



The Role of Small Projects in Achieving Sustainable Development in Iraq (2003-2021)

Eman Abdalkadhem Jabbar Al-kuraity

eman.abdalkadhem@uokerbala.edu.iq

ORCID: 3005-7396-0005-0009

Department of Economics, College of Administration and Economics / University of Kerbala,
Iraq

Abstract:

The goal of this research is to look at the reality of small enterprises in Iraq from 2003 to 2021 and illustrate how they help the economy expand and reach goals for sustainable development. The research is based on the premise that, under optimal circumstances, small enterprises—despite little finance and insufficient institutional backing—constitute a crucial basis for addressing unemployment and fostering regional manufacturing. The quantitative study of official data from the right Iraqi authorities included the number of firms, the number of workers in those businesses, and an estimate of how much they contributed to the GDP. The results revealed that there was a close link between the sector's GDP contribution and the number of workers. The highest values were in 2011 and 2012, and there was a big reduction between 2014 and 2016 because of problems with the economy and security. The research also found additional structural problems in this market, such as not enough financing, not many incubators, government rules that don't make sense, and an infrastructure that isn't very strong. Because of this, the research says that the government should make a clear national plan to help small businesses. This plan should include money for educating entrepreneurs, changes to the law, and places to borrow money. This will make it more likely that these businesses will be able to hire people and make things, changing them from one-time initiatives into effective tools for achieving long-term growth and economic stability.

Key words: small project, Iraqi economy, sustainable development, unemployment, gross domestic product, financing challenges, economic policies, labor market, self-employment

1- Introduction

Iraq and other emerging countries have a lot of problems to deal with, such relying too much on one sector (like oil), having high unemployment rates, not having enough different types of output, and not growing quickly enough in a way that lasts. Because of these problems, it is now important to find development solutions that may assist the economy move from stagnation to growth and stability. Small and medium-sized enterprises (SMEs) are some of the greatest ways to reach this goal since they can generate employment, encourage new ideas, adapt to changing market circumstances, and make long-term investments in local resources. Experience from both established and developing countries has shown that small firms are crucial for cultivating dynamic economic environments, as they enhance production chains, expand the tax base, and allow cross-sector economic integration. Countries that have put laws in place to help these firms have been able to lower social inequities, create a productive middle class, and become somewhat self-sufficient in



industry and agriculture. Because the Iraqi economy has structural problems, such as its almost complete dependence on oil as the main source of national income, the weakness of other productive sectors like industry and agriculture, and the rising unemployment rates, especially among young people and recent graduates, it is necessary to expand the role of small businesses in the country. Given the richness of human potential and diverse natural resources, fostering the small company sector may be the most effective approach to instigate a fundamental transformation in the structure of the Iraqi economy.

In addition to highlighting successful models locally and regionally, this study reviews the realities of small businesses, the obstacles they face, and the policies implemented by the government to support them in order to analyses the role that these businesses can play in propelling economic expansion in Iraq. It also aims to provide doable, realistic suggestions that support the development of a more equitable, sustainable, and varied economic system built on a wide base of productive small businesses. Notwithstanding the increasing significance of small businesses in bolstering contemporary economies, Iraq continues to exhibit a glaring deficiency in energizing this crucial sector, whether it is in terms of banking infrastructure, regulatory laws, or an appropriate investment climate. According to this viewpoint, the following query is the root of the study's issue: What part can small businesses play in Iraq's economic growth, and what are the main obstacles standing in the way? The following are some of the sub-questions that fall under this primary question: How widespread, how active, and how fast are small businesses in Iraq? What institutional and legal structure governs these businesses, and how well does it aid in their growth? What are the main barriers that prevent small businesses from effectively promoting economic growth? What international laws and procedures may be used to strengthen this industry's position in Iraq? This research is significant because it addresses a major problem facing the Iraqi economy: the hunt for sources of economic development other than oil profits. Supporting small enterprises is a strategic way to improve economic stability, diversify revenue streams, and reduce unemployment, especially among women and young people. This significance is increased by the frequent financial crises brought on by volatile oil prices.

