

# **Entrepreneurship in Iraq**

**A vision towards building a business model**

**BY**

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**Abstract:**

This research paper presents a practical vision to support the idea of entrepreneurship in Iraq, relying on specialized scientific research in this field, in addition to presenting a model that can be studied, benefited from and adapted to suit the Iraqi state. This model is represented by the Turkish state institution (İŞKUR), which actively contributes to supporting the private sector, whether in the direction of employers or the workforce. In addition, the primary objective of this paper is to provide practical experience to contribute to the development of the current Iraqi economic environment, and to identify priorities for further practical actions by policy makers and business leaders, in response to the existing economic and social crises.

**Introduction:**

The proportion of Iraqi youth people exceeds half of the total population, as it has one of the youngest workforces in the world. This poses great opportunities and even greater challenges. Where this young potential can push forward growth and prosperity, and at the same time can cause many problems at the level of the public system in the absence of sufficient opportunities for them. With such a high proportion of young forces, working individuals need a lot of jobs and opportunities. The challenge facing Iraq is to create these jobs and opportunities in sufficient numbers, to respond to the accelerating demands of working life. Among the most important challenges that can be faced is unemployment and poverty, especially

among young people, as the percentage of the population living below the national poverty line for the year 2020 - the majority of them young people - reached 31.7% of the population<sup>1</sup>.

The consequences of the absence of real opportunities for young people in a practical way could be very dangerous in the near future. The country can lose its promising youth due to immigration, and the social unrest that is generated when large numbers of young people lack suitable job opportunities. Perhaps one of the most important pillars of accelerating job creation in Iraq is to enhance the entrepreneurship environment with a methodology that is compatible with the rapid changes in the business environment. The emerging companies - small and medium - will contribute to creating many benefits for their owners and for the economic chains, their movement and integration. Once a start-up matures and grows, it becomes an important contributor to employment and GDP growth, and this reflects on social and economic stability, and is likely to extend beyond it to political stability as well.

We try to propose in this paper the idea of establishing a leading governmental institution to contribute in the field of entrepreneurship to develop the private sector, which can define labour market policies and increase opportunities by taking effective, innovative, rational, sustainable and comprehensive measures to combat unemployment. We also aspire that this institution will contribute to identifying

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<sup>1</sup> قاعدة بيانات أهداف التنمية المستدامة 2030-2015. وزارة التخطيط، الجهاز المركزي للإحصاء، شوهدي في 21.11.2021، في: <https://2u.pw/YShd5>

market needs by adopting a modern effective information system for the labour market, matching supply and demand for work accordingly, facilitating, protecting and increasing employment through workforce programs, improving professional skills, providing temporary income support for those who have lost their jobs, and developing and implementing measures related to employment in a pragmatic and transparent manner. Based on the foregoing, this study seeks to answer the following research problem: **How can the entrepreneurship sector be revitalized in Iraq ?**

The study assumes the existence of a direct relationship between the establishment of a government institution that follows modern scientific and practical curricula and the revitalization of the entrepreneurship sector in Iraq. This will contribute effectively to the growth of the Iraqi economy and the development of the field of entrepreneurship, which will reflect positively on the situation of the country in general. To verify the validity of the hypothesis of the study, the descriptive analytical method was followed, reinforced by the statistical method. The study is divided into three axes; Starting with an explanation of entrepreneurship, followed by the definition of the Turkish İŞKUR Foundation as a business model, and ending with a conclusion stating the expected impact of the application.

## **I. Entrepreneurship:**

Entrepreneurship is defined as a new entry, therefore, the introduction of new work into the labour market. A new entry can be achieved by entering new or existing markets with new or existing goods or services. In other words; A new entry is the

process of launching a new venture, either through a start-up company, through an existing company, or through a joint venture. Thus, the new entry is the central idea on which the concept of entrepreneurship is based<sup>2</sup>. Entrepreneurship is a combination of entrepreneurs' special skills (*including spirit and skills*) and is an important and unique intangible factor of production. Many scholars view entrepreneurship as multidimensional and broad in scope. Thus, the concepts and definitions of entrepreneurship are diverse<sup>3</sup>.

Since entrepreneurial activity is the process of creating a new business using effort and time, entrepreneurs must take financial, psychological and social risks in order to obtain financial returns and personal satisfaction. It can also be said that entrepreneurship represents a series of behaviours to move and manage the reallocation of economic resources in order to create economic value. Previous studies on entrepreneurial activity have shown that three actions involve this activity: discovery of opportunities, integration of resources, and economic value creation<sup>4</sup>.

In modern labour markets, career paths are changing, as workers choose to move beyond the traditional boundaries of paid work and move into less typical working relationships. Entrepreneurship is one example of such a non-standard

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<sup>2</sup> Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of management Review*, 21(1), 135-172, p136.

<sup>3</sup> Huang, H. C. (2016). Entrepreneurial resources and speed of entrepreneurial success in an emerging market: the moderating effect of entrepreneurship. *International Entrepreneurship and Management Journal*, 12(1), 1-26, p7.

<sup>4</sup> Lumpkin, G. T., & Dess, G. G. (1996). op. cit. p136.

arrangement, whereby a large number of individuals choose to leave the settlement of being wage earners in order to start their own businesses<sup>5</sup>. These specific initiatives are based on the general idea that entrepreneurial activities are economically and socially desirable, serving as a catalyst for economic growth and prosperity, and thus we all benefit by encouraging more people to launch new businesses<sup>6</sup>.

The basic question in entrepreneurship is: Who becomes an entrepreneur and why? Research indicates that entrepreneurs typically emerge from established companies, and that past employment history has a significant impact on the decision to become an entrepreneur. Scholars have argued that the transition to entrepreneurship is driven by workers' experience at previous companies, in part because employees learn how to become entrepreneurs during paid employment<sup>7</sup>.

Entrepreneurship can be viewed on the basis of differences in risk attitudes, where optimal risk sharing among individuals indicates that those who take more risks become entrepreneurs, while those who avoid risks become employees<sup>8</sup>.

## **1- Motivations of entrepreneurial projects:**

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<sup>5</sup> Kacperczyk, O., & Younkin, P. (2021). A founding penalty: evidence from an audit study on gender, entrepreneurship, and future employment. *Organization Science*, 1-30, P2.

<sup>6</sup> *Ibid*, p. 02.

<sup>7</sup> Kacperczyk, A., & Marx, M. (2016). Revisiting the small-firm effect on entrepreneurship: Evidence from firm dissolutions. *Organization Science*, 27(4), 893-910, p895.

<sup>8</sup> Astebro, T., Herz, H., Nanda, R., & Weber, R. A. (2014). Seeking the roots of entrepreneurship: Insights from behavioral economics. *Journal of Economic Perspectives*, 28(3), 49-70, p55.

Entrepreneurial projects are usually driven by one or a combination of the following factors<sup>9</sup>:

**Lifestyle or Passion:** Entrepreneurs who are motivated in this way create businesses in areas of their own interest, talent, or knowledge.

- **Social Good:** These individuals catalyse a social problem, and use the principles of entrepreneurship to create, organize, and manage a project that will bring about social and economic change for a particular group. These entrepreneurs usually balance success and social impact, rather than measuring their success through revenue and profits.

**Fame and Wealth:** These entrepreneurs aim for big goals and are driven by a strong profit motive.

In addition, there are three external forces or conditions that drive entrepreneurship:

- **Innovation:** Some entrepreneurs create new demand by nurturing an innovative idea they have come up with or acquired; They build a new company by combining knowledge and capital.
- **Opportunity:** Entrepreneurs who are aware of a demand/supply gap in the market or an unmet need or opportunity for change can seize opportunities.
- **Necessity:** life forces entrepreneurs in this category to seek self-sufficiency and meet their basic needs for food, shelter and security.

Other studies also present five dimensions of entrepreneurship represented in independence, innovation, risk-taking, proactivity, and competitive aggressiveness,

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<sup>9</sup> WEF. (2011). Accelerating Entrepreneurship in the Arab World, p. 08. <https://2u.pw/uCLfy>.

and provide suggestions for how to study these dimensions and make better use of them<sup>10</sup>.

## **2- A look at the reality of the private sector in Iraq and the jobs crisis:**

Iraq is experiencing a real jobs crisis, as the public sector has greatly exceeded its absorptive capacity, and the private sector is very weak. Based on repeated statistics on the Iraqi labor market, no less than 500,000 Iraqis enter the labor market annually<sup>11</sup>. This represents a major challenge for the independent Iraq and its youth. The country is in front of a large youth energy, in addition to a high population increase. These challenges can be clarified by conducting a review of the study presented by the World Bank, which developed several indicators to demonstrate this, as shown in Table No. (1) below:

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<sup>10</sup> Lumpkin, G. T., & Dess, G. G. (1996). op. cit. p140.

<sup>11</sup> Robert Tollast (2020). Private Sector Job Creation: The Cornerstone of International Development in Iraq. Iraq Energy Institute. <https://2u.pw/e6Dtc>.



Figure 1-1. In 2016, Iraq needed 2.5 million new jobs, and by 2030, job demand is likely to be 5-7 million.

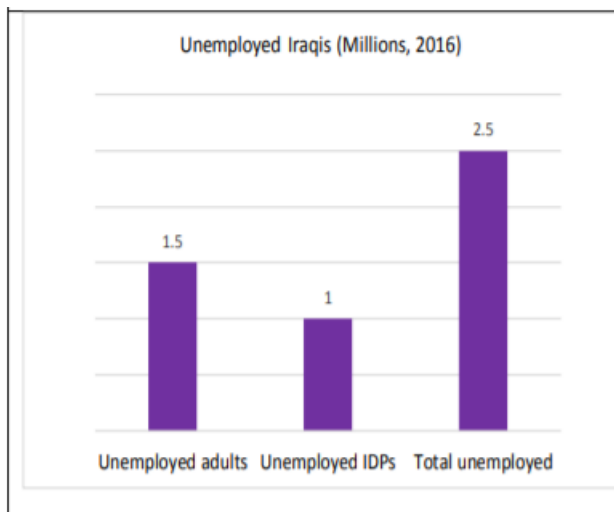


Figure 1-2. Unemployment rates for excluded groups - women, IDPs, and youth - are well above the national average

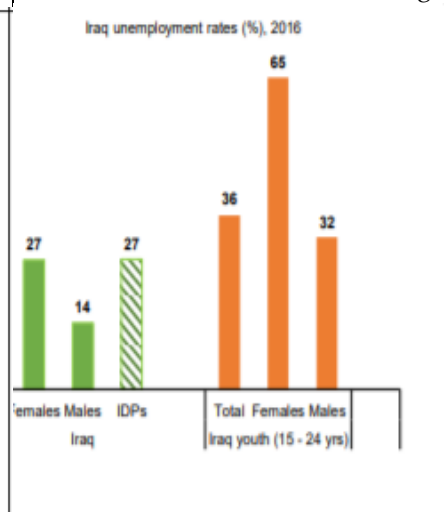


Figure 1-3. Between 2015 and 2030, job demand will increase as the workforce grows by 54%

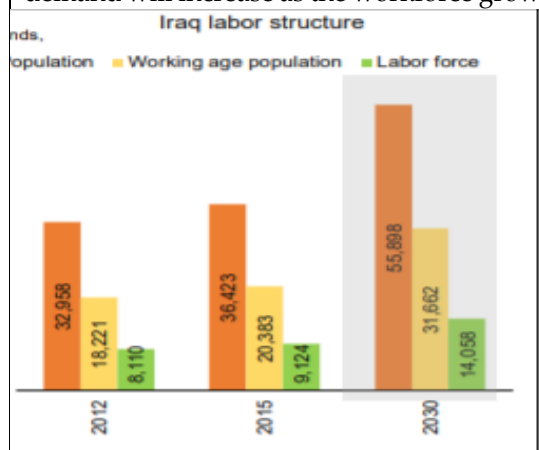
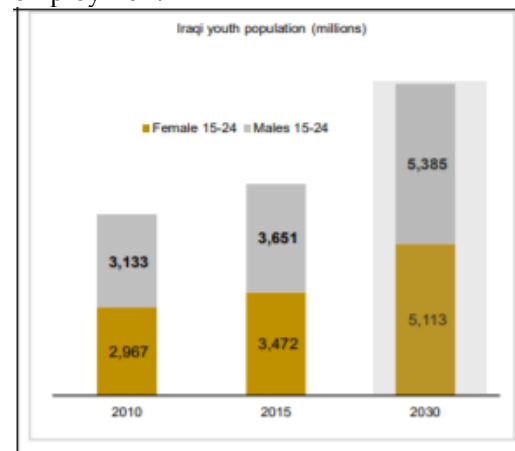


Figure 1-4. Between 2015 and 2030, the number of youth in Iraq will grow by 72%, accelerating the demand for youth employment



Source: A and B – Haver Analytics, WDI and UNHCR. C and D – UN Population projections, 2016<sup>12</sup>

On the other hand, the Business Performance Report issued by the World Bank indicates that Iraq’s level is still low, as Iraq’s ranking in the Business Performance

<sup>12</sup> World Bank Document, (2018). Jobs in Iraq: a primer on job creation in the short -term. p, 6.

Index 2020 fell to 172 out of 190 countries, achieving 44.7 points out of 100 points approved by the report to measure the development in business performance. These indicators <sup>13</sup>are illustrated in numbers in Figure No. (2) below<sup>14</sup>:

**Figure 2. Doing Business in Iraq for the year 2020**



According to these indicators issued by the World Bank, the Iraqi economic activity needs several systematic reviews, especially at the level of the private sector.

<sup>13</sup> The index is one of the most widely used global measures in evaluating the organizational performance of countries, especially efforts to expand the private sector and make the country a more attractive destination for foreign investment, as well as the quality and effectiveness of systems affecting small and medium enterprises. These indicators can be reviewed in more detail in: Summary of the case of Iraq in the Business Performance Report issued by the World Bank, Policy-Making Forum, accessed on 21.11.2021, at <https://2u.pw/F4rM6>

<sup>14</sup> World Bank Group. (2020). Economy profile of Iraq, doing business 2020 indicators.

## II. The Turkish State Institution (İŞKUR):

İŞKUR is an acronym for Directorate General of Turkish Employment Agency. It works to help protect, develop and prevent unemployment in Turkey, and to implement unemployment insurance services. The institution is affiliated to the Ministry of Labor and Social Security of the Republic of Turkey, and it is a public institution subject to the provisions of private law, has a legal personality, and is administratively and financially independent<sup>15</sup>.

Turkish law defines the duty of the institution as “to find jobs suitable for the qualifications of workers and to find workers with qualifications suitable for employers”, that is, to mediate in the creation of jobs and workers<sup>16</sup>. İŞKUR follows the standards of equivalent public employment institutions, with a contemporary understanding that is open to scientific, social and economic developments, and allows the participation of social partners in management and in accordance with European standards<sup>17</sup>. In the year 2021 alone, this institution was able to employ 1,169,081 employees in the private sector, and it now has 102,832 vacant jobs, according to what was announced on its official website, as shown in Figure No. (1) below<sup>18</sup>.

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<sup>15</sup> Wikipedia. Türkiye İş Kurumu. <https://2u.pw/ITbnI>.

<sup>16</sup> Türkiye İş Kurumu (İŞKUR). History. <https://2u.pw/AbnqC>.

<sup>17</sup> İŞKUR. Türkiye İş Kurumu, 11. Genel Kurul Raporu. <https://2u.pw/8MVXq>

<sup>18</sup> <https://www.iskur.gov.tr/en> accessed on 13.11.2021



### **Incentives provided by İŞKUR State Foundation:**

Through the incentives provided by İŞKUR Foundation, it aims to employ the unemployed who meet certain conditions, and provide tax support, premiums and wages to employers in different periods and amounts. These incentives are funded by the Unemployment Insurance Fund and are intended to protect and increase employment opportunities. The list of incentives currently available on the institution's official website is as follows<sup>19</sup>:

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<sup>19</sup> At: (<https://www.iskur.gov.tr/> accessed on :13.11.2021

1. Work incentives for women, youth and those with professional qualifications.
2. Additional work incentives.
3. Additional work incentives.
4. Work incentives for those receiving unemployment benefit.
5. Support for normalization (confronting the force majeure causes of the Covid-19 pandemic).
6. Incentives to return to work (support premiums).
7. Incentives to return to work (temporary workforce support).
8. Work incentive.

These incentives contribute to the continuous revitalization of the Turkish economy, and provide support to employers and workers, by providing job opportunities and providing financial support, not to mention continuous training courses for workers, to increase their efficiency and capabilities.

The Corporation requires employers, in order to benefit from its incentives, to commit to employing at least 50% of the employees after the end of the support period. The job training program is applied for a maximum period of 6 months. During the program, İŞKUR covers the basic expenses of the participant, and the expenses of short-term insurance premiums. Companies can also get support from İŞKUR for vocational training courses in order to train the qualified workforce that companies

need. İŞKUR offers on-the-job training program, which is an applied educational program, which aims to enable people to enhance their professional knowledge through practice and learning by seeing work and production processes in person. The employer is one of the services of these applicants, without paying their wages, and of course there are laws, regulations, regulations and procedures that take into account all the rights of the work, the employer and the worker. This program is applied for a maximum period of 6 months in workplaces and professions in the informatics and manufacturing sectors, and a maximum of 3 months in other sectors. With this methodology, employers are supported, which always generates sustainable projects, and provides job opportunities accordingly, which contributes to entrepreneurship significantly<sup>20</sup>.

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<sup>20</sup> On <https://www.iskur.gov.tr/isveren/tesvikler> , accessed at 13/11/2021

## **Conclusion:**

The private sector in Iraq is still weak, and the state follows the oil-based rentier methodology almost entirely. This trend has led to a significant weakness in keeping pace with the rapid global developments in the business movement in Iraq. It also contributed to a significant increase in unemployment levels, and the tendency of young forces to work in the public sector, as a main source of material income. The large number of employees in Iraq has become a huge burden on the state, as there is a huge career slack. Although the state is unable to absorb these armies of young forces, it still works with the same methodology, and the youth still view the same view of the patriarchal state. The private business sector in Iraq, in addition to being weak, is unregulated, and its labor policies are not systematically subject to scientific or international standards.

Reports reveal that working conditions in Iraq are also very low, as Iraq ranks 165th globally. Like many major oil exporters, the Iraqi economy is not very diversified, with the government playing a major role. Oil accounts for more than 90% of government revenue. The public sector accounts for more than 60% of Iraq's production, due to the size of the public administration and its control over large activities: oil, mines, electricity and water. In addition, two-thirds of the banking

sector and one-third of the manufacturing sector are run by the state, which manages most construction projects<sup>21</sup>.

Developing a thriving formal business community in Iraq is a key component in maintaining the country's political stability and achieving long-term security from internal and external threats. Looking to the future, the formalization of the business environment and the ability of Iraqi entrepreneurs to pursue economic opportunities will determine whether the Iraqi economy can become self-sufficient and able to provide jobs and improve living standards for its people<sup>22</sup>.

There are many factors that affect the growth and development of the business sector, including: political factors, economic factors, social factors, technological factors, environmental factors and legal factors. But despite this; The authorities in Iraq can solve many problems, by setting laws and plans, using local and foreign experts, and working on establishing an experiment similar to the experience of the Turkish government institution İŞKUR, for example. This institution is expected to help direct business from the public sector to the private sector, and it will also relieve great pressure on the government, which is represented by thousands of graduates annually with a significant increase in the population. Not to mention that it will contribute to transforming a large part of the unemployed, who are registered under

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<sup>21</sup> Published by: United Nations Educational, Scientific and Cultural Organization. (2019). Assessment of the Labour Market & Skills Analysis Iraq and Kurdistan Region-Iraq, p33. <https://2u.pw/6Slqd>.

<sup>22</sup> CIPE (The Center for International Private Enterprise), (2011). Iraqi Business Attitudes on the Economy, Government, and Business Organizations, 2011 Iraqi Business Survey, p7. <https://2u.pw/fA65X>.



the social welfare program in Iraq, into a self-reliant workforce. Accordingly, the validity of the study hypothesis is confirmed.

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