the Wasit Company for Textile Industries. MSMEs dominate the sector, particularly informal tailoring and small workshops. Technological adoption across the sector is relatively low. Most producers operate using manual or semi-mechanized equipment, with minimal integration of digital design tools or modern production machinery. This constrains productivity, consistency and competitiveness.

Demand is driven mainly by local consumption, humanitarian procurement and school clothing and uniform markets, with limited industrial-scale growth. The domestic textile market is dominated by imported products, especially from Türkiye, Iran and China, which limits the growth of local production. There is a national discourse to revive the sector, reflected in the Draft Industrial Strategy. Overall, the textile sector in Iraq is experiencing relative stagnation while still holding significant untapped potential.

The Kurdistan Region does not currently have large-scale textile manufacturing plants. Similar to the national level, the majority of raw materials and essential inputs used in textile and garment production are imported from abroad, and the use of industrial machinery is limited. The number of companies officially registered as textile manufacturers is limited, particularly when compared to trade, services and construction sectors.[102] However, the region does have a considerable number of small factories and workshops that serve the domestic market, primarily focusing on producing traditional and local garments as well as uniforms for schools, factories and institutions that require standardized workwear such as hospitals and service providers. Small-scale textile and tailoring activities are widespread across the region, especially in the production of traditional Kurdish clothing for men, women and children. Demand for these products is particularly strong during festive seasons and national or cultural events, such as Newroz and other public celebrations. The textiles and tailoring market in the Kurdistan Region can be described as relatively stable, with modest growth observed over the past few years. This growth is partly driven by renewed interest among young people – especially women– in wearing traditional Kurdish clothing. As a result, tailoring as a profession is expanding in response to increasing demand. There is also untapped potential to further develop the sector by exploring export opportunities, particularly to countries with large Kurdish diaspora communities, where demand for culturally specific garments already exists.

6.3.3 RELEVANCE FOR MSME AND JOB CREATION

MSMEs are the backbone of the textile sector, especially in tailoring, garment repair, small-scale production and ready-made garments. These include family-run tailoring shops, women-led home businesses and informal workshops that employ two to five workers. While these enterprises are flexible and resilient, they often lack formal registration, business planning skills and access to finance, which constrains growth and integration into higher-value markets.

6.3.4 RELEVANT PLAYERS, PROJECTS AND LEGAL AND REGULATORY LANDSCAPE

Many NGOs and international organizations support textile and sewing businesses within the scope of SME development, women's empowerment and market-oriented livelihood projects targeting IDPs, returnees, women and youth. Examples include projects from IOM, UNDP, and the World Bank,[103] which include the **rehabilitation and modernization of existing textile factories as well as skills development initiatives** (see Table 16).

101. Many of them produce carpets, cotton and wool textiles, clothing and speciality fabrics.

102. The General Directorate of Companies, part of the Ministry of Trade, mentioned a steady growth in overall business registrations across the region but a relatively low number of newly registered companies specializing exclusively in textile manufacturing. No official data were provided.

103. IOM, "Rebuilding life after displacement, stitch by stitch", 18 December 2025. Available at https://iraq.iom.int/stories/rebuilding-life-after-displacement-stitch-stitch; UNDP, "Made in Iraq: stitching hope and quality back into local markets". Available at www.undp.org/iraq/stories/made-iraq-stitching-hope-and-quality-back-local-markets; and World Bank, "Al-Mishkat Cultural Association in Iraq revives garment industry jobs for women". Available at www.worldbank.org/en/news/feature/2020/02/19/al-mishkat-cultural-association-in-iraq-revives-garment-industry-jobs-for-women.

TABLE 16. SELECTED PROJECTS TO SUPPORT THE TEXTILE INDUSTRY

Project / Programme	Lead Org (Implementer)	Core Focus	Location	Status / Duration
SAAVI Project	ITC	Agricultural value chain development and trade policy improvement; primary focus on agriculture and agrifood (such as dairy) but expanded to textile and leather sectors	Primarily Baghdad, Mosul (Ninewa Governorate), Erbil and Basra	2020–2025
Al-Mishkat Cultural Association	World Bank	Re-opening of the Al-TERAZE Tailoring Factory to train and employ women	Al-Khadhmiya district of Baghdad	2020
Anah Sewing Factory	UNDP	Rehabilitation with new machinery (83 modern sewing machines and steam pressing equipment), training on operating high-speed electronic machinery, enhancing local market linkages and marketing partnerships with various ministries and local merchants; serves as a model for restoring local manufacturing ("Made in Iraq")	Anah city, Anbar Governorate	2023

The textiles sector's growth depends heavily on government policy. Positive factors include SME support, export facilitation, training and targeted incentives. At the same time, challenges such as high taxes, bureaucratic hurdles, limited financing, weak regulatory enforcement and unstable utilities hinder competitiveness and investment.

The policy environment affecting textiles is characterized by partial support and significant structural gaps. On one hand, both the federal and regional governments acknowledge the importance of SMEs and employment generation, reflected in the collaboration with NGOs and donor-funded programmes. On the other hand, textile businesses still face high customs duties on imported fabrics and accessories, complex licensing procedures and inconsistent inspections. There are few targeted incentives for upgrading machinery or formalizing small enterprises, but many entrepreneurs prefer to remain informal due to the perceived cost and complexity of compliance, which ultimately weakens the sector's overall competitiveness.

However, there is a national discourse to revive the textile industry, and first steps have been taken. Recently, Iraq has taken additional **measures to protect the textile and clothes sector.** For example, **higher import duties and fees** have been approved for textile-related items, such as dyes and garment-care products, to reduce the competitiveness of cheap imports. These actions are part of wider protective measures and strategies announced by the Ministry of Trade to support local manufacturing and promote Iraqi exports.[104] In the Draft Industrial Strategy, the clothing and textiles industry is mentioned as a strategic manufacturing industry where investment adds value to Iraq's available natural resources.[105] The strategy states the intent of the Ministry of Industry and Minerals to restructure the SOE General Company for Textile and Leather Industries.[106] It also highlights specific products in the textile sector for which it sees high potential, including medical protective supplies, leather products, school uniforms, clothing, tents, military equipment, modern furniture, personal protective equipment (such as safety shoes), various types of fabrics and modern designs for the production of improved uniforms.

Similarly, in the Kurdistan Region, the Government provides incentives for projects classified as investment projects, such as factories and larger workshops. They may include access to land at symbolic or highly subsidized prices, tax exemptions for up to 10 years and a range of additional administrative and procedural facilitation measures to encourage private- sector investment and attract capital into industrial activities. In recent years, the General Directorate of Companies has played an important role in improving the business environment by simplifying and modernizing company registration procedures, mainly through the introduction of the official digital business registration portal.[107] This

104. Measures included export subsidy mechanisms, potential import restrictions and stricter enforcement. John Lee, "Iraqi govt approves protectionist measures against imports", Iraq Business News, 20 February 2023, Available at www.iraq-businessnews.com/2023/02/20/iraqi-govt-approves-protectionist-measures-against-imports/; "Iraq revises import tariffs to support local industry", Khaleej Telegraph, 6 July 2025. Available at https://khaleejtelegraph.com/iraq-revises-import-tariffs-to-support-local-industry/; and Amr Salem, "Iraq adopts new measures to increase exports", Iraqi News, 29 July 2025. Available at www.iraqinews.com/iraq/iraq-adopts-new-measures-to-increase-exports/.

105. It is mentioned together with petrochemicals and the food industry.

106. Public companies under the Ministry of Industry and Minerals still make up for approximately 25% of the Ministry's employees.

107. Business Registration System. Available at https://business.digital.gov.krd/en.

platform enables entrepreneurs to register companies, submit required documents and complete procedures online. These reforms are intended to encourage entrepreneurship and reduce barriers to formalization.

While these policy measures signal intent and highlight the sector's potential, they remain broad and cross-sectoral. There are currently no sector-specific strategies and reforms (e.g. quotas, direct subsidies or industry-specific tax breaks) in place.

6.3.5 MAIN CHALLENGES

The sector faces a combination of cost-related, structural and institutional challenges. Especially small producers often lack access to financing, modern technologies, marketing channels and economies of scale. They face high production costs, a lack of skilled labour, weak market access and intense competition from imported garments.

- **Outdated machinery and technology**. In general, the use of technology is limited, particularly among MSMEs. Most rely on manual or semi-mechanized production. Digital design, modern machinery and technology adoption are still low, limiting productivity. Limited access to finance and the high cost of importing machinery are key reasons for the outdated machinery and technology, partly also the limited awareness of the potential productivity gains. There are limited incentives and government support schemes (e.g. subsidy programmes) for machinery upgrades.
- **Shortage of skilled labour.** The shortage of skilled labour reflects weaknesses in vocational education, limited hands-on training and poor working conditions, mainly affecting low-skilled workers, women and young people. Young people, in particular, leave the sector because of low wages, difficult working conditions and limited career progression, preferring employment in services or public-sector jobs, which are perceived as more stable. Government support to improve working conditions is weak. Missing skills include pattern making, quality control, industrial sewing and fashion design. Most workers have only basic training, which affects productivity and product quality.
- **Excessive import dependence and weak policy support.** There is very limited protection for local products (e.g. through tariffs) and a lack of targeted industrial policy measures. Cheap mass-produced imports (Türkiye, China, Iran) have crowded out many domestic producers, eroding the local market share and discouraging domestic production scale-up. Iraqi consumers are highly price-sensitive and often prefer imported low-cost products. In addition, there is also weak control over informal and illegal imports. High costs of fuel and electricity further reduce the competitiveness of local producers.
- **Limited access to affordable finance.** Banks remain highly risk-averse, requiring collateral that most small producers cannot provide. Procedures are often complicated, and trust in banks is low. NGO grants and donor-funded revolving funds offer partial solutions but are not sufficient to meet demand. In addition, cash-based transactions dominate and financial integration is low, limiting access to banks and digital payment systems. This affects opportunities to expand, formalize the business and integrate into value chains, as it complicates relationships with suppliers and buyers.
- D**ifficult working conditions and low pay.** Women working from home or in small workshops are particularly vulnerable to low wages, long working hours and limited job security. Many MSMEs operate informally and are not part of the social security system. Labour protection mechanisms are weakly enforced.
- **High level of informality.** The high level of informality limits access to government support, financing and official markets. It also results in intense price competition and limited product differentiation. Many enterprises lack branding, marketing strategies or access to market information. There is weak law enforcement against strong informal competition.
- **Transport and logistics.** Fuel costs, traffic congestion, poor road infrastructure and limited storage facilities increase costs, cause losses and delays, especially for enterprises serving institutional buyers.
- **High operating and production costs.** Raw material and input prices are high due to high taxes on inputs and complex administrative customs procedures. The dependence on imported fabrics and accessories further exposes producers to currency fluctuations and rising transport costs. This volatility makes financial planning more difficult for businesses. Over the past few years, these high and unstable input costs have significantly reduced profit margins for small businesses. Rental prices have increased, especially in urban areas and major cities, with limited support in the form of affordable industrial zones or subsidized premises. Home-based production is often a coping strategy but limits scalability and visibility. Electricity costs have increased notably in recent years, particularly affecting small workshops that rely on private generators. The cost of utilities, in particular electricity, has long been highlighted as a key obstacle for businesses. For example, in 2022, 9.3% of surveyed firms chose electricity as their biggest obstacle,[108] far more than in the Middle East and North Africa Region (3.8%) and also higher than the global average (6.8%). Due to electricity shortages, costs are high (e.g. generators) and unpredictable. While solar energy initiatives are emerging, most small producers cannot afford the initial investment without subsidies or grants. Another factor that contributes to higher operating costs is the weak organization of the supply chain, the lack of formal contracts and the reliance on intermediaries, hindering effective communication with suppliers and clients.
- **Limited market information, weak market access and export readiness.** Most MSMEs have limited production capacity and competitiveness. Many enterprises lack knowledge about consumer preferences, pricing strategies and institutional procurement requirements. Advisory services are limited and fragmented.
- **Regulatory challenges and enabling environment.** Taxes and fees are high in relation to the capacity of small companies. Administrative and customs procedures are complex and burdensome. Furthermore, businesses face inconsistent regulatory enforcement, high customs duties on inputs and limited access to structured business development services or subsidies.
- **Coordination gaps among different actors.** Stronger coordination between the Government, the Chamber of Commerce, banks, NGOs and the private sector would allow awareness-raising, funding and training opportunities to be better aligned with market needs and to complement one another more effectively.

6.3.6 KEY OPPORTUNITIES

Despite the challenges, the textile sector holds significant development potential.

- **High potential for job creation, especially for women and youth.** The textile sector continues to function as an accessible entry point for employment, particularly for women, youth and vulnerable groups. Many women participate in home-based sewing or small tailoring activities due to cultural acceptability and flexible working arrangements. There are also opportunities and increasing demand for employers who not only know how to sew but also understand machine operation, basic maintenance and productivity optimization. Employers prefer candidates who can troubleshoot and maintain sewing machines and production equipment.[109]
- **Niche export opportunities in the short term.** Handcrafted textiles, embroidery and culturally distinctive items could access niche regional or diaspora markets if quality standards, branding and logistics are improved.
- **Targeting of regional export markets in the medium term.** While exports remain very limited,[110] in the medium to long term, regional export markets could be accessed if quality, packaging and compliance with standards improve. This would also involve improving the branding and marketing of local products.
- **Increasing local demand for domestically produced goods** that offer acceptable quality at competitive prices as disposable incomes rise and consumer tastes diversify (e.g. sustainable and technical textiles). Experts see a gap between strong local consumer demand and limited domestic production capacity.[111] They highlight investment opportunities in ready-made garments, school uniforms, workwear and home textiles, particularly if local production is protected and supported. This could allow for a gradual replacement of imports with local production and the development of local integrated value chains. There is also increasing demand for locally made customized products.
- **Promotion of cooperative models.** There are promising investment opportunities in vocational production hubs, women-led textile cooperatives, shared production spaces and service hubs that provide machinery, quality control and marketing support. One example could be the supply of school uniforms at scale, reducing individual costs while improving consistency.
- **Investments in solar-powered workshops.** Promoting solar-powered businesses would significantly reduce operating costs and allow for more reliable energy provision.
- **Skills upgrades (technical and managerial).** For example, community-based projects in the Baharka and Ankawa districts in Erbil have demonstrated

108. World Bank Enterprise Surveys. Available at www.enterprisesurveys.org.

109. Highlighted by a trainer in the textile sector who works directly with textile businesses.

110. In 2023, Iraq exported only about USD 3.56 million worth of textiles globally, ranking relatively low worldwide. In 2024, USD 5.68 million worth of textiles were exported globally (147th largest exporter). The main destinations were Qatar (USD 1.28 million), Turkey (USD 1.15 million), India (USD 627,000), the Netherlands (USD 589,000) and Kuwait (USD 536,000). The Observatory of Economic Complexity, Textiles in Iraq. Available at https://oec.world/en/profile/bilateral-product/textiles/reporter/.