2. Small Projects: Concept, Significance, and Aims

First: The Small Projects Concept

Small projects are a major part of economic growth in most countries throughout the globe. But the way they define them is different in each country because of its own laws and economy. There isn't one definition of a small project that everyone agrees on. Instead, it is usually based on numbers like annual income, capital expenditure, and personnel size. Some countries say that a small project is one that employs just a few dozen people, whereas others have stricter or more flexible rules depending on the sector (1). The absence of a definitive and uniform legal definition of small projects in Iraq persists as an impediment to industry regulation. Some local initiatives, on the other hand, say that they are businesses with little more than 20 employees and annual revenues or capital of less than one billion Iraqi dinars. This definition is still arbitrary and depends on the activity and the area. A small business is an economic activity that one person or a small group does to make a little amount of money in a limited area or locality. It is characterized by a significant capacity to adapt to changing market and economic conditions (2).



Second: The Importance of Small Businesses

Small businesses are very important because they may make huge changes in the local economy and society. They give everyone a chance to achieve good things without being controlled by large businesses. One of the best things about these enterprises is that they may provide real, long-term job opportunities. This is especially important in places like Iraq (3) where there are a lot of young people and women who are out of work.

Small businesses are also a good way to achieve balanced spatial development since they may be set up in both urban and rural areas without needing a lot of infrastructure or money. They stop people from moving to big cities and assist the economy grow in small, remote, and underprivileged regions. Small firms can also respond to changes in the market more easily than larger organizations, which frequently lack the same level of dynamism (4). This lets them come up with new ideas and test out new concepts more easily. Small companies also help the local economy by selling products and services that are made or grown in the area and fulfill the needs of the people who live there. They make producers compete more, which pushes them to improve quality and lower prices. They also progressively raise GDP and make income streams more diverse, which is important for nations like Iraq who rely on oil as their main source of income. These companies assist enhance supply chains and economic integration by acting as industrial feeders and supporting larger projects. This makes the economy more stable and less likely to be affected by shocks (5).

Third: The Aims of Minor Initiatives

Small projects seek to accomplish a range of objectives that change based on the project's characteristics and the state of the economy. All things considered, nevertheless, they provide the basis for creating a successful economy founded on personal initiative and financial autonomy. At the individual level, these initiatives aim to provide its owners financial autonomy and a steady revenue stream that shields them from reliance on government employment or social services. They also enable people to use their expertise and professional abilities to develop a service or product that brings in money and makes them well-known in the community (6). Small initiatives at the institutional level seek to broaden the foundation of regional economic activity by making the most of the resources at hand and satisfying consumer demands with superior, reasonably priced domestic goods. By cutting costs, improving manufacturing efficiency, and making investments in incremental development, they also hope to attain long-term financial stability. One of the key goals of these initiatives is sustainable profitability, which may help the small project grow into a medium- or large-scale business in the future by ensuring continuity and progressive development in addition to creating wealth (7). Furthermore, small businesses can achieve more general development objectives including building a productive middle class, raising economic consciousness, encouraging entrepreneurship, and passing on knowledge and abilities to younger generations. This lessens an excessive dependence on the government as the exclusive source of jobs and services and helps to create a culture of self-employment (8).

3. Small Businesses' Contribution to Reducing Unemployment and Promoting Sustainable Development

First: The Connection between Unemployment and Small Businesses



Small businesses are a powerful strategic weapon in the fight against unemployment, particularly in emerging nations where the big industries' absorption capacity is limited. Small businesses show up as a flexible and adaptable alternative that can take on a wide range of unemployed people, especially women, youth, and those with limited skills, while the public sector is unable to continue hiring because of financial strains and bloated bureaucracy and large investors are reluctant to venture into an unstable environment (9).

Experience from throughout the world has shown that strengthening small businesses and making them a self-employment-friendly environment eases the burden on the government as the main employer and turns people from job searchers into job creators. Economic entrepreneurship, which improves the cycle of production and creates sustainable self-income, replaces chronic unemployment in this situation. Numerous prospects for economic integration are created by these initiatives, which go beyond industry and agriculture to encompass services, crafts, new technology, education, and e-commerce (10).

Second: Small Enterprises as a Lever for Sustainable Development

The impact of small enterprises is not limited to addressing unemployment; rather, they are a pillar of comprehensive sustainable development, according to the three dimensions adopted globally: economic, social, and environmental (11) (12).

- On the economic level, small enterprises contribute to diversifying the national economy and reducing dependence on a single sector (as is the case in Iraq with oil). They produce diverse goods and services, stimulate local production, and reduce imports, which strengthens the trade balance. They also gradually expand the tax base and support the formation of a competitive local market.
- On the social level, small enterprises reintegrate marginalized groups into the economic cycle and open new horizons for women, unemployed youth, and residents of rural areas. This promotes social justice, reduces class inequality, and strengthens community ties by creating local job opportunities that reduce internal migration.
- On the environmental side, small enterprises tend to be closer to production models with a low environmental impact in terms of energy and resource consumption. Some also rely on recycling, renewable energy, and organic agriculture, trends that align with the environmental dimensions of sustainable development goals.

Third: Mechanisms to Empower Small Enterprises to Reduce Unemployment

To help small businesses do their part to fight unemployment, they need a full set of supporting policies, such as (13):

1. Access to Finance: One of the biggest problems that small businesses have when they want to start is getting money. So, setting up specialised financing institutions or getting banks to provide loans with low interest rates may fast get this industry going.
2. Offering Training and Qualifications: Small businesses need individuals with technical,



administrative, and marketing abilities. To help young people become ready to become entrepreneurs instead of merely job seekers, we need to provide specialised training programs.

3. Making administrative and tax procedures easier: Setting up and registering businesses should be easier, fees should be lower, and tax breaks should be available for new businesses. This will make sure that red tape doesn't get in the way of individual ideas.

4. Setting up company incubators: company incubators provide companies help with technology, marketing, and administration, which makes it more likely that they will be able to stay in business and succeed.

5. Supporting marketing and connecting production to demand: The government or the private sector gives small businesses access to internet or conventional marketing channels that connect them to bigger businesses, which helps them grow and make more money.

Fourth: The Situation in Iraq and the Potential for Small Businesses to Grow

In Iraq, starting small businesses is not only a way to grow the economy; it is a strategic requirement. Because of the big problems the economy is having, like high unemployment and poverty rates, a bloated government bureaucracy, and a lack of trust in available opportunities, it is now necessary to rebuild trust in the private sector and individual initiatives. Iraq has a lot of young people (more than 60% of the population) and a lot of undiscovered natural resources. These are things that make the small business sector a great chance that shouldn't be missed. But for this to happen, there has to be strong political will, a clear economic strategy, and a legal and institutional framework that eliminates obstacles instead of adding to them. So, helping small businesses in Iraq is not simply a strategy to fight unemployment; it is also the only way to re-establish trust between the people and the government and create a stable, diverse, and welcoming economy (14).

4- Challenges Facing Small Enterprises in Iraq

First: Financing Challenges and Poor Access to Capital

Access to financing is one of the most serious obstacles facing small enterprises in Iraq. Traditional banks remain reluctant to grant loans to this type of project due to the lack of adequate collateral, the high degree of risk, and the weak credit culture among entrepreneurs. Furthermore, most lending programs for small projects if they exist suffer from slow procedures, complex transactions, and a lack of transparency, making obtaining financing cumbersome and, in many cases, impossible. This challenge negatively impacts the ability of projects to launch, continue, or expand, as many promising initiatives are forced to halt in their early stages, either because they are unable to cover operating expenses or because of the lack of sufficient capital to invest in equipment, personnel, and marketing (15).

Second: The absence of an appropriate legal and regulatory environment



The small business sector in Iraq suffers from a weak legal and regulatory framework that is supposed to govern it and provide protection and support. There are no modern, comprehensive laws that clearly define small businesses, no flexible tax system that takes into account the nature of these projects, and no specialized central authority responsible for regulating this sector and providing services to it. Indeed, complex bureaucratic procedures, numerous approvals, and conflicting powers among government agencies exhaust and discourage entrepreneurs (15).

In addition, the absence of laws that guarantee entrepreneurs' rights against unfair competition or monopoly puts them at a disadvantage compared to large companies or suppliers that dominate the market. The lack of clear contracts or legislation to resolve commercial disputes quickly and fairly undermines small investors' confidence in the business environment.

Third: Weak Infrastructure Supporting Projects

Infrastructure including electricity, water, internet, and roads is a prerequisite for the success of any project, but it remains unstable in Iraq, especially outside of urban centers. Persistent power outages, frequent internet outages, and poor logistical services all increase operating costs and reduce production efficiency (16).

The absence of organized markets, business incubators, and small industrial complexes deprives entrepreneurs of opportunities for growth, networking, and cooperation. Projects in rural and peripheral areas face compounding difficulties due to the lack of services and distance from markets.

Fourth: Lack of Entrepreneurial Skills and Awareness

Most small businesses in Iraq suffer from weak administrative, marketing, and financial skills due to the absence of an effective training system that keeps pace with market requirements. Many business owners lack the ability to prepare accurate feasibility studies, develop effective marketing plans, manage risks, or organize human resources (17).

This lack of competence often leads to haphazard decisions that undermine the chances of success and sustainability. Furthermore, the culture of entrepreneurship remains weak in Iraqi society, and many initiatives are characterized by a traditional nature, lacking the spirit of innovation or boldness to enter new markets or utilize modern technologies (17).

Fifth: Weak Institutional Support and Fluctuating Government Policies

Iraq lacks a clear, long-term national policy for small business development. Rather, most government initiatives are characterized by randomness and interruption, often tied to political seasons or emergency funding plans. Furthermore, ministries and institutions involved in this sector, such as the Ministry of Labor, the Ministry of Planning, and the Investment Authority, often operate in a cross-cutting and uncoordinated manner, leading to duplication of efforts or wasted resources. There is no single entity for entrepreneurs to turn to for support, guidance, financing, registration, and training, leading to fragmented efforts and missed opportunities. The lack of accurate databases for small businesses also makes it difficult to plan, evaluate performance, or monitor impact (16).

Sixth: Security and Political Challenges

The small business sector, like other sectors, is affected by the unstable security and political situation in Iraq. Fear of armed conflict, a lack of clarity in the political vision, and recurring



government crises all negatively impact market sentiment and investor confidence. Frequent popular protests and a lack of trust in the financial and legal system also affect entrepreneurs' ability to anticipate the future or expand with confidence. Political challenges exacerbate the difficulty of attracting investment, establishing external partnerships, or entering regional supply chains, isolating small businesses from larger markets and confining them within narrow and fragile boundaries (17).

5- Proposed Strategies to Activate the Role of Small Enterprises in Iraq

First: Legislative Reform and Development of the Legal Environment

Small enterprises cannot be activated without a clear and fair legislative framework that precisely defines a small enterprise and grants it the privileges and rights that distinguish it from larger enterprises. Despite the issuance of some legal initiatives—such as Law No. 219 of 2020 on Supporting Small Enterprises—the problem lies in weak implementation, the multiplicity of responsible bodies, and the absence of precise executive regulations. Therefore, reforms must begin with (18):

- Establishing a comprehensive, unified law for small and medium enterprises, including: definition, support methods, preferential taxes, and protection mechanisms.
- Issuing flexible and practical executive regulations to reduce bureaucracy during registration or financing.
- Establishing a rapid commercial arbitration system to resolve disputes between business owners and suppliers or customers.
- Protecting businesses from unfair competition and "local monopoly" by large merchants or influential networks.

The goal of this axis is to ensure that entrepreneurs feel protected by the law, not hindered, and that the state views them as partners in development, not merely future taxpayers.

Second: Institutional Building and Government Policy Coordination

The lack of coordination between ministries and agencies responsible for supporting small businesses—such as the Ministry of Labor, the Ministry of Planning, the Ministry of Commerce, and the Investment Authority—empties initiatives of their substance. Therefore, the following strategy is proposed (19):

- Establish a supreme national authority for small businesses, with full powers, linked to the Prime Minister's Office to ensure coordination between agencies.
- Establish one-stop centers (one-stop shops) in each governorate, where business owners can obtain support, training, registration, financing, and guidance from one place.
- Develop a national digital database for small businesses that tracks performance and provides information to investors, financiers, and decision-makers.
- Encourage partnerships between the public and private sectors and civil society organizations to support quality projects in agriculture, education, technology, and health.

This axis aims to end randomness in management and shift from seasonal initiatives to sustainable national policies.

Third: Capacity Building and Entrepreneurial Education

An economy based on small businesses cannot be built without a radical change in the concept of work itself and in the relationship between education and the labor market. Essentially, institute or university graduates should be prepared to establish a business, not just to search for a job.

The following steps are proposed:



- Introducing entrepreneurship and business thinking curricula into university and secondary education, particularly in technical and economic colleges.
- Establishing academies for practical training in project management, in partnership with the private sector or foreign universities.
- Supporting vocational training programs targeting non-university groups, such as middle school graduates or the unemployed, and linking them to financial grants to launch projects.
- Adopting "Business Mentor" programs, where each startup is paired with an experienced entrepreneur who provides guidance.

These steps contribute to shifting the mindset from consumption to production, and from employment to self-employment.

Fourth: Reforming the Financing System and Expanding Financial Support Options

Financing remains the biggest stumbling block. Therefore, a new, more flexible and equitable financing system must be established. This axis (20) proposes:

- Establishing a national fund to finance small projects with government funding and banking partnerships, granting loans with nominal or interest-free interest, based on clear economic feasibility.
- Adopting a crowd funding or venture capital system for technology and innovation projects.
- Supporting private banks to launch products specific to small projects and providing partial government guarantees to reduce lending risks.
- Encouraging zakat, endowment, and charitable initiatives to support women's or rural social projects.
- Establishing national electronic crowd funding platforms that enable citizens to invest small amounts in local projects.

6- Analysis of the Reality of Small Businesses in Iraq (2003-2021)

Iraq has been going through an unparalleled economic change since 2003. This change has been marked by institutional turmoil and the breakdown of formal regulatory frameworks. The centralised framework that controlled local economies was taken away, but there was no effective replacement that made small firms feel secure and free to do business. Because of this gap, most small enterprises evolved in an informal setting, without any legal or regulatory protection. During this time, there were only a few individual efforts that were random and relied on family and personal resources. The state was busy reconstructing its core institutions. From a public policy point of view, this pushed small businesses to the side. From 2010 to 2013, signs of recovery in institutions and security started to show themselves, along with a clearer government message backing the private sector. During these years, the country's security situation became a little better, which led certain ministries, especially the Ministry of Labour and Planning, to start funding programs for small enterprises. Even though these programs had certain problems, they were a first step towards seeing this sector as a way to help development. But what made this era stand out was the lack of coordination between government agencies and the fact that the regulations for starting a business were still old and not very useful, which made these programs less successful. Also, the culture of entrepreneurship was still poor since there wasn't a supportive institutional environment or a structured way to teach people how to be entrepreneurs. As 2014 began, Iraq entered a new dark tunnel because ISIS invaded vast parts of the nation, destroying the weak economic infrastructure and shutting down thousands of small companies. According to statistics from the United Nations, small enterprises in places that used to have a lot of economic activity, such



Czech

Journal of Multidisciplinary Innovations

Volume 44, August 2025.

Website: www.peerianjournal.com

ISSN (E): 2788-0389

Email: editor@peerianjournal.com

Nineveh, Anbar, and Salah al-Din, fell by more than 40%, and thousands of people were forced to move. At this point, the sorrow was twofold: on the one side, real projects were destroyed, and on the other, there was no government plan in place to help the afflicted communities or pay small company owners. Support was confined to projects by non-governmental organisations that were small-scale and profitable, and they generally took place in camps or host communities.

In the post-ISIS period, specifically between 2018 and 2021, the outlines of new policies began to emerge, discussing the support of small businesses as part of reconstruction and sustainable development. The National Strategy for Private Sector Development for the period 2020–2030 was launched, allocating a portion of it to small and medium-sized enterprises. Organizations such as GIZ, UNDP, and IFC also entered the field of supporting youth projects, particularly in liberated areas. A relative spread of new business models, such as e-commerce, design services, and home-based food projects, was recorded, driven by gradual digital transformation.

However, these initiatives remained confined to the framework of conditional external financing, without being reflected in a clear national fiscal policy. Commercial laws were not amended as required, and a truly preferential tax system was not established. The problem of fragmentation among official bodies continued, leaving project owners torn between various ministries and departments, in the absence of a single, reliable authority. For nearly two decades, government initiatives did not go beyond statements or internationally funded programs. Projects, in fact, grew from the bottom up, driven by individual need and compelling circumstances, rather than by a conscious economic policy. The most striking paradox was that the state lacked any central database to track the number of these projects, track their performance, or link them to overall development planning. This left this massive sector operating as isolated islands outside the national vision.

Table (1) below shows the number of small projects and the number of employees in Iraq for the period (2003-2021)

Table (1) shows the number of small projects and the number of employees in Iraq for the period (2003-2021)

| Year | Projects No. | No. of workers |
|------|--------------|----------------|
| 2003 | 17920 | 48698 |
| 2004 | 17599 | 64338 |
| 2005 | 10081 | 36369 |
| 2006 | 11620 | 46484 |
| 2007 | 13406 | 53679 |
| 2008 | 12467 | 34567 |
| 2009 | 10289 | 27780 |
| 2010 | 11131 | 76898 |
| 2011 | 47281 | 145385 |
| 2012 | 43669 | 146210 |
| 2013 | 27694 | 60075 |
| 2014 | 21809 | 41304 |

| | | |
|------|-------|-------|
| 2015 | 22480 | 42615 |
| 2016 | 25966 | 53022 |
| 2017 | 27856 | 58954 |
| 2018 | 25747 | 54617 |
| 2019 | 24546 | 49312 |
| 2020 | 26247 | 58317 |
| 2021 | 26774 | 62074 |

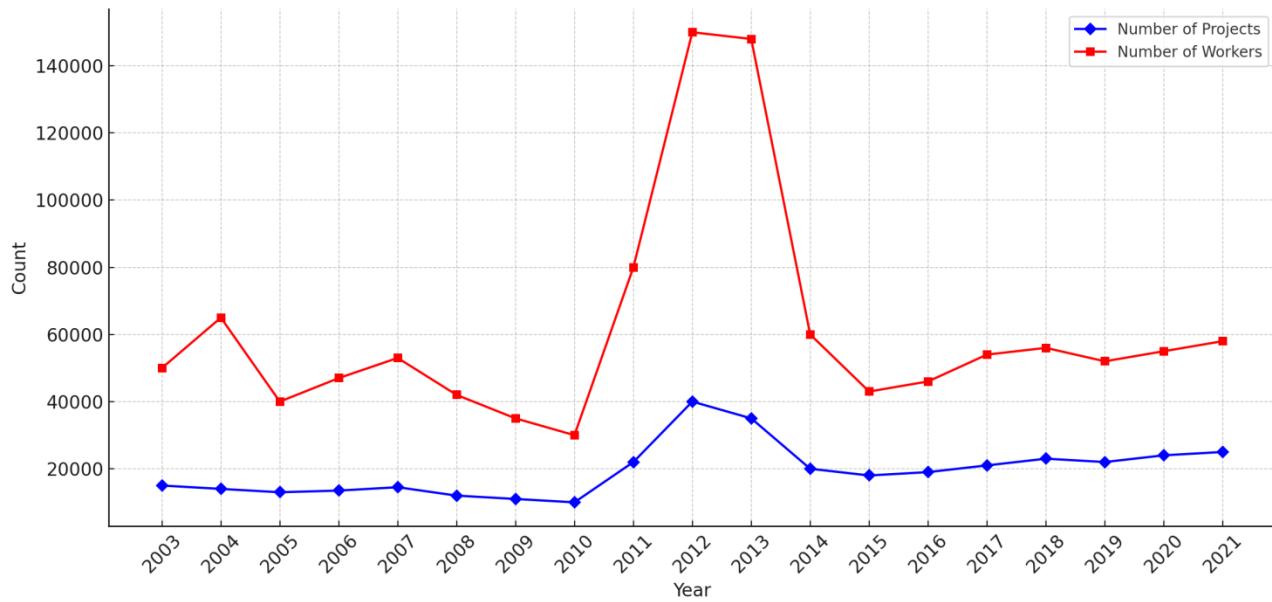


Figure (1) Number of small enterprises and number of employees in Iraq for the period (2003-2021)

Figure (1) on the number of small enterprises and their number of employees in Iraq for the period from 2003 to 2021 shows a fluctuating trend, clearly reflecting the political, security, and economic changes the country has witnessed. In the early years (2003-2010), the data was characterized by relative stagnation, as the number of enterprises and employees remained low due to the fragility of the institutional environment and the absence of any clear government strategy to support this sector. With the improvement of the security situation between 2011 and 2013, the indicators witnessed a significant boom, as the number of enterprises and employees rose to unprecedented levels, indicating the launch of funding programs or temporary institutional support by the government or international organizations. However, this boom did not last. The 2014 crisis, marked by ISIS's sweeping sweep across large swaths of the country, led to a sudden collapse in both indicators. The number of projects declined significantly, and the number of employees fell by less than half, reflecting the fragility of the operational structure and the state's weak ability to protect this sector in times of crisis. In the most recent phase (2018–2021), a slow, gradual improvement can be observed, coinciding with the end of military operations and the commencement of reconstruction efforts. Projects reappeared in the form of individual or home-based initiatives, with limited support from international organizations such as GIZ and UNDP. Although the number of



Czech

Journal of Multidisciplinary Innovations

Volume 44, August 2025.

Website: www.peerianