

▶ A diagnostic of the informal economy in Iraq

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► Acknowledgement

A joint partnership between UN agencies, development partners and the Government was launched to conduct a diagnostic on informality in the Iraqi labour market, which seeks to gain a better understanding of the informal economy and build a baseline for monitoring progress towards formalization; extract information on the causes and consequences of informality; provide insights on the types of activities that support the transition to formality for informal economy workers and economic units; and agree on priorities and responsibilities and to define an action plan and a road map for a policy response.

The partnership was led by the International Labour Organization (ILO), in collaboration with the United Nations Development Programme (UNDP), UNWomen, the International Organization for Migration (IOM), the European Union (EU), Fafo Institute for Labour and Social Research (Fafo) and the Cash and Livelihoods Consortium in Iraq (CLCI), which is composed of the Danish Refugee Council (DRC), International Rescue Committee (IRC), Mercy Corps, the Norwegian Refugee Council (NRC) and Oxfam.

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▶ Executive summary

Informality, informal economic entities and workers in the informal economy have not received adequate attention at the policy and decision-making level in Iraq. But COVID-19 and its staggering impact on the economy and society, along with the collapse in oil prices, have brought the informal economy and its lack of inbuilt protections and resilience under the spotlight.

In this context, the ILO and partners have launched an *Informality Diagnostic* project, of which this report is an output. The wider project aims to generate a better understanding of the informal economy in Iraq (i.e. its extent, characteristics and diversity), to identify the causes and consequences of informality, to build a baseline for monitoring progress towards formalization, to build consensus around the situation of informality, and finally, to pave the way for discussions between relevant partners on the priorities and responsibilities for the transition to formality agenda.

The Iraqi labour force is characterized by a large public sector (representing some 39% of employment) and limited opportunities in the private sector, driven in large part by the overarching role of the oil industry as a share of GDP and an uncondusive business environment emanating from years of conflict and political unrest. Within this context, a large share of workers and economic units operate in the informal economy.

Yet, the review of available statistics identifies **a gap in the availability of regular, representative and up-to-date** data on the labour market¹ and of economic units that can provide a regular picture of the informal economy. Much of the available data is either unrepresentative of the wider economy, out-dated, and collected at infrequent intervals. This represents a key challenge to decision-making processes at the policy level to guide the transition to formality, but also to monitor progress in these efforts.

In turn, the **legal assessment highlights the key strengths but also gaps in the legal framework for employment and enterprises**. Existing laws relating to labour, social security and economic units present several weaknesses, including in terms of the absence of some key implementing regulations, barriers to freedom of association, limited coverage (particularly in the case of social security), or in terms of onerous burdens imposed for the formalisation of enterprises. However, significant efforts are currently underway in the field of social security in particular to expand scope and coverage of social insurance schemes to informal workers.

The ILO Theory of Change presented in the proposed Framework for the Transition to Formality highlights the **complex nature of the drivers of informality** prevailing globally, and the findings from this research confirm the multiple and wide-ranging the factors contributing to informality in Iraq. These include barriers relating to the structure of the labour-market and macro-economic conditions; challenges to government capacity to effectively legislate and enforce compliance; and demand-side barriers to formalisation, including in relation to awareness of rights and obligations, administrative and financial barriers, and the lack of incentives to formalise. However, the Iraqi context is also highly unique, and the findings point to key factors that require specific attention in the country, including the large public sector in the labour-market, corruption - which results in limited trust in institutions - and the legacies of the conflict and political tensions, which affect the macro-economic environment and thereby, formal job creation and business development. These require tailored and evidence-based policies to effectively promote the formalisation agenda in Iraq.

¹ The recent effort by ILO to promote labour market surveys in Iraq whose results are expected in end of 2021 contributes to solving some of this challenge.

The following policy recommendations are developed on the basis of the analysis and findings, which are elaborated upon in Chapter 6 :

▶ **Mainstreaming data collection on informality**

- Adopt standardized definitions on concepts and indicators relating to informality.
- Ensure the timeliness, regularity and coverage of surveys on the informal economy, and ensuring these feed into decision-making processes.
- Consider the use of administrative and big data (including potentially GIS data) to capture information on informality beyond standardized surveys.

▶ **Strengthening governance**

- Strengthen coordination between government ministries, agencies and programmes and interventions to promote an integrated approach to formalization.
- Strengthen the legal environment, including by enacting missing regulations relating to the Labour Law.
- Strengthen the investment climate to promote economic growth and decent job creation.
- Strengthen enforcement capacity and coordination between inspectorates of different ministries.
- Fight corruption and improve transparency and accountability throughout government to instill trust in institutions among workers and businesses.

▶ **Reducing barriers to formalization**

- Streamline registration and tax payment procedures.
- Reduce financial cost of formalization.
- Raise awareness among firms and workers about their rights and obligations under the relevant legislation.

▶ **Strengthening incentives to formalize**

- Improve access to and quality of services for workers and businesses to access decent employment in the case of the former, and promote economic growth and decent job creation in the case of the latter.
- Provide/increase awareness about financial incentives to formalize.
- Expand the scope of social security as a means to promote increased coverage.

► Acronyms

CEACR	ILO Committee of Experts on the Application of Conventions and Recommendations
CLCI	Cash and Livelihood Consortium for Iraq
CoC	Chamber of Commerce
CRO	Companies Registration Office
CSO	Central Statistical Organization
DRC	Danish Refugee Council
FAO	Food and Agriculture Organization
FGD	Focus group discussions
GCT	General Commission for Taxes
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HDI	Human Development Index
ICLS	International Conferences of Labour Statisticians
ICT	Information and communication technology
IDP	Internally displaced populations
IFI	Iraqi Federation of Industries
IHSES	Integrated Household Socioeconomic Survey
ILO	International Labour Organization
IMF	International Monetary Fund
INGOs	International non-governmental organization
IOM	International Organization for Migration
IQD	Iraqi Dinar
IRC	International Rescue Committee
ITC	International Trade Centre
KRI	Kurdistan Region of Iraq
LLC	Limited liability company

MENA	Middle East and North Africa region
MICS	Multiple Indicators Cluster Survey
MoF	Ministry of Finance
MoI	Ministry of Interior
MoLSA	Ministry of Labour and Social Affairs
MoLSA-KRG	Ministry of Labour and Social Affairs – Kurdistan Regional Government
MoP	Ministry of Planning
MoT	Ministry of Trade
MSME	Micro, small and medium enterprise
NGO	Non-governmental organization
NRC	Norwegian Refugee Council
PC-MOI	Federal Permanent Committee for Refugees Affairs of the Ministry of Interior
PROSPECTS	Partnership for Improving Prospects for Forcibly Displaced Persons and Host Communities
PRS	Poverty Reduction Strategy
PSDS	Private Sector Development Strategy
UN-HABITAT	United Nations Human Settlements Programme
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United National High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNSDCF	United Nations Sustainable Development Cooperation Framework
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme

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1 Introduction

Iraq saw increased political unrest in 2019 as young Iraqis took to the streets to protest high unemployment, poor services and widespread corruption. The Government responded with a stimulus package that included an expansion in public sector employment, pensions and transfers.² Many saw this as largely ineffective at addressing corruption issues and another failure to boost job creation and stimulate private sector investment and participation.

Job creation has been a major priority, but also an enormous challenge for Iraq in past years. In addition to the security challenges, there is an overwhelming lack of access to credit in Iraq, high entry and exit barriers to starting a business, a slow and ambiguous legal and regulatory system, and a skills-mismatch in the labour force. Employers often suffer from unreliable essential services, including water, electricity, sewerage and telecommunications. Iraq only possesses a handful of large, typically family-run multi-industry conglomerates. These are in retail, domestic trade, telecommunications, and construction rather than in traded goods and services. Most private businesses in Iraq are very small and self-run or are family-enterprises, with low levels of productivity.

Informality, informal economic entities and workers in the informal economy have not received adequate attention at the policy and decision-making level in Iraq. COVID-19 and its staggering impact on the economy and society, along with the collapse in oil prices, have brought the informal economy and its lack of inbuilt protections and resilience under the spotlight. The cumulative crises have shown the need for more robust social protection measures and systems, including the expansion of social insurance to workers currently beyond reach.

In response to COVID-19 and its impact on the economy and society in Iraq, the UN (including ILO and UNDP) are working with partners to minimize the spread of COVID-19 and its impact on the economy, strengthen national capacity for collective responses, to expand social protection coverage and measures and to build resilience for future crises. This involves establishing a strong knowledge base on the evolving impact of the COVID-19 crisis on enterprises and the labour market as well as an informality diagnostic to better understand the dynamics of informality in Iraq, as well as opportunities and pathways towards greater formalization.

The ILO's Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)³ invites Member States to design coherent and integrated strategies to facilitate the transition from the informal to the formal economy and recognizes the need for tailored approaches to respond to the diversity of situations and the specificity of national circumstances. To inform the design and implementation of laws and regulations, policies and other measures aiming to facilitate the transition to the formal economy, the Recommendation calls for the establishment of a diagnostic of factors, characteristics, causes and circumstances of informality. The ILO is in a unique position to begin to address barriers to formality through a range of partnerships and upstream and downstream activities in Iraq.

1.1 Objectives of the informality diagnostic

Within the wider project, the main objectives of this informality diagnostic are:

- ▶ to gain a better understanding of the informal economy (i.e. its extent, characteristics and diversity) and build a baseline for monitoring progress towards formalization;
- ▶ to extract information on the causes and consequences of informality;
- ▶ to provide insights on the types of activities that support the transition to formality for informal economy workers and economic units, including those in displacement contexts;

² See <https://gds.gov.iq/covid-19/> for details on Government response to the pandemic.

³ Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R204

- ▶ to build consensus around the situation of informality through a transparent and participative process and establish monitoring and evaluation processes that involve and integrate social partners in the long-term; and
- ▶ to discuss and agree on priorities and responsibilities and to define an action plan and a road map for a policy response.

These objectives can be divided into multiple sub-objectives addressing the specific needs of particular groups of workers and enterprises, tackling the different forms of informality through appropriate measures. The informality diagnostic is to support the transition to formality, the transition to better working and living conditions by establishing an evidence base and informing the design of policies and setting up the basis for their monitoring. It aims to support the formalization process by identifying the need for reforms and guiding these reforms when necessary. It will also do so by supporting the development of coordination mechanisms to ensure the effective and coordinated participation of actors able to intervene on different drivers of informality and of formalization as part of an integrated strategy.

1.2 Methodology

A mixed-methods approach was adopted to conduct the research for this report. Firstly, desk-based review of relevant literature and legislation was conducted to identify the legal context and barriers to formalization related to the legal environment; to identify key barriers to the formalization process faced by workers and employers; and existing policies and programs in Iraq and Kurdistan Region of Iraq (KRI) that aim to contribute to the formalization process. A review of existing surveys relevant to informality in Iraq was also conducted to assess the availability of statistics that can be applied in mapping out the extent of the informal economy and the prevalence of informal employment in Iraq. The latest available statistical data collected by ILO/Fafo/CLCI was also analysed to generate an snapshot of the size and diversity of the informal sector in Iraq.

Qualitative data collection was also conducted for two main purposes. Firstly, to complement the desk-based review by collecting information from key stakeholders on the main barriers to formalization in Iraq and KRI, and about existing relevant policies and programs. Here, 30 key informant interviews were conducted with tripartite partners (government and workers and employer organizations), international partners and civil society organizations both in Iraq (Baghdad) and KRI (Erbil) (see Annex 1 for the full list).

Secondly, focus-group discussions (FGDs) with employers and workers were conducted to complement the literature review and generate evidence on the barriers faced by both in the formalization process, including collecting views on the trust in institutions. Four FGDs were held in Erbil and four FGDs were held in Baghdad - two with employers and two with workers in both cases. The FGD participants included employers from large enterprises to micro, small and medium enterprises (MSMEs) in the industry and services sectors (half of which were registered, a third of which had contracts with their employees, and only two of which had registered their workers with social security). FGDs with workers consisted of employees mainly in the private sector, including women as well as forcibly displaced populations (mainly in KRI in the case of the latter), and self-employed workers.

1.3 Report structure

The remainder of the report is structured as follows. **Chapter 2** provides a background to the Iraqi labour force and presents statistical information on the size and diversity of the informal economy both in Federal Iraq and KRI, drawing on the latest available statistical data.

Chapter 3 outlines a review of the legal and regulatory framework and gaps therein, and its application and coverage in both federal Iraq and KRI. This presents the relevant laws and regulations pertaining to the formalization process, including for refugees and migrants. This is broadly based on a desk review of legislation and regulations as well as any relevant literature.

Chapter 4 outlines the main drivers of informality and barriers to formalization for both workers and economic units. These are organized along three broad headings: structural barriers – relating in particular to the security and macro-economic environment; barriers relating to government capacity – including gaps in the legal environment and enforcement capacity; and demand-side barriers relating to the ability of workers and economic units to comply with the relevant laws.

Chapter 5 then presents a mapping of actors involved in the job-creation and formalization process, including government, tripartite stakeholders, international partners and local civil society organizations. Relevant policies and programs to foster formalization and job creation implemented by those actors are then outlined.

Chapter 6 then concludes the report, and outlines a set of policy recommendations to address the identified barriers to formalization and promote the transition to formality.

Finally, a National Framework for the Transition to Formality is presented in the Annex, providing a roadmap for the adoption of a national strategy to guide the Government and its partners to promote decent work, strengthen the formal economy, and reduce barriers to formalization. The **Annex** also includes the ILO Theory of Change for the transition from the informal to the formal economy for reference.

2 Background to the Iraqi labour market and the dimensions of informality

This chapter briefly provides an overview of the Iraqi labour force, before outlining key statistics on the informal economy therein.

2.1 The Iraqi labour market

The national labour force has grown from 8 million to 10.5 million between 2011 and 2017⁴. Latest figures highlight labour force participation at 49% for federally administered Iraq⁵ and 40% for KRI⁶. This represents one of the lowest employment-to-population ratios in the region, and almost a quarter of the labour force is either unemployed or underemployed, with over 2.5 million Iraqis of working age unemployed (leading to a national unemployment rate of 16%)⁷.

The dual shock of the COVID-19 pandemic and fall in oil prices had a direct impact on the economy and on the welfare of Iraqis especially among informal workers and those in self-employment. The contractions in both oil and non-oil sectors caused disruptions to employment, increased job losses, and reduced household income. This has contributed to a rise in poverty rate that was slightly falling in 2017/18, to reach around 31%.

The Iraqi economic structure is undermining the private sector's role in being the real engine for employment, as around 39%⁸ of all jobs are in **the public sector**, while the private sector accounts for roughly 40%-50% of employment (with the remainder working in both sectors, in state-owned enterprises, etc...). The number of employees in the public sector has continued to increase in recent years, putting pressure on government finances and exacerbating the deficit problem because of the high wages bill. The public sector is an attractive employment opportunity with high wages, stable employment and generous pensions, which has led to a growing trend among university graduates and youth in general to seek employment in the public sector, and aggravating the unemployment and productivity problems. Furthermore, this has also contributed to a skills-mismatch in the labour market, as graduates focus on gaining skills relevant to the public sector (such as medical, engineering and sciences) at the expense of disciplines that are required by the private sector.

Accounting for roughly 40%-50% of employment, the **private sector's** activity is mainly informal and concentrated in retail, construction, textiles, trade, engineering, transportation, hospitality, food and chemicals⁹. The *industrial base* in Iraq is considered weak and not diversified, suffering from years of neglect and lack of supportive industrial policies. Generally, this is attributed to the lack of a supportive business environment, but the macro-economic situation (low priced imports) and recent pandemic have contributed significantly to the lowering domestic demand, thus driving many small industries out of the market. In turn, the *agribusiness sector* has the potential to generate significant employment opportunities, but the development of this sector has been constrained and negatively affected by a combination of factors, including political conflicts and underinvestment, and the additional burden of the COVID-19 pandemic and its impacts on the economy. Like other small and medium enterprises, Iraqi food and agriculture businesses have mostly adapted to the situation by temporarily reducing employment. Yet most of the structural change in Iraq has taken place through the expansion of the *services sector*.

4 UNESCO (2019), *Assessment of the Labour Market & Skills Analysis Iraq and Kurdistan Region-Iraq*, UNESCO

5 ILO (2017), *IRQ – ILO – ILO Estimates and Projections – ILO Modelled Estimates 2017*, July 2017

6 KRSO (2018), *Estimated Impacts of the Twin 2014 Crises in Iraq*, Kurdistan regional Statistics Office

7 World Bank (2018), *Jobs in Iraq : A Primer on Job Creation in the Short-Term*, World Bank

8 IMF, Iraq – Selected Issues: IMF Country Report 17/252, August 2017

9 IMF, Iraq – Selected Issues: IMF Country Report 17/252, August 2017

Most of the private sector is composed of MSMEs with few large, mostly family run businesses (mainly in the construction, telecommunication, and domestic trade sectors). MSMEs face a myriad of problems that limits their ability to absorb the unemployed labour force. The high informality characterizing the sector makes it unattractive for job seekers on the one hand, and on the other hand, the sector itself suffers from magnified general private sector challenges, given its size. MSMEs lack access to financial and non-financial services, and stakeholders see challenges in the implementation of the law on Small and Medium Enterprises. All stakeholders (government, development partners, non-governmental organizations (NGOs)...etc.) have one or more programs that target MSMEs' development, however the challenge is to have a coordination mechanism that can amplify the impact.

Thus, compared to the public sector, the private sector has lower average wages, job security, benefits, and often lacks formal contracts¹⁰. Informality is a major issue within the private sector in Iraq and affects the quality of both products and services as well as jobs. Job opportunities available for youth are more likely to be in the informal sector than the formal sector, which lacks formal contracts and social protection. This increasing proliferation of small-scale economic activities in the informal economy, though providing a cushion in times of crises, is in the long-term going to cause a perpetuation of informality in the labour market if not addressed.

In turn, women, youth, internally displaced populations and refugees face particular challenges in accessing decent work. For example, **women** face particular challenges: only some 20% of working-age women engaged in the labour force¹¹, and of those, 27% are unemployed (compared to 14% of men)¹², and they are also more likely to be underemployed or to work in part-time employment. Highly educated women tend to be well represented in the public sector (including in health, social work and education) though few are in senior or decision-making positions. In turn, unemployment among young workers reaches 36%, while under-employment among youth is estimated to be at about 28%¹³. Significantly, in KRI 65% of **young** women were unemployed compared to 32% of young men, highlighting the particular challenges faced by women¹⁴.

Forcibly displaced populations – including both internally displaced populations (IDPs) and refugees – also face significant challenges in the labour force. In 2021 it was estimated that around 1.3 million Iraqis were IDPs¹⁵, and Iraq also hosts some 250'000 refugees¹⁶. Reliable data on IDPs' employment is difficult to obtain, but World Bank data suggests that 27% of IDPs are unemployed¹⁷. Those who do work are often pushed into precarious employment, including informal employment, and for many, their income from their livelihoods is largely insufficient to enable them to meet their basic needs¹⁸. In turn, refugees require work permits in order to be formally employed, and the majority continue to struggle to secure decent employment and livelihoods opportunities, and their employment rates, wages, and working conditions continue to lag behind those of locals¹⁹.

Thus, there are underlying **challenges** to decent work in the labour market that need to be addressed. The reason for the high rates of unemployment and decent work deficits in Iraq is related to the

10 For example, in their surveys with MSMEs, IOM consistently finds a lack of written contracts with employees.

11 ILO (2017), Iraq – ILO – ILO Estimates and Projections – ILO Modelled Estimates 2017, July 2017

12 World Bank (2018), *Jobs in Iraq : A Primer on Job Creation in the Short-Term*, World Bank

13 World Bank (2018), *Jobs in Iraq : A Primer on Job Creation in the Short-Term*, World Bank

14 World Bank (2018), *Jobs in Iraq : A Primer on Job Creation in the Short-Term*, World Bank

15 REACH (2021), *Multicluseter Needs Assessment (MCNA)*, REACH

16 <https://data2.unhcr.org/en/situations/syria/location/5>

17 World Bank (2018), *Jobs in Iraq : A Primer on Job Creation in the Short-Term*, World Bank

18 IOM (2020), *Access to Durable Solutions Among IDPs in Iraq : Livelihoods and Economic Security in Displacement*, IOM

19 World Bank (2021), *Labour market integration of refugees and internally displaced persons: The behavioral and socio-emotional side*, World Bank

presence of a number of political, security, economic and social challenges, the most important of which are:

- ▶ The deterioration of the security situation and its repercussions on the business and labour-market environment,
- ▶ The acceleration of population growth rates and its repercussions on the growth of the labour force,
- ▶ The recent decline in economic growth
- ▶ The weak contribution of the private sector in providing job opportunities,
- ▶ The gap between the outputs of education and the needs of the labour market
- ▶ The absence of mechanisms and programs within national employment policies addressing the pressing unemployment problem and addressing the challenges associated with informality.
- ▶ The prioritization of public sector salary payments at the cost of public investment in economic infrastructure

On the other hand, the pressure caused by the worsening economic situation as a result of the dual shock has raised the urgency between government and development partners to take actions. Most important opportunities are:

- ▶ The approval of the Cabinet on the *White Paper For Economic Reform* and having it as a roadmap and way forward for inter-governmental cooperation
- ▶ The emergence of innovative sectors (e.g. digital solutions and apps, e-commerce, fintech...etc.) that can attract youth employment and entrepreneurship
- ▶ The high growth in recent years in the agricultural sector and hence the food and beverage sectors

2.2 Review of Statistics on Labour Market Informality in Iraq

The purpose of this section is to assess the availability of statistics that can be applied in mapping out the extent of the informal sector and the prevalence of informal employment in Iraq. The assessment is based on a review of indicators and questions found in existing datasets and questionnaires on labour forces and enterprises in Iraq, seen up against an ideal set of informality criteria and indicators as defined by the International Conferences of Labour Statisticians (ICLS). A key outcome of the review is the identification of data gaps with respect to measuring the extent of the informal sector and informal employment in Iraq, and to propose additional questions to be included in future labour force and enterprise surveys in the country.

2.2.1 Definitions and indicators of informality

The concept of informality refers to enterprises running informal types of businesses – informal enterprises, as well as to individuals in informal types of employment – informal employment. In addition, labour statistics cover a third dimension of informality - employment in the informal sector. Definitions and statistical criteria of these three dimensions of informality are outlined below, and operational indicators for measuring the three dimensions are listed at the end of the section.

Informal enterprises

An informal sector enterprise is characterized by the following criteria²⁰:

- 1) Ownership:
 - a) It is not an incorporated entity (i.e. it is not a separate legal entity)
 - b) It is not a government unit or a non-profit organization
 - c) It is owned and controlled by one or more members of one or more households
- 2) Administration
 - a) It has no complete set of accounts, including balance sheets
 - b) It is not registered (i.e. the enterprise is not registered under national legislation, such as registration with social security authorities, sales or income tax authorities)
 - c) The employees of the enterprise are not registered
- 3) Production and sales
 - a) It produces at least some goods or services for sale (identified as those that sell at least partly for the market, if relevant in the country context)

Employment in the informal sector

According to 15th ICLS (paragraph 11), employment in the informal sector refers to all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job. Hence, the concept of employment in the informal sector becomes straightforward once the informal sector has been defined and identified (see previous paragraph). It includes all employed persons who during a given reference period had at least one job in an informal household market enterprise (ILO 2018).

The operational criteria for defining employment in the informal sectors are then:

- 1) Persons exclusively employed in the informal sector
- 2) Persons employed both in and outside the informal sector, including:
 - a) Persons whose main job is in the informal sector
 - b) Persons with one or more secondary jobs in the informal sector

Informal employment

Informal employment is not directly linked to informal enterprises and the informal sector and is distinct from being employed in the informal sector. In other words, it is fully possible (and quite common) to be informally employed in the formal sector, and vice versa.

The concept is operationally defined by its components but there is no explicit definition of the concept that ideally should be measured. The lack of a conceptual definition of informal job and thus

²⁰ Derived from: ILO (2003): Guidelines concerning a statistical definition of informal employment - The Seventeenth International Conference of Labour Statisticians (ICLS) (http://ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS_087622/lang-en/index.htm); ILO (2013): Measuring informality: A statistical manual on the informal sector and informal employment; ILO (2019): Issues to be addressed in the revision of the standards for statistics on informality, Discussion paper, Working Group for the Revision of the standards for statistics on informality, Geneva, October 2019.; and <https://ilostat.ilo.org/resources/concepts-and-definitions/description-informality/>

of informal employment, creates a somewhat unclear conceptual basis for the criteria used in the operational definition²¹.

The statistical definition of informal employment differentiates three categories of workers: (i) employees, (ii) employers and own-account workers, and (iii) contributing family workers²²:

- ▶ Own-account workers, employers and members of producers' cooperatives employed in their own informal sector enterprises. The informal nature of their jobs follows directly from the characteristics of the enterprise.
- ▶ Own-account workers engaged in the production of goods exclusively for own final use by their household (e.g. subsistence farming or do-it-yourself construction of own dwellings), if covered.
- ▶ Contributing family workers, irrespective of whether they work in formal or informal sector enterprises. The informal nature of their jobs is due to the fact that contributing family workers usually do not have explicit, written contracts of employment, and that usually their employment is not subject to labour legislation, social security regulations or collective agreements.
- ▶ Employees with employment relationship that, in law or in practice, are not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits for reasons such as: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold; employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise; or jobs for which labour regulations are not applied, not enforced, or not complied with for any other reason.

The operational recommended criteria used by many countries already to define informal jobs of employees include:

- ▶ The lack of contribution by the employer to social security schemes (on behalf of the employees);
- ▶ The lack of entitlement and access to paid annual or sick leave;
- ▶ The lack of written employment contract is used in a number of countries. This criterion is however not recommended. What matters is the effective access to social and labour protection which may depend on the type of written contract but may also be possible in the absence of written contract

An important definitional issue is the focus on operational criteria to assess coverage by formal arrangement 'in practice' rather than in 'law'. Formality is not only about legal coverage but also about ensuring an effective compliance with laws and regulations. The absence of contribution to social security on behalf of the employee for instance can result not from the absence of legal coverage but from mechanisms to enforce the existing regulations that are lacking or deficient.²³

Summary of operational indicators

Based on the definitions and criteria above, the indicators shown in Table 1 are key to measuring the extent of the informal sector and informal employment in general.

21 ILO (2019), *Issues to be addressed in the revision of the standards for statistics on informality*, Discussion paper, Working Group for the Revision of the standards for statistics on informality, Geneva, October 2019

22 Derived from: <https://ilostat.ilo.org/resources/concepts-and-definitions/description-informality/>. Until further revision of existing statistical standards (that will be discussed for adoption in the next ICLS in 2023), estimates of informal employment follow the definition of employment as defined according to the 13th ICLS resolution.

23 ILO (2019): *Issues to be addressed in the revision of the standards for statistics on informality*, Discussion paper, Working Group for the Revision of the standards for statistics on informality, Geneva, October 2019

► Table 1 List of indicators for measuring informality

Informal enterprises/sector (enterprise surveys)	Informal employment (household surveys)
(Type of) owner of enterprise	Type of employment
Registration status (with relevant government units)	Type of enterprise employed in
Bookkeeping status	Share of production/services sold in the market
Registration status of the employees	Level and stability of wage income
Share of production/services sold in the market	Hours and stability of work
Number of employees	Social protection coverage
Taxation status	Entitlement to paid annual leave and sick leave
	Settlement of paid annual leave and/or sick leave in practice
	Type of contract
	Taxation status

Informal enterprises/sector (enterprise surveys)	Informal employment (household surveys)
(Type of) owner of enterprise	Type of employment
Registration status (with relevant government units)	Type of enterprise employed in
Bookkeeping status	Share of production/services sold in the market
Registration status of the employees	Contribution of the employer to social security on behalf of the employee
Share of production/services sold in the market (not recommended)	Settlement of paid annual leave and sick leave
Number of employees (not recommended)	Type of contract
Taxation status (as a proxy)	Taxation status

2.2.2 Assessment of existing data sources

The presence of labour market data in the Iraqi context is rather scant with limited regular surveys conducted by the Central Statistical Organization (CSO) of Iraq. This review takes a historical perspective and covers the following data sources. The data sources are selected based on availability, relevance and coverage of labour market indicators.

Table 2 List of existing labour market related data in Iraq

Data	Year	Description
The 1997 Census ²⁴	1997	The only existing census in Iraq from 1997 contains a limited sets of labour market indicators.
The labour force ²⁵ survey	2003	This survey has a total of 43 questions including questions of demographic and socio-economic characteristics
The Labour Force Survey ²⁶	2004	This survey contains 16 question items in total focusing on basic labour market indicators.
The Iraq Living Conditions Survey (ILCS) ²⁷	2004	This is a multi-topic survey with a section on labour market activities. Demographic and other socio-economic data are collected in other sections of the questionnaire and has 37 labour market questions covering labour market activities. The respondent is answering on behalf of all household members.
Rapid Welfare Monitoring Survey (RWMS) ²⁸	2017	Iraq successfully conducted two rounds of Integrated Household Socioeconomic Survey (IHSES), nationally representative multi-topic budget surveys, in 2007 and 2012. The surveys allowed an analysis of a range of socio-economic indicators and the estimation of poverty trends. To provide more frequent poverty estimates, Continuous Household Survey (CHS) was implemented in 2014 on a sub-sample of IHSES clusters. However, the fieldwork was disrupted in the summer of 2014 in some parts of the country due to the deterioration in the security situation. The third round of IHSES, planned for 2017, could not take place on time as well. At the same time, the ongoing security and budget crises made it more important than ever to monitor key socio-economic indicators. The objective of the 2017 rapid welfare monitoring survey (SWIFT) was to provide interim estimates of welfare and well-being until another survey comparable in scope and coverage to IHSES could be fielded.

24 Sletten, Pål and Rashid, Louay H. (2005) *Comparison of Iraqi Labour Force Statistics*; Fafo Report:2005:17

25 ibid

26 ibid

27 ibid

28 <https://microdata.worldbank.org/index.php/catalog/3461>

<p>Multiple Indicators Cluster Survey (MICS)²⁹</p>	<p>2018</p>	<p>The Government of Iraq, with support from UNICEF finalized and launched a Multiple Indicator Cluster Survey (MICS 6) in 2018. The survey provides statistically sound and internationally comparable data essential for developing evidence-based policies and programs, and for monitoring progress toward national goals and global commitments. Data and information from MICS6 provide credible and reliable evidence for the Government of Iraq to monitor the National Development Plan and establish baselines and monitor progress towards Sustainable Development Goals (SDGs). It helps the government and its stakeholders to understand disparities and the wider development challenges in the country.</p>
<p>Impacts of COVID-19 on labour markets in Iraq Survey</p>	<p>2020</p>	<p>This data is gathered by ILO, Fafo and the Cash and Livelihood Consortium for Iraq (CLCI) based on existing databases of individuals who receive support from the consortium as well as databases maintained by the government of Kurdistan in Iraq (KRI) individuals This data primarily focuses on assessing the impact of the covid-19 pandemic on labour market outcomes for vulnerable populations and business enterprises. The survey underlying this study was conducted in two rounds in May and November of 2020.</p>
<p>High Frequency Phone Survey 2020-2021 (World Bank)³⁰</p>	<p>2020-2021</p>	<p>The objective of this survey was to monitor the impact of COVID-19 and the economic downturn on Iraqi individuals and households, and consequently better inform government mitigation policies – in the short- and medium-run. The short and repeated household phone-survey collected information on key indicators such as employment, food insecurity, subjective wellbeing and access to market, healthcare, and education to identify the most vulnerable groups and assess their needs. The phone survey was implemented on a monthly basis to monitor changes over time.</p>
<p>IOM Labour Market Assessments³¹</p>	<p>2019-2021</p>	<p>Labour market assessments are conducted yearly by IOM in all its districts of implementation across Iraq and give insights on the state of the local market in each area, the hiring preferences of employers and the available skills and aspirations of jobseekers, among others. LMAs consist of both qualitative and quantitative exercises: key informant interviews (KIIs), focus group discussions, and surveys with jobseekers, employers and consumers.</p>

²⁹ <https://microdata.worldbank.org/index.php/catalog/3495/study-description>

³⁰ <https://microdata.worldbank.org/index.php/catalog/4023>

³¹ <https://iraq.iom.int/publications/labour-market-opportunities-and-challenges>

Enterprise Survey (World Bank)³²	2011	<p>The face-to-face survey was conducted in Iraq between March and October 2011 as part of the Iraq Enterprise Survey, an initiative of the World Bank. Data from 756 establishments was analysed.</p> <p>The objective of the survey is to obtain feedback from enterprises on the state of the private sector as well as to help in building a panel of enterprise data that will make it possible to track changes in the business environment over time, thus allowing, for example, impact assessments of reforms. Through interviews with firms in the manufacturing and services sectors, the survey assesses the constraints to private sector growth and creates statistically significant business environment indicators that are comparable across countries.</p> <p>The standard Enterprise Survey topics include firm characteristics, gender participation, access to finance, annual sales, costs of inputs/labour, workforce composition, bribery, licensing, infrastructure, trade, crime, competition, capacity utilization, land and permits, taxation, informality, business-government relations, innovation and technology, and performance measures. Over 90% of the questions objectively ascertain characteristics of a country's business environment. The remaining questions assess the survey respondents' opinions on what are the obstacles to firm growth and performance.</p>
Impacts of COVID-19 on Business Enterprises in Iraq Survey	2020	<p>This data is gathered by ILO, Fafo and CLCI based on existing databases of business enterprises provide by CLCI. It contains information relevant for assessing the impact of the pandemic on businesses. The data is collected in two rounds in May and December 2020.</p>
High Frequency Phone Survey 2020, Assessment of the Impact of COVID-19 on Firms (World Bank)³³	2020	<p>The survey solicited key information about firms' operational status before and during the pandemic, their general business outcomes, the severity of some of the challenges they have been facing, and finally some of their coping strategies. The focus on understanding the state of firms and business activity in Iraq during the pandemic comes from the recognition that it is a precursor to what may await the broader economy as well as workers and their families. The survey results highlight the importance of some key challenges that firms have faced since the beginning of the pandemic</p>

Legend: Light blue cells refer to household or individual-level data; purple cells refer to enterprise-level data

2.2.3 Coverage of informality indicators

Based on the conceptual framework and the list of indicators identified in Section 2 earlier, we have made an assessment on the availability of the indicators in existing data sets. Overall, the recent surveys address the notion of informality in both households and enterprise labour market surveys. However, the lack of regular and frequent labour market data remains to be a major gap in Iraqi context. The recent effort by ILO to promote labour market surveys in Iraq whose results are expected in end of 2021 contributes to solving some of this challenge.

³² <https://microdata.worldbank.org/index.php/catalog/1020>

³³ <https://microdata.worldbank.org/index.php/catalog/4041>

Table 3 Coverage of indicators in existing labour force/household surveys

Indicator of informality for individuals	Iraq Labour Force Surveys 2003-2004	Iraq Living Conditions Survey 2004	Rapid Welfare Monitoring Survey -2017	Multiple Indicators Cluster Survey (MICS) 2019	Impacts of COVID-19 on labour markets in Iraq Survey (FAFO/ILO/CLCI) 2020	High Frequency Phone Survey 2020, Assessment of the Impact of COVID-19 on Firms	2.2.4 IOM Labour Market Assessments/ Market Assessments
Social protection coverage	X	X	X	√	√	√	X
Entitlement to paid annual leave and sick leave	X	X	X	X	√	X	X
Employment status	√	√	√	√	√	√	√
Type of enterprise employed in	√	√	√	√	√	√	√
Settlement of paid annual leave and/or sick leave in practice	X	X	X	X	√	X	X
Type of contract ³⁴	X	X	X	X	√	√	X
Taxation status	X	X	X	X	X	X	X

Table 4 Coverage of indicators in existing enterprise surveys

Indicator of informality for economic units	Enterprise survey (World Bank 2011)	Impacts of COVID-19 on Business Enterprises in Iraq Survey (FAFO(ILO/CLCI) 2020	High Frequency Phone Survey 2020, Assessment of the Impact of COVID-19 on Firms (World Bank) 2020
Registration status (with relevant government units)	√	√	X
Taxation status	√	X	X
(Type of) owner of enterprise	√	√	√
Bookkeeping status	√	X	X
Registration status of the employees	√	√	√

³⁴ This question was eventually removed from IOM employer surveys as employers consistently reported not issuing contracts.

2.3 Snapshot of informality in Iraq

Given the limited availability of data on informality in Iraq, we utilize the recent data gathered by ILO/Fafo/CLCI to provide an overall picture on the extent of informality in Iraq. The data, though not nationally representative, indicates the extent of informality across various dimensions.³⁵

Using the type of employment as a key indicator of informality, about 30 percent of the sample population is self-employed indicating the overall extent of informality as shown in Figure 1. Furthermore, rural areas are characterized by having larger percentage of persons working on farm activities (Figure 2).

Figure 1. Type of employment by gender, percentages (Fafo/ILO/CLCI data, 2020)

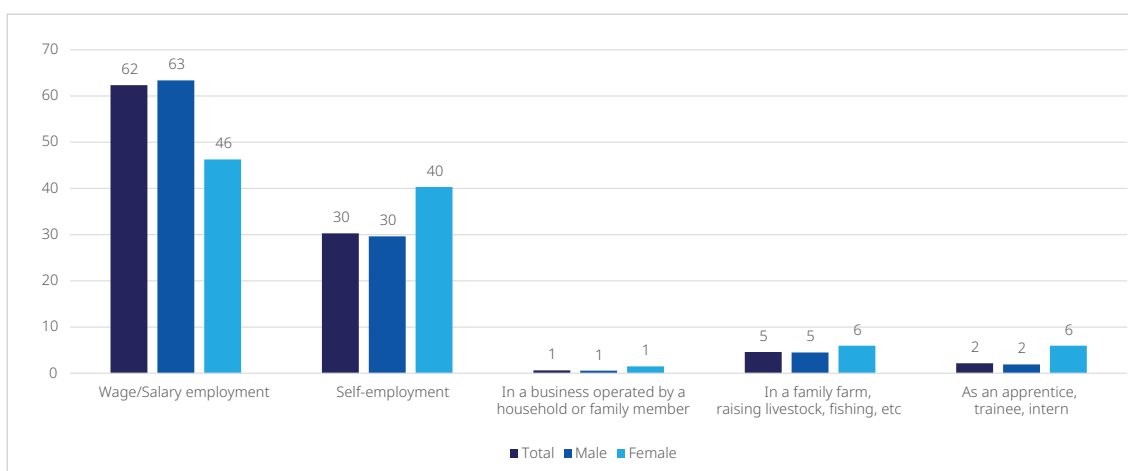
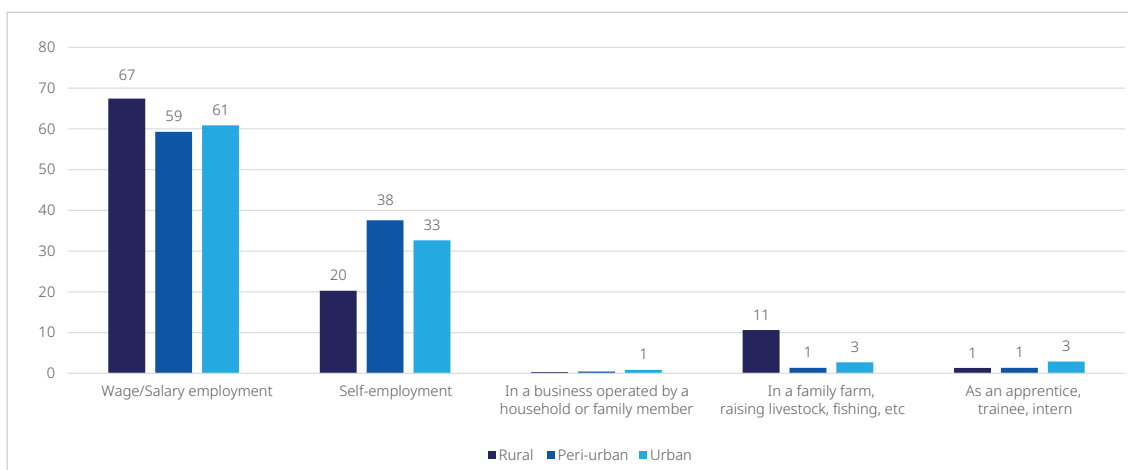


Figure 2. Type of employment by rural, peri-urban and urban status, percentages (Fafo/ILO/CLCI data, 2020)



The majority of employees in the survey have no written contracts with only 14 per cent of reporting to have written contracts. This is consistent with enterprise survey collected by IOM which indicates few to no written contracts being issued among survey respondents. This essentially indicates the high level of informal employment among employees in Iraq. Having a contract, being recognized and declared as an employee is a condition for employees to access formal employment. The incidence of informality may be even higher when we consider other formal arrangements that ensure access to social security and employment related benefits for employees.

³⁵ However, a Labour Force Survey (LFS) has been conducted in 2021, and the data will be available in December 2021, which will provide nationally-representative data on informality in Iraq.

Figure 3. Type of employment contract, percentages (Fafo/ILO/CLCI data, 2020)

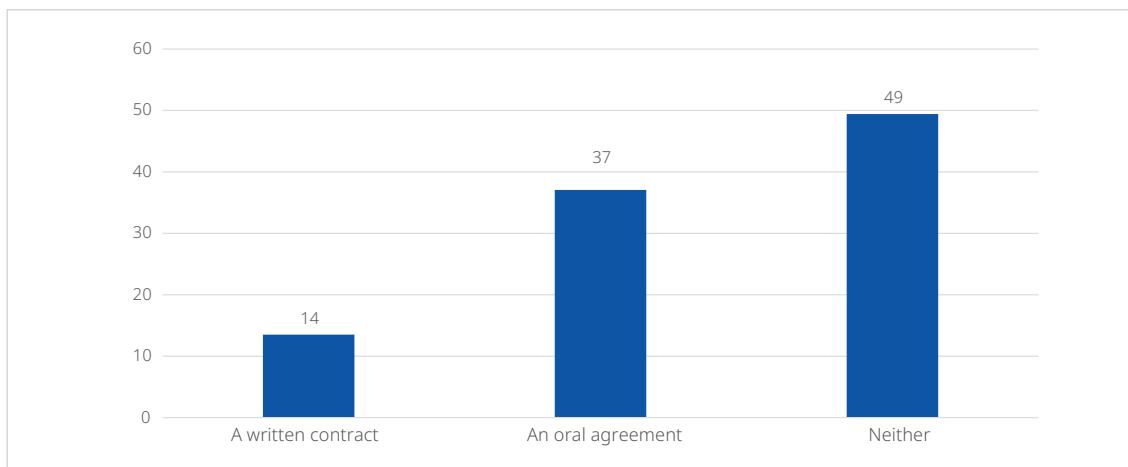
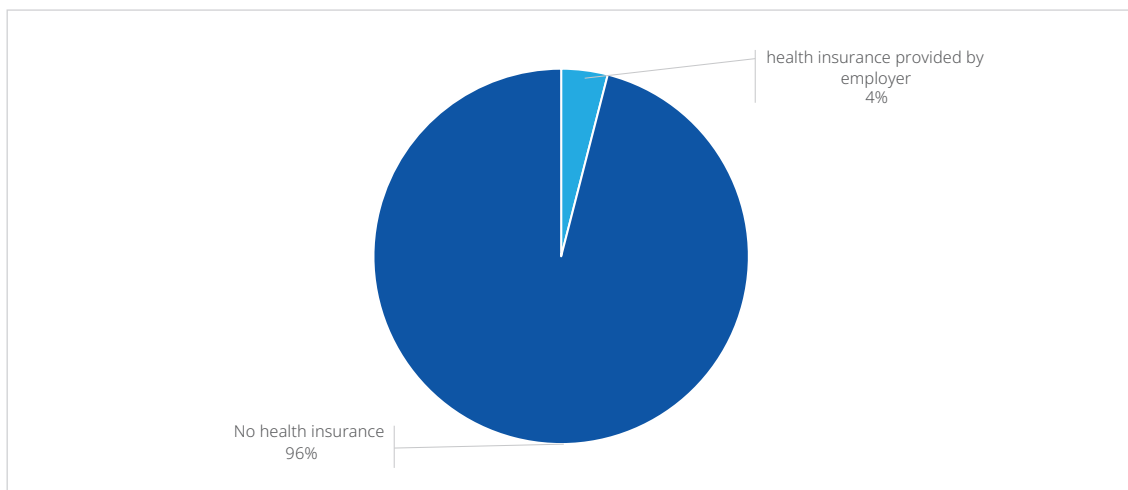
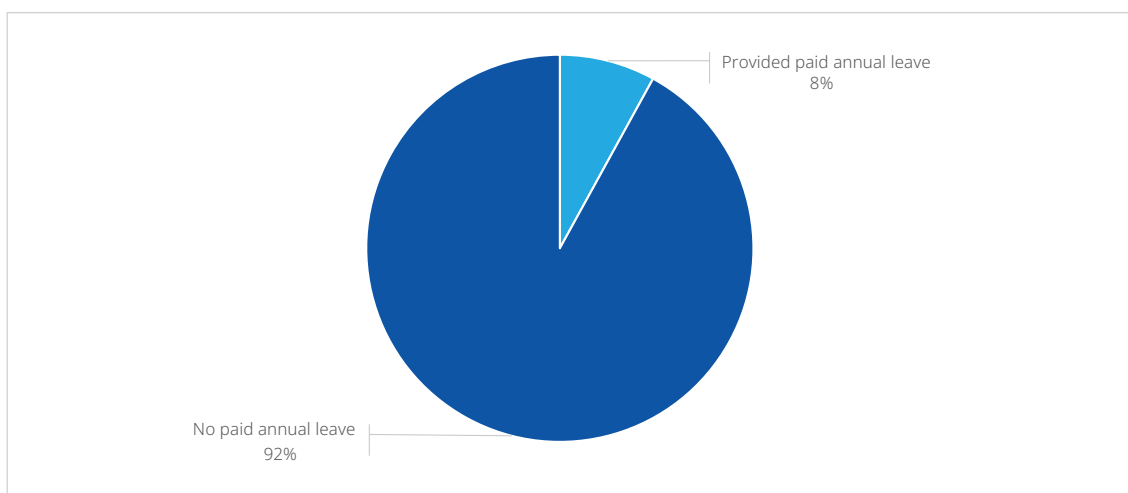


Figure 4. Health insurance provision by employers, percentages (Fafo/ILO/CLCI data, 2020)



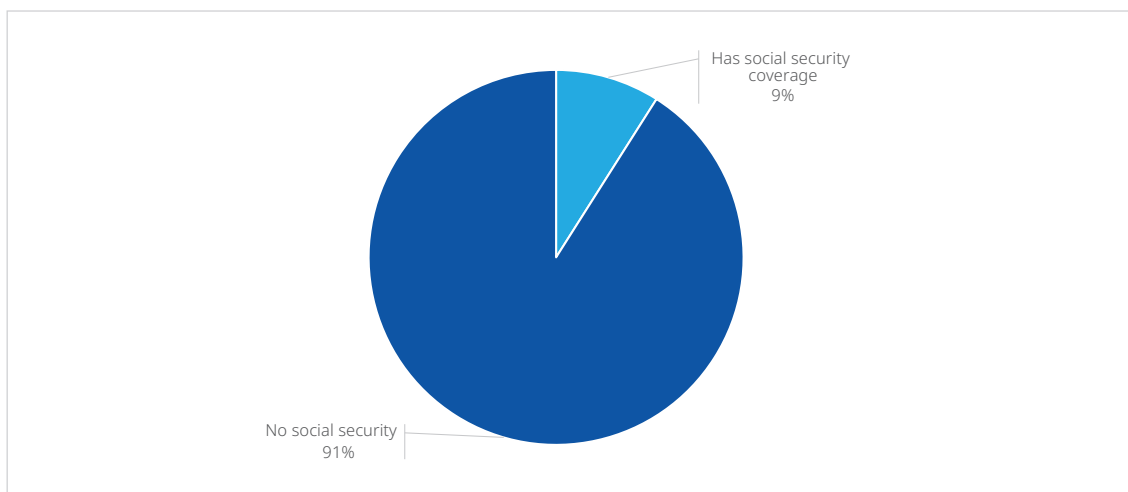
The percentage of the sample population receiving paid annual leave is only 8 percent further substantiating the informal nature of employment relations (figure 5).

Figure 5. Provision of paid annual leave by employers, percentages (Fafo/ILO/CLCI data, 2020)



The extent of informality is further exhibited by the lack of social security provisions for employees. The majority of workers (91 per cent) do not have any social security coverage related to work.

Figure 6. Social security coverage, percentages (Fafo/ILO/CLCI data, 2020)



When it comes to business enterprises, one key indicator demonstrates the extent of informal businesses. In the survey conducted by ILO/Fafo/CLCI, 95 percent of the surveyed business establishments report that they are not registered with the relevant authorities.

3 Legal context

A wide range of reforms has been made over the past decade to strengthen legal protections and guarantees for workers and to improve the business environment. A number of these reforms, such as the KRI Labour Law and the draft Law on Pensions and Social Security for the Private Sector are ongoing. This section of the informality diagnostic presents an overview of the legal coverage and level of protection offered by relevant legislation and regulations, with a focus on the labour laws, social security laws and legislation governing refugees' access to employment in Iraq. It also reviews relevant legislation for economic units. This section also presents an analysis of the legal coverage in practice, namely, the extent to which the legislation is enforceable, and how it is administered and applied in practice.

For the purpose of this research, and given the concentration of informal and vulnerable group in the private sector, laws and regulations governing public sector workers, members of the armed forces, the police and internal security forces have not been examined.

3.1 Employment and Labour

The Labour Law, (Labour Law No.37 of 2015) and draft Labour Law for KRI (as of September 2021)³⁶ regulate the employment relationships, contracts, working conditions and entitlements of workers in the private sector. The Laws and their substantive provisions cover all workers in the private sector who receive a wage or other remuneration for their work. The Laws define responsibilities of employers who employ at least one worker in return for remuneration. The provisions of both laws are intended to apply equally to enterprises of all sizes and to all economic and occupational sectors.³⁷ Under general conditions issued by the Ministry of Labour and Social Affairs (MoLSA), Iraqis and foreigners are required to be registered with MoLSA for the purpose of social security, income tax and access to labour protections provided for by law.

Workers are **defined** in both laws as 'every natural person, whether male or female, working under the guidance, supervision and control of an employer',³⁸ and the existence of this legal relationship is based on the factual existence of the relationship.³⁹ In turn, 'work' covers any effort by a worker in return for a wage, whether 'permanent, casual, temporary or seasonal'⁴⁰, and 'wage' is defined to include 'any amount or benefit due to a worker in return for any work performed'⁴¹. Likewise, the definition of 'employer' in the Labour Laws is broad, covering 'any natural person or legal entity who employs one or more workers in return for a wage of any kind'.⁴² The Laws further place the burden on the employer to prove or disprove the existence of an employment relationship in the absence of a written contract.⁴³ These guarantees ensure that all workers in paid employment in the private sector are covered by the law.

Neither the Labour Law nor draft Labour Law for KRI are restricted in their application to Iraqi citizens. Rather, the Laws explicitly aim to 'regulate the work of foreigners working or wishing to work in Iraq' and they apply to 'all workers in the Republic of Iraq'.⁴⁴ The Laws further prohibit discrimination on the basis of race, color, sex, religion, religious community, opinion or political belief, origin or nationality.⁴⁵

³⁶ Draft Labour Law reviewed by ILO (September 2021). This review looks at both laws together, given the similarities, and notes where there are differences for the purpose of this analysis.

³⁷ Labour Law No.37 of 2015, article 3; Draft Labour Law (KRI) article 3.

³⁸ Labour Law No.37 of 2015, article 1(6); Draft Labour Law (KRI), article 1(9).

³⁹ Labour Law No.37 of 2015, article 13. The Draft Labour Law in KRI allows for oral and written contracts of employment. The non-existence of a written contract does not negate the existence of an employment relationship.

⁴⁰ Labour Law No.37 of 2015, article 1(5). Draft Labour Law (KRI), article 1(8).

⁴¹ Labour Law No.37 of 2015, article 1(14). Draft Labour Law (KRI), article 1(12).

⁴² Labour Law No.37 of 2015, article 1(8).

⁴³ Labour Law No.37 of 2015, article 37(4) Draft Labour Law (KRI), article 34(4).

⁴⁴ Labour Law No.37 of 2015, articles 2 and 3. Draft Labour Law (KRI), article 2.

⁴⁵ Labour Law No.37 of 2015, articles 30 & 31. Draft Labour Law (KRI), article 28.

Groups of workers who are not de jure covered by the labour law are unpaid workers, the self-employed and civil service, armed forces, police and internal security. The civil service, armed forces, police and internal security are explicitly excluded from the scope of the laws. Unpaid workers and self-employed workers do not fit the definitions of worker and employer and are implicitly excluded (and who account for a large share of women workers).

Despite the Laws' broad definition of an employment relationship, both the Federal Labour Law and Draft Labour Law for KRI require all contracts that are written to be copied three times, and one copy to be deposited with the Government.⁴⁶ This would appear to be unnecessarily burdensome for employers. Failure to comply with this provision, however, does not negate the existence of an employment relationship nor change the legal responsibilities and rights of employers or workers.

With regards to **contracts**, neither Labour Laws explicitly state the different types of contracts permitted. Both laws permit the use of limited duration contract, unlimited contracts, sub-contracts and part time contracts but do not explicitly refer to the use of casual, daily and temporary work largely. This leaves a level of ambiguity that needs to be addressed through a Ministerial Regulation.

- ▶ **Subcontracted work:** The Federal Labour Law specifies that if any work is subcontracted in whole or in part to another employer, the subcontractor must provide equal rights to their workers and the workers of the main employer and that both the employer and subcontractor are jointly liable in this respect.⁴⁷ The draft Labour Law for KRI does not include any provisions on subcontracting or the distribution of responsibility between principal employer and subcontractor. The absence of regulation of this type of employment results in legal uncertainty and can make it difficult for workers to claim their rights and for authorities to hold employers responsible for violations of the labour code. Triangular employment relationships and the roles and responsibilities of private labour supply companies are also not regulated either in Federal Iraq or KRI.
- ▶ **Temporary work and casual work:** Temporary and casual workers are entitled to the same terms and conditions of employment as permanent workers under both Laws,⁴⁸ and there are limitations placed on the use of limited duration contracts, as an attempt to safeguard against use of temporary or short-term contracts for work of a continuous nature. The Laws further provide for automatic transfer from a limited duration contract to a permanent one, if the contract is renewed more than once.⁴⁹ However, it is difficult to see how daily workers or workers on very short-term employment would practically benefit from the majority of provisions in the Laws. Indeed, in practice, most people who engage in daily work do so out of necessity rather than choice. It tends to be an immediate and convenient way to obtain an income in the absence of better opportunities, but working conditions are usually poor, the work tends to be physically demanding and opportunities are unstable.⁵⁰
- ▶ **Part-time work:** Part time work under the Federal Labour Law must include at least 12 hours of work a week and no more than 24 hours of work per week.⁵¹ This leaves a protection gap for a large number of workers whose working hours are less than twelve hours in a week or between 24 hours and 48 hours (standard work week). The protective provisions for part-time workers should cover any workers whose normal hours of work are between 12 and 24 hours in a week on a pro-rata basis. The narrow definition in the Federal Labour Law creates a legal lacuna for those workers who work less than 12 hours in a week on a regular basis and those workers who work more than 24 hours, but less than 48 hours in a week. The draft Labour Law for KRI provides stronger provisions for part-time work, which guarantee all rights, benefits and obligations under the labour law on a pro-rata basis for who regularly work less than full-time.⁵²

⁴⁶ Labour Law No.37 of 2015, article 37. Draft Labour Law (KRI), article 34.

⁴⁷ Labour Law No.37 of 2015, article 12.

⁴⁸ Labour Law No.37 of 2015, article 38(3); Draft Labour Law (KRI), article 35(3).

⁴⁹ Labour Law No.37 of 2015, chapter 6; Draft Labour Law (KRI), chapter 6.

⁵⁰ Ground Truth Solutions, Falling through the cracks (2021)

⁵¹ Labour Law No.37 of 2015, article 39.

⁵² Draft Labour Law (KRI), articles 1(16) and 36.

Box 1: Child Labour

The Federal Labour Law, the draft Labour Law for KRI and the KRI Ministry of Education Law has set the age for compulsory education at 15 years, in line with ILO Convention No.138.⁵³ However compulsory education under the Federal Education Act (No. 118 of 1976) provides for six years of free and compulsory education. Typically children will begin schooling at the age of 6 or 7 and therefore complete their compulsory schooling by the age of 12 or 13. This results in a protection gap for children aged 12 – 15 who may be vulnerable to economic exploitation because they are not required to be in school, yet they are too young to legally work. It is noted that the Government, in its report to the ILO Committee of Experts on the Application of Ratified Conventions and Recommendations, has stated that the Ministry of Education (MOE) is currently examining the possibility of extending compulsory education to children up to the age of 15. Considering that free and compulsory education is an effective means of preventing child labour, the age for completion of compulsory education should match the age for entry into employment.

The Federal Labour Law and draft Labour Law for KRI set out the conditions for employing a minor.⁵⁴ The provisions limit the number of hours a minor can work, ensuring adequate rest time, paid annual leave, and prohibition of night work. These conditions were designed to safeguard the health, safety and development of young workers and reflect the principles provided in ILO child labour instruments. The Labour Law and KRI Bill require employers to obtain and keep certificates of health of minors and to maintain a register of their names, ages, and work performed.

However, the Federal Labour Law exempts family-run enterprises from the provisions governing minors (and indeed exempts family-run enterprises from the scope of the Labour Law) if minors are employed by an immediate relative to produce local consumer goods.⁵⁵ The draft Law for KRI has similar provisions, however these are under review and discussion.⁵⁶ Monitoring the application of regulations among family-run businesses can be difficult from an enforcement perspective, however, most children in child labour tend to be unpaid family workers on family farms and in family enterprises.⁵⁷ As such, it is likely that a significant number of working children are excluded from the protections of the law.

The exclusions also mean children working in family-run enterprises are not afforded protection from hazardous work in Federal Iraq. This is problematic considering the concentration of family-run enterprises in sectors where hazardous activities, conditions and substances are often present, such as agricultural work, brick-making and carpet weaving.

Under the 2015 Labour Law, and draft KRI Law, **penalties** for labour law violations have significantly increased compared to previous legislation.⁵⁸ The labour inspectorate sits within the Ministry of Labour and Social Affairs and involves Tripartite Inspection Committees who are empowered to undertake workshop inspections to monitor and enforce application of the labour law. The committees are empowered to access workplaces throughout the country without prior notice to undertake examinations; take samples from the workplace; and compel employers and managers to institute changes as necessary.⁵⁹

53 Labour Law (2015), Article 7.

54 Labour Law (2015), Articles 95-104. KRI Labour Law Bill, Articles 90-100.

55 Labour Law (2015), Article 103.

56 KRI Labour Law Bill, Article 98.

57 ILO World report

58 ceACR direct request, 2015 c 81

59 Labour Law of 2015, article 129.

Freedom of association and trade unions are still governed by the Union Assembly Law (No.52 of 1987), as no new law on trade unions has been adopted since the introduction of the new federal Labour Law. This Union Assembly Law significantly restricts and limits the formation of independent and representative unions in Iraq and their participation in social dialogue and formal and informal mechanisms for the oversight and enforcement of the law (see sections).

The 2015 Labour Law and draft Labour Law for KRI provide a range of mechanisms for **settling disputes** and employment-related claims. In both Laws, it appears efforts have been made to simplify dispute resolution processes and ensure greater accessibility to workers, including through fee waivers. The Laws require employers to establish an appropriate internal mechanism to deal with employee complaints, and employees can also submit complaints to relevant Iraqi labour authorities, such as the labour inspection committee (under the supervision of the Ministry of Labour and Social Affairs), the End of Service Committee or the relevant labour court.⁶⁰ The labour courts are to include representatives from the Employers' Federation and from the General Federation of Workers, and they are required to be established and functioning in each governorate. The Labour Laws also include exemptions for workers and trade unions from court fees.⁶¹

The labour laws also outline **conditions of employment**. Indeed, wage protections, including entitlement to minimum wages, regulation of working hours, and OSH apply equally to all workers covered by the labour law. Specific regulations to govern the daily working hours for workers in certain professions, occupations and sectors, including agriculture and family workers are to be regulated by Ministerial regulations.⁶² But until these regulations are issued, some ambiguity around working hours will persist for these groups of workers.

Both Laws also regulate '**women's work**' and include prohibitions of arduous work⁶³ and of night work, with some exceptions.⁶⁴ Protective measures are applied to women's employment, which highlight the principle of equality of opportunity and treatment between men and women in employment and occupation. The effect of these provisions on women who want to work in such sectors or occupations or during the night, is to place them in a precarious position, where they can only do so informally and without legal protection.

The Federal Labour Law also includes a protective provision that **foreign workers** who are legally residing in Federal Iraq for the purpose of work and who have a work permit, will not be considered to be 'illegal or irregular' by virtue of loss of employment, nor will loss of employment lead to the withdrawal of a residence or work permit.⁶⁵ There are no such provisions for foreign workers in the KRI draft Labour Law, however. Both the Federal Labour Law and draft Labour Law for KRI also stipulate that any person or party who violates the provisions of the Labour Law governing 'Foreign Workers Employment' will be subject to penalties.⁶⁶ This provision including 'any person or party' seems to include foreign workers themselves. This is not in conformity with ratified ILO Convention No.143 (Article 6), which calls for the imposition of penalties for those who organize or facilitate irregular movements and unauthorized employment, not for the workers themselves. The inclusion of penalties for foreign workers themselves could create a situation or environment that makes it less likely that migrant workers will complain to the authorities about exploitative working conditions or irregular employment. More generally, the few provisions on the regulation of foreign workers in the Laws appear insufficient to effectively regulate the employment of non-Iraqis.

⁶⁰ Labour Law 2015, Chapter 16. Draft Labour Law KRI, chapter 16.

⁶¹ Labour Law 2015, article 165. Draft Labour Law KRI, article 156.

⁶² Labour Law No.37 of 2014, article 67.

⁶³ Labour Law No.37 of 2015, article 85(2); Draft Labour Law (KRI), article 80.

⁶⁴ Labour Law No.37 of 2015, article 86; Draft Labour Law (KRI), article 81.

⁶⁵ Labour Law No.37 of 2015, article 34.

⁶⁶ Labour Law No.37 of 2015, article 36 – violators are subject to a fine of between three times the workers' daily wage and three times the worker's monthly wage. Draft Labour Law (KRI), article 33, stipulates that any violator shall be subject to imprisonment for a period of no less than one month and not more than six months, and a fine of no less than five hundred thousand (500,000) dinars and not more than one million (1,000,000) Iraqi dinars.

Box 2: Labour rights of refugees

This box examines the specific situation of refugees and their access to employment given the sizeable number of refugees in Iraq. Generally speaking, enjoying a legal basis for stay in Iraq is a prerequisite for the employment of foreigners, including refugees and asylum seekers, which means that refugees in Iraq do not enjoy a clear and unambiguous *de jure* right to work. Refugees need to be recognized as 'refugees' and obtain the correct paperwork and identity cards to access formal employment, which differs between Federal Iraq and KRI.

Federal Iraq

The Directorate of Residency at the Ministry of Interior issues residency permits for foreigners, but not to asylum seekers, which is undertaken by the Federal Permanent Committee for Refugees Affairs of the Ministry of Interior (PC-MOI), with support from UNHCR. Refugees and asylum-seekers holding a valid PC-MOI card do not need to separately obtain a residency permit in order to remain in Iraq since registration with PC-MOI regularizes their presence in Iraq. The PC-MOI card allows refugees to move freely within the governorates of Federal Iraq but it is not a residency permit as understood under the Foreigners' Residency Law No. 76 of 2017.

Refugees and persons seeking asylum who are registered with PC-MOI as refugees can be employed in the private sector without the need to obtain a separate work permit from MoLSA. However, refugees' right to work is not legally guaranteed, given the limited terms of the Political Refugee Act 1971, which limits its benefits to 'political' and 'military' refugees only. In turn, refugees in Federal Iraq who wish to work as professionals are generally asked for a separate work permit before being able to be employed (e.g. those working as dentists), and some have been required to leave Iraq to apply for such a permit from abroad.

Finally, it remains unclear whether refugees holding a PC-MOI card are able to register with MoLSA for the purposes of social security. In practice, the vast majority are not registered.

KRI

Generally, residency affairs fall within the domain of the federal government in Iraq,⁶⁷ but KRI has exercised a degree of jurisdiction over residency since its establishment in 1991. The Directorates of Residency in KRI are responsible for issuing residency permits to foreigners and asylum seekers within the Region, and are administratively linked to the Ministry of Interior. The procedure at the Directorate of Residency generally requires a mandatory blood test and prior security clearance from 'Asayesh', which is not always straightforward and refugees may be required to confirm their housing, obtain a sponsor (depending on the nationality) as well as provide their UNHCR registration documentation.

KRI humanitarian residency permits provide a *de facto* right to work for all refugees within KRI. Refugees who entered KRI without a visa are generally permitted to work within the Region as a refugee or asylum-seeker so long as they hold a KRI humanitarian residency permit and meet the minimum legal age for entry to employment, which is 15 years. There is no need for refugees to separately obtain a work permit from MoLSA-KRG in order to access employment. Nonetheless, refugee employment in KRI is typically limited to jobs and occupations in the private sector that do not require additional documentation. Professions such as dentists, pharmacists, lawyers and taxi drivers require identity cards or professional certificates, which are not always possible to present or evaluate and may prevent refugees who are otherwise qualified from accessing jobs of their former profession.

⁶⁷ Constitution of the Republic of Iraq (2005), article 110(5).

Refugees' *de facto* right to work in certain private sector occupations in KRI is not reflected in any legal frameworks or policies. While this situation appears favorable, any negative change to refugees' residency could have a direct impact on their ability to legally work. Access to employment and their protection more broadly depends on the enduring benevolence of the Kurdistan Regional Government and stable relations between KRI and the Federal Government. As such there is little guarantee for long-term economic inclusion.

Movement and work from KRI – Federal Iraq

The lack of reciprocity and recognition of residency status between KRI and the federal government means refugees continue to experience mobility restrictions. This is of particular concern for refugees who are unable to find employment in KRI and wish to search for better opportunities in south and central governorates of Iraq. Current processes place the administrative burden on refugees to possess and process different documents for official recognition and residency by authorities in each of KRI and Federal Iraq. Attempting to travel from KRI to Federal Iraq without proper documentation or clearance may result in arrest, detention or deportation.

3.2 Social Security

This section of the legal diagnostic focuses predominantly on the draft Pension and Social Security Law for the private sector, which is currently before Parliament.⁶⁸

Under the current legal framework for social security, Law No. 39 of 1971, a series of decrees were envisaged to gradually extend coverage to groups of uncovered workers. These decrees did not materialize due to a range of procedural and political hurdles and security constraints.⁶⁹ Gaps in the current system include unemployment benefits, maternity coverage and excluded categories of workers and sectors.

Under the draft Law on Pension and Social Security of 2016 ('draft Law'),⁷⁰ which is before Parliament, all workers covered by the Labour Law of 2015 are to be enrolled and insured in all branches of social security, including health, and extends coverage to self-employed workers (through optional insurance, although this is still a point of discussion) and workers in the informal economy. It also introduces unemployment insurance. It maintains the current structure of separate social security schemes for the public and the private sector, but it provides for the possibility to transfer acquired retirement rights from one scheme to the other in order to facilitate mobility of employees between both sectors.

KRI has also drafted a new Social Security Law for Private Sector workers with many of the same provisions as that in Federal Iraq. This has yet to be finalized, however.

In Federal Iraq, the existing contributions rates amount to 21 per cent of a worker's salary in the non-oil sector, (29 per cent in the oil sector), with contribution rate of 4.1 per cent from workers and 16.9 per cent for employers (25 per cent for employers in the oil sector). Under Article 14 of the draft Law, contribution rates are set to rise to 7 per cent for workers and be reduced to 13 per cent for employers, bringing the total contributions to 20 per cent in the non-oil sectors and 32 per cent in the oil sector (although once again, this is currently a point of discussion and these rates are yet to be agreed).

⁶⁸ To note that the information outlined below is drawn from the initial version of the draft law which is subject to change and indeed, national constituents took note of ILO recommendations and amendments to this draft law are being discussed.

⁶⁹ MOLSS interview

⁷⁰ As shared with the ILO for technical review in 2016/2017.

The optional insurance for retirement introduced in the draft Law for persons not covered by the Labour Law and the informal sector is provisionally set at 7 per cent of an income chosen among different categories for the worker/self-employed, along with a provisional state contribution of 9 per cent.

The draft social security law includes the following entitlements to registered workers:

- ▶ **Maternity:** Women (excluding women working in family-run enterprises, who are excluded from maternity protection⁷¹) are entitled to 14 weeks of fully paid maternity leave under the Labour Law then, following this period, the Social Security Fund is to take over the financial compensation.⁷² However, maternity protection provisions in the form of cash compensation in the draft Law are not aligned with the provisions for maternity in the Labour Law of 2015. The Labour Law and the current draft of the Social Security Law are inconsistent in terms of who (the employer or the Social Security Fund) is financially responsible for the payment of 14 weeks of full pay,⁷³ or if this is to be cost-shared between the employer and Social Security Fund. The draft Social Security Law, however, provides for compensation at a rate of 75 per cent of prior wages for the 14-week period of maternity leave, and a rate of 50 per cent for any period exceeding the 14 week period of maternity leave, although these rates, once again, remain under discussion, and alignment between the laws is under consideration.⁷⁴ Responsibility for the costs of cash benefits during the regular 14 weeks of maternity leave need to be clarified, although there have been efforts by the parliamentarian labour committee and the national constituents to refine the draft law to ensure consistency with international standards and best practices, including to shift the burden from employers to an insurance approach.
- ▶ **Sick Leave:** The provisions for sick leave were extended by the 2015 Labour Law, which permits a worker to a total of 30 days of paid sick leave, financed by the employer, per year. The draft law stipulated that these periods may be accumulated for a total of up to 180 days over six years,⁷⁵ and once the period of employer-liability for sickness benefits has been exhausted, the Social Security Fund takes over and reimburses the employer for any payments made. However, the phrasing of these provisions is being amended to clarify the options for accumulation and bring the law closer in line with ILO legal recommendations.
- ▶ **Unemployment:** Unemployment insurance – which does not currently exist in Iraq under Law No. 39 of 1971 – is introduced in the draft Social Security Law.⁷⁶ Unemployment allowance shall be payable subject to the conditions that (1) at least 24 monthly contributions have been paid before each period of unemployment; (2) the unemployed person is willing and able to work; (3) the unemployed person has registered with an employment office; and (4) the termination of employment is not due to the worker's own fault or misdemeanour.⁷⁷ Under the draft Law, unemployment allowances are provided for a period of 3-6 months depending on length of contribution prior to the termination of employment. It is calculated on the basis of the last wage at a rate of 75% for the first month, 65% for the second month, 55% for the third month, and 50% for the fourth, fifth and sixth month. The draft law outlines that the scheme is financed by a contribution of 1% payable by the employer. The draft Law limits the number of times unemployment allowances are provided to three times over the entire period of coverage under the law, so long as at least 24 monthly contributions have been paid each time before the start of a new period of unemployment,⁷⁸ possibly introduced as a safeguard to preclude an excessive use of the scheme. However, such an overall limitation of unemployment benefits is not in line with International Labour Standards.

71 Labour Law, article 93.

72 See article 87 of the Labour Law.

73 See Labour Law 2015, Article 87(1). This issue has been noted during consultations and will be addressed in the Draft Social Security Law.

74 Draft Law, article 36.

75 Labour Law no.37 of 2015, article 80.

76 Draft Pensions and Social Security Law, Chapter 9

77 Draft Pensions and Social Security Law, article 62.

78 Article 67 of the draft Law

- **Pension and survivor:** The draft law outlines that the pension scheme is financed by a contribution of 9% payable by the employer and 7% payable by the worker. Pensions are payable to the insured at the age of 63 (58 for women) with 15 years of contributions, at the age of 60 (55 for women) with 20 years of contributions, or at the age of 50 with 30 years of contributions (25 for women). The pension salary is calculated on the basis of 2.5% of the average monthly wage of the retired worker multiplied by the number of insured service months divided by 12. Specific qualifying conditions apply to women workers with custody of children. As there is no universal pension system in Iraq, only workers and families who have contributed for the minimum qualifying period for social security are eligible for pensions. Workers with mixed professional careers who spent parts of their working life as employed persons and parts as self-employed persons, or workers with interrupted professional careers (e.g. casual workers or women in part-time employment), are put at a disadvantage because the rules make it difficult for them to satisfy the qualifying conditions for a lifetime pension.⁷⁹ Survivor benefits are paid if a male insured worker dies during his period of service.
- **Work injury, illness and occupational disease:** In the event of a work injury, the employer is liable to pay full wages on the day of the injury, then the Fund pays full wages for the duration of the treatment. If the work injury results in complete disability, the insured worker receives 80% of their average wage in his last year of work. If the injury results in partial disability, a pension is received calculated on the basis of the entitled pension and the partial disability percentage.

The table below provides a visual overview of social security provision and coverage, along with coverage of non-contributory programmes.

Table 5: Current scope and coverage of social protection in Iraq⁸⁰

	Family benefits	Work Injury	Unemployment	Sickness	Maternity	Disability	Survivor	Old-Age	Health Care	In-kind support	
Public sector workers (civil servants)	Social insurance	Social insurance	No provision	Social insurance	Social insurance	Social insurance	Social insurance	Social insurance	Public provision	Public Distribution System (quasi-universal)	
Private-sector employees	No provision	Social insurance		No provision	Employer-liability	Social insurance	Social insurance	Social insurance			
Self-employed		No legal coverage			No provision	No legal coverage	No legal coverage	No legal coverage			No legal coverage
Unpaid workers		N/A				N/A	No provision	No provision			No provision
Economically inactive	Social Safety Net (poverty targeted) ⁸¹			N/A	No provision		No provision	No provision			No provision

⁷⁹ See article 29.

⁸⁰ The Draft Social Security Law (both in Federal Iraq and KRI) will implement significant changes to the scope and coverage of social security when adopted. The table presents the situation as it currently stands (October 2021).

⁸¹ The Social Safety Net is poverty targeted and may cover economically active individuals, and may exclude economically inactive individuals. The latest data from MoLSA (October 2021) indicates that over half of the 5.4 million individuals living in households in receipt of the Social Safety Net are « able to work », although the criteria used to determine this are unclear.

3.2.1 Coverage

Latest government data indicates that social insurance currently covers 600'000 private sector workers (out of a total of roughly 5.25 million), due in large part to the limited legal coverage (see table above) and high rates of informality in the sector. Social insurance for public-sector workers is estimated to reach almost all workers in the sector, excluding sub-contractors.

Employers and self-employed workers

The draft Law attempts to cover the informal economy, including informal workers who are defined as 'a group of individuals and small enterprises producing goods or providing services and operating for their own account without a license'.⁸² This definition covers self-employed workers who are not already covered by the Labour Law of 2015, but does not cover employees hired by an employer, as they do not work for their own account.

The provisions in Chapter Ten of the draft Law introduce a range of measures intended to extend social security to employers and self-employed/own-account workers persons who are not covered by the Labour Law of 2015 through a subsidized voluntary insurance. The scope of optional or voluntary coverage concerns only pension insurance, and not other branches of social security, such as maternity, health, and disability.

The conditions for access to optional coverage to employers, self-employed, or persons working outside of Iraq are laid out in Article 72 of the draft Law and include: (a) an age requirement of not being older than 45 years of age at the time of enrolment; (b) medical fitness; and (c) adherence to contribution rates as stipulated in the Law. The contributions are set at 7 per cent for insured persons, with 9 per cent to be borne by the State.⁸³ Voluntarily insured persons are able to freely choose between difference income categories, and may move from one category to another after one year of contributions. This means that, in practice, the voluntarily insured person would be able to elect the category of income that suits them most. In theory, they could choose the lowest category at the beginning of their career or enrolment and then move up to high categories towards the end, as pensions are to be calculated only on the basis of the average of the last five years. Article 37 also enables voluntarily enrolled employers and self-employed to pay contributions for the shortest possible period at the lowest level, in order to benefit from a minimum pension – although the minimum pension is still under deliberation. This could be a problematic incentive system, which ILO has previously provided advice on, in terms of ways to avoid this.⁸⁴

The age and health requirements, noted above, for access to voluntary insurance may pose obstacles to persons who are older than 45 and medically fit from enrolling in the scheme, including persons who have been previously employed and compulsorily insured in the past at younger age and only later become self-employed. In order to ensure persons who have been insured (compulsorily as employees) in the past, to be able to continue optional insurance, ILO has suggested that a waiver for age and health conditions in Article 72 be put in place for such groups of workers in order not to lose coverage.⁸⁵

The flat State subsidy provided in the draft Law amounts to more than half the contribution for cases of optional insurance. This could serve to incentivize optional insurance. However, from a regulatory perspective, it may be regarded as excessive, particularly for self-employed persons with high income.⁸⁶ It is important that optional insurance is not only attractive for self-employed persons, but also ensures financial sustainability and fairness in the system across all categories of workers, along with due consideration to special circumstances and with the overarching objective of achieving broad coverage and risk pooling.⁸⁷

⁸² Draft Law, article 1(19).

⁸³ See Article 75 of the draft Law.

⁸⁴ See ILO Technical Memorandum.

⁸⁵ ILO technical Memorandum

⁸⁶ A sliding scale with decreasing levels of subsidies for higher declared incomes has been recommended by the ILO in reviews of the draft Law.

⁸⁷ ILO, Technical Memorandum

International experiences have indicated that voluntary insurance mechanisms do not lead to sufficient increases in coverage and protection. It has previously been recommended by the ILO that the Government consider measures to extend mandatory coverage rather than putting in place optional coverage. This could be achieved through progressive extension of mandatory social security coverage to all categories of workers, alongside investments in monitoring capacity and systems for compliance and enforcement, and further adjustments to social security financing and administration.⁸⁸

Workers in the informal economy

The draft Social Security Law provides one form of optional insurance for the 'informal economy' for pension insurance. In recognition of the heterogeneity of the informal economy and inherent challenges of defining workers in this group, it has been recommended by the ILO that the draft Social Security Law develop differentiated provisions and coverage approaches based on the type of work arrangement for workers in the informal economy.⁸⁹ Such an approach would be preferable to having a blanket approach to all workers who are de facto in informal employment.

As the case for self-employed workers, workers who have previously not been covered by social security and who de facto work in the informal economy, tend to have larger incentives to receive short-term insurance against short term risks like health, maternity, injury and unemployment, rather than long term insurance for pension.

Enrolment in social security

Enterprise registration is a precondition to enrolment of workers in social security. Registration in social security takes place through the local Retirement and Social Security Department in each governorate and the cost for registration depends on the number of employees. To facilitate the registration process, the Ministry of Trade's website includes an electronic system that directs employers to register workers and enables electronic payment contributions. Under relatively new procedures, upon registration of an enterprise, employers are directed to the Social Security registration process (see section below on enterprise registration). In the absence of an enterprise registration number, employers cannot register with the Social Security Fund, nor can they enroll individual workers in the enterprise in the Fund.⁹⁰ As such, barriers to enterprise formality need to be overcome to improve social security coverage for employed workers. The requirements for registration are not currently uniform across all branches, however the Ministry has a Social Security Information Department that provides information and assistance.

3.3 Laws Regulating Economic Units

The Companies Law No.21 of 1997 (as amended in 2004) is the main legislation governing enterprises in Iraq, including KRI. The Law governs two types of companies – private sector companies, and mixed companies (companies jointly established by private persons and the public sector with the public sector holding at least 25 per cent of the capital). Mixed companies can have the legal profile of a limited liability company (LLC) or joint stock company. Private enterprises can take the legal form of an LLC, joint stock company, general partnership, individual enterprise or simple company:

- ▶ **Individuals** may register to be the sole proprietor of an enterprise and are personally liable for the enterprise's financial operations, including debts.
- ▶ A **general partnership** is an association of two or more persons who are jointly liable for partnership debts. It is a legal entity and may transact business in its own name.

⁸⁸ ILO, Technical Memorandum

⁸⁹ ILO Technical Memorandum.

⁹⁰ MOLSA interview

- ▶ A **simple company** consists of two to five partners who either contribute to the capital of the company or through services. The formalization of these companies requires certification of its statutes by a Notary Public, followed by submission to the Commercial Register. Simple companies have legal personality from the date of the filing of their statutes with the clerk of the Commercial Register.⁹¹

3.3.1 Registering an enterprise

Efforts have been made over the past few years to streamline business registration processes in order to assist entrepreneurs to set-up and register their businesses and enroll in social security. In some cities, websites such as the Baghdad e-registration portal⁹² provide step-by step guidance for registration of businesses. Each step of the process includes a list and linkages to the relevant legislation and regulations as well as the associated fees, forms, entity in charge and information on process, documentation or other actions required in order to advance to the next stage of registration. It also includes a list of contacts for additional help and assistance at the local Chamber of Commerce. In turn, a new "single-window" system⁹³ has been launched online to simplify the process for Iraqi citizens, including by removing multiple in-person visits into one. The system is the result of collaborative efforts by UNCTAD, the governments of Iraq, the US and the Global Entrepreneurship Network.

Various forms of registration are possible for entrepreneurs and businesses depending on their legal profile and the sector they belong to. For instance, The Ministry of Health and Ministry of Agriculture have processes for registration and licensing. Small factories which prefer to register as companies may register with the Ministry of Industry and Minerals, instead of the Ministry of Trade.

Box 3: The 14 steps to register an enterprise in Baghdad

- ▶ **Step 1:** The first step is to obtain initial approval for a trade name from the local Chamber of Commerce. Completion of a trade-name reservation form along with a copy of national ID and fees of IQD 54,750 (roughly US\$378) and an additional IQD 200,000 – 500,000 (roughly US\$135 to US\$340) are to be paid depending on the type of company being registered. At least ten different Arabic names should be provided to the Chamber of Commerce, who then conduct a search to see if the name is available or already taken by another company.
- ▶ **Steps 2 & 3:** The second step of the process is receipt of official approval of the trade name from the Federal Chamber of Commerce (CoC). The applicant must take the approval from the local CoC and supply this to the Federal Chamber in order to initiate another name search. Once the name is approved, a number of fees need to be paid depending on the activities of the enterprise ranging between IQD 150,000 and 1,000,000 (US\$100 to US\$685).
- ▶ **Steps 4 & 5:** Once the above steps are completed, the trade name letter is printed and signed. An official trade name approval letter is then generated.
- ▶ **Steps 6 & 7:** A minimum deposit (amount varies depending on the nature of the company) must be deposited into an accredited bank and confirmed by bank statement and a deposit confirmation letter. The deposit will be blocked in the bank until a certificate of registration is issued, but can be withdrawn immediately after that.
- ▶ **Step 8:** The entrepreneur can then apply online at the Ministry of Trade Registrar of Companies website⁹⁴ for registration. The Trade Name confirmation letter, evidence of bank deposit and Memorandum of association of the enterprise must be submitted along

⁹¹ Company Law No.21 of 1997 (as amended 2004)

⁹² <https://baghdad.eregulations.org/procedure/62/step/410?en®=0>

⁹³ See here <https://business.mot.gov.iq/>

⁹⁴ tasjeel.mot.gov.iq/Card25/

with an original national ID and lease of ownership agreement. Sometimes ration card revocation is requested, although this is not a legal requirement.⁹⁵ The Memorandum of association must be drafted by lawyers,⁹⁶ the cost of which varies by law firm.

- ▶ **Step 9 & 10:** An initial approval email is sent to the entrepreneur. Hard copies of the necessary documentation and for identity check must then be presented in-person at the Registry. Following this, an official badge card can be obtained using the initial approval email and national ID.
- ▶ **Step 11:** The trade name is confirmed, and a list of associated fees are supplied and a registration slip and legal representations are provided to the entrepreneur. The Companies Registrar then circulates the registration certificate to the Al Rashed Bank, Al Rafidian Bank, Social Security Agency, Ministry of Trade (MoT), Ministry of Planning (MoP), the Central Bank, the tax authority, MoLSA and other relevant agencies including.⁹⁷
- ▶ **Steps 12 & 13:** Fees are paid and registered with the MoT. The Baghdad CoC estimates that the list of fees usually amount to approximately IQD 73,000 (US\$50).
- ▶ **Step 14:** Registration license is granted and the enterprise is legally established. The founder of the enterprise will sign and provide their fingerprints in order to obtain the registration license. A registration circular is then sent to all the concerned entities along with the registration license, a tax number and social security number for the enterprise.

But before a company can legally begin operating, it must register all employees for social security and pay a social security deposit of approximately three payroll months to the MoLSA.

Steps for the registration of a trade name for **individual entrepreneurs** are less onerous and can be completed through the local CoC. Entrepreneurs must sign and present a rent agreement, residency card, national ID and statement of declaration that the applicant is not a civil servant to the CoC Office. The entrepreneur must present themselves at the office for the purpose of registering a trade name.⁹⁸ The total cost of individual registration is approximately IQD 23,750⁹⁹ (US\$15). According to the Personal Status Law, married women entrepreneurs must undergo the additional procedure of obtaining their husband's approval to leave home, which usually takes about 1 day to complete if there are no complications.¹⁰⁰

Box 4: Non-iraqi citizens and refugees' ability to establish formal enterprises

Non-Iraqi citizens and refugees face greater legal and practical barriers to establishing a formal enterprise. Legal restrictions on **foreign** ownership of enterprises were largely removed in the early 2000s in Iraq and foreigners now have the right to acquire membership in enterprises as founders, shareholders or partners.¹⁰¹ Under the amended Companies Law, there is no requirement for the directors or shareholders to be Iraqi nationals.¹⁰² However, a number of registration requirements, including the requirement for a security clearance from the Ministry of Interior (MoI), residency permit, license and bank account requirements, can make the process for registration more time-consuming and potentially pose barriers, particularly for refugees waiting on residency cards or security clearances. The security check, for instance, reportedly normally takes between 3 and 6 months, but it can take much longer to complete.

⁹⁵ World Bank Doing Businesses Report 2020, p8

⁹⁶ World Bank Doing Businesses Report 2020, p8

⁹⁷ Doing Business Report World Bank 2020 p 8

⁹⁸ <https://baghdad.eregulations.org/procedure/95/step/831?l=en®=0>

⁹⁹ <https://baghdad.eregulations.org/procedure/95/step/831?l=en®=0>

¹⁰⁰ See Personal Status Law No. 188 of 1959, Article 25 and World Bank (2020) *Doing Business Report 2020*, World Bank

¹⁰¹ Companies Law of 1997 (as Amended in 2004), article 12 and Ministerial Instruction No. 196 dated March 15, 2004.

¹⁰² Companies Law No.21 of 1997 (as amended in 2004), Section 3, article 12.

In turn, foreigners are not entitled to own land or fixed property without citizenship.¹⁰³

The Political Refugee Act 1971 (Article 11) grants **refugees** recognized under the Act the right to engage in trades and business on an equal footing with nationals.¹⁰⁴ However, there is no legal framework or special authorization in place to enable refugees who do not qualify as political or military refugee status under the 1971 Act (which includes the majority of refugees fleeing conflict, including Syrian refugees) to obtain a license to operate a business. They must follow the same procedures as a foreign entrepreneur. In practice, this means obtaining a security clearance and a license to register a business.¹⁰⁵ There is also a widespread perception among refugees and banks themselves that refugees cannot open a bank account without Iraqi national ID, even though there are no legal barriers to doing so.¹⁰⁶

3.3.2 Taxation

The Federal Income Tax Law No.113 of 1982, (as amended in 2003) is the main law governing tax in Iraq. The General Commission for Taxes (GCT) is the chief tax authority in federal Iraq while in KRI, the main tax authority is the Income Tax Directorate. The registration process involved automatic notification to the GCT in federal Iraq. In KRI, registration has previously been completed at the time of making the first corporate tax filing at the end of the financial year.

Corporate income tax is fixed at a flat rate of 15 per cent in both Federal Iraq and KRI. Oil and gas companies are taxed separately, under the oil and Gas Tax Law (No. 19 of 2020). Personal income tax is taxed according to the following rates:

- ▶ Up to IQD 250,000 (roughly US\$170): 3%
- ▶ Between IQD 250,000 and 500,000 (roughly US\$170 – US\$340): 5%
- ▶ Between IQD 500,000 and 1,000,000 (roughly US\$340 – US\$685): 10%
- ▶ Amounts in excess of IQD 1,000,000 (roughly US\$685): 15%

These rates apply to Iraqi residents and non-residents who have an Iraqi source of income. The tax is levied on all income of employees, including their basic salary and allowances. In KRI, a flat tax rate of 5 per cent is applied to all employees' salaries. The KRI tax authority generally levies income taxes on basic salary plus any allowances in excess of 30% of the basic salary. Individuals are entitled to a tax-free legal allowance of IQD 1,000,000 per month.¹⁰⁷

In addition to social security contributions, employers are required to withhold taxes on behalf of employees and pay the tax to the tax authorities every month (quarterly in KRI) as well as submit annual tax returns on behalf of their employees. The penalties for failure to pay taxes or late payment of taxes for both Federal Iraq and KRI are 5 per cent of the amount outstanding, if the payment is within 21 days late; additional 5 per cent penalty if the tax is still outstanding after a further 21 days. Late payment of social security contributions is penalized by a levy of 2 per cent of the amount of contributions due per month of delay.

Tax policies in Iraq have been criticized by employers for their lack of transparency and for allowing for corruption in collection, for the poor calculation methods which are not related to an enterprises' profit and the lack of fair and just taxation.¹⁰⁸

¹⁰³ Various laws govern the ability of foreigners to own property in Iraq, including the KR-I. In general, these restrict the right to do so to Iraqi nationals, with limited exceptions for foreign investors and Arab foreign nationals.

¹⁰⁴ See Political Refugee Act 1971, Article 11.

¹⁰⁵ Durable Solutions Platform, Far from Home: Future Prospects for Syrian Refugees in Iraq (2019), p26.

¹⁰⁶ U.S Committee for Refugees and Immigrants, World Refugee Survey – Iraq (2009)

¹⁰⁷ Deloitte (2021), *Doing Business Guide: Understanding Iraq's Tax Position*, Deloitte

¹⁰⁸ Employers interview

4 Drivers of informality

This chapter outlines the key findings from the desk-based review and the primary data collection on the key drivers of informality and the barriers faced by workers and enterprises to formalize. Broadly speaking, these can be divided into three main categories: national contextual drivers; barriers relating to government capacity; and demand-side barriers – namely, barriers relating to the situation of workers and employers.

4.1 National contextual drivers

4.1.1 Security situation

The security situation in Iraq is often cited as a key driver of informality¹⁰⁹. The growing influence of armed groups and use of violence to resolve conflicts or to gain access to resources remains a persistent challenge in Iraq because of the lack of trust between the Shia-dominated Iraqi government and the Sunni population including the Kurds. Minor disputes can rapidly escalate into conflict and violence¹¹⁰. This has caused huge damage to the operation of institutions, private sector business activities, employment, and the size and level of formalization.

There are several channels through which the security situation affects the formalization process. Firstly, the security situation has affected **education levels**¹¹¹. The persistent conflict has created a “lost generation” of youth with limited educational attainment and few technical, employable skills. Iraq’s Human Development Index (HDI) value for 2019 was 0.674, which ranked at 123 of a total of 189 countries on the HDI index¹¹², and the World Bank reported that 3.4 million out of seven million school-aged children are out of school and almost 33% of young population aged 15-29 are illiterate. This, in turn, affects the size and skills in the labour force¹¹³, which limits the prospects of labour-market entrants to find decent work and fuels high unemployment levels and the informal economy.

Secondly, the security situation since the Gulf war in 1992 has led to high rates of **poverty and vulnerability**, known key drivers of informality. Indeed, UNDP has defined 31.6% of the Iraqi workforce as “working poor” with daily earnings of less than \$3.10. High poverty rates are typically related to informal employment, in which workers are employed because they have limited better options.

In turn, several employers interviewed for this study in Baghdad highlighted how the security situation – and resulting instability - is one of the factors driving decisions not to **formalize** or provide contracts to workers: “we do not know what will happen tomorrow”; “*We have closed the companies many times due to insecurity, demonstrations, political conflicts and lastly Covid-19 restrictions*”. The onerous and lengthy procedures for registration and formalization may not be considered worthwhile in such an unstable environment.

4.1.2 Structure of the labour market and macro-economic context

The structure of the labour market also appears to impact on the proliferation of the informal sector. Firstly, jobs in the **public sector** equate to approximately 39 per cent of total employment in Iraq, but the sector suffers from over-employment and low productivity and also tends to employ few young persons. The public sector has come to be viewed as a de facto social safety net and Iraqis will queue for months or even years for a job in the public sector. Indeed, here, wages are higher, jobs are secure and the pensions system is generous, albeit unsustainable. However, informality may nevertheless persist in the public sector among sub-contractors.

¹⁰⁹ Employers & chamber of commerce interviews

¹¹⁰ Government of Iraq (2018), *Reconstruction and Investment Framework*, Government of Iraq

¹¹¹ USAID (2020), *Iraq durable Communities and economic Opportunities: Political Economy Analysis, with programmatic recommendations*, USAID

¹¹² UNDP (2020), *Iraq Human Development Report*, UNDP

¹¹³ USAID (2020), *Iraq durable Communities and economic Opportunities: Political Economy Analysis, with programmatic recommendations*, USAID

The private sector accounts for 40-50 per cent of employment and, similar to the public sector, in recent years it has failed to absorb the increasing number of youths entering the labour market and unemployed persons. Indeed, economic activity in the private sector has been affected by the security situation - which has made the country a very unstable place to start a new business – a difficult fiscal environment as a result of years of political and social turmoil and the recent collapse in international oil prices, and a difficult environment to do business. This has all been exacerbated by the COVID-19 pandemic.¹¹⁴ Indeed, in a recent study, some 25% of respondents who were employed prior to the lockdown reported that they became permanently laid-off during the pandemic. Combined, these factors have resulted in a proliferation of small-scale, often temporary economic units.

Thus, the lack of jobs in both public and private sectors has led the informal economy to provide a vital labour absorbing function, including for refugees and IDPs arriving from conflict-affected area.

4.1.3 Corruption

Generally, a positive relationship between corruption and the informal economy has been acknowledged Johnson, et al (1997) and Friedman, et al (2000). Reports on governance by the civil service and the conduct of officials in the discharge of their duties, including monitoring and enforcement of legislation and regulations have consistently indicated significant shortcomings in terms of professionalism, transparency and integrity.¹¹⁵ Transparency International's annual Corruption Perceptions Index ranked Iraq as the third worst country in the world for corruption in 2006, 2007, and 2008. This has improved over the past 12 years, but Iraq still ranked poorly in 2020, as 160th out of 180 countries.¹¹⁶ The World Bank has also placed Iraq in the bottom quartile with regard to governance.¹¹⁷

Corruption – including in relation to misallocation of government financial resources - in Iraq has a direct link not only with the quality of institutions and governance, which is claimed to be poor, but also results in an absence of capacity, coordination and clear allocation of responsibilities and resources. Combined, these lead to less capacity for financial and management planning and inefficiency in implementation, mismanagement of resources, lack of transparency and accountability, and an unfinished decentralization process¹¹⁸. Corruption also impede the development process, as the National Development Plan 2018 – 2022 notes the need to improve 'the degree of integrity and transparency and reduce administrative and financial corruption.'

Thus, entrepreneurs consistently list corruption as one of the most severe obstacles to doing business in Iraq according to the World Bank¹¹⁹ as business activities in such an environment are likely to be costly, which can explain the growth of informal economy (see also section 4.3.2 on trust in institutions).

4.2 Barriers relating to government capacity

As a general note, neither the Iraqi government, nor the KRG have data on non-registered enterprises. The only information the General Tax Authority in Baghdad reported is "the existence of information on firms that are not committed to registration of workers and a complete table of those who did not pay taxes".

4.2.1 Limited enforcement capacity

The findings point to the limited capacity of government to enforce the provisions of the laws applicable to employment and business¹²⁰.

114 Kebede, Tewodros A.; Stave, Svein E.; Kattaa, Maha (2020), *Rapid assessment of the impacts of COVID-19 on vulnerable populations and small-scale enterprises in Iraq*, Fafo and ILO

115 UNODC (2013), *Report on Corruption and Integrity, Iraq*, UNODC and World Bank (2012), *Iraq Investment Climate Assessment*, World Bank.

116 Transparency International (2020), *Corruption Perceptions Index*, Transparency International

117 World Bank (2012), *Iraq Investment Climate Assessment*, World Bank.

118 Government of Iraq (2018), *Reconstruction and Investment Framework*, Government of Iraq

119 World Bank (2012), *Iraq Investment Climate Assessment*, World Bank.

120 Employers & chamber of commerce interview

Firstly, the Labour Law of 2015 covers the vast majority of workers in the private sector in Iraq, however the **Labour Inspectorate** face a number of challenges that hinder its ability to contribute to formalization of the labour market through effective inspection. For example, the inspectorate faces severe personnel constraints: as of 2018, 231 labour inspectors were reportedly employed in Federal Iraq, while in KRI, there were 21 inspectors. These numbers fall short of the manpower required to adequately monitor workplaces in Iraq. In turn, there are also reports of poor governance within the labour inspection and a continuing failure of employers and unions to provide members for the inspection committee, which impedes their effective functioning. In KRI, the additional challenge of delayed payments to the civil service has seriously hampered the work of government. Thus, scarce resources, weak capacity and outdated technology and tools in the labour inspectorate have meant that the agency has largely concentrated its energy on monitoring formal and larger registered establishments and a large number of unregistered MSMEs and informal employment largely remain beyond the scope of labour inspection in practice.¹²¹ Indeed, in an ILO study on micro, small and medium enterprises in Iraq, most respondents (78 per cent) indicated that they had never received an inspection or visit by a public official.¹²² Similarly, several MSMEs interviewed in that study stated that they chose not to comply with the legal and regulatory framework for labour and employment because it is poorly enforced.¹²³ If non-compliant employers and enterprises can bribe their way out of compliance or face unofficial fees in the performance of their work irrespective of registration, then there may be little incentive or disincentive to formalize the enterprise and operations.

There are also other concerns over the enforcement approach of the government. In the past, the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) have raised concerns over the extent to which tripartite committees have exclusive competence to perform labour inspections and that only in the event of 'necessity or urgency', labour inspectors may undertake inspections alone, subject to prior authorization by their supervisors.¹²⁴ The requirement for tripartite committees to perform inspections, without the possibility of individual labour inspectors conducting inspections alone can pose a significant barrier to the performance of their duties, particularly in the instance where unions and employers are unable or unwilling to appoint an adequate number of members to the committees. This is also partially due to the shortcomings of the Trade Unions Law of 1987, which limits involvement of representative unions.

MoLSA has made efforts to strengthen oversight and enforcement of **social security** rights and responsibilities by appointing inspectors to examine old and newly registered enterprises to ensure workers' participation in social security.¹²⁵ In the event that employers have not paid contributions, inspectors will issue fines and warnings. Eventually the enforcement department seizes enterprise finances to enforce payment of contributions.¹²⁶ There is also a level of coordination reported between labour inspectors and the Social Security Department. In the event that a suspicion arises within the Social Security Department, a report is sent to the Inspection Department to follow through with an inspection of the enterprise, which relies on the registration of an enterprise. However, there is an absence of data, which makes it difficult to assess the effectiveness of this process in ensuring the enrolment of all eligible employees and payment of contributions in registered enterprises, and low levels of enrolment continue to prevail as a significant number of employers evade their financial obligations. There is also a lack of data on the number of workplaces that have been found to be non-compliant with enterprise registration, employee social security enrolment and/or employment contracts and working conditions, as this has not been published or shared.

Finally, it has also been reported that the **courts** have virtually no powers of enforcement in practice with regards to labour disputes which – combined with limited trust and financial barriers (see below) limit the use of formal dispute resolution mechanisms by workers¹²⁷, while enforcement of

121 ILO (2018), *Decent Work Country Program Iraq: Recovery and Reform (2019-2023)*, ILO

122 White, Simon (2012), *Micro, Small and Medium-Sized Enterprises in Iraq: A Survey Analysis*, ILO, p. 8

123 White, Simon (2012), *Micro, Small and Medium-Sized Enterprises in Iraq: A Survey Analysis*, ILO, p. ii

124 CEACR direct request, 2015 c 81

125 Interview with MoLSA officials

126 Interview with MoLSA officials

127 World Bank (2012), *Iraq Investment Climate Assessment*, World Bank.

tax regulation is also identified as limited, which respondents in this study also highlighted as being partly driven by a lack of cooperation between several government agencies with the Tax Authority,.

4.2.2 Legislative environment

The legislative environment is also identified as a driver of informality, either due to the outdatedness or restrictions imposed by existing laws or the absence of implementing regulations.

Social dialogue in Iraq suffers from the absence of a supportive legal environment. The 2015 Labour Law permits all workers in the private sector to organize and collectively represent their interests, including through strikes. The passage of this Law and the subsequent ratification of ILO Convention No.87 on Freedom of Association and Protection of the Right to Organize enhanced the legal foundation for tripartite dialogue. However, in the absence of a new trade union law¹²⁸ or formal repeal of the former law, the Union Assembly Law (No.52 of 1987) remains in force. This Law prevents workers in industrial state-owned enterprises from organizing and recently, the Ministry of Industry and Minerals also issued a decision restricting workers from forming unions or engaging in organizing activities within the Ministry's institutions.¹²⁹ In turn, informal workers are largely unrepresented by formal labour organisations and trade unions. The Government appears to favor a trade union monopoly over union fragmentation or multiplicity. Indeed, national laws and policies anticipate and/or mandate tripartite mechanisms for social dialogue, including tripartite labour inspection committees, the Higher Committee for the Planning and Placement of the Labour Force, the Private Sector Development Council and the tripartite Social Security Fund envisaged by the draft Social Security Law and the tripartite set up for labour courts.¹³⁰ In practice, GFIW tends to be recognized by the Government as the official trade union in tripartite structures and there are limited opportunities for other unions to participate in formal social dialogue.¹³¹

Another challenge identified in the legal assessment is the absence of implementing regulations, which impede the effective application of the laws. Indeed, a significant number of provisions in the Federal **Labour Law** envisage and require the formulation of implementing regulations, but most of the anticipated regulations have not yet been drafted or issued. This contributes to legal uncertainty and challenges in the application and enforcement of the law.

In turn, some of the existing regulations and business registration laws are not meeting the needs of business owners. For example, there is no law to formalize the self-employed and sole-owner businesses with the CoC, and current laws and regulations are identified as limiting opportunities to grow new economic business units such as ICT, social, and economic consultancy services.

4.3 Demand-side barriers

4.3.1 Awareness

Limited awareness among workers and businesses of their rights and obligations under the relevant laws is the first stumbling block in terms of compliance with these laws, and this was highlighted throughout the data collection for this study.

On the one hand, several key informants interviewed for this study highlighted that after the issuance of the new Labour Law, there was an increase in the **awareness** among workers of their rights, or noted a great commitment of workers to the Labour Law. Yet none of the workers interviewed in both Erbil and Baghdad reported having information about their rights under the Labour Law. This impedes their ability to uphold those rights, which is a direct impediment to improving working

¹²⁸ A draft trade union law, intended to replace the 1987 Law on Assembly, and is currently before the General Secretariat of the Council of Ministers.

¹²⁹ The Republic of Iraq Ministry of Industry and Minerals Administrative and Financial Department Decision Number: 528, 7/1/2021

¹³⁰ ILO (2018), *Decent Work Country Program Iraq: Recovery and Reform (2019-2023)*, ILO

¹³¹ ILO (2018), *Decent Work Country Program Iraq: Recovery and Reform (2019-2023)*, ILO

conditions and job security. In turn, some workers also noted that even if they were aware of their rights, they would not defend them (including through formal dispute mechanisms¹³²) for fear of losing their employment. Indeed, none of the workers interviewed had information about labour dispute resolution mechanisms, which undermines their ability to defend their rights. Indeed, in Erbil, several key informants reported a small number of complaints because of poor knowledge of complaints mechanism.

Awareness among businesses about their responsibilities under the labour law is mixed, with some noting ignorance about their obligations under the labour law to provide workers with contracts, while other did appear to be aware of their obligations in relation to business registration office, payment of taxes, and under the labour law, including with regards to contracts, worker rights, and need to register workers with social security: *"We have many copies of the Labour Law and we follow it to organize our employees. Our employees have written contracts in which we pay the social security taxes"*. However, compliance with social security obligations are much higher among foreign companies than among local companies, the majority of which were not registered.

Business owners interviewed for this study were also aware of the mechanisms for dispute resolution. Indeed, the General Tax Authority provide a booklet about dispute settlement mechanism containing instructions, numbers and tax account ratios issued by the Tax Authority which may serve to raise awareness on this issue.

4.3.2 Trust in institutions

Trust in institutions was also highlighted as a driver of informality: without trust in institutions to fairly uphold the law – but also to effectively provide services – workers and businesses may not consider formalization worthwhile. This is closely related to the issue of corruption noted previously.

Indeed, the interviews conducted for this study highlight a low level of confidence among **businesses** in government institutions – including inspectorates, tax authorities, the CoC, Business Registration Office, social security and government officials more generally – but also with institutions closely involved in the formalization process, such as banks. Many employers who participated in the study – both in Baghdad and Erbil – highlighted corruption among several government agencies and banks.

Lack of trust in institutions was noted by some businesses as being one of the key reasons not to register, while in some cases, businesses reported underreporting worker salaries to avoid paying social security contributions due to the lack of trust in the Social Security department.

Similarly in Erbil, key informants noted a lack of trust also among workers, noting that *"workers do not trust the social security offices, thus they cannot abide the Labour Law"*. Similarly, low levels of confidence in the labour courts to rule in favor of workers is one of the barriers identified to the use of formal dispute settlement mechanisms by workers.¹³³

This is closely related to the issue of corruption noted previously, as stakeholders reported that the Government do not require transparency, nor do they enforce transparency in their processes, which leaves ample space for corruption and makes it difficult, even for the well-intentioned, to implement the laws and regulations.¹³⁴

Some government institutions understand the lack of trust of workers and businesses towards institutions, but the majority does not. For example, the General Tax Authority reported the lack of confidence among citizens, workers, employers and entrepreneurs in their institution, but noted that this may not result from their conduct but rather, from the lack of provision of other general services

¹³² Keify M. Qadr, Abdulsamih M. Rahman & Sangar Y. Salih (2016), *The Condition of Workers' Rights and Freedom of Labour Union In Kurdistan Region and Iraq*, Peace and Freedom Organization in Kurdistan (PFOK) and Norwegian People's Aid, p 25.

¹³³ Trade unions interview

¹³⁴ Trade unions and employers interviews.

such as health, transportation, and education that the taxes are meant to finance (see incentives section below). But unlike the Tax authority, the Companies Registration office believes that workers and enterprises have good confidence in them. Similarly, the Federation of Trade Unions in Iraq noted that the confidence of workers in them has increased due to the signing of several agreements with foreign Unions, while the Chamber of Commerce in Erbil has highlighted their credibility among businesses and employers due to their professionalism.

This limited trust in institutions – and limited recognition thereof – are identified as a significant driver for the proliferation of business activity in the informal economy and an impediment to register and formalize.

4.3.3 Limited incentives to formalization

An important consideration for workers and businesses in the formalization process is the existence of incentives to doing so – in other words, are there any benefits to being formalized compared to remaining informal. Incentives to formalize may refer to better working conditions, access to quality benefits and services (including social security for workers, for example, or business development services, credit and public tenders for businesses).

In Iraq, **workers** appear aware of the benefits of having a contract, noting that this can lead to better salaries, precise working hours, job security, payment schedules, access to sick leave, health insurance, and loans, and improvement in business productivity.

“The work contract improves my economic and social conditions, as I can make plans for myself and my family over a year” (FGD workers Baghdad)

“I will be receiving monthly salary from banks, then I can benefit from having bank account and master cards” (FGD workers Baghdad)

“More loyalty and credibility with employers” (FGD workers Baghdad)
“Guarantee social security salary” (FGD workers Baghdad)

“Guarantee my rights in trade unions” (FGD workers Baghdad)

“Legal obligation that protects my rights and guarantee me protection” (FGD workers Baghdad)

On the other hand, workers in Erbil also point to disadvantages of having written contracts, including in terms of having a fixed duration of employment (which some indicate may prevent them from seeking better employment), registration fees, statutory requirements, and administrative procedures.

Incentives for **businesses** interviewed in Erbil to hold contracts with workers include where contracts can guarantee the rights of both employers and workers in case of a dispute and being able to hold workers accountable. However, employers interviewed in Baghdad saw no incentives to having a written contract with their workers: *“Out of 61 workers, only one has a contract which is done for the purpose of getting residency”*.

In terms of incentives to register businesses and formalize themselves (rather than formalize the situation of their workers), businesses interviewed for this study, highlighted tax exemptions - for example when importing productive assets or hiring unemployed workers -although informal firms do not usually, by definition, pay taxes. In turn, it was been reported that registered businesses are able to access Government tenders.¹³⁵ However, many highlighted the lack of incentives to register, particularly in Baghdad in relation to the lack of public services¹³⁶– which their taxes are meant to

135 Employers and chamber of commerce interviews

136 Chamber of commerce KRI interview

finance – but also in terms of benefits and services available to registered businesses. These include, for example, tax exemptions, but also, importantly, access to finance and credit – identified in the interviews as a key need for many enterprises. Indeed, the size of the financial sector in Iraq makes access to finance difficult, as the sector provides credit at a value of less than 7% of GDP to the private sector compared with 55% on average in other MENA countries¹³⁷.

4.3.4 Financial barriers

In addition to the perceived incentives (or lack thereof) to formalization, another important consideration – or barrier – that workers and businesses are faced with is the cost of doing so. If the cost is perceived as high, with limited perceived benefits, then workers and firms may not consider the formalization process to be worthwhile. Yet even here, the cost of formalization may be too onerous particularly for MSMEs. Indeed, costs relate not only to the fees applicable for registering a business (as outlined in Ch. 3), but also to the costs incurred from taxation and social security contributions (the latter of which apply both to businesses and workers).

Many **businesses** interviewed for this study both in Baghdad and Erbil highlighted the cost of registration and subsequent tax and social security obligations as being an important barrier to formalization:

“registration licenses or the tax authority impose very high sums” (FGD, businesses, Baghdad)

“large sums imposed by the General Tax Authority” (FGD, businesses, Baghdad)

“many companies flee and do not register their companies officially due to financial and administrative obstacles” (FGD, businesses, Baghdad)

“This process is money and time consuming” (FGD, businesses, Baghdad)

In turn, in Erbil some respondents noted that the changes to the tax administration had increased the tax burden, leading some to seek ways to evade: *“While I previously had a registration of 330 employees including paying all the social security, currently because of the direct tax and deduction, I am looking for ways to evade taxes”* (FGD, businesses, Erbil). Thus, businesses are offering employment without contracts in order to avoid paying taxes.

Both businesses and workers highlighted the cost of social security contributions as being onerous and therefore representing a disincentive to register (whether themselves or their workers). Some respondents even noted that they would evade registration of employees until or unless it was necessary to obtain various licenses and demonstrate compliance with government procedures, at which point they would then register only a handful of employees to demonstrate compliance.¹³⁸ This practice of registering a select number of employees in social security to access specific licenses and permit is reportedly common. It also indicates, however, that linking registration or licenses to social security has been effective in securing a (low) level of compliance. Similarly, several workers with low-incomes prefer not to participate in social security because the employee deductions would reduce their take home wages, and some unions expressed their concerns that the increase in contributions for social security proposed in the Draft Social Security Law will further deter enrolment.¹³⁹

Financial costs are also identified as a barrier for workers and firms from using formal dispute resolution mechanisms, despite the exemption for workers from paying court fees¹⁴⁰, as are the high levels of bureaucracy.

137 World Bank (2017), *Iraq - Systematic country diagnostic*, World Bank

138 Employers interview

139 Interview trade unions

140 Trade unions interview

4.3.5 Administrative barriers

The process required to register businesses has been outlined in Chapter 3, and the research highlights how these heavy bureaucratic requirements – and the time required to complete them – represent a barrier to registration and formalization.

Box 5: Ease of doing business in Iraq

The World Bank “Doing Business Report” ranks countries on the ease of doing business, based on several key indicators. Overall, Iraq ranked 172th out of 190 countries for ‘doing business’¹⁴¹- worse than the regional average¹⁴²- an indication of the poor rankings of the country on many important metrics, some of which also affect the formalization process.

- ▶ Iraq was ranked 152nd out of 190 economies for **starting a business**. The World Bank estimated that it would take approximately 26.5 days for an Iraqi national to set up a small-medium sized limited liability business and that the minimum set-up cost amounts to approximately 14.6% of income per capita. Overall, it was estimated that approximately IQD 1,000,000 would need to be paid as a minimum capital requirement. The World Bank concluded that Iraq ranked lower than the Middle East and North Africa region in terms of total time, cost and procedure average.
- ▶ Iraq has been ranked as one of the most difficult countries to **complete tax filings**.¹⁴³ Iraq lacks developed systems and infrastructure, which make tax compliance inherently more challenging than elsewhere.¹⁴⁴
- ▶ Iraq was ranked 147th in the world for **enforcing contracts**¹⁴⁵.
- ▶ In terms of **access credit**, Iraq ranked 186 out of 190 economies. This indicates that significant barriers continue to exist to financing enterprises.

Indeed, processes to **register a business** remain highly bureaucratic and difficult to navigate¹⁴⁶, even with the introduction of the electronic business registration system, which has reportedly been ineffective. Indeed, despite the simplifications made to facilitate registration of businesses outlined in Chapter 3, many entrepreneurs interviewed for this study find they are also required to obtain specific licenses from various departments and offices, including local authorities in order to operate in a certain sector.¹⁴⁷ Administrative procedures are identified as complicated due to outdated ways of working, lack of capacity, lack of the use of technology, over-centralization of authority and inaccessibility of services, nepotism, inefficiency/delayed decisions, bureaucratic obstruction and abuse of authority. On the latter, one respondent explained:

“A while ago, I decided to register my Printing Press firm in the Chamber of Industries. My request was rejected because I was told that the place has been designed for a metro transportation project. Later, registration of the Printing Press within the same place was given to a relative of one of the ministers” (FGD, business, Baghdad).

Because of the complexity of the procedures, some respondents noted the need to establish a specific department in the company to manage the registration process, or to hire lawyers to do so, which is

141 World Bank (2020), *Doing Business Report*, World Bank

142 World Bank (2020), *Doing Business Report*, World Bank, p. 6

143 World Bank (2020), *Doing Business Report*, World Bank

144 Deloitte (2021), *Doing Business Guide: Understanding Iraq's Tax Position*, Deloitte

145 World Bank (2021), *Doing Business Report*, World Bank

146 <https://www.legal500.com/special-reports/the-legal-500s-guide-to-doing-business-in-iraq/>

147 <https://www.legal500.com/special-reports/the-legal-500s-guide-to-doing-business-in-iraq/>

costly. In turn, respondents noted that there is little support for small enterprises to register, either from Government or from employer organizations.¹⁴⁸

Even when a company is registered, processes to fulfill obligations under the law remain time consuming. For example, in Baghdad, the number of hours and days required to pay taxes are reported to be high due to red tape at General Tax Authority.

"For the annual tax payment, I queued for seven hours" (FGD, business, Baghdad)

"The tax payment needs ten months to be completed" (FGD, business, Baghdad)

The subsequent failure to register companies also results in informal use of labour and businesses operating without the necessary licenses.¹⁴⁹ Requirements for businesses to be registered in order to then register their workers with social security, also represents a barrier to extending social security coverage.

Box 6: Barriers faced by refugees

Refugees and asylum seekers face specific barriers to finding formal employment. Indeed, the bureaucratic requirements, which vary from governorate to governorate and even on a case by case basis, make it difficult for many refugees to meet the requirements stipulated under the Labour Law to access formal employment, and there are reports that refugees struggle to register with MoLSA in south and central Iraq in particular.

In turn, the process has been perceived to be discriminatory against refugees and even between refugees.¹⁵⁰ In the city of Qaim, it was reported that the Government required Syrian refugees to have their passport stamped in Syria in order to proceed with the application process – an impossible hurdle.¹⁵¹ On the other hand, some local authorities, including in Najaf and Karbala, have turned a blind eye to refugees working without the required MoLSA registration. This is useful in a practical sense for refugees needing to secure a source of income, however, informal employment is against the law in Iraq and places the refugees at risk of loss of rights, and prosecution by the Iraqi. In turn, and possibly as a result, their employment rates, wages, and working conditions lag behind those of locals due to violations of their rights as workers^{152 153}.

Yet support provided by international organizations and local government with regards to training have improved in their skills has opened access to opportunities in some sectors, FGDs reported.

148 Interview with employers

149 Employers interview

150 Employers interview

151 DRC, IRC, and NRC (2019), *Far from Home: Future Prospects for Syrian Refugees in Iraq*, Danish Refugee Council, International Rescue Committee, and Norwegian Refugee Council p.27

152 Keify M. Qadr, Abdulsamih M. Rahman & Sangar Y. Salih (2016), *The Condition of Workers' Rights and Freedom of Labour Union In Kurdistan Region and Iraq*, Peace and Freedom Organization in Kurdistan (PFOK) and Norwegian People's Aid, p 25.

153 World Bank (2021), *Labour market integration of refugees and internally displaced persons: The behavioral and socio-emotional side*, World Bank

4.3.6 Constrained social dialogue

Another barrier to formalization is the limited voice and representation of workers and employers, and the limited capacity of worker and employer organizations. As noted previously, the legal environment poses several constraints on the ability of worker organizations, and there are further concerns that a recent administrative decision taken by the Office of the Secretary-General of the Council of Ministers to form a new department within its organizational structure to 'Follow up on Federations and Unions Affairs' could further limit the independence, representativeness and multiplicity of unions in Iraq.¹⁵⁴ On the side of employers, the Iraqi Federation of Industries (IFI) is the main representative organization of employers in the private sector, but it suffers from low institutional capacity compared to similar organizations in the region.

In turn, non-recognized workers' organizations in the country face difficulties to operate including lack of consultation with employers and government. These practices not only generate distrust among social partners but adversely impact social dialogue mechanisms and functions. Independent unions' inability to effectively organize and represent workers including in tripartite forums, such as inspection committees and labour courts, has a significant impact on labour governance.

As noted previously, some respondents in the study have highlighted the lack of support provided by such organizations: *"The unions do not support those workers who face problems"*. This is an obvious indication of the issue of voice and representation not only of the vulnerable workers in the context of informal economy, but also workers in the formal economy. In turn, the weakness of the unions, and their weak representation in dispute resolution also hinders effective and fair dispute settlement.

¹⁵⁴ Council of Ministers Administrative Decision 23/1/3, 8/2021, issued on 11 August 2021.

5 Actors and policy and programmatic approaches to promote transition to formality

This chapter provides a brief overview of the key actors involved in the formalization process and agenda, as well as their policies and programs to promote formalization – including through job creation and business services. The first section highlights the national actors who are involved in - and have responsibilities towards – the formalization process in Iraq. The second section then outlines current strategic framework and programs that contribute to formalization process. Finally, the third section provides examples of international actors and their programs in Iraq, who are directly and indirectly promoting formalization, including through the promotion of formal job creation.

5.1 Actors

There is a wide range of actors involved in the formalization process, many of which have already been introduced in previous sections. Here we provide a very brief recapitulation of government actors and their roles in the formalization process, before presenting (a non-exhaustive list of) non-governmental actors involved in supporting the process.

Government actors

- ▶ **Chamber of Commerce** are engaged in the business registration process - as the core of economic formalization - by approving business names and register individual entrepreneur businesses.
- ▶ **Chamber of Industries** works as registration authority of industrial projects, but also supports in the facilitation of access to loans for business and provides training and awareness-raising opportunities. The Chamber of Industries is also a member of the Labor Court under Law No. 37 of 2015, where it represents employers and is the decision-maker. The Chamber of Industries is also a member of the inspection committees affiliated with the Ministry of Labor and Social Affairs (see below).
- ▶ The **Ministry of Trade** (Ministry of Trade and Industry in KRI) is responsible for granting licenses for investment projects in the construction and manufacturing sectors, and for large-scale businesses as outlined in the investment law.
- ▶ The **Companies Registration Office** (CRO) is part of the Ministry of Trade and issues licenses for companies to operate and are the main institution responsible for company registration.
- ▶ The **General Tax Authority (Income Tax Directorate** in KRI) sits under the Ministry of Finance and calculates and collects tax obligations from registered businesses, while their inspection committees investigate tax payment. While there is no penalty for the tax evasion, those who try to evade may be forced to make payment when seeking to access other services such as transferring ownership of a house or a car. The institution reported a weak role in the formalization of the economy. However, recently, new regulations are being applied in KRI which impel business owners of MSMEs to pay taxes by notifying them to report to the Tax authority, and failure to do so may result in the temporary closure of the business by the security departments. Security departments are also currently requesting tax declarations from real estate owners before allowing renting or purchase contracts.
- ▶ **Ministry of Labour and Social Affairs** implements the Labour Law and their Labour inspectors are responsible for enforcing the Law. In Erbil, they are also involved in fostering the social and economic integration of forcibly displaced persons and their host communities. The MoLSA is also directly involved in the formalization of the economy through the provision of vocational training across Iraqi governorates and issuing graduates with professional licenses, supporting business startups through the provision of grants in partnership with the UN agencies and development partners (GIZ, UNFPA, IOM, etc...), and supporting job placement through jobcentres operating in coordination with the Social Security Department and vocational training centres.
- ▶ Within MoLSA and MoLSA-KRG, the **Social Security Department** deals with the implementation of the social security law, and is responsible for worker registration, collection of contribution and payment of benefits. However, they reportedly deal mainly with registered workers or employers.

- ▶ **Sectoral Ministries** (including Ministry of Agriculture, Ministry of Industry and Minerals, and the Ministry of Health) also play a role in the formalisation of enterprises and economic units in their respective sectors.
- ▶ MSMEs (including restaurants and bakeries) are also able to register at the **Mayoral Offices** at the governorate levels, which then involves compliance with health and safety regulations and tax payment.
- ▶ **Joint ministerial committees in the KRI**, which are present in each governorate and are led by the MoLSA with a membership of the MOF, tax office, and security and health departments, work as inspection bodies who visit business units based on either random selection or after receiving reports of breaking regulations or violations of health and safety regulations.

Non-governmental actors

Tripartite partners

- ▶ **Trade unions** (including the Trade Union Federation) are involved in dispute resolution, monitoring the rights of workers, raising awareness about labour rights, auditing businesses and supporting in the formalization of informal businesses by empowering women and creating opportunities for unemployed youth.
- ▶ **Employer organizations** (including the Federation of Iraqi Industries) aim to raise awareness among businesses about performing business activities in accordance with legal frameworks.
- ▶ Some **private sector companies** provide tailored services – through programs implemented by UN agencies and INGOs - that include of providing vocational training, coaching, business grants and job placements. Examples of those companies are M-Select, 51 Lab and the station.

Local organizations

- ▶ **Prosperity Makers Organization:** This NGO works mainly to support youth and women and forcibly displaced into employment through support for accessing work permits, training and empowerment programs, support for small and medium enterprises, and connecting women and young craftsmen and artisans with companies or organizations working on small and medium projects.
- ▶ **Women's Leadership Institute:** This NGO support employment of women and forcibly displaced, including through finding training and employment opportunities, providing psychological, social, legal and economic support, supporting women to access work permits, providing productive assets, and activating the gender budget policy in five ministries (Labour, Finance, Interior Planning and Defence) by monitoring policies and procedures.
- ▶ **Public Aid organization:** This NGO works in cooperation with Norwegian Business Innovation Programs and has implemented over 19 training programs on business startups across Iraqi governorates, including within IDP and refugee camps. The course consists of six days of training through which participants are provided with skills and knowledge on how to create their businesses.
- ▶ **Al Amal association**, in partnership with UNWOMEN and UNDP, have implemented a range of vocational training programs, organized job fairs and provided grants to youth and women in camps and out of the camps.

5.2 Government strategies and programs

At the national level, there are five strategies initiated by the Iraqi government and KRG aimed at fostering the economy and reducing poverty in Iraq. Those five strategies are the White Paper for Economic Reform of 2020, the Poverty Reduction Strategy, the Reconstruction and Development Framework, and the Private Sector Development Strategy, and the Kurdistan Region of Iraq 2020. These strategies are highlighted as part of the formalization process because at their core, these strategies aim to promote economic development by increasing access to resources for formally registered businesses. In other words, it creates financial incentives to promote formalization of businesses. In turn, these strategies promote formalization by requiring economic units to provide tax declaration forms and details of workers and contractors in order to access government tenders.

Public procurement itself can contribute to formal job creation where applicant companies need to hire new employees to complete those projects who are, from the outset, more closely exposed to relevant government authorities.

5.2.1 Government strategies

In 2010, the first **Poverty Reduction Strategy (PRS)**¹⁵⁵ was launched, but was difficult to implement due to the armed conflict. The second phase of the PRS was then introduced and focuses on enhancing the life of poor citizens. The new PRS strategy focuses on the same challenges as in the first PRS; security and stability, good governance, fair distribution and diversification of incomes under a market economy, and finally, mitigating the negative impacts of economic reforms on the poor. The PRS demands reforms to contribute to improving living standards, protection against risk and hazards and achieving economic empowerment as well as turning unskilled workers with no proficiency into productive, and integrated contributors to society.

In 2014, the Government of Iraq launched the **Reconstruction and Development Framework**¹⁵⁶ that aimed to respond to the current needs and recovery resulting from the armed conflict. The key actions in the framework are governance, national reconciliation and peacebuilding, social and human development, infrastructure and economic development. These five pillars are prioritized and aim to contribute to the adoption of an integrated reconstruction and development plan for the country, in application until 2027. This framework aims to create new possibilities for Iraqis and Kurdistanis by enabling economic recovery, the cost of which is claimed to be nearly US\$88 billion.

The vision statement for the **Private Sector Development Strategy**¹⁵⁷ (PSDS) 2014-2030 is to develop *"a viable and thriving national private sector, that is regionally competitive and globally integrated, led by the business community, which contributes to economic diversification, sustainable development and job creating"*. This strategy includes elements of the PRS and reconstruction and development framework, and represents an agreement between the government and representatives from the private sector and international development partners.

The PSDS envisions a cohesive, coordinated and cooperated agreement between the government and private sector that increase job opportunities. The PSDS aims to promote the ability of the private sector to diversify the national non-oil economy and contribute to economic growth and improve the environment for doing business in Iraq and Kurdistan in order to promote economic recovery and increase competitiveness. Investing in the private sector and focusing on the unemployed workers and those living near or below the poverty line will support in achieving this.

The Iraqi government adopted the **White Paper for Economic Reforms**¹⁵⁸, which anticipates a reform process over of three to five years as implement by the Crisis Cell for Financial and Fiscal Reform. The white paper has two main objectives: first, to initiate an immediate reform program addressing the budget deficit to create fiscal space for the medium-term reforms package; and secondly, to put the economy and the federal budget on a sustainable path, after which Iraqis can decide and choose the economic direction of the country. The White Paper outlines five key pillars for the reform including achieving sustainable financial stability, creating sustainable job opportunities, improving basic infrastructure, strengthening basic services and protecting vulnerable groups and finally, improving governance and introducing changes to the legal framework. Activities under this last pillar have direct implications for the formalization agenda, as these include:

- ▶ Reviewing and amending the official guidance concerning government contracts.
- ▶ Introducing e-governance systems to strengthen oversight of government contracting and the collection of taxes and customs.

155 See executive summary here <https://mop.gov.iq/en/static/uploads/1/pdf/15192838546d2344468c97dc099300d987509ebf27--Summary.pdf>

156 See here <http://www.cabinet.iq/uploads/iraq%20reconstruction/iraq%20recons%20&%20inves.pdf>

157 See here <http://cabinet.iq/uploads/pdf/2015-3/2.pdf>

158 See here <https://gds.gov.iq/iraqs-white-paper-for-economic-reforms-vision-and-key-objectives/>

- ▶ Introducing an electronic governance system in the field of government contracting and tax and customs collection.
- ▶ Completing the project establishing the National Information Center to facilitate the introduction of government e-services to citizens, and automate the procedures for obtaining key documents such as nationality and passports and accessing pensions and social security.

Finally, the **Kurdistan Region of Iraq 2020**¹⁵⁹ outlines the vision for the Region's development and what steps the KRG is taking to improve its' population's well-being. The Vision is presented across four key pillars focusing on social policy, economic policy, infrastructure and governance. The priority within the labour market is to reduce underemployment, promote skills, and reforming the social insurance and pension laws to "ensure that private sector workers have protections and benefits that are fair and that will attract more of the working population into the private sector"¹⁶⁰. In turn, the second pillar on enabling private-sector growth directly addresses the issue of informal economic units, as one of the key monitoring indicators is the "time it takes to start and close a formal business and the cost of doing so"¹⁶¹.

5.2.2 Government programs and initiatives

In turn, there is a range of programs and initiatives implemented by various Ministries and government agencies that aim to promote formal job creation and contribute to the formalization process.

Various government bodies outlined above have launched initiatives that directly or indirectly promote formalization. In 2015 the **Central Bank** launched an initiative to finance registered small and medium enterprises in the field of agriculture, industry and construction to support employment generation and to finance small projects. To be eligible, the company must be registered. In the event of a financing request from a borrowing person (rather than a company), this person must have an identity registered with the CoC, in addition to a license to practice the profession and the rest of the official papers.¹⁶²

Nevertheless, within the wider Iraq, there is a general perception of the ineffectiveness of those programs because of limited government focus on the implementation of the Labour Law and the absence of government cooperation. Indeed, respondents in this study noted that there is a gap in policy and programming. In Baghdad, respondents noted the lack of experience of government with issues relating to economic empowerment and the lack of organization within these programs; and lack of knowledge of the relevant laws as factors impeding the success of these programs.

The **MoT** is working to bring in foreign investments to the country through various marketing approaches, facilitating logistics and providing tax exemptions, which promotes job creation in a formal process. Furthermore, the Ministry is currently working on introducing the «one stop shop» to cut the bureaucratic red tape and to ensure business owners have the support and advice they need to succeed quickly.

In turn, the **CRO** is contributing to the formalization process by providing a new service for people with special needs and the elderly. Indeed, the CRO has appointed mobile officers who can visit such applicants to process their applications, which facilitates company registration and renewal processes and any other legalization processes.

As a part of their services, the **CoC** provide loans and financial support to start-ups and existing economic units. For example, the COC in Baghdad is supporting access to finance and loans by Rafidain bank to its members - formally registered businesses - with an interest rate of 6% annually. In Erbil, the COC successfully supported the start-up of three factories in the KRI in partnership with UNDP by providing nearly 70% of the business startup costs.

¹⁵⁹ See here https://us.gov.krd/media/1286/krq_2020_last_english.pdf

¹⁶⁰ p. 15

¹⁶¹ p. 49

¹⁶² Central Bank interview

The **Ministry of Finance** (MoF) is currently aiming to strengthen partnership with the private sector to contribute and to advance the formal economy in Iraq. To achieve this plan, the Ministry - in coordination with the Iraqi Central Bank - is supporting access to finance through loans in public and private banks. The governmental banks, Rasheed and Rafidain, are providing loans with interest rates starting from 2%, lower than that which private banks receive from the Central Bank, which stands at 6-8%. In addition, on September 21, 2021, the Iraqi government announced a new policy that aims to strengthen the skills of the MoF in preparation of a gender-responsive budget, with support from the World Bank. This policy will include the development of women's skills with a focus on digital skills, enhancing the capacity to conduct research on women and youth in informal work and unregistered businesses and finally, creating a favorable working environment for women.

5.3 Development partner programs

As part of conflict recovery support programs, international partners have provided support for job creation and offer vocational training for unskilled workers and business entrepreneurs, and support forcibly displaced populations to start up their own businesses by providing them with training. The international partners engaged at promoting economic development through formal job creation, formal business start-ups and their programs are outlined below.

The **EU** is financing a program covering the period 2020 to 2023 to provide Support to Governance and Sustainable Job creation in Iraq that contributes to sustainable, inclusive socio-economic growth through agri-food business development, natural resource management and improved economic opportunities and decent work. The program is implemented by FAO, ITC, GIZ, UNESCO, ILO and IOM. The EU also finances a four year program implemented jointly by UNICEF, WFP and ILO entitled Social Protection Program: Leveraging Effective Response and Accelerating Reform which aims to strengthen the social protection system in Iraq that aims to ensure equitable access to integrated social protection system that is inclusive, child and age sensitive, food security and nutrition-sensitive as well as gender and shock responsive. One of the key components of this project is support to MoLSA to extend the coverage of social security to informal workers.

GIZ is implementing several programs that focus on economic development that includes elements of formalization of economic units and job creation. One such program is the "Qudra2 Program" that aims at employing youth male and female in KRI in local firms, who receive on job trainings during their placement period. Another program launched in 2020 is called REPLECA that focuses on reconstruction and rehabilitation of agriculture sector in Anbar by supporting farmers and government institutions with trainings, productive assets and access to grants. Finally, the Recovery and Stabilization program that started in 2019 in Ninawa governorate aims to contribute to the reconstruction process through stabilizing households, rehabilitating public infrastructure, and supporting capacity development; and to strengthen the resilience of vulnerable populations. The economic component of this program includes vocational trainings, job placement, supporting project start-ups and cash-for-work components.

UNDP implements many stabilization activities in Iraq, supporting the Government of Iraq to facilitate the return and reintegration of Iraqis displaced from the ISIL conflict. Their approach focuses on rehabilitating key infrastructure, restoring essential services, creating livelihoods, developing the capacity of local authorities, and fostering social cohesion. Through the stabilization program, UNDP provides support for immediate, medium, and long-term employment. This has resulted in more than 100,000 livelihood opportunities created through activities like cash-for-work, cash-grants, MSME grants, business development training and vocational training, particularly among young people. The projects include: the Funding Facility for Stabilization, which aims to provide short- and medium-term assistance for the voluntary, safe and dignified return of Iraqis displaced by ISIL conflict; the Iraq Crisis Response and Resilience Program, aiming to support economic recovery through building the skills and capacity of workers, employers and the government; and the Building Resilience

through Employment Promotion project which aims to enhance economic empowerment and create employment opportunities for vulnerable communities in Iraq. Going forward, stabilization efforts of the UNDP are focused on meeting the remaining needs of returnees, the rehabilitating basic services such as water, electricity, health care, education, housing, road, bridges, and municipality, and creating sustainable livelihood opportunities for returnees by focusing on economic recovery and building sustainable livelihoods for vulnerable populations affected.

IOM Iraq has been delivering support to IDPs, host communities, migrants and refugees since 2003. The IOM provides a multi-sectoral set of activities and services aimed at increasing the likelihood of successful (re)integration of IDPs, and at the same time minimizing tensions in communities in Iraq, including livelihood. For example, the Individual Livelihood Assistance supports the development of human capital through vocational training (including of farmers), on-the-job trainings, job referrals, and provision of business startup or business expansion packages. In turn, the Enterprise Development Fund was launched in 2018 to create sustainable jobs in areas affected by conflict. EDF targets MSMEs for financial support for business recovery or expansion in businesses with high job creation potential, which also encourages the formalisation of participating businesses and requiring them to issue written contracts to new and existing workers. Programme participants are also provided with information on business registration by local representatives from CoC and relevant Ministries. As part of the project, IOM is also working with the Ministry of Trade and Industry in KRI on an online business registration workflow. Since its launch in 2018, EDF has provided support to a total of 927 SMEs and created 4,987 job opportunities in 12 governorates across the country.

UNESCO along with both ministries of Higher Education and Labour and Social Affairs initiated a new skills strengthening plan that aims to better meet the demands of the market in Iraq, although the plan was not fully implemented due to the ongoing conflict. Today, UNESCO re-started the plan for three years (2020-2023). The plan entails intervention in four components which are; governance, capacity building, curriculum development and labour-marked need assessment. The plan focuses on specific employment sectors, namely reconstruction, hospitality, agriculture and information and communication technology (ICT) sectors. As a part of this plan, UNESCO established vocational schools (Tamaiz schools), and aims to create job centers therein. UNESCO is also implementing a project aimed at reviving Old Cities covering Mosul and Basra, with contribution from EU. Urban reconstruction activities are complemented with job creation and skills development, responding to the lack of work opportunities, especially among young people, internally displaced persons and returnees.

FAO is currently implementing support to agricultural livelihoods of rural and peri-urban returnees and communities in Ninawa governorate. The EU funded program aims to support vulnerable smallholder farmers (covering almost 10,000 families) to diversify their incomes and increase resilience and supporting unemployed young agriculture graduates to benefit from training to gain employment as agri-food processors.

UN-HABITAT is currently implementing Increasing Access to Employment Opportunities for Vulnerable Urban Population in Basra City in Response to the COVID-19 Crisis. The specific objectives of the project are to improve water, electricity, waste management services and access and to enhance job opportunities for unemployed youth in underserved and marginalized areas in the city of Basra.

UNIDO has several ongoing projects aimed at advancing economic competitiveness and increasing prosperity in the country. The Investment Promotion for Iraq Project which runs from 2018 to 2022 implements a range of activities aimed at increasing the capacities of local investment promotion and enterprise development bodies to provide qualitative services to companies; creating industrial zones in the country to attract investors (both local and international) to establish their manufacturing base in Iraq; and to improve the institutional infrastructure for business support services¹⁶³. UNIDO also implements a project aimed enhancing the resilience of IDPs and refugees against the impacts of COVID by providing emergency livelihood support and job creation. This project, which is running from April 2021 to March 2022, aims to create 420 new jobs for these vulnerable groups.

163 <https://open.unido.org/projects/IQ/projects/>

The **ITC's** Strengthening the Agriculture and Agri-Food Value Chain and Supporting WTO Accession project, launched in 2020 and expected to run until 2025, aims to contribute to economic growth and job creation – with an emphasis on youth – by enhancing the trade competitiveness of the agricultural sector. The project activities include business skills training to promote entrepreneurship among youth, strengthening the capacities of sectoral organizations to provide support to farmers and other sector participants, and reviewing and strengthening the policies that affect the business environment in the sector.

The **ILO's** Decent Work Country Program for the period 2019-2023 outlines three key priorities: job creation and private sector development; the reduction of vulnerabilities faced by workers through the extension of social security coverage and improvements in adequacy as well as the elimination of child labour; and the strengthening of labour market governance and worker rights through improved social dialogue. The ILO is implementing several projects to achieve those overarching objectives, including within the framework of the EU-funded social protection project outlined above. Another flagship project is the Partnership for Improving Prospects for Forcibly Displaced Persons and Host Communities (PROSPECTS), a partnership between five development partners in which the ILO will focus on promoting jobs and social protection, education, and protection for forcibly displaced populations living in Dohuk and Ninewa governorates.

The Cash and Livelihoods Consortium for Iraq (**CLCI**, formerly CCI) aims to enable socio-economically vulnerable Iraqis to meet their basic needs and achieve greater self-reliance through cash- and market-based assistance. The CLCI provides business grants, vocational training, financial health education, labour-intensive public works, business training and registration.

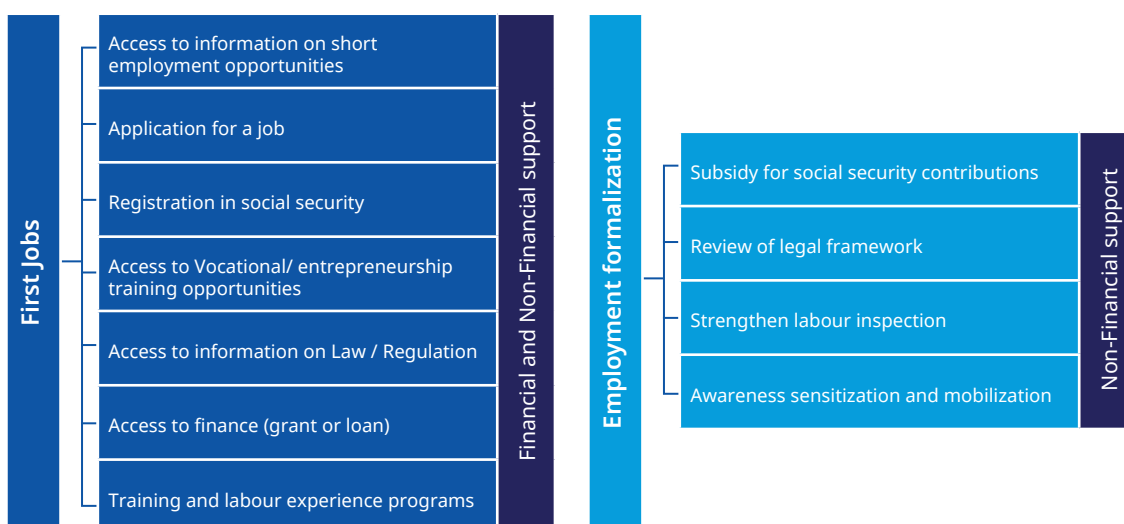
6 Conclusions and recommendations

6.1 Conclusion

Tackling informality is a very complex and long-term task that requires addressing its root causes. As mentioned in the report, the causes of informality are multiple and relate to the economic and institutional environment such as the inability of the economy to create quality jobs, an inadequate regulatory framework or a lack of transparency and accountability of public institutions.

For employees, the transition to formality means providing them with adequate labour and social protection. This means realizing one or several of the following actions: (1) extending legal coverage to those excluded or insufficiently covered; (2) providing an adequate level of legal protection (e.g. no exclusion from social insurance because of a threshold regarding working time) and (3) ensuring an effective compliance with laws and regulations. Bringing activities from the informal to the formal economy means that they should be fully declared, covered by legislation and give rise to effective protection.¹⁶⁴

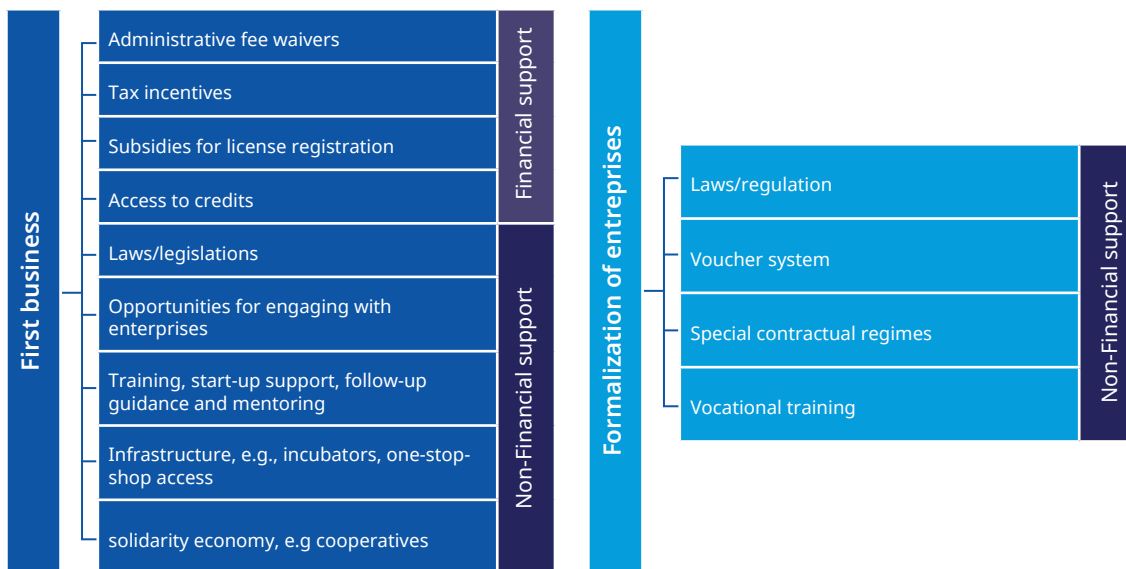
Figure 7: Transition to formality - Type of financial and non-financial support



Source: Chacaltanat, Juan; Bonnet, Florence; Leung, Vicky (2020), The Youth Transition to Formality, ILO, p. 14

For enterprises, formalization means bringing them under the regulation with the advantages and obligations that this entails. It includes the extension of the scope of fiscal, labour and social security regulation to all enterprises without exception (including in relation to enterprise size, sector or other criteria), the legal recognition and registration of enterprises and compliance with legal requirements. For independent workers, the fact that their enterprises belong to the formal economy or not determines whether they themselves are also in the informal economy.

Figure 8: Type of financial and non-financial support



Source: Chacaltanat, Juan; Bonnet, Florence; Leung, Vicky (2020), *The Youth Transition to Formality*, ILO, p. 15

This diagnostic identified the prevalent forms of informality and the drivers of informality and formalization in the country, and their variability among various groups of workers, categories of enterprises and local circumstances.

In recent years, new technologies, notably ICT and e-formalization¹⁶⁵, have been increasingly used to foster transition to formality. They can notably contribute to simplify and reduce costs of registration of enterprises and employment, facilitate access to social security benefits and compliance with laws, boost productivity, and help to give a voice to those working in the shadows.¹⁶⁶

Social dialogue is instrumental in ensuring that policies address informality efficiently, particularly with regard to transition to formality. Tripartite mechanisms and consultations with workers’ and employers’ organizations should be promoted notably when identifying the nature of the informal economy, establishing diagnostics, elaborating action plans or when designing and implementing policies for a particular group of workers and enterprises.¹⁶⁷

Tackling informality requires coordinated action between several ministries and other public bodies, and close consultation and participation of the social partners and the informal economy organizations concerned. This includes MOLSA, MOT, MOI, MOP, MOI, MOF, etc... It should include social partners including IFI and workers unions, chambers of commerce and other public bodies. These national institutions should be the main public contributors and actors of the formalization process and should be the main supporters of the coordinated development of policies and strategies.

To ensure cooperation between UN agencies, it is necessary that the formalization of the informal economy be integrated into the United Nations Sustainable Development Cooperation Framework (UNSDCF) systems. The IMF and World Bank should also be involved, in cooperation with the government, in the development of fiscal and monetary policies that may have strong influence on the formalization process.

¹⁶⁵ See ILO (2018), *New Technologies and the Transition to Formality: The Trend Towards e-formality*, ILO and ILO (2020), *Promoting Transition to Formality for Peace and Resilience*, ILO

¹⁶⁶ ILO (2018), *New technologies and the transition to formality: The trend towards e-formality*, ILO

¹⁶⁷ ILO (2020), *Interactions between Workers’ Organizations and Workers in the Informal Economy: A Compendium of Practice*, ILO

6.2 Recommendations

Below are outlined a set of policy recommendations to address the underlying drivers of informality and promote the transition to the formal economy, building on the findings above. The recommendations are presented along three main dimensions: strengthening governance, reducing barriers, and promoting incentives. It is important to note that an *integrated* approach is necessary to promote the formalization of the economy, as one individual initiative may have limited impact if not supported by concerted efforts of all actors involved. In all cases, approaches to promoting the transition to the formal economy must pay particular attention to women, youth, and forcibly displaced populations.

6.2.1 Mainstreaming data collection on informality

There exists a major gap in availability of data on informality in Iraq that needs to be filled with concerted data collection efforts to provide sound evidence for policy and practices.

- ▶ Adopt standardized definitions on concepts and indicators for inclusion in labour market and socio-economic surveys
- ▶ Ensure the timeliness, regular frequency and coverage of surveys capturing data on the informal economy, and ensuring these are shared and feed into policy-level decision-making processes.
- ▶ Consider the use of administrative and big data (including potentially GIS data) to capture information on informality beyond standardized surveys.

6.2.2 Strengthening governance

This involves not only improving the legal environment, but also strengthening government capacity, coordination, transparency and accountability.

- ▶ Strengthen coordination between government ministries and agencies to promote an integrated approach to formalization. The Joint Ministerial Committees in KRI may represent a good example of coordination. In particular, coordination should be strengthened on the various policies and initiatives implemented by different ministries and agencies. In turn, coordination could be improved in relation to the collection and sharing of data on informal businesses and workers, registration processes, enforcement, and streamlined referrals between government ministries and agencies should be facilitated. Coordination between programmes and initiatives could also be promoted, for example by linking Social Safety Net recipients with active labour market policies that could support those who are able and seeking to work to identify decent work opportunities.
- ▶ Strengthen the legal environment, including by enacting missing regulations relating to the Labour Law. This includes regulation on triangular employment relationships and the roles and responsibilities of private labour supply companies and legal clarity on the rights and entitlements of daily and casual workers. In turn, a separate and more comprehensive legal framework on labour migration could be considered. With regards to social security, legal (de jure) coverage should be extended to all workers, regardless of employment status or sector of employment. In turn, existing restrictions on worker organisations should be addressed to promote the participation of informal workers in effective social dialogue.
- ▶ Strengthen the investment climate to promote economic growth and decent job creation. The capacity of government to implement the relevant policies and strategies relating to economic growth and productivity in the private sector development should be strengthened, an area in which development partners are actively playing a role. Here, policies and programs should pay particular attention to the barriers faced by women, youth and forcibly displaced populations in engaging in economic activities or finding decent employment.

- ▶ Strengthen enforcement capacity and coordination between inspectorates of different ministries, including taxation, social security, labour, etc... Enforcement could also be strengthened by strengthening coordination between government agencies involved in the formalization process.
- ▶ Fight corruption and improve transparency and accountability throughout government to instill trust in institutions among workers and businesses. Corruption is one of the key barriers to formalization – considering the costs it imposes on businesses – but also a key disincentive, and key accountability mechanisms should be put in place in order to begin addressing it. Promoting the use of information technology throughout government processes and procedures could also not only improve transparency, but also coordination and efficiency.

6.2.3 Reducing barriers to formalization

- ▶ Streamline registration and tax payment procedures by increasing the use of ICT to reduce paperwork for businesses – and raising awareness about the e-registration initiative – and/or establishing one-stop shops whereby businesses are able to submit necessary forms to all relevant government bodies in one location.
- ▶ Reduce financial cost of formalization by reviewing the cost of registration for businesses, and considering the option of subsidizing social security contributions of workers, the self-employed and MSMEs¹⁶⁸.
- ▶ Raise awareness among firms and workers about their rights and obligations under the relevant legislation.¹⁶⁹ Awareness about the benefits of formalization should also be prioritized, highlighting the incentives to doing so (see section below). Tailored communication mechanisms and messaging should be adopted for each target group (whether employers, workers, self-employed, etc...) to promote the effectiveness and reach of the campaigns. Coordination between government agencies, but also with tripartite partners, civil society organizations, private sector actors and development partners would be important to promote a consistent and coherent message around the importance and benefits of formalization.

6.2.4 Strengthening incentives to formalize

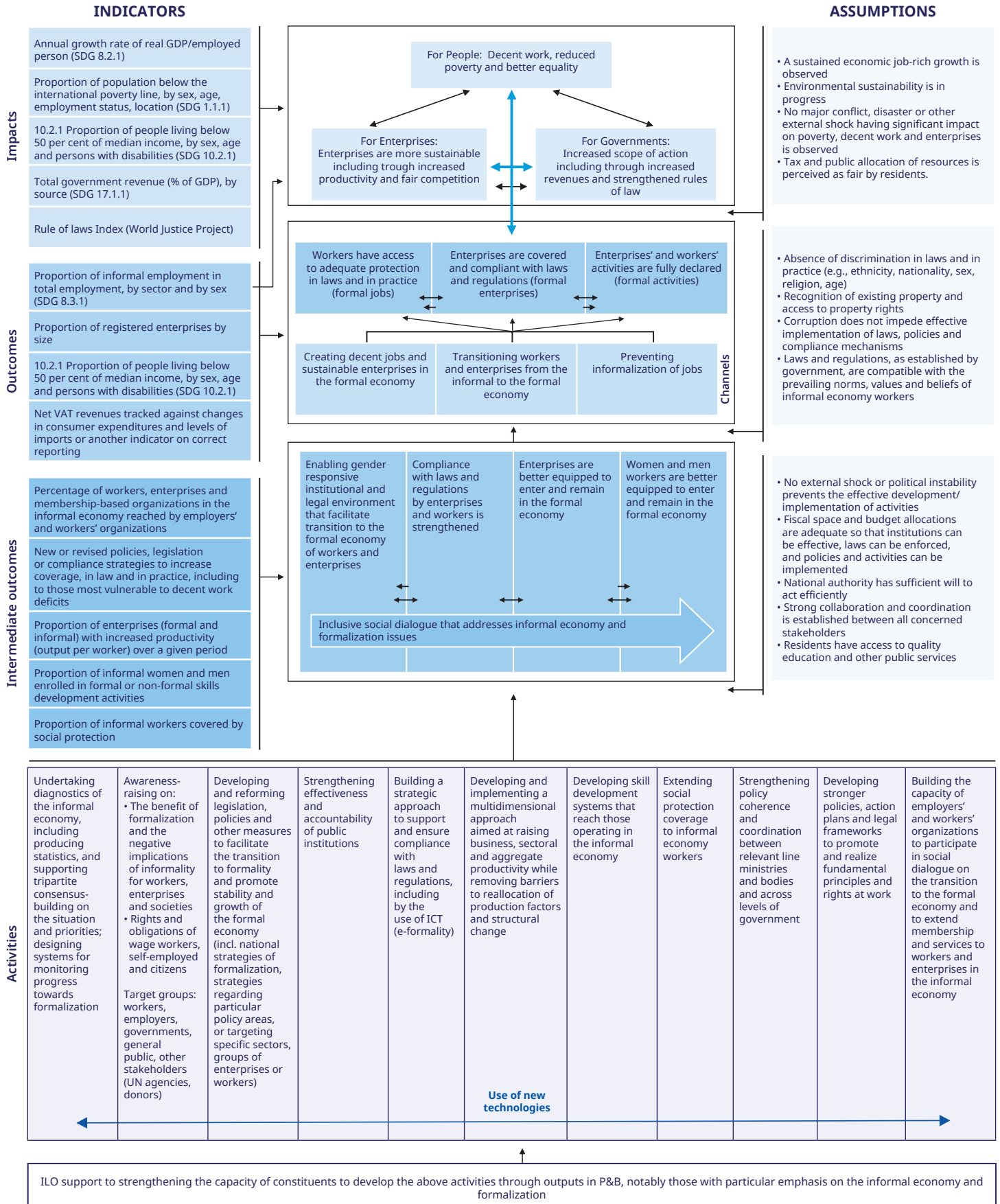
- ▶ Improve access to and quality of services, which, for registered firms would include access to financial services (in the form of loans for example) and business development services, while for registered workers, these could include improved access to vocational training opportunities. More generally, the quality and coverage of basic public services should be strengthened, as this provides visibility as to how taxes are spent, which can improve compliance with tax obligations.
- ▶ Provide/increase awareness about financial incentives to formalize, including in the form of access to loans at preferential interest rates for registered businesses.
- ▶ Expand scope of social security by implementing short-term benefits to complement existing long-term pensions. Providing maternity and unemployment benefits may represent an incentive for workers to register with social security, as these are more immediately accessible (and visible) for workers than pensions for example. The insurance-based model would also ease the financial burden on employers compared to the current employer-liability mechanism (particularly in relation to maternity) which may, in turn, represent an incentive for businesses to register.

¹⁶⁸ One of the project outputs under the joint EU-funded Social Protection Reform programme outlined in section 5.3 is to « Support the design roll-out and evaluation of innovative financing and administrative approaches to facilitate the registration and contribution of workers in the informal economy and a develop an innovative model for encouraging them to contribute ».

¹⁶⁹ One of the project outputs under the joint EU-funded Social Protection Reform programme outlined in section 5.3 is to conduct “awareness raising through innovative mechanisms and on Social Security Rights and obligations for both workers and employers, including awareness raising materials targeting workers in the informal economy on their rights and obligations.

7 Towards a National Framework for the Transition to Formality

Figure 9: Transition from the informal economy to the formal economy — Theory of change



7.1 Overall Objectives of the Framework

The social partners seek to address the growing size of the informal economy in Iraq, and the absence of decent work conditions, by developing a national framework in a consensual manner. This framework aims to gradually move workers and enterprises into the formal economy in a way that guarantees decent work, a decent life, and social justice for all, in addition to establishing a national strategy aimed at increasing productivity and economic growth in the country. The following areas of focus are key to promoting the transition from the informal to the formal economy.

7.1.1 Improving institutional capacity and coordination

In order to promote the transition to the formal economy, government capacity to foster an adequate legal environment and enforce the legal provisions therein should be strengthened. Government's capacity to generate up-to-date data on the size and composition of the informal economy, facilitate registration processes (of both enterprises and workers), create decent job opportunities, raise awareness among enterprises and workers of their rights and obligations, and ensure that both have incentives to formalize should be strengthened.

On all these elements, coordination between government agencies – and between government and tripartite partners, development partners and civil society - is paramount to ensuring a coherent and integrated approach towards the formalization process. As a priority, agreement between actors on the basic definition of the informal sector in Iraq should be reached.

7.1.2 Improving working conditions

Workers in the informal sector often work without formal contracts, are paid low wages, and lack job security or other form of employment benefits, such as medical insurance, social security, the right to join unions, and collective bargaining. Working conditions in the informal sector therefore require significant improvements.

Robust evidence on decent work deficits is necessary as a basis upon which to formulate key policy reforms and initiatives that can improve said conditions. The package of reforms could include initiatives that aim to increase the rate of economic participation, generate decent job opportunities, amend and enforce the minimum wage, strengthen labour governance, enhance skills, and improve market efficiency in line with the principles of the Sustainable Development Goals 2030.

7.1.3 Expanding social security coverage

The aim here is to encourage Iraqi policymakers to ensure de jure coverage of all workers by the social security law, and extend de facto coverage of social security to unregistered workers. On the one hand, this will provide workers in the informal economy (whether in the informal sector, the formal sector or in households) and those who are most exposed to risks and unsafe incomes with social security coverage, and on the other hand, the formal sector will no longer bear the financial burden of the social security system on its own.

This would be achieved by analyzing the main constraints that prevent coverage of informal workers, identifying practical approaches to extend coverage, and then defining a set of policy reforms and initiatives to proactively and effectively extend coverage.

7.1.4 Increasing the representation of workers and employers from the informal economy

A further objective is to strengthen the participation of both employers and employees in social dialogue and negotiation among themselves on the one hand, and with the government and other social partners on the other hand.

Promoting a conducive legal environment for the formation, diversification and representation of trade unions and employer organizations in line with ILO standards, upholding the rights of trade unions, collective bargaining, and addressing discrimination in the labour market would achieve this.

7.1.5 Strengthening economic and social solidarity

Increasing the share of workers in the formal economy - including women, people with disabilities, and the forcibly displaced - and supporting the registration of enterprises would help promote a stable economic and social environment.

While a stable social environment would foster justice and social solidarity within the Iraq society, a stable economy would promote local and foreign investment in Iraq which, in turn, would promote economic growth and decent job creation.

7.2 Main principles of the framework

Below are outlined the proposed principles to guide the National Framework for the Transition to the Formal Economy

- ▶ Recognition of the importance of the regulatory process as a tool to improve the overall health of the economy, ensuring its stability, empowering institutions, and enhancing the productivity of workers.
- ▶ Awareness of the diversity of the sectors operating in the informal economy and the different circumstances and challenges they face, and the heterogeneity of the conditions of workers, which entails different response strategies.
- ▶ Non-discrimination in the provision of services and support for informal workers and enterprises, including on the basis of gender, citizenship status and disability.
- ▶ Respect for the principle of equal opportunities for all workers, including those working in the informal sector.
- ▶ Alignment with the country's economic and social policy of the country, as well as short and medium-term development goals, the Sustainable Development Goals.
- ▶ Alignment with international labour standards such as the elimination of forced labour and child labor.

7.3 Areas of Intervention

Below are outlined the areas and specific activities that would be required to underpin the transition from the informal to the formal economy.

7.3.1 Promoting growth and creating decent work

1. Stimulating the formal economy and formal employment through macroeconomic policies such as investment, taxation and loans.
2. Identifying the key barriers to formalization in each sector and employment type and promoting policy responses to address those barriers in a coordinated and integrated manner.
3. Raise awareness on the importance of formalization and benefits thereof through training and rehabilitation programs, with a focus on specific excluded groups.

7.3.2 Promoting social dialogue

1. Expanding representation of trade unions and employer organizations to include workers and enterprises of the informal economy in the sectors in which these organizations were formed, and urge all other sectors that do not have trade unions or employer representation to establish them and cover all workers and enterprises, both formal and informal.

2. Reconsidering the legal environment surrounding worker and employer organizations and giving it more flexibility.
3. Activating tripartite dialogue and engagement in the different institutions in Iraq.
4. Encouraging collective bargaining and allowing the workers of the informal economy to participate therein.
5. Activating the cooperative economy with the aim of creating cooperatives that can represent workers of the informal sector.

7.3.3 Social protection

1. Adopting Social Security Legislation that extends de jure coverage of social security to all workers.
2. Identify barriers faced by workers and employers in registering with the Pensions and Social Security for Private Sector Workers scheme.
3. Adopt proactive policies to promote enrolment and access through awareness raising activities, adjustments to administrative procedures, and considering the affordability for workers and employers.

7.3.4 Improving of working conditions and the terms of the contractual relationship for workers

1. Improve inspection and enforcement mechanisms – including labour inspection - and continuously monitor respect for workers' rights.
2. Launch initiatives that aim to uphold and protect the wages of workers in the private sector
3. Rolling out a system to document contracts electronically to promote accountability.
4. Raise awareness of worker rights and foster a culture of respect for those rights.
5. Facilitate access to and strengthen labour dispute mechanisms, including with support of worker and employer organizations.

7.4 Action Plan to develop strategies for the Transition from the Informal Economy to the Formal Economy

In February 2021, the ILO initiated an expanded meeting of stakeholders, followed by sub-meetings of the social partners independently to harmonize concepts and agree on appropriate tools to be adopted in the near future. Accordingly the proposed action plan for the transition to the formal sector in Iraq is as follows:

1. The **first stage** is the adoption of the diagnostic study and the national framework for the transition to the formal sector in Iraq. This would, in turn, involve
 - a. Presenting the diagnostic study and the national framework for the transition to the formal sector to the social partners and other stakeholders for its adoption.
 - b. Finalizing both based on feedback and formally launching them in their final versions.
2. The **second stage** is the formation of a national working group on the transition to the formal economy:
 - a. Forming a national working group that includes all relevant social partners and stakeholders working in a consultative manner with the priority aim of agreeing on a specific definition of the informal sector in accordance with international standards.
 - b. Strengthening the capabilities of the national working group to prepare a strategic plan for the transition to the formal sector by engaging them in training courses according to the ILO methodology and drawing on international approaches and experiences.
3. The **third stage** is the formulation of a national strategy for the transition to the formal sector. Here the national working group would

- a. Review the diagnostic study, and, based thereupon, identify a tool for measuring the size of the informal economy in Iraq.
- b. Formulate a proposed strategy regarding the transition to the formal sector, according to the following steps:
 - i. Holding a series of meetings with relevant stakeholders to agree on a common definition of the informal sector in Iraq and to state the proposals of the partners in the mechanism of transition to the formal sector and to identify available resources.
 - ii. Suggesting the stages of the strategy and the roles and responsibilities of each stakeholder.
 - iii. Establishing the basis of coordination, and procedures for supporting the informal sector towards formalization.
4. The **fourth stage** is the adoption of the strategy. This would involve:
 - a. Holding a meeting with the social partners in order to present the strategy in its initial form and to receive their comments and inputs.
 - b. Holding a meeting with the concerned committees in Parliament to present the strategy in its initial form and to receive their comments and inputs.
 - c. Coordinating with the concerned ministries in order the concerned ministers and the Presidency of the Council of Ministers to adopt the strategy.
5. The **fifth phase** is the launch and implementation of the strategy. This would involve:
 - a. Extensive consultations with a larger number of stakeholders to develop a focused and flexible action plan that is easy to implement.
 - b. Building national capacities in this field at a broader level.
 - c. Announcing the strategy and executive plan within a national conference that includes all concerned parties.

8 Annex I: Key informants

Government officials	Ministry of Labour and Social Affairs (Social Security Department in Federal Iraq and KRI, and Studies and Research Department, Inspection department)
	Ministry of Industry and Trade
	The Ministry of Planning
	Erbil Chamber of Commerce
	Central Bank of Iraq
	Ministry of Finance
	Prime Minister office
Tripartite stakeholders	Iraqi Federation of Industries
	Federation of Iraqi Chambers of Commerce (Baghdad Chamber of Commerce)
	Trade unions/worker representatives including General Federation of Trade Unions in Iraq, Trade Union Coordination Council, Federation of Kurdistan Trade Unions, General Federation of Trade Unions of Iraq
Development partners	UNDP
	IOM
	UNWOMEN
	Mercy Corps
	Oxfam
	NRC
	DRC
	IRC
	World Bank
	UNESCO
	European Union Delegation in Iraq
	UNHCR
FGDs	Private sector employers (Erbil and Baghdad)
	Workers (Erbil and Baghdad)