111. The experts stated that the sector currently relies on a model with many micro and small businesses with mainly manual production and semi-mechanized workshops. While this model supports livelihoods, it limits productivity, consistency and scalability.

that short-cycle sewing training can quickly translate into income when linked to local demand such as school uniforms or basic garment repair.

- **Investment in modern textile machinery and full-scale factories.** Most current production is manual or semi-mechanized, creating significant potential for investors to introduce automated weaving, knitting, dyeing and finishing lines that can substantially increase productivity and competitiveness.
- **Establishing stronger linkages with institutional buyers – such as schools, NGOs, and private companies – could create more stable demand.** Over time, strategic support could enable local producers to replace a portion of imported garments with competitive, locally made alternatives.
- **Post-conflict reconstruction and infrastructure projects can increase demand for apparel and industrial textiles (e.g. in the medical industry).** As other industries such as the medical and pharmaceutical industry are being developed, demand for medical textiles, such as masks and uniforms, will increase.
- **National interest and first steps to revive the industry.** Recent policy discourses, protective measures and the intent to promote local exports as well as the inclusion of textiles in the Draft Industrial Strategy, indicate a political willingness to revive the sector.
- **Integration of textiles into livelihood and community development programmes and strengthening of linkages with humanitarian and public procurement programmes.** Many NGOs and international organizations are supporting MSMEs in the textile sector (such as IOM) and provide financing opportunities for small businesses. The Government encourages SMEs and NGO-supported livelihood programmes.

6.3.7 ASSESSMENT OF TEXTILE AND CLOTHING ENTERPRISES IN NORTHERN IRAQ[112]

Profile of enterprises interviewed

In total, 21 textile and clothing enterprises were interviewed across Nineveh, Duhok and Erbil. The average number of employees is five, while the median is four. More than half of the enterprises (11) were established less than five years ago (see Figures 10 and 11). Five enterprises (24%) stated that they are not formally registered. On average, less than 40% of the workforce is formally employed, with only two enterprises stating 100% formal employment.

Considering that these numbers are self-reported, this indicates the high level of informality in the sector.

Sixteen enterprises (76%) employ 50% or more women, highlighting the overall importance of the sector for women. Twelve enterprises (57%) have at least one woman working in a managing role, and 10 are women-owned.[113] It is mainly the small enterprises with less than five employees that have a woman in a managing role. Of the nine enterprises that do not have a woman in a managing position, seven have five or more employees. This indicates the importance of the sector for female entrepreneurship and economic empowerment.

FIGURE 18. NUMBER OF EMPLOYEES OF SURVEYED ENTERPRISES

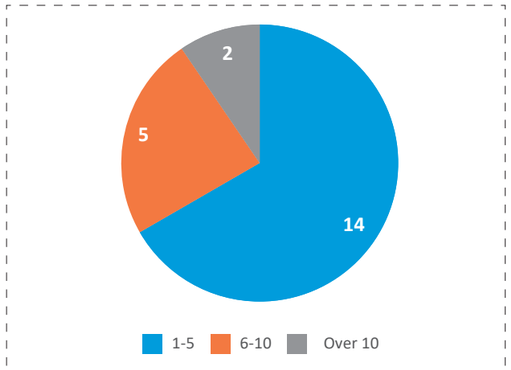
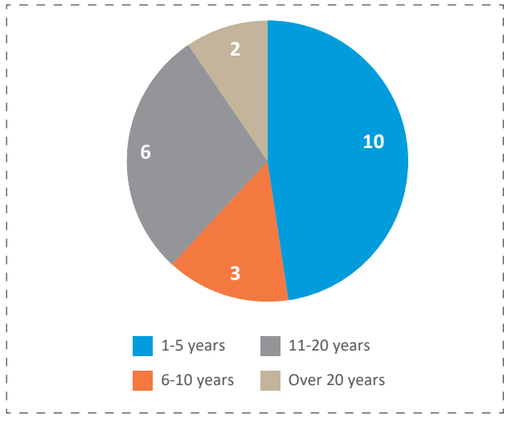


FIGURE 19. YEARS IN BUSINESS OF THE SURVEYED TEXTILE ENTERPRISES



Eighteen out of the 21 enterprises provided an estimate for their monthly or yearly sales in Iraqi dinar (IQD). Enterprises indicated that monthly sales can vary significantly, for example, due to holiday or wedding seasons. The four enterprises with one or two employees reported monthly sales between 150,000 and 300,000 IQD, with an average of 245,000 IQD (USD 187).[114] The seven enterprises with 3–4 employees reported monthly sales between 175,000 and 1,800,000 IQD with an average of 735,714 IQD (USD 562). The seven enterprises with five or more employees reported sales of on average USD 3,400 per month.

112. All figures and graphs in this section are based on enterprise survey data.

113. Out of the 21 enterprises, 10 are women-owned, and one did not provide an answer. Of the remaining 10 non-woman-owned enterprises, five indicated an owner belonging to a vulnerable group (IDP, refugee, youth).

TABLE 17. SELF-REPORTED MONTHLY SALES OF TEXTILE BUSINESSES

Number of employees	Range (IQD)	Average (IQD)	Median (IQD)
1-2	150,000 - 300,000	245,000	265,000
3-4	175,000 – 1,800,000	735,714	750,000
More than 5	1,666,667 – 10,000,000	4,452,381	3,000,000

Productivity

While there is no specific productivity data available at the sectoral level for the textile and clothing sector in Iraq, productivity is negatively affected by a weak industrial base (infrastructure, technology, skilled labour), competition from cheap imports and a lack of supportive policies.

No enterprise reaches its full production capacity. All enterprises surveyed indicated that they could produce much more (on average double the current quantities) than what they are currently producing. Thirteen enterprises mentioned having specific production targets, and only three of them reported achieving them. Reasons for the lower production cited by the enterprises surveyed are market conditions (4), lack of machinery (2), lack of support (3), lack of space (1), problems with imports (1) and limited resources (1).

The production cost structure reveals a high relative cost of inputs and a high share of utility costs. Input materials represent the highest share of the production cost for the majority of enterprises (16, 76%). Eight enterprises (38%) estimated energy and utility costs to represent 20% or more of their production costs.

A significant share of workers is hired without prior experience, and enterprises provide little or no structured training. On average, 29% of the workforce was hired without prior experience, with eight enterprises stating that 50% or more were hired without any prior experience. More than half of the enterprises (11) provide no training or simply provide training on the job, this includes five enterprises with five or more employees. Work-related training is associated with significantly higher productivity.[115] The low levels of training in the enterprises surveyed are likely to negatively affect their labour productivity, especially given the large number of employees hired without prior work experience. The large majority of enterprises stated that they are not aware of any vocational training institutions or opportunities. The few options mentioned included training offers from NGOs and bilateral development agencies.[116]

Skills development in Iraq's textile sector

Technical skills are acquired through a combination of formal and non-formal training pathways, with most practical capacity-building delivered by NGOs and international development partners, often in cooperation with government training centres that lack sufficient financial resources. Non-formal ways include on-the-job training, informal apprenticeships and family-based knowledge transfer. Organizations supported by international donors, such as GIZ, UNDP, FAO, EU and others, have played a crucial role in expanding access to training for sewing and tailoring skills, particularly for women and displaced populations. Typical training courses include basic sewing, tailoring, machine operation, embroidery, fashion basics and introductory business skills (business management, marketing, entrepreneurship). Graduates are often able to generate income shortly after training, especially when provided with starter kits.

114. Exchange rate from 4.2.26.

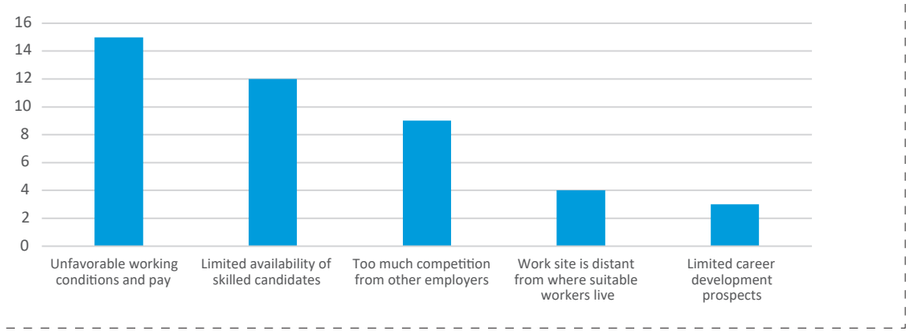
115. Dearden, L., Reed, H., and Van Reenen, J. (2006).

116. Enterprises mentioned Welthungerhilfe, Youth Bridge Development Organization, Barzani Charity Foundation, Norwegian Refugee Council, and Hope Makers Organization.

However, significant gaps remain. Most training courses are short term and introductory, while the sector requires longer-term, hands-on training – particularly in financial management, business operations and market-oriented marketing skills – to adequately prepare participants for sustainable employment and enterprise development. Advanced skills such as advanced technology and industrial machine operation, quality control and assurance, production planning, costing, digital marketing, compliance with institutional procurement requirements, production management and export standards training are rarely addressed. Aligning curricula with actual market demand is essential for improving outcomes.

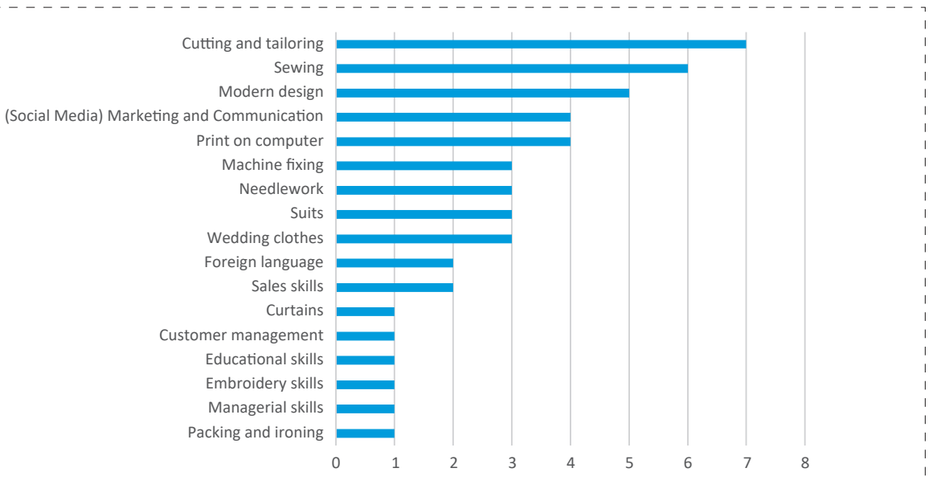
Worker fluctuations are high, especially for enterprises with five or more employees and hiring new workers is challenging. Nine enterprises indicated a high level of fluctuation of workers (over 30% of the total number of employees in 2025); six of these nine enterprises have five or more employees. Enterprises face some challenges when hiring new employees, the major ones being unfavourable working conditions (15), limited availability of skilled candidates (12) and competition from other employers (9) (see Figure 20).

FIGURE 20. CHALLENGES OF SURVEYED TEXTILE ENTERPRISES IN HIRING WORKERS



Key skills missing among the workers are cutting and tailoring, sewing, design skills, marketing and computer skills. The missing skills mentioned include basic skills such as cutting and tailoring (7), sewing (6), needlework (3), as well as more specific technical skills such as making wedding clothes (3), tailoring suits (3), curtains (1) and embroidery (1). Besides the core tailoring skills, the missing skills mentioned the most are design skills and pattern making (5), use of technology (printing on a computer) (4), (digital) marketing and branding (4), machine fixing (3) and sales (2).

FIGURE 21. SKILLS MISSING AMONG THE WORKFORCE



The average rating of machine efficiency on a scale from 1 (not efficient) to 5 (very efficient) is 3.2. Five enterprises rate the efficiency of their machines 1 or 2. The average reported percentage of defective final products is 7.5%, with eight enterprises reporting defects of 10% or higher, indicating challenges to maintain a high level of product quality.

Factors affecting the quality of textiles

Ensuring consistent quality in the textile and garment sector requires attention throughout the entire value chain, from understanding customer requirements to product design, manufacturing and after-sales performance. High product quality improves customer satisfaction, strengthens competitiveness and reduces production costs associated with defects and rework. Key dimensions of quality include the following:

Design

- Good product design combines aesthetics, functionality, durability and manufacturability to meet customer expectations while enabling efficient production.

Fabric quality

- Fabric quality is a key determinant of product value and influences production efficiency, durability, appearance and customer satisfaction.
- Poor-quality fabrics increase the risk of defects, rework, production delays and customer complaints, highlighting the importance of supplier selection and pre-production fabric inspection.

Compliance with safety and regulatory requirements

- Textile products must comply with applicable national and international regulations, including requirements for chemical safety, flammability, fibre composition, care labelling and restricted substances, depending on the target market.

Quality assurance (QA)

- Quality assurance focuses on preventing defects by establishing standardized processes, operating procedures and quality management systems throughout production.
- Effective QA ensures products are manufactured consistently, safely and efficiently according to predetermined quality standards.

Quality control (QC)

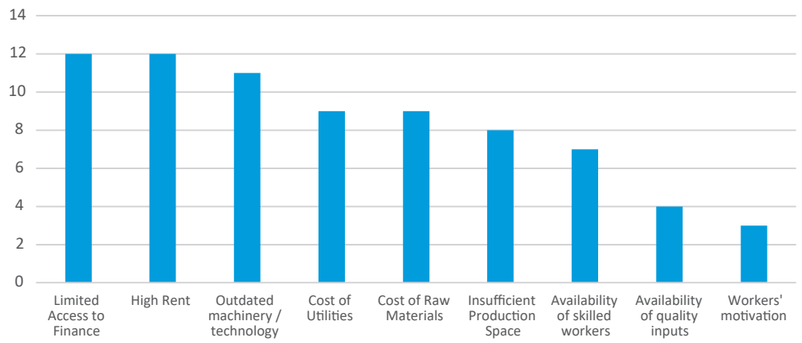
- Quality control verifies product quality through inspections and testing at different stages of production, from incoming raw materials to the finished garment.
- Typical quality assessments include fibre and yarn properties, fabric construction, colour fastness, dimensional stability, seam strength, appearance and garment measurements.
- Common garment defects include open seams, skipped stitches, puckering, stains, incorrect labels and measurement deviations. Their frequency varies by factory, production process and quality management practices.

The business case for quality

- Effective quality management reduces defects, waste, rework, returns and warranty claims, while improving productivity, customer satisfaction and profitability.
- According to the American Society for Quality, the Cost of Poor Quality (COPQ), including scrap, rework, inspections, returns and warranty claims, typically represents 5% to 30% of manufacturing sales, depending on the maturity of an organization's quality management system. Investing in prevention and robust quality management therefore delivers substantial operational and financial benefits.

The top productivity constraints mentioned by enterprises are high rent (12), outdated machinery (12), limited access to finance (11), cost of utilities (9) and cost of raw materials (9) (see Figure 14). Seven enterprises state that they import some of their inputs from abroad, indicating that also small businesses import their inputs from abroad.

FIGURE 22. MOST IMPORTANT PRODUCTIVITY CONSTRAINTS



The high number of enterprises citing the cost of utilities, in particular electricity, as among the top three obstacles and the high number of enterprises stating that utility costs represent more than 20% of their production cost, indicates that the cost of electricity might significantly affect the productivity of especially small enterprises.

Cost of electricity in Iraq

Despite being one of the world's most oil- and gas-rich countries, electricity shortages remain widespread. This is significantly aggravated by rising temperatures reaching new extremes. Peak demand now exceeds 40 gigawatts while generation is around 23 gigawatts.[117] Revenue collection does not cover operational costs due to still heavily subsidized prices (see Table 6) and weak enforcement. Losses in generation, transmission and in particular distribution, are also very high. According to estimates,[118] revenue collected by the Ministry of Electricity only covered about 10% of the power sector's operational cost in 2019, disincentivizing meeting demand and improving services.

TABLE 18. POWER TARIFFS IN IRAQ IN 2025

Consumption Level (kWhUSD)	Tariff (IQD)	Tariff (USD)	Cost per kWh
Household			
1-1500	10	0.0076	0.008
1501-3000	35	0.027	0.03
3001-4000	80	0.06	0.06
Over 4000	120	0.09	0.09
Commercial			
1-1000	60	0.05	0.05
1001-2000	80	0.06	0.06
Over 2001	120	0.09	0.09
Industrial			
All usage	60	0.05	0.05
Government			
All usage	120	0.09	0.09
Agriculture			
All usage	60	0.05	0.05

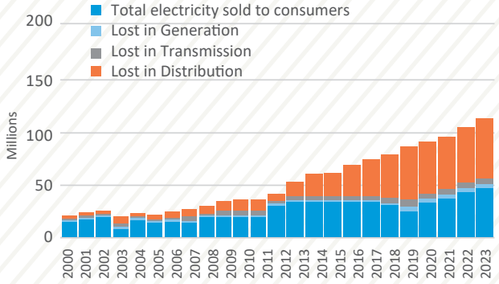
Source: Iraq Ministry of Electricity

117. Ken Silverstein, "Rebuilding After War And Why Iraq Can't Keep The Lights On", Forbes, 16 November 2025. Available at https://www.forbes.com/sites/kensilverstein/2025/11/16/rebuilding-after-war-and-why-iraq-cant-keep-the-lights-on/

118. World Bank (2019)

About 99% of the power still comes from oil and natural gas. The Government aims to raise the renewable energy share to 20–33% by the end of the decade, adding 12 gigawatts of solar energy by 2030.[119]

FIGURE 23. ELECTRICITY PRODUCTION AND LOSSES



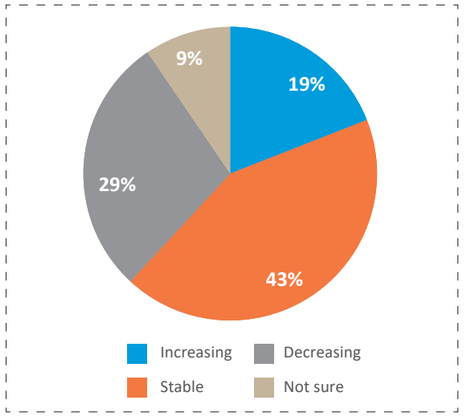
Sources: Iraqi authorities; and IMF staff calculations.

Source: IMF (2025)

The chronic shortages and inefficiencies significantly affect productivity and economic growth. Electricity prices have increased;[120] in addition, the use of private generators due to the extensive shortages imposes a major financial burden, disproportionately affecting small workshops and home-based producers. Solar initiatives exist and are increasingly promoted, but they require upfront investment that many SMEs cannot afford without subsidies or grants. This limits widespread adoption, which would require stronger government incentives and financing mechanisms. So far, the shifting of businesses to solar power to reduce electricity costs is mostly driven by private or donor-supported initiatives.

Enterprises report a generally positive market outlook. The majority of enterprises (62%) consider demand for their products either increasing or stable. However, close to a third of enterprises perceive decreasing market demand. Most of the enterprises with a rather negative perception (seven out of eight) are enterprises with five or fewer employees.

FIGURE 24. PERCEPTION OF MARKET DEMAND



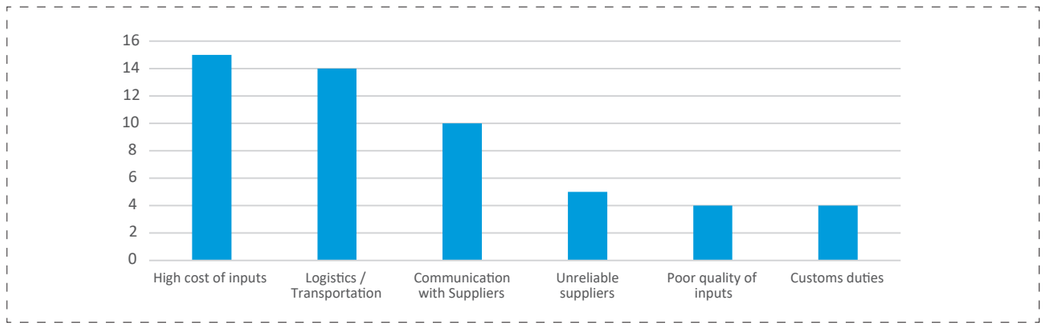
Challenges obtaining inputs and selling and distributing products

The most frequently mentioned obstacles when obtaining inputs are (1) high input costs; (2) logistics and transportation challenges; and (3) difficulties in communication with suppliers (see Figure 25). For all but one enterprise with five or more employees, transport and logistics is a key obstacle when obtaining inputs. Difficulties in communication with suppliers are reported across different enterprise sizes.

119. Anna Vassileva, "Iraq targets 12 GW of solar by 2030", Renewables Now, 21 February 2024. Available at https://renewablesnow.com/news/iraq-targets-12-gw-of-solar-by-2030-849217/.

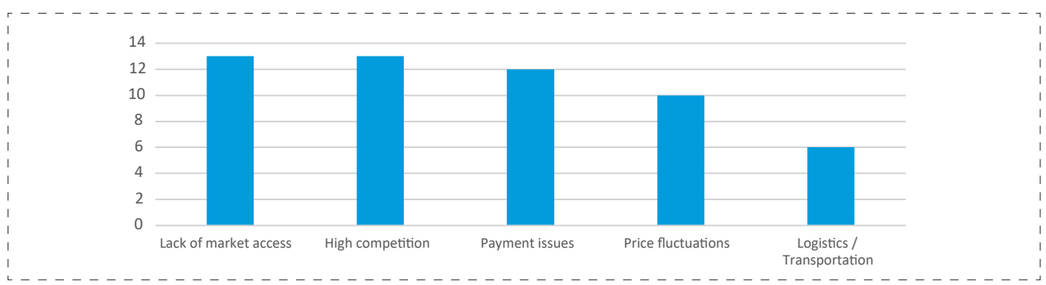
120. Electricity price increases were imposed in 2016 and 2020. A 2024 reform added fixed subscription fees of IQD 2,000 per month to household electricity bills in an attempt to increase revenues without raising per-kWh rates.

FIGURE 25. TOP CHALLENGES WHEN OBTAINING INPUTS



When selling or distributing products, the top challenges mentioned are (1) lack of market access;(2) high competition; and (3) payment issues (see Figure 18). Notably, lack of market access is a challenge primarily mentioned by enterprises with fewer than five employees (10 out of 13). Challenges with payments are reported across different enterprise sizes and types of clients. Interestingly, logistics and transportation challenges seem to be more pronounced when obtaining inputs. Out of the six enterprises that mentioned logistics and transportation as a key challenge when selling or distributing products, only one enterprise exports abroad (in total there are nine exporting enterprises), which could indicate that transport and logistics challenges are less pronounced for exporting enterprises, indicating that those enterprises have different characteristics.[121]

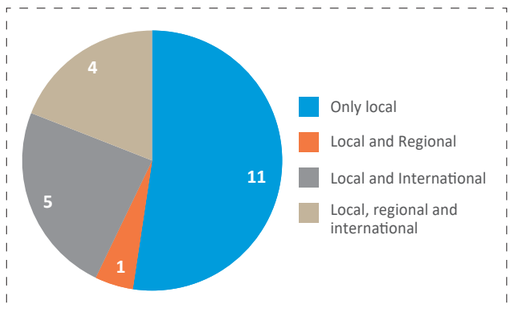
FIGURE 26. TOP CHALLENGES OF TEXTILE ENTERPRISES WHEN SELLING OR DISTRIBUTING PRODUCTS



Accessing new markets

Nine of the 21 enterprises are exporting their products to other countries, and 11 enterprises sell 100% of their products within the same Governorate (see Figure 27). Two-thirds of the enterprises (14) indicated that they use an online platform to present their products. All but three enterprises indicate interest in reaching new regional or international markets. The main current export destinations are Europe (mainly Germany) and the Arab countries. With regard to new markets, enterprises aspire to reach Kurdistan (especially Akri and Duhok), a key destination mentioned by eight enterprises. At the international level, five enterprises mentioned Arab countries (Syria, Lebanon, Dubai (UAE), Saudi Arabia), two enterprises mentioned European countries (Italy, UK), and two mentioned the USA and Canada.

FIGURE 27. MARKETS SERVED BY SURVEYED ENTERPRISES

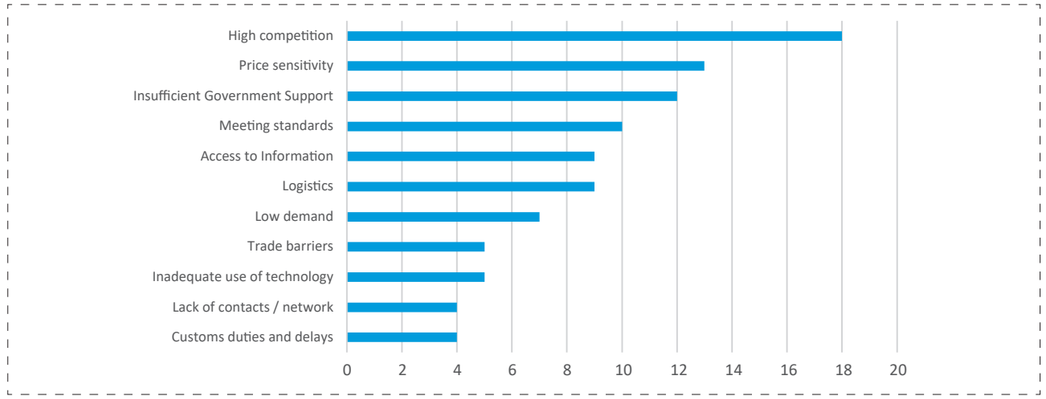


Note: "Local" means active only within the same Governorate, "Regional" means active across Iraq and "International" refers to markets outside of Iraq.

121. Since most exporting enterprises export less than 50% of their products, it was expected that they would mention transport and logistics challenges in the domestic market. However, since they did not, it can be assumed that they are more organized or have better networks than non-exporting enterprises.

With regard to the challenges of reaching new markets, high competition, price sensitivity of clients and insufficient Government support are the top obstacles mentioned. Additional key challenges include limited market information, difficulties in meeting required market standards, logistics and trade barriers (see Figure 28).

FIGURE 28. TOP CHALLENGES IN ACCESSING NEW MARKETS



Finally, enterprises rated nine constraints according to their impact on their business from 1 (no impact) to 5 (most severe impact). The five most critical constraints are (1) access to finance; (2) lack of support from the Government and other organizations; (3) infrastructure and logistics; (4) availability of skilled labour; and (5) competition from informal businesses.

TABLE 19. KEY CONSTRAINTS AND NEED FOR SUPPORT IN THE TEXTILE SECTOR

Constraint	Number of enterprises that rated the constraint as severe[122] (average rating)	Context[123]
Access to finance	13 (3.8)	Banks are risk-averse, with high collateral requirements often unavailable to MSMEs; government schemes, NGO grants and donor-funded schemes can only partially fill the gap; producers require financial training
Government / other organization's subsidies or support	13 (3.6)	Business support services are fragmented, limited in scope and not always suitable for addressing the respective needs; rental prices in Erbil, especially in commercial areas, have increased significantly; power outages force enterprises to use generators; enterprises require subsidies, microloans and the provision of shared spaces to face these costs
Infrastructure, transport and logistics	10 (3.1)	Increased losses and delays due to poor road infrastructure, congestion and lack of storage facilities; high fuel, transportation costs and warehouse fees
Availability of skilled labour	7 (3.4)	Weak vocational education quality, poor working conditions, low wages and limited attractiveness of the sector for youth
Competition from informal businesses	6 (2.9)	Informality is widespread in the sector; many businesses compete on price with little product differentiation due to limited innovation and marketing capacity and risk aversion; weak enforcement against informal competition
Security and stability	6 (2.2)	Political instability cited as their biggest obstacle by 9.4% of enterprises in the 2022 World Bank Enterprise Surveys; past conflicts destroyed manufacturing capacity, import dependence and limited investment; higher unemployment rates in areas with higher instability
Market information	4 (2.4)	Businesses often struggle to understand market and consumer demand, quality standards and export requirements; support services (business development, market information services, trade promotion) are scarce
Quality of public service provision	4 (2.3)	High number of public servants with massive wage bill limits funds for service delivery; processes are not clearly regulated or standardized between the national level, the provinces and districts
Government regulation	2 (2.2)	Customs duties on inputs; inconsistent and multiple inspections with fragmented institutional responsibilities; taxation; complex licensing procedures; and unclear or inconsistently applied regulations

122. Number of enterprises that rated this constraint as "4" or "5".

123. Provided by sector experts (see Annex for list of experts).

All enterprises indicated a need for support.[124] The most selected options are (1) support with access to finance; (2) technical training for workers; (3) technical support to upgrade and maintain equipment; (4) operational efficiency techniques; and (5) information about domestic and international markets.

FIGURE 29. DESIRED SUPPORT INDICATED BY THE ENTERPRISES



The Erbil textile market[125]

The Erbil textiles market is largely driven by local consumption, institutional buyers and seasonal needs. Schools, private companies, hospitals and NGOs create steady demand for uniforms, workwear and promotional textiles. Humanitarian actors also periodically stimulate demand through procurement of winter clothing, blankets or personal hygiene kits.

At the same time, Erbil's open market is highly exposed to imported garments from Türkiye, China and Iran. These imports dominate mass retail due to their low prices, forcing local producers to focus on niche segments such as customization, quick turnaround or culturally specific designs.

Erbil consumers are extremely price-conscious but also value convenience and customization. While imported garments dominate shopping malls and bazaars, there is visible demand for locally made products in areas such as traditional Kurdish clothing, wedding garments, school uniforms and corporate branding. Social media platforms such as Facebook and Instagram are increasingly influencing purchasing decisions, especially among younger consumers.

Most textile producers in Erbil rely on basic sewing machines and semi-manual processes. Advanced machinery, such as computerized embroidery, pattern-making software or automated cutting, remains limited to a small number of medium-sized workshops.

Several NGO-supported projects have shown that productivity gains were significant when beneficiaries received even modest technological upgrades, such as industrial sewing machines or overlock machines, highlighting the untapped potential of technology adoption. Shared spaces or cooperatives (e.g. a shared tailoring hub in Erbil) that include the provision of equipment could serve multiple women producers supplying school uniforms at scale, reducing individual costs while improving consistency.

Aligning training curricula with Erbil's actual market demand – such as uniform production, alteration services and branded workwear – is essential for improving outcomes. In Erbil, many women participate in home-based sewing or small tailoring activities due to cultural acceptability and flexible working arrangements. For example, community-based projects in districts such as Baharka and Ankawa have demonstrated that short-cycle sewing training can quickly translate into income when linked to local demand such as school uniforms or basic garment repair.

124. No enterprise selected the option "No Support Needed".

125. Based on sector expert interviews.

6.4 SUMMARY OF THE FINDINGS FROM THE DEEP DIVES IN THE AGRIFOOD AND TEXTILE SECTORS

Both the agrifood and textile sectors demonstrate strong potential for MSME growth, job creation and economic diversification. There is clear willingness among people to engage in either sector, particularly if opportunities, entry requirements and viable career pathways are more clearly articulated and promoted. Both sectors are widely perceived as inclusive and accessible for vulnerable groups, including women, youth, IDPs and host communities. However, persistent systemic barriers continue to limit enterprise growth and prevent this potential from being fully realized. Addressing these constraints through integrated MSME upgrading and market system interventions – rather than isolated support measures – offers significant scope to unlock productivity gains, improve competitiveness and expand employment.

In the **textile sector,** small businesses face a combination of high operating costs (notably electricity, raw materials and rent), intense competition from imported products, limited access to finance, shortages of skilled labour and reliance on outdated machinery and production technologies. Despite these challenges, sector experts and business owners highlight substantial growth potential if enabling conditions improve. Priority opportunities include responding to growing domestic demand for locally produced goods, particularly in ready-made garments, uniforms and workwear and gradually substituting imported products with competitive local goods. Strong potential also exists to link textile MSMEs to public, institutional and humanitarian procurement markets, while investments in vocational production hubs, shared facilities and women-led cooperatives could help overcome fragmentation and scale constraints. The adoption of solar and energy-efficient solutions offers a dual opportunity to reduce operating costs, green the sector and create additional jobs related to installation, maintenance and electrification. Over the medium to long term, improved quality, productivity and compliance could enable selected enterprises to access regional export markets.

In the **agribusiness sector,** enterprises are constrained by high input and utility costs, skills shortages and weak training systems, outdated machinery and technologies, logistics challenges affecting both input supply and product distribution and limited access to finance and higher-value markets. Difficulties in financing working capital, equipment upgrades and expansion reinforce a cycle of low productivity and limited competitiveness. At the same time, market demand is generally perceived as stable or increasing, indicating that constraints are predominantly supply-side and amenable to targeted upgrading and system-level support. Despite these constraints, agribusiness enterprises show strong interest in expanding into new domestic and international markets, including other regions of Iraq, neighbouring countries and Europe. Clear opportunities exist to expand high-value horticulture, including fruits, vegetables and orchards, while strengthening linkages between primary production and downstream food processing, such as tomato paste, dried fruits and juice production. There is also significant scope to develop small- and medium-scale food processing in priority value chains, such as dairy, grains, dates, poultry and vegetables. Enhancing product quality, food safety, branding and packaging – combined with improved access to energy-efficient technologies, finance, skills development and market linkages – would support import substitution and strengthen the competitiveness of locally produced agrifood products.

6.5 RECOMMENDATIONS

UNIDO has a long-standing history of supporting Iraq's industrial rehabilitation and economic recovery. Focused on sustainable industrial development, UNIDO has implemented projects in MSME development and entrepreneurship, vocational training and skills development, reintegration of IDPs, rehabilitation of industrial infrastructure, job creation and institutional capacity-building. The recently signed Country Programme focuses on industrial diversification, reducing oil dependency, strengthening SMEs and promoting green growth, aligning with Iraq's Vision 2030.

UNIDO's support of inclusive and sustainable industrial development in Iraq

UNIDO's portfolio in Iraq encompasses mutually reinforcing initiatives that advance inclusive and sustainable industrial development (ISID), moving from post-crisis recovery and livelihoods support to private-sector competitiveness, investment facilitation, industrial infrastructure, quality infrastructure for trade and greener industry. The portfolio is closely aligned with national planning priorities and the UN system's programming, including Iraq's broader United Nations Sustainable Development Cooperation Framework (2025–2029)[126] and the UNIDO Country Programme for Iraq 2026-2030.[127]

A central pillar of UNIDO's private-sector work is the Enterprise Development and Investment Promotion Programme, implemented through the Network of Enterprise Development Centres (EDCs). Functioning as one-stop shops embedded in Iraqi host institutions, the EDCs were developed through a sequence of interlinked projects[128] focusing on SME capacity-building, enterprise creation and upgrading, buyer-supplier matchmaking, investment promotion and institutional strengthening at both national and governorate level.

Building on this foundation, the second phase of UNIDO's Investment Promotion for Iraq Programme (IPI-II) concentrated on increasing and improving investment – both by attracting higher volumes of Foreign Direct Investment (FDI) and by enhancing the quality and impact of existing FDI through reinvestment, skills upgrading and stronger local supply-chain linkages, aiming to expand private-sector share of GDP and jobs. This was achieved through a comprehensive package of technical assistance targeting investment and enterprise institutions (including the EDCs and national counterparts) and strengthening the environment that enables industrial investment, with a particular emphasis on industrial zones, industrial cities and the public institutions responsible for regulating and facilitating them.

A flagship initiative in this domain has been the "Enhancing Investments to Iraq through Industrial Zone Development" (IZ) project (2011–2013).[129] The project combined upstream policy and institutional support – including coordination mechanisms, needs assessment, the development of a national Road Map[130] and capacity-building for industrial zone planning, management and promotion – with downstream technical work such as industrial structure analysis and pre-feasibility studies for two candidate zones, including Al-Faw Port.

UNIDO is also supporting agribusiness and light industry by upgrading value chains, improving processing capabilities and connecting Iraqi firms to technology, markets and investment – often through intervention packages that combine technical training (processing, hygiene and food safety, productivity), productivity upgrading and the facilitation of business linkages. One example is a project focused on food processing and food industry upgrading, designed to strengthen livelihoods while improving industrial practices and market access – particularly in areas affected by displacement and vulnerability.

UNIDO also has a substantial human security and post-crisis rehabilitation portfolio in Iraq, with a focus on improving livelihoods and promoting entrepreneurship. One flagship initiative aims to increase the inclusion of IDPs and host community members – particularly women – into market systems that generate sustainable employment, for example through entrepreneurship development programmes, and the provision of tools and equipment to support start-ups. Complementing these efforts, the Japan-funded project "Emergency livelihood support to mitigate the food insecurity crisis among vulnerable peoples in Iraq" is being implemented in governorates such as Duhok and Nineveh, providing skills and enterprise support to strengthen livelihood resilience. In parallel, UNIDO has advanced youth employability through digital skills initiatives, positioning ICT competencies as an accessible entry point to jobs and entrepreneurship.

To enable investment and exports, UNIDO has established a dedicated line of support for quality infrastructure and standards, exemplified by its project to upgrade Iraq's National Quality System.[131] The initiative aims to strengthen Iraq's capacity to meet international quality requirements for industry and trade, providing institutional support across key components of quality infrastructure – including standards, metrology, testing and accreditation – to facilitate compliance, improve product safety and enhance market access. UNIDO's environment-focused portfolio also includes long-standing support for Iraq's implementation of the Montreal Protocol,[132] helping the country navigate regulatory, technical and industry transitions that maintain compliance while advancing a shift towards more sustainable alternatives.

UNIDO's Iraq portfolio also extends to critical industrial-adjacent infrastructure where safety and institutional capacity are essential for development outcomes. A notable example is the Italy-funded work with the Ministry of Water Resources that supported the establishment of the National Dam Safety Department. The initiative aims to strengthen national capacity to safely manage hydraulic infrastructure through skills training, advisory support on dam-safety systems and technology transfer. Drawing on expertise developed around the Mosul Dam, the project has helped build technical capabilities across Iraq's wider hydraulic infrastructure network.

Finally, the project "Establishing a platform for innovative ideas and technologies for local industrial sectors in Iraq" (Dec. 2023–Dec. 2025), implemented by UNIDO ITPO[133] Italy, in collaboration with the Ministry of Industry and the Iraqi Federation of Industries (IFI) and funded by the Italian Ministry of Foreign Affairs and International Cooperation, aims to strengthen private-sector development by mobilizing investment, technology, knowledge and innovation in priority sectors – most notably agribusiness – to foster job creation and accelerate economic growth. The project's scope includes establishing and consolidating a dedicated platform at the IFI Business Centre in Baghdad,[134] offering innovation and investment-matchmaking services in Baghdad and across the country. Core activities include conducting needs assessment; equipping specialized workspaces; profiling firms and developing a comprehensive database; providing capacity-building and training-of-trainers for institutions; incubating and mentoring locally scouted ideas and start-ups; and organizing structured B2B missions, fairs and engagements with technology providers from Italy.

The recommendations for interventions in the agribusiness and textile sectors are grouped under strategic objectives that aim to contribute to the overall vision for the respective sector. The objectives are divided into short-, medium- and long-term time frames.

126. Signed 25 December 2025, focusing on four key pillars: Inclusive Social Development, Sustainable Economic Development, Environment and Climate Resilience and Good Governance and Rule of Law, supporting Iraq's National Development Plan 2024-2028.

127. The programme provides a strategic framework that is aligned with Iraq's Vision 2030, the National Industrial Strategy 2024-2030 and the UN Cooperation Framework 2025-2029. It focuses on industrial diversification, reducing dependence on oil and supporting inclusive economic growth. Key priorities include job creation, strengthening the competitiveness of SMEs, achieving food security and advancing green growth.

128. Examples of projects implemented between 2007 and 2016: Enterprise Development and Investment Promotion (EDIP) (training and counselling, SME support, B2B matchmaking), Investment Promotion for Iraq (IPI), Enterprise Development through Information and Communication Technology (EDICT) (e-learning and distance services to scale outreach), Subcontracting and Partnership Exchange (SPX) (integration into global supply chains, fostering partnerships, upgrading industrial capacities). In addition, UNIDO SPX centres were established in areas like Basra, Erbil and Thi Qar, helping local firms meet international standards and tools such as the Computer Model for Feasibility Analysis and Reporting (COMFAR) (software tool for investment appraisal, business plan development and financial modelling to support project investment) were provided.

129. Implemented with the Ministry of Planning and partners including the Prime Minister's advisory structures, the Ministry of Industry and Minerals, the National Investment Commission, Finance and Transport authorities and the Kurdistan Regional Government.

130. UNIDO, "Enhancing investments in Iraq through industrial zones development". Available at https://www.unido.org/publications/ot/9659262/pdf

131. UNIDO, "IRAQ: Regaining international recognition through an upgrading of the National Quality System", May 2015. Available at https://www.unido.org/sites/default/files/2015-10/Factsheet_Iraq_print_0.pdf.

132. United Nations Environment Programme, The Montreal Protocol on Substances that Deplete the Ozone Layer. Available at https://ozone.unep.org/treaties/montreal-protocol

133. UNIDO ITPO, Italian Investment and Technology Promotion Office. Available at https://itpo-rome.unido.org/.

134. The IFI Business Centre refers to the Business Centre of the Iraqi Federation of Industries (IFI) in Baghdad. It is not a financial institution rather a business support and innovation hub operated by the Iraqi Federation of Industries.

6.5.1 RECOMMENDATIONS AGRIBUSINESS

Given that there are many active donors in the agribusiness space, it is key to focus on UNIDO's core competitive advantages such as firm-level transformation at scale – combining engineering, management and quality in one package. UNIDO could address the missing middle between agriculture and trade by upgrading the productive and technological capacity of agrifood MSMEs.

Overall vision: To enable a competitive, resilient, sustainable and inclusive agrifood industry.

Strategic objective 1 (short- to medium-term):
Expansion of value-added food processing through industrial upgrading of MSMEs and initial assessments and diagnostics to prepare firm-level transformation at scale.

Potential areas of intervention:
- Detailed sector diagnostics building on findings from this study, including bottlenecks, support needs and political willingness and support[135]
- MSME upgrading and competitiveness in priority value chains (e.g. dairy, dates, grains, poultry, vegetables) – this should be region-specific and tailored to the needs of different target groups (e.g. women, IDPs)
- Access to finance and working capital for agrifood enterprises
- Solar and energy-efficient solutions for agro-processors

Potential interventions:
- Pilot solar and energy-efficient solutions for cold storage, milling, dairy chilling and food processing units to reduce operating costs and increase reliability
- Provide matching grants and tailored technical assistance to agrifood MSMEs (processors, aggregators, service providers) to upgrade machinery, processing equipment, packaging and storage facilities
- Support risk-sharing mechanisms and credit guarantees with financial institutions to expand lending to agrifood MSMEs, including youth- and women-led enterprises
- Deliver hands-on capacity-building and mentoring in business planning, financial management, food safety (HACCP), quality management and regulatory compliance
- Facilitate buyer-supplier linkages between farmers, processors and wholesalers to stabilize demand and improve raw material quality

Strategic objective 2 (medium- to long-term):
Strengthen agrifood value chains and local market systems through agro-processing infrastructure and agro-industrial hubs to improve competitiveness and import substitution.

Potential areas of intervention:
- Pilot Digital and Industry 4.0 agrifood solutions
- Anchor-firm ("lead buyer")–led value chains
- Agrifood value chain integration and aggregation
- Agro-processing and post-harvest infrastructure
- Producer organizations, cooperatives and cluster development
- Quality infrastructure, standards and market access

Potential interventions:
- Pilot low-cost digital traceability (QR codes) for dates, dairy, meat or speciality crops (integrate origin, quality and sustainability data)
- Pilot energy-efficient and potentially smart cold chains: pilot IoT-enabled cold storage with remote temperature monitoring and pay-per-use access for MSMEs
- Build partnerships with large buyers and set up joint training programmes to integrate small businesses into their supply chain
- Establish or upgrade agro-processing hubs and shared facilities (e.g. collection centres, cold storage, packing houses) in high-potential regions
- Support the formation and professionalization of producer organizations and cooperatives to improve collective efficiency, bargaining power and supply reliability
- Strengthen food quality and safety systems, including certification support (HACCP, ISO), traceability and improved testing and inspection services
- Support branding, packaging, labelling and marketing of Iraqi agrifood products to improve competitiveness in domestic and regional markets
- Facilitate contract farming and outgrower schemes linking small producers to processors, retailers and institutional buyers

Strategic objective 3 (long-term): Enable a resilient, climate-smart and investment-friendly agrifood industry through improved policies, green technologies and innovation.

135. Coordination with ongoing projects would be important, such as the European Union-funded Agri-food Business Development Programme. UNRIC, "EU-Funded Agri-food business development programme highlights progress and pathways to private sector investment in Iraq", 29 January 2026. Available at https://unric.org/en/eu-funded-agri-food-business-development-programme-highlights-progress-and-pathways-to-private-sector-investment-in-iraq/; ITC, "Transforming Trade, changing lives: Impact stories from Iraq", September 2025. Available at https://www.intracen.org/sites/default/files/media/file/media_file/2025/09/01/impact-stories-iraq_web.pdf.

Potential areas of intervention:
- Climate-smart and resource-efficient agro-industry
- Circular economy and waste valorization (e.g. date waste → feed, compost, energy)
- Agrifood policy, institutions and public-private dialogue
- Investment promotion and innovation ecosystems

Potential interventions:
- Promote water- and energy-efficient processing technologies, renewable energy solutions and climate-resilient business models across agrifood value chains
- Develop circular economy initiatives to convert agrifood waste into feed, compost, bio-inputs or energy, reducing environmental pressure and input costs
- Facilitate domestic and foreign investment in agro-processing through feasibility studies, PPP structuring and investment matchmaking
- Build on pilots from strategic objective 2 to support innovation and digitalization in agrifood systems (traceability, smart cold chains, digital marketplaces) to enhance transparency and competitiveness, combined with skills
- Support the development of a coherent national agro-industry strategy, aligned with trade, energy and water policies[136]
- Establish public-private coordination platforms for key agrifood value chains to reduce policy fragmentation and improve the business environment

TABLE 20. SELECTED RELEVANT UNIDO PROJECTS RELATED TO THE AGRIFOOD SECTOR IN OTHER COUNTRIES

Country	Project	Objective	Duration
Global (Africa, Asia, Latin America)	3ADI – Agribusiness and Agro-Industries Development Initiative	Promote investment in agro-industries; link farmers with processors and markets; strengthen rural value chains	Since 2010
Armenia	Fruit Processing and Value Addition Project	Improve the livelihoods and incomes of rural populations by strengthening the fruit value chain through increased value addition, processing and market access	2016–2017
Egypt	Strengthening Agrifood Value Chains in Southern Egypt	Contribute to inclusive economic growth and improved food security in some of the most vulnerable regions of Upper Egypt	2021–2025

6.5.2 RECOMMENDATIONS TEXTILE SECTOR

Overall vision: Revival and structural transformation of the textile sector towards a sustainable, competitive, resource-efficient and socially inclusive industry to advance economic diversification, MSME growth and employment creation in particular for women, youth and other vulnerable groups.

Strategic objective 1 (short- to medium-term):
Improving livelihoods and economic integration of vulnerable groups in the textile sector. This involves skills and basic machine upgrading of MSMEs with a focus on vulnerable groups (women, IDPs, youth and host community members) as well as initial assessments and diagnostics to develop a road map to upgrade the sector.

Potential areas of intervention:
- Detailed sector diagnostics building on findings from this study, including bottlenecks, support needs, and political willingness and support
- Support building of women-led cooperatives, building on informal existing ones
- Skills training (digital, marketing, machine operation, product diversification, quality, business processes, entrepreneurship) to foster competitiveness
- Machine upgrading (at this stage and for this target group, focus on practical tools rather than advanced automation) to improve quality and operational efficiency

Potential interventions:
- Support groups to formalize as cooperatives and provide respective training, such as cooperative management, financial literacy, leadership and decision-making, collective branding, basic digital skills (e.g. online buyer communication and portfolio development, digital costing and pricing) with flexible training schedules and potentially child support as well as access to shared resources and

136. Building on existing value chain strategies (e.g. potatoes, tomatoes).

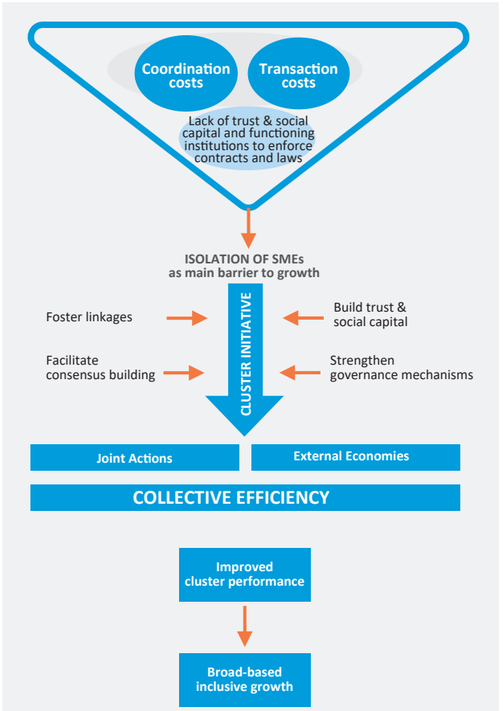
linkages to financing programmes[137]
- Pilot one or two model factories (e.g. school and work uniforms, garments, home textiles) and use them as hands-on training sites for machine operation, quality control, production planning
- Pilot a shared design studio to focus on product development (e.g. CAD software, pattern-making tools, market trends, production opportunities and realities)
- Coach pilot SMEs upgrading, promoting success stories
- Further assess bottlenecks and support needs of different actors within and linked to the textile value chain, strategic focus areas within the sector and development of an actionable, phased road map in cooperation with the Government[138]

Strategic objective 2 (medium- to long-term): Provide policy and institutional support to revive the sector, promote value chain and market integration. This involves supporting the establishment of clusters to overcome fragmentation, upgrading businesses at scale and reducing transaction costs.

Potential areas of intervention:
- Promote and establish textile industrial clusters
- Promote specific vulnerable groups to be represented in the cluster (e.g. women, IDPs, youth, host community)
- Validation of road map to align stakeholders (Government, industry associations, private sector, training institutes, buyers, etc.) and create momentum

Potential interventions:
- Provide support with industrial planning, planning of special economic zones, eco-industrial parks and/or economic clusters
- Set up an industrial textile cluster, including cluster governance body, link to (potentially the existing) model factory and design centre or other training platform, shared service facilities (e.g. quality and testing, digital design, productivity and RECP advisory)

FIGURE 30. INTERVENTION LOGIC FOR CLUSTER DEVELOPMENT



Source: UNIDO (2020)

- Integrate solar energy initiatives into clusters and cooperatives to reduce costs, provide access to cleaner energy and support job creation in that sector
- Facilitate market linkages and build relationships with larger buyers
- Create women-focused incubation space within cluster
- Create safe transport solutions, especially for women

137. This could include preparing them for credit programmes, for example, from other partners such as ILO/KfW supporting SMEs in Iraq) by strengthening business plans and bank readiness.

138. Potential elements of the roadmap: industrial upgrading and competitiveness (model factories, cluster-based upgrading of SMEs, incentives, solar initiatives); design, innovation & value addition (design and innovation centres, integration of traditional designs, branding and export readiness); women's economic empowerment (women-led cooperatives, gender-responsive procurement policies, support for home-based and hybrid production models); sustainability and decent work (cleaner production, circular models and pilot projects, occupational safety and compliance with labour standards); digital transformation (skills for different textile professions, shared digital infrastructure in clusters, data-driven productivity and quality systems as well as environmental standards). The roadmap could build on existing projects in the different areas. For example, with regard to digital skills, see United Nations in Iraq, "Coding a Better Future: Digital Skills for Youth in Mosul, Iraq", 5 June 2025. Available at https://iraq.un.org/en/295781-skills on the coding-better-future-digital-skills-youth-mosul-iraq.

Strategic objective 3 (long-term): Establishment of export consortia, integration into regional and global value chains, embedding of sustainability and circular economy models, and strengthening of textile vocational training system.

Potential areas of intervention:
- Scale model factories into national training and upgrading centres; partner with vocational training institutes and industry associations to keep adjusting training to labour-market needs
- Strengthen the "Made in Iraq" brand
- Investment promotion and market access: facilitating international partnerships (e.g. with Italy), encouraging foreign investment, and connecting local producers to regional and global value chains (building on strategic objective 2)
- Quality infrastructure: strengthening national standards and conformity assessment services to help textile products meet international standards

Potential interventions:
- Advance integration of sustainable/circular economy practices through more advanced training (e.g. eco-labelling, eco-packing, traceability, recycling initiatives) and support certification processes (e.g. ISO, EU Digital Product Passport) to open doors to advanced export markets
- Conduct studies on demand and requirements in the region and beyond.

TABLE 21. SELECTED RELEVANT UNIDO PROJECTS RELATED TO THE TEXTILE SECTOR IN OTHER COUNTRIES

Country	Project	Objective	Duration
Jordan Funded by Italy	Supporting the textile value chain to create employment and economic opportunities in Jordan ("Creative Jordan") Joint project with the Design & Training Services Centre (GSC), which includes technical and business training, brand creation and fashion design competitions to boost local industry development	Support the textile value chain; create employment; help manufacturers upgrade to access new markets	2020–2023
Several West African Countries (Benin, Burkina Faso, Chad, Mali, Côte d'Ivoire)	Partenariat pour le Coton (Cotton Partnership) Key actions: investment mobilization (goal: USD 12 billion for upgrading textile mills and developing eco-industrial parks); increase of local value addition; support for environmentally friendly production; technical support to SMEs in the textile and garment sector to meet international standards and improve product quality; market access facilitation	Initiative from UNIDO, WTO and others to mobilize investment and improve value chain development for cotton and textiles across four countries, focusing on jobs, sustainability and infrastructure	2024–ongoing
Egypt	Circular Textile Value Chains	Transform the textile and garment sector into a more sustainable, resource-efficient, and competitive industry by promoting circular economy practices across the value chain	2019–2024

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8.
ANNEXES

ANNEX 1: SURVEY TO ASSESS ECONOMIC RELEVANCE OF SECTORS

QUESTIONNAIRE 1: Identification of sectors with most potential for MSME growth and job creation (focus on IDPs)

Project Number: 240214
Project Title: Emergency livelihood support to internally displaced persons affected by camp closures and host community members for the development of an inclusive market system
Date: XX / XX / 2025
Start time of the interview: XX
Completion time of the interview: XX
Name of the interviewer: XX
Location: XX

Description of project and objective of questionnaire

This survey is being conducted within the scope of UNIDO's project "Emergency livelihood support to internally displaced persons affected by camp closures and host community members for the development of an inclusive market system". The project aims to promote entrepreneurship among unemployed IDPs and host community members, particularly of women, in areas of return, resettlement, or local integration, taking an approach to building their self-reliance and resilience through capacity building and equipment support to help start up a business.

This questionnaire is designed to help identify sectors with high potential for MSME development and job creation in Northern Iraq, and in particular XX.

Thank you for taking the time to take part in this interview, which will take approximately XX minutes. Your perspective is incredibly valuable and plays a key role in shaping the design and delivery of the interventions of this project, as well as future projects. Your contribution is not just appreciated – it's essential. Thank you for being part of this process.

Confidentiality and consent

I want to make it clear that this interview is voluntary. You can choose whether or not to participate, stop or leave at any time, and choose not to share personal information or not answer a question without giving a reason. Your answers will have no impact on future assistance. Everything in this interview will remain confidential, and your answers will be recorded securely so that no one can access them. No names will be recorded on this form or given in our reports.

Do you have any questions for me about the purpose of this interview or anything else before we get started?

Do you consent to do this interview?

I. Information about the respondent

1. What is your primary role? [PLEASE SELECT ONE.]

- o MSME owner or manager
- o Entrepreneur
- o Industry expert, please specify: _____
- o Government Official
- o NGO / Development Partner
- o Academic / Researcher
- o Think Tank
- o Other: _____

[SKIP LOGIC] If the answer is MSME owner, manager or entrepreneur otherwise skip:

2. What is the size of your organization/enterprise?

- o 0-2 employees
- o 3-9 employees
- o 10-29 employees
- o 30-69 employees
- o 70-99 employees
- o 100+ employees

3. What economic sector does your organization/ enterprise primarily operate in?

- o Agriculture and Agribusiness (including food processing): _____
- o Manufacturing (e.g. chemicals; construction material; textiles; metals; pharmaceuticals): _____
- o Retail and wholesale trade: _____
- o Construction
- o Transportation and logistics
- o Information and Communication Technology (ICT)
- o Tourism and hospitality
- o Services (e.g. sewing, beauty, barber): _____
- o Education and Training
- o Green Economy / Renewable Energy (e.g. waste management; solar energy): _____
- o Financial services and financial technology (fintech)
- o Health services: _____
- o Creative industries (including cultural activities): _____
- o Oil and gas
- o Other: _____

II. Sector identification

4. Which **3 sectors** do you believe hold the greatest potential for **MSME growth and job creation** in [your location]?

- o Agriculture and Agribusiness (including food processing): _____
- o Manufacturing (e.g. chemicals; construction material; textiles; metals; pharmaceuticals): _____
- o Retail and wholesale trade: _____
- o Construction: _____
- o Transportation and logistics: _____
- o Information and Communication Technology (ICT): _____
- o Tourism and hospitality: _____
- o Services (e.g. sewing, beauty, barber): _____
- o Education and training: _____
- o Green Economy / Renewable Energy (e.g. waste management; solar energy): _____
- o Financial services and financial technology (fintech): _____
- o Health services: _____
- o Creative Industries (including cultural activities): _____
- o Oil and gas: _____
- o Other: _____

5. What are the **key reasons** these sectors have potential for MSME growth and job creation in [your location]?

- o High demand for product/services
- o Access to raw materials or resources
- o Availability of skilled labour
- o Government incentives/support, please specify: _____
- o Support from international organizations / NGOs, please specify: _____
- o Low barriers to entry
- o Export potential
- o Potential to integrate vulnerable groups (women; IDP; youth): _____
- o Innovation and technology opportunities, please specify: _____
- o Other:_____

6. Does the selection of sectors with high potential for MSME growth and job creation c**hange if the focus is on IDPs?**

- o No
- o Yes

7. [SKIP LOGIC] If yes, what are the sectors with economic potential that are most relevant for **IDPs?**

- o Agriculture and agribusiness (including food processing): _____
- o Manufacturing (e.g. chemicals; construction material; textiles; metals; pharmaceuticals): _____
- o Retail and wholesale trade: _____
- o Construction: _____
- o Transportation and logistics: _____
- o Information and Communication Technology (ICT): _____
- o Tourism and hospitality: _____
- o Services (e.g. sewing, beauty, barber): _____
- o Education and training: _____
- o Green Economy / Renewable Energy (e.g. waste management; solar energy): _____
- o Financial services and financial technology (fintech): _____
- o Health services: _____
- o Creative industries (including cultural activities): _____
- o Oil and gas: _____
- o Other: _____

8. [SKIP LOGIC] If yes, why is it different for IDPs?

- o Different levels of education limit access to certain sectors
- o More difficult to obtain access to finance
- o Other: _____

9. Does the selection of sectors with high potential for MSME growth and job creation change if the focus is on **women?**

- o No
- o Yes

10. [SKIP LOGIC] If yes, what are the sectors with economic potential that are most relevant for **women?**

- o Agriculture and Agribusiness (including food processing): _____
- o Manufacturing (e.g. chemicals; construction material; textiles; metals; pharmaceuticals): _____
- o Retail and wholesale trade: _____
- o Construction
- o Transportation and logistics

- o Information and communication technology (ICT)
- o Tourism and hospitality
- o Services (e.g. sewing, beauty, barber): _____
- o Education and training
- o Green Economy / Renewable Energy (e.g. waste management; solar energy): _____
- o Financial services and financial technology (fintech)
- o Health services: _____
- o Creative Industries (including cultural activities): _____
- o Oil and gas
- o Other: _____

11. [SKIP LOGIC] If yes, why is it different for women?

- o Different levels of education limit access to certain sectors
- o More difficult to obtain access to finance
- o Cultural reasons: _____
- o Other: _____

III. Initial sector assessment

For [selected sector 1]:

12. What are the key opportunities in the sector? _____

13. What are the main obstacles in the sector
- o Infrastructure: _____
- o Access to finance: _____
- o Lack of skilled labour: _____
- o Cumbersome business regulation: _____
- o Corruption: _____
- o Access to markets: _____
- o High rents: _____
- o Other: _____

14. Which profiles are most in demand in this sector? _____

15. What needs to be done to support businesses entering or operating in the sector? _____

16. Who are the key players in this sector? _____

17. Can you provide any data or studies on the sector (number and size of enterprises; women active in the sector; IDPs active in the sector, working conditions, informality)?

For [selected sector 2]:

18. What are the key opportunities in the sector? _____

19. What are the main obstacles in the sector
- o Infrastructure: _____
- o Access to finance: _____
- o Lack of skilled labour: _____
- o Cumbersome business regulation: _____
- o Corruption: _____
- o Access to markets:_____
- o High rents: _____
- o Other: _____

20. Which profiles are most in demand in this sector? _____

21. What needs to be done to support businesses entering or operating in the sector? _____

22. Who are the key players in this sector? _____

23. Can you provide any data or studies on the sector (number and size of enterprises; women active in the sector; IDPs active in the sector, working conditions, informality)?

For [selected sector 3]:

24. What are the key opportunities in the sector? _____

25. What are the main obstacles in the sector
a. Infrastructure: _____
b. Access to finance: _____
c. Lack of skilled labour: _____
d. Cumbersome business regulation: _____
e. Corruption: _____
f. Access to markets: _____
g. High rents: _____
h. Other: _____

26. Which profiles are most in demand in this sector? _____

27. What needs to be done to support businesses entering or operating in the sector? _____

28. Who are the key players in this sector? _____

29. Can you provide any data, studies or qualitative information on the sector (number and size of enterprises; women active in the sector; IDPs active in the sector; productivity; informality; working conditions)?

ANNEX 2: SECTOR SELECTION CRITERIA

(1) Sector relevance for target group
- IDP active in sector
- Examples IDP – host community integration
- IDP skills
- Nature of participation in sector
- Working conditions and income generation
- SME in sector (size, number)
- Status of enterprises (formal/informal)

(2) Sector growth
- Size
- Job creation potential
- Growth trajectory
- Current levels of innovation
- Productivity and competitiveness

(3) Prospects for job creation (and job quality improvements)
- Access to markets
- Potential increase productivity
- Investments/priorities

(4) Feasibility for change
- Availability of market players with a good track record of innovating and investing in the sector
- Investments made or planned for the future
- Existing trainings/support services etc.
- Feasibility of addressing most critical challenges
- Relevant Government policies, Action Plans, etc.
- Political and economic trends

ANNEX 3: ENTERPRISE SURVEY AGRIFOOD

AGRIFOOD SURVEY	
I. General information about enterprise	
1. Name of the enterprise	_____
2. Type of business *(Please select **one** option.)*	☐ Family business ☐ Privately-owned domestic company ☐ Cooperative ☐ Publicly owned ☐ Foreign owner ☐ Other, please specify: _____
3. Location of the enterprise	_____
4. Is any of the owners of the business a: *(Please select **all options that apply.**)*	☐ Woman ☐ IDP / Refugee / Returnee or any other vulnerable group, please specify: _____ ☐ No
5. Primary activity of business *(Please select **one** option.)*	☐ Manufacturer of food ☐ Manufacturer of beverages ☐ Other: _____
6. More specifically, your enterprise's main activity is: *(Please select **all options that apply.**)*	☐ Processing and preserving of meat and production of meat products ☐ Processing and preserving of fruit and vegetables ☐ Food packaging (without preservation) ☐ Manufacture of vegetable and animal oils and fats ☐ Manufacture of dairy products ☐ Manufacture of grain mill products, starches and starch products ☐ Manufacture of bakery and farinaceous products ☐ Manufacture of other food products, please specify: _____ ☐ Manufacture of prepared animal feed
7. Percentage of sales that the primary activity represents:	_____ %
8. Annual sales for all products and services in FY 2024 *(Please state a **number or range** in Iraqi Dinar. If easier, provide a monthly/daily estimate.)*	Yearly: _____ IQD or: Monthly: _____ IQD or: Daily: _____ IGD
9. Number of employees (permanent and temporary) and highest number of workers in 2025.	Total number of employees: _____ Highest number of workers in 2025: _____
10. How many of the employees are temporary workers? *(If not possible to provide an exact **number**, please provide a **range** or a **percentage.**)*	Number of temporary workers: _____
11. In which year did the enterprise begin operations?	Year: _____
12. Is the enterprise formally registered? *(Please select **one** option.)*	☐ Yes; Year: _____ ☐ No / Not yet ☐ Other: _____
13. Is your business a member of an industry association, trade association, professional association or cooperative body? If yes, please state the names.	☐ No ☐ Yes: _____
II. Productivity and Production Capacity	
14. Average **monthly** production output of main products *(Please state the main three products and the amount produced in a month, e.g. in kg, litres or cans. If the monthly production varies significantly, you can also provide the annual production output. Or, if easier, the daily output.)*	Product 1: _____ produced per _____ Product 2: _____ produced per _____ Product 3: _____ produced per _____
15. What is the maximum amount you could produce in one month under the best circumstances? *(Please state the unit (e.g. kg, pieces, litres, cans etc.)*	_____
16. Percentage of defective final products *(E.g. If you make 100 items, how many do you have to throw away / can't sell.)*	_____ %
17. How do you rate the efficiency of your current production equipment? *(Please state number between 1 = Not efficient and 5 = Highly efficient)*	☐ 5 (Highly efficient) ☐ 4 ☐ 3 ☐ 2 ☐ 1 (Not efficient)
18. Do you have production targets? *(Please select one option.)*	☐ Yes (please specify targets): _____ ☐ No
19. [If YES to 18.], are production targets being met? If not, please specify why not.	☐ Yes ☐ No (please specify): _____
20. What is the biggest cost of your production input? *(What is the **biggest cost** of your production (e.g. labour, energy/utilities, cost of input material, transport etc.)? Please also provide **percentages for the key components** if possible.)*	Biggest cost of production: _____ Labour cost: _____% Energy and utilities: _____% Input material: _____% Transport / Logistics: _____% Other: _____%
21. Please select the **three** most significant productivity constraints. *(Please select **three** options.)*	☐ Limited access to finance ☐ Outdated machinery/technology ☐ Limited availability of or access to technically skilled workers and employees ☐ Lack of digitalization of business ☐ Managerial capabilities of employees ☐ High workers' turnover ☐ Limited availability of skill training programmes ☐ Quality of education and training ☐ Availability of quality inputs / raw material ☐ Cost of raw material ☐ Cost of utilities (electricity, energy, water, …) ☐ High Rent ☐ Insufficient production space ☐ Regulatory burden ☐ Workers' motivation ☐ Other, please specify: _____
III. Workforce	
22. What percentage of the workforce is formally employed?	_____ %
23. Approximately what percentage of your current employees were originally hired without prior work experience?	_____ %
24. How many women do you employ? *(Please state a number for the average in 2025.)*	_____
25. **[If YES to 24.]**, how many women are in managing roles? *(Please state a **number.**)*	_____
26. How many people have left the enterprise in 2025? How many people did you hire in 2025?	Number of people who left: _____ People hired: _____
27. Which skill areas are lacking among your workforce? *(Please state **up to three**.)*	Skill 1: _____ Skill 2: _____ Skill 3: _____
28. What type of training does your enterprise provide for employees/workers? *(Select all options that apply – could be through enterprise or third-party providers.)*	☐ No training ☐ Only training on the job/mentorship ☐ Machine / Equipment operation ☐ Maintenance ☐ Occupational Health and Safety ☐ Marketing and sales ☐ Export marketing ☐ Other, please specify: _____

29. **[If Training is provided],** what is the frequency of training provided? *(Select all options that apply.)*	☐ Onboarding structured training ☐ Formal or informal mentorship over a few weeks or months ☐ Every year ☐ Ad hoc ☐ Other: _____
30. Please state **up to three** vocational training institutions that you think provide quality training for the agrifood sector.	Institution 1: _____ Institution 2: _____ Institution 3: _____
31. What are the main challenges in hiring skilled employees? *(Please select all options that apply.)*	☐ No challenges faced ☐ Low number of skilled candidates ☐ Unfavourable working conditions and pay ☐ Not enough people interested in this kind of work ☐ Too much competition from other employers ☐ Work site is distant from where suitable workers live ☐ Limited career development prospects ☐ Other, please specify: _____
32. What occupational safety and health measures currently exist in your company? *(Please select all options that apply.)*	☐ Training of personnel in Occupational Safety and Health Standards ☐ Notification and keeping of records of accidents and/or occupational illnesses ☐ Personal protective equipment and devices ☐ Control of handling and storage of hazardous materials ☐ Cleaning and sanitary conditions ☐ Machine guarding ☐ Fire safety ☐ Programmes against violence and harassment in the work-place ☐ Personal hygiene facilities ☐ Other, please specify: _____
IV. Market linkages and access	
33. Who are the main buyers/clients of your products or services? *(Please select all options that apply.)*	☐ Direct consumers ☐ Retailers ☐ Wholesalers ☐ Exporters / Export agencies ☐ Other businesses ☐ Online platforms ☐ Government ☐ NGOs ☐ Other: _____
34. How do you usually communicate with your clients? *(Please select all options that apply.)*	☐ In-person ☐Phone ☐Email ☐Messenger (e.g., WhatsApp, Signal, Discord, Instagram, Facebook, …)
35. How would you describe the market demand for your sector / main activities? *(Please select **one** option.)*	☐ Increasing ☐ Stable ☐ Decreasing ☐ Unsure
36. How do you usually find and connect with buyers? *(Please select all options that apply.)*	☐ Word of mouth (they find the business) ☐ Direct marketing ☐ Agents / Brokers ☐ Online marketplaces ☐ Trade fairs ☐ Other: _____

37. Which markets do you currently sell to? *(Please select all that apply and provide percentage of sales and export destinations, if applicable.)*	☐ Local (Governorate) (_____ %) ☐ Regional (Across Iraq) (_____ %) ☐ International (other countries) (_____ %; Countries: _____ _____)
38. **[If your enterprise is exporting],** are your export products certified for quality, fair trade, environmental or ethical labels by foreign/international certifying organizations before they are shipped? *(Please select all that apply.)*	☐ Conformity with product standards ☐ Environmental standards ☐ Fair trade ☐ Ethical / Social responsibility ☐ Other: _____
39. Do you aspire to reach other markets locally, regionally or internationally? *(If YES, please provide up to **two** regions or country names that you aspire to reach.)*	☐ No ☐ Yes: Region or country name 1: _____ Region or country name 2: _____
40. What are your **three biggest challenges** in accessing new markets/clients? *(Please select three options.)*	☐ Limited market information (about clients, trends, required standards, prices, etc.) ☐ High competition ☐ Price sensitivity (clients are significantly less likely to buy a product if its price increases) ☐ Fulfilling the quality and technical standards ☐ Low demand ☐ Limited infrastructure ☐ Insufficient Government support ☐ Trade barriers ☐ Other: _____
41. What are your main input materials? *(Please name up to **five** input materials.)*	Input 1: _____ Input 2: _____ Input 3: _____ Input 4: _____ Input 5: _____
42. Where do you buy your main inputs (e.g. dye, fabric, accessories)? *(Please name the two main inputs purchased and if you buy them locally, regionally or from another country. If from another country, please state the country.)*	Main input 1: _____, sourced / bought: ☐ Locally (Governorate) ☐ Regionally (Across Iraq) ☐ Internationally: _____ ☐ Own production Main input 2: _____, sourced / bought: ☐ Locally (Governorate) ☐ Regionally (Across Iraq) ☐ Internationally: _____ ☐ Own production
43. What are the challenges you face when obtaining your inputs (e.g. dye, fabric, accessories, etc.)? *(Please select all options that apply.)*	☐ High cost ☐ Poor quality ☐ Unreliable suppliers ☐ Customs/duties ☐ Logistics / Transportation ☐ Communication with suppliers ☐ Other: _____
44. What are the **top three challenges** you face when selling or distributing your products? *(Please select **three** options.)*	☐ Transportation / Logistics (e.g. gas prices, transport losses, infrastructure) ☐ Lack of market access ☐ Price fluctuations ☐ Competition (local or international) ☐ Payment issues ☐ Insecurity / political instability ☐ Other: _____

45. Main barriers to accessing new markets *(Please select the **top three** barriers.)*	☐ Meeting quality standards, technical regulation and certifications ☐ Lack of access to information (products, markets, importers' regulations) ☐ Lack of contacts/network ☐ High competition ☐ Logistics ☐ Understanding requirements ☐ Customs duties and delays ☐ Domestic regulations such as business permits, export regulations, taxes ☐ Sales in the local market are more profitable ☐ Inadequate use of technology or lack of access to technology ☐ Quality and availability of raw materials and other inputs ☐ Risky business in foreign markets ☐ Other, please specify: _____
V. Sustainability	
46. Do you implement any sustainability practices? (e.g. solar energy, use of waste, …)	☐ No ☐ Yes, please specify: _____
47. Are you aware of environmental regulations that apply to your business?	☐ No ☐ Yes, please specify: _____
48. What are the barriers to implementing sustainable practices in your business? *(Please select all that apply.)*	☐ Cost ☐ Limited knowledge ☐ Lack of supervision ☐ Other, please specify: _____
VI. Key constraints and areas of support	
49. Please rate the following factors in terms of their impact on your business (1=no impact, 5=very high impact) *(Please state a number for the degree of impact after each option. Please provide comments to specify the information you provided.)*	☐ Access to Finance: _____ ☐ Government regulation: _____ ☐ Quality of Provision of Public Service: _____ ☐ Infrastructure: _____ ☐ Security and Stability: _____ ☐ Availability of skilled labour: _____ ☐ Market information: _____ ☐ Government / Other organization's subsidies or support: _____ ☐ Competition from informal businesses: _____ **COMMENTS:** _____
50. Type of support desired *(Please select all that apply.)*	☐ No support needed / desired ☐ Training in operational efficiency techniques for workers ☐ Technical Training for workers (e.g. basic maintenance, operation of machines / equipment) ☐ Training for managers ☐ Technical support to upgrade and maintain equipment ☐ Training on health and safety measures ☐ Training on quality management / Quality standard compliance ☐ Digitalization of workplace and / or access to technology ☐ HR management support ☐ Support regarding access to finance ☐ Information about domestic and / or international markets ☐ Export requirements and training ☐ Information about environmental sustainability practices and certifications ☐ Access to a network of contacts ☐ Other, please specify: _____

ANNEX 4: ENTERPRISE SURVEY TEXTILES

TEXTILES AND CLOTHING SURVEY	
I. General information about enterprise	
1. Name of the enterprise	_____
2. Type of business *(Please select **one** option.)*	☐ Family business ☐ Privately-owned domestic company ☐ Cooperative ☐ Publicly owned ☐ Foreign owner ☐ Other, please specify: _____
3. Location of the enterprise	_____
4. Is any of the owners of the business a: *(Please select **all options that apply**.)*	☐ Woman ☐ IDP / Refugee / Returnee or any other vulnerable group, please specify: _____ ☐ No
5. Primary activity of business *(Please select **one** option.)*	☐ Yarn spinning ☐ Production of components: knitting, weaving, cutting, etc. ☐ Production of textiles / clothing: sewing, pressing, buttonholing etc. ☐ Only sewing services ☐ Other: _____
6. [**If textiles/clothing is produced**] What type of clothing and / or textiles do you produce? *(Please select **all options that apply**.)*	☐ Ready-made garments ☐ Uniforms ☐ Home textiles ☐ Traditional clothing ☐ Fabrics ☐ Accessories ☐ Other: _____
7. Percentage of sales that the primary activity represents:	_____ %
8. Annual sales for all products and services in FY 2024 *(Please state a **number or range** in Iraqi Dinar. If easier, provide a monthly/daily estimate.)*	Yearly: _____ IQD or: Monthly: _____IQD or: Daily: _____ IQD
9. Number of employees (permanent and temporary) and highest number of workers in 2025	Total number of employees: _____ Highest number of workers in 2025: _____
10. How many of the employees are temporary workers? *(If not possible to provide an exact **number**, please provide a **range** or a **percentage**.)*	Number of temporary workers: _____
11. In which year did the enterprise begin operations?	Year: _____
12. Is the enterprise formally registered? *(Please select **one** option.)*	☐ Yes; Year: _____ ☐ No / Not yet ☐ Other: _____
13. Is your business a member of an industry association, trade association, professional association or cooperative body? If yes, please state the names.	☐ No ☐ Yes: _____
II. Productivity and Production Capacity	
14. Average **monthly** production output of main products *(Please state the three main products and the amount produced in a month, e.g. in kg or pieces. If the monthly production varies significantly, you can also provide the annual production output. Or, if easier, the daily output.)*	Product 1: _____produced (*name of product and unit*) per_____(*month or year*) Product 2: _____(*name of product and unit*) produced per _____(*month or year*) Product 3: _____(*name of product and unit*) produced per _____ *(month or year*)

15. What is the maximum amount you could produce in one month under the best circumstances? *(Please state the unit (e.g. kg, pieces, square meter).)*	_____
16. Percentage of defect final products *(E.g. If you make 100 pieces, how many do you have to throw away / can't sell.)*	_____ %
17. How do you rate the efficiency of your current production equipment? *(Please state number between 1 = Not efficient and 5 = Highly efficient)*	☐ 5 (Highly efficient) ☐ 4 ☐ 3 ☐ 2 ☐ 1 (Not efficient)
18. Do you have production targets? *(Please select **one** option.)*	☐ Yes (please specify targets): _____ ☐ No
19. **[If YES to 18.]**, are production targets being met? If not, please specify why not.	☐ Yes ☐ No (please specify): _____
20. What is the biggest cost of your production input? *(What is the **biggest cost** of your production (e.g. labour, energy/utilities, cost of input material, transport etc.)? Please also provide **percentages for the key components** if possible.)*	Biggest cost of production: _____ Labour cost: _____% Energy and utilities: _____% Input material: _____% Transport / Logistics: _____% Other: _____%
21. Please select the **three** most significant productivity constraints. *(Please select **three** options.)*	☐ Limited access to finance ☐ Outdated machinery/technology ☐ Limited availability of or access to technically skilled workers and employees ☐ Lack of digitalization of business ☐ Managerial capabilities of employees ☐ High workers' turnover ☐ Limited availability of skill training programmes ☐ Quality of education and training ☐ Availability of quality inputs / raw material ☐ Cost of raw material ☐ Cost of utilities (electricity, energy, water, …) ☐ High Rent ☐ Insufficient production space ☐ Regulatory burden ☐ Workers' motivation ☐ Other, please specify: _____
III. Workforce	
22. What percentage of the workforce is formally employed?	_____ %
23. Approximately what percentage of your current employees were originally hired without prior work experience?	_____ %
24. How many women do you employ? *(Please state a number for the average in 2025.)*	_____
25. [**If YES to 24.**], how many women are in managing roles? *(Please state a **number**.)*	_____
26. How many people have left the enterprise in 2025? How many people did you hire in 2025?	Number of people who left: _____ People hired: _____
27. Which skill areas are lacking among your workforce? *(Please state **up to three**.)*	Skill 1: _____ Skill 2: _____ Skill 3: _____

28. What type of training does your enterprise provide for employees/workers? *(Select all options that apply – could be through enterprise or third-party providers.)*	☐ No training ☐ Only training on the job/mentorship ☐ Machine / Equipment operation ☐ Maintenance ☐ Occupational Health and Safety ☐ Marketing and sales ☐ Export marketing ☐ Other, please specify: _____
29. [**If training is provided]**, what is the frequency of training provided? *(Select all options that apply.)*	☐ Onboarding structured training ☐ Formal or informal mentorship over a few weeks or months ☐ Every year ☐ Ad hoc ☐ Other: _____
30. Please state **up to three** vocational training institutions that you think provide quality training for the textiles and clothing sector.	Institution 1: _____ Institution 2: _____ Institution 3: _____
31. What are the main challenges in hiring skilled employees? *(Please select all options that apply.)*	☐ No challenges faced ☐ Low number of skilled candidates ☐ Unfavourable working conditions and pay ☐ Not enough people interested in this kind of work ☐ Too much competition from other employers ☐ Work site is distant from where suitable workers live ☐ Limited career development prospects ☐ Other, please specify: _____
32. What occupational safety and health measures currently exist in your company? *(Please select all options that apply.)*	☐ None ☐ Training of personnel in Occupational Safety and Health Standards ☐ Notification and keeping of records of accidents and/or occupational illnesses ☐ Personal protective equipment and devices ☐ Control of handling and storage of hazardous materials ☐ Cleaning and sanitary conditions ☐ Machine guarding ☐ Fire safety ☐ Programmes against violence and harassment in the workplace ☐ Personal hygiene facilities ☐ Other, please specify: _____
IV. Market Linkages and Access	
33. Who are the main buyers/clients of your products or services? *(Please select all options that apply.)*	☐ Direct consumers ☐ Retailers ☐ Wholesalers ☐ Exporters / Export agencies ☐ Other businesses ☐ Online platforms ☐ Government ☐ NGOs ☐ Other: _____
34. How do you usually communicate with your clients? *(Please select all options that apply.)*	☐ In-person ☐ Phone ☐ Email ☐ Messenger (e.g. WhatsApp, Signal, Discord, Instagram, Facebook, …)
35. How would you describe the market demand for your sector / main activities? *(Please select **one** option.)*	☐ Increasing ☐ Stable ☐ Decreasing ☐ Unsure

36. How do you usually find and connect with buyers? *(Please select all options that apply.)*	☐ Word of mouth (they find the business) ☐ Direct marketing ☐ Agents / Brokers ☐ Online marketplaces ☐ Trade fairs ☐ Other: _____
37. Which markets do you currently sell to? *(Please select all that apply and provide percentage of sales and export destinations, if applicable.)*	☐ Local (Governorate) (_____ %) ☐ Regional (Across Iraq) (_____ %) ☐ International (other countries) (_____ %; Countries: _____)
38. [**If your enterprise is exporting**], are your export products certified for quality, fair trade, environmental or ethical labels by foreign/international certifying organizations before they are shipped? *(Please select all that apply.)*	☐ Conformity with product standards ☐ Environmental standards ☐ Fair trade ☐ Ethical / Social responsibility ☐ Other: _____
39. Do you aspire to reach other markets locally, regionally or internationally? *(If YES, please provide up to two regions or country names that you aspire to reach.)*	☐ No ☐ Yes: Region or country name 1: _____ Region or country name 2: _____
40. What are your **three biggest challenges** in accessing new markets/clients? *(Please select three options.)*	☐ Limited market information (about clients, trends, required standards, prices, etc.) ☐ High competition ☐ Price sensitivity (clients are significantly less likely to buy a product if its price increases) ☐ Fulfilling the quality and technical standards ☐ Low demand ☐ Limited infrastructure ☐ Insufficient Government support ☐ Trade barriers ☐ Other: _____
41. What are your main input materials? *(Please name up to five input materials.)*	Input 1: _____ Input 2: _____ Input 3: _____ Input 4: _____ Input 5: _____
42. Where do you buy your main inputs (e.g. dye, fabric, accessories)? *(Please name the two main inputs purchased and if you buy them locally, regionally or from another country. If from another country, please state the country.)*	Main input 1: _____, sourced / bought: ☐ Locally (Governorate) ☐ Regionally (Across Iraq) ☐ Internationally: _____ ☐ Own production Main input 2: _____, sourced: ☐ Locally (Governorate) ☐ Regionally (Across Iraq) ☐ Internationally: _____ ☐ Own production
43. What are the challenges you face when **obtaining your inputs** (e.g. dye, fabric, accessories, etc.)? *(Please select all options that apply.)*	☐ High cost ☐ Poor quality ☐ Unreliable suppliers ☐ Customs/duties ☐ Logistics / Transportation ☐ Communication with suppliers ☐ Other: _____
44. What are the **top three challenges** you face when **selling or distributing** your products? *(Please select **three** options.)*	☐ Transportation / Logistics (e.g. gas prices, transport losses, infrastructure) ☐ Lack of market access ☐ Price fluctuations ☐ Competition (local or international) ☐ Payment issues ☐ Insecurity / political instability ☐ Other: _____

45. Main barriers to **accessing new markets** *(Please select the **top three** barriers.)*	☐ Meeting quality standards, technical regulation and certifications ☐ Lack of access to information (products, markets, importers' regulations) ☐ Lack of contacts/network ☐ High competition ☐ Logistics ☐ Understanding requirements ☐ Customs duties and delays ☐ Domestic regulations such as business permits, export regulations, taxes ☐ Sales in the local market are more profitable ☐ Inadequate use of technology or lack of access to technology ☐ Quality and availability of raw materials and other inputs ☐ Risky business in foreign markets ☐ Other, please specify: _____
V. Sustainability	
46. Do you implement any sustainability practices? (e.g. solar energy, use of waste, …)	☐ No ☐ Yes, please specify: _____
47. Are you aware of environmental regulations that apply to your business?	☐ No ☐ Yes, please specify: _____
48. What are the barriers to implementing sustainable practices in your business? *(Please select all that apply.)*	☐ No barriers ☐ Cost ☐ Limited knowledge ☐ Lack of supervision ☐ Other, please specify: _____
VI. Key constraints and areas of support	
49. Please rate the following factors in terms of their impact on your business (1=no impact, 5=very high impact) *(Please state a number for the degree of impact after each option. Please provide comments to specify the information you provided.)*	☐ Access to Finance: _____ ☐ Government regulation: _____ ☐ Quality of Provision of Public Service: _____ ☐ Infrastructure:_____ ☐ Security and Stability:_____ ☐ Availability of skilled labour: _____ ☐ Market information: _____ ☐ Government / Other organization's subsidies or support: _____ ☐ Competition from informal businesses: _____ **COMMENTS**: _____
50. Type of support desired *(Please select all that apply.)*	☐ No support needed/desired ☐ Training on operational efficiency techniques for workers ☐ Technical Training for workers (e.g. basic maintenance, operation of machines/equipment) ☐ Training for managers ☐ Technical support to upgrade and maintain equipment ☐ Training on health and safety measures ☐ Training on quality management / Quality standard compliance ☐ Digitalization of workplace and/or access to technology ☐ HR management support ☐ Support regarding access to finance ☐ Information about domestic and / or international markets ☐ Export requirements and training ☐ Information about environmental sustainability practices and certifications ☐ Access to a network of contacts ☐ Other, please specify: _____

ANNEX 5: FOCUS GROUP DISCUSSION GUIDE WITH QUESTIONS

Main respondents: **IDPs, returnees and host community**

Project number:
Project title:
Date: XX September 2025
Start time of the interview:
Completion time of the interview:
Name of the interviewer:
Location:

Description of project and objective

This Focus Group Discussion is being conducted within the scope of a UNIDO project on emergency livelihood support to internally displaced persons affected by camp closures as well as host community members. The project aims to promote entrepreneurship among unemployed IDPs and host community members, particularly of women, in areas of return, resettlement or local integration, taking an approach to building their self-reliance and resilience through capacity building and equipment support to help start up a business.

Thank you for taking the time to take part in this interview. Your inputs and perspectives are incredibly valuable and play a key role in shaping the design and delivery of the interventions of the current as well as future projects.

Confidentiality and consent

Participation is voluntary. You can choose whether or not to participate, stop or leave at any time. You can choose not to share personal information or not answer a question without giving a reason. Your answers will have no impact on future assistance. Everything in this interview will remain confidential, and your answers will be recorded securely so that no one can access them. No names will be recorded on this form or given in our reports.

Do you have any questions for me about the purpose of this interview or anything else before we get started?

Do you consent to do this interview?

I. Information about the participants

1. Number of women and men:
- o Number of men: _____
- o Number of women: _____
- o NA

2. Displacement Status (please add numbers behind.):
- o Host: _____
- o IDP: _____
- o Returnee: _____
- o Refugee: _____
- o Other: _____

3. Age ranging from: _____

4. How long have you been living here [location]? _____ years

5. What is the highest level of education you achieved? (Please count for the people present and add the numbers behind the options.)
- o Illiterate: _____
- o Some primary: _____
- o Finished primary: _____
- o Some secondary: _____
- o Finished secondary: _____
- o Some preparatory: _____
- o Finished preparatory: _____
- o Some institute:_____
- o Institute graduate: _____
- o Some university:_____
- o University degree: _____
- o Other: _____

6. Are you currently employed or own a business? (Count)

- o Employed fulltime: _____
- o Employed less than fultime: _____
- o Business owner/entrepreneur: _____
- o Not employed and not a business owner: _____

7. What kind of work or income-generating activities did you engage in before displacement (or return)? _____

8. Do you have any specific skills (formal or informal)? Examples might include farming, tailoring, construction, teaching, cooking, etc. _____

9. Have you received any training, either before or after displacement/return? If so, what kind? Who provided it? _____

10. Are you currently using any of your skills to earn a living? If yes, how? If no, why not? What is preventing you from using your skills? _____

11. Have you received any type of assistance from UNIDO?
- o Training;
- o Training and supplies/material/equipment;
- o Training and internship;
- o No assistance;
- o No

II. Sector assessment

12. Agribusiness and textiles have been identified as sectors with high potential for MSMEs and job creation. Are you currently active in one of these sectors?
- o Yes
- o No

13. [FOR THOSE WHO REPLIED NO] Would you be interested if you had an opportunity to work in agribusiness and textiles? Why or why not? _____

14. Are you aware of opportunities in these sectors? _____

15. What factors influence your willingness to work in a certain sector (e.g. income level, social acceptance, safety, skills match, gender roles)? _____

16. Are there any sectors where men and women face different opportunities or challenges in finding work or starting a livelihood activity? What are those challenges? Is that the case in the agribusiness and textiles sector? _____

17. Are there any sectors where IDPs, returnees and host community members face different opportunities or challenges in finding work or starting a livelihood activity? What are those challenges? Is that the case in the agribusiness and textiles sector? _____

18. Are there any specific skills you would like to learn to improve your chances of getting a job or starting a business? Especially in agribusiness and textiles. What kind of training would you need the most? Especially but not only thinking of agribusiness and textiles. _____

19. How could organizations (NGOs, government, private sector) better support people like you in accessing work or skills development? _____

20. Is there anything else you'd like to share about your skills, experiences, or the kind of work you hope to do? What are your hopes for the future in terms of work or livelihood? _____

21. Do you have any suggestions for how to make employment opportunities more accessible for people like you? (e.g. skills, networks, clusters, cooperatives, etc.) _____

ANNEX 6: COMPOSITION OF FOCUS GROUPS

Group	Location	Date	Composition	Age	Education
1	Duhok (Shariya)	25/10/25	Men: 3 Women: 5 Host: 8 IDP: 0 Returnee: 0 Refugee: 0 Other: 0 All were born here. 2 business owners 4 employed 2 unemployed	21 - 35	Illiterate: Some primary: 0 Finished primary: 0 Some secondary: 1 Finished secondary: 0 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 1 Some university: 1 University Degree: 5 Other: 0
2	Bardarash District, Duhok Governorate	26/10/25	Men: 8 Women: 0 Hosts: 0 IDPs: 8 Returnees: 0 Refugees: 0 4 entrepreneurs 3 employed 1 unemployed	20-50	Illiterate: 2 Some primary: 0 Finished primary: 3 Some secondary: 0 Finished secondary: 1 Some preparatory: 0 Finished preparatory: 1 Some institute: 0 Institute graduate: 0 Some university: 0 University Degree: 1 Other: 0
3	Sinjar District (Shingal), Nineveh	23/10/25	Men: 3 Women: 5 Hosts: 0 IDPs: 0 Returnees: 8 Refugees: 0 Returned from IDP camps 2017-2025 2 entrepreneurs (agriculture, bakery) 6 unemployed	18-39	Illiterate: 3 Some primary: 0 Finished primary: 0 Some secondary: 0 Finished secondary: 3 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 2 Some university: 0 University Degree: 0 Other: 0
4	Sinjar District (Shingal), Nineveh	23/10/25	Men: 5 Women: 2 Hosts: 0 IDPs: 0 Returnees: 7 Refugees: 0 Returned from IDP camps 2017–2025 6 in farming/agribusiness 1 unemployed	22-36	Illiterate: 1 Some primary: 0 Finished primary: 0 Some secondary: 0 Finished secondary: 4 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 2 Some university: 0 University Degree: 0 Other: 0
5	Sinjar District, Nineveh	22/10/25	Men: 3 Women: 5 Host: 0 IDP: 0 Returnees: 8 Refugee: 0 Returned from IDP camps since 2018 3 in agribusiness 2 in textiles 2 unemployed	18-35	Illiterate: 2 Some primary: 0 Finished primary: 2 Some secondary: 0 Finished secondary: 0 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 4 Some university: 0 University Degree: 0 Other: 0
6	Mosul City, Nineveh	29/10/25	Men: 5 Women: 3 Host: 8 IDP: 0 Returnees: 0 Refugee: 0 All born and always lived in Mosul 5 entrepreneurs (2 agri, 1 text and clothing) 2 employed full time 1 unemployed	25-50	Illiterate: 0 Some primary: 0 Finished primary: 0 Some secondary: 0 Finished secondary: 0 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 4 Some university: 0 University Degree: 8 Other: 0
7	Erbil	04/11/25	Men: 4 Women: 3 Host: 7 IDP: 0 Returnees: 0 Refugee: 0 All born and always lived in Erbil 5 employed 1 business owner 1 unemployed	27-47	Illiterate: 0 Some primary: 0 Finished primary: 0 Some secondary: 0 Finished secondary: 0 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 0 Some university: 0 University Degree: 7 Other: 0
8	Erbil	19/10/25	Men: 4 Women: 3 Host: 0 IDP: 7 Returnees: 0 Refugee: 0 Living in Erbil between 8-14 years; Students before displacement 7 employed less than full time	19-23	Illiterate: 0 Some primary: 0 Finished primary: 0 Some secondary: 0 Finished secondary: 1 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 0 Some university: 2 University Degree: 4 Other: 0

9	Dhokandan Village, Bardarash District	01/11/25	Men: 10 Women: 0 Host: 10 IDP: 0 Returnees: 0 Refugees: 0 4 SME owners in the dairy sector 6 workers in dairy factories	17-53	Illiterate: 0 Some primary: 0 Finished primary: 4 Some secondary: 0 Finished secondary: 6 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 0 Some university: 0 University Degree: 0 Other: 0
10	Qasrok Sub-district, Duhok Governorate	25/10/25	Men: 8 Women: 0 Host: 8 IDP: 0 Returnees: 0 Refugees: 0	20-46	Illiterate: 1 Some primary: 0 Finished primary: 2 Some secondary: 0 Finished secondary: 3 Some preparatory: 0 Finished preparatory: 1 Some institute: 0 Institute graduate: 0 Some university: 0 University Degree: 1 Other: 0
11	Duhok – Sharya	30/10/25	Men: 4 Women: 4 Host: 0 IDP: 8 Returnees: 0 Refugees: 0 5 unemployed 3 employed	20-32	Illiterate: 1 Some primary: 1 Finished primary: 0 Some secondary: 2 Finished secondary: 0 Some preparatory: 0 Finished preparatory: 0 Some institute: 2 Institute graduate: 2 Some university: 0 University Degree: 0 Other: 0
12	Duhok – Sharya	17/10/25	Men: 4 Women: 4 Host: 0 IDP: 8 Returnees: 0 Refugees: 0 1 business owner 3 employed 4 unemployed	27-40	Illiterate: 1 Some primary: 2 Finished primary: 0 Some secondary: 3 Finished secondary: 0 Some preparatory: 0 Finished preparatory: 0 Some institute: 0 Institute graduate: 0 Some university: 0 University Degree: 2 Other: 0

ANNEX 7: SECTOR EXPERT INTERVIEW QUESTIONS

Structured interviews with sector experts – AGRIBUSINESS

1. **ROLE:** What is your link with the agribusiness sector? / Your role within / related to the agribusiness sector?

2. **TRENDS**: What trends do you observe in the agribusiness sector?

3. **POLICIES AND REGULATION:** What policies, regulations and strategies affect the sector positively or negatively?

4. **TRAINING OPPORTUNITIES AND TECHNICAL SKILLS:** Where do people obtain their skills in the sector? What are the key training centres and initiatives?

5. **CHALLENGES IN THE IRAQI AGRIBUSINESS SECTOR:**

   5.1 What are the biggest challenges that agribusinesses are facing?
   5.2 Could you comment/give your perspective on the following findings of our enterprise survey?

Constraint reported by enterprises	Comments
Very high cost of utilities	
Outdated machinery and technology	
Limited availability of skilled labour (e.g. machine operations, management, marketing, product development)	
High cost of inputs / raw materials	
High rent	
High competition in market, also through informal enterprises	
Difficult working conditions and low pay	
Transport and logistics	
Payment issues	
Not enough information about markets and clients, especially new markets to expand into	
Access to finance	
Customs and duties costly and time intense	
Insufficient Government support with services and subsidies	

6. **OPPORTUNITIES:** What are key opportunities for the agribusiness sector?

ANNEX 8: SECTOR EXPERT LIST

Title	Organization	Sector
Head of the Economics Sector	Department of Coordination and Follow-up - Kurdistan Regional Government (KRG)	Agribusiness
Advisor	Ministry of Trade and Industry, Kurdistan Regional Government (KRG)	Agribusiness
Professor	University of Dohuk	
Assistant Professor	University of Dohuk	
Assistant Professor	University of Salahaddin	
Head of Sector	Council of Ministers / Department of Coordination and Follow-up	
Advisor	Council of Ministers / Department of Coordination and Follow-up	
Technical expert	Council of Ministers / Department of Coordination and Follow-up	Agribusiness
Mechanical Engineer	ZSVP (Duhok)	Textiles
Manager	ZSVP	
Manager	Organization for Strategic Research and Development	
Member	Chamber of Commerce	
Programme Officer	GIZ	Agribusiness, Tourism
Programme Officer	GIZ	Finance
Programme Officer	ILO	Finance
Technical Resourcing Manager	ECHO	Agribusiness
Deputy General Manager	Ministry of Trade and Industry	
Senior Manager	Ministry of Trade and Industry	
Head of Vocational Training	Ministry of Labour and Social Affairs	Agribusiness, Textiles
Trainer	Independent	Agribusiness
Manager	Rwanga Foundation	Renewable Energy








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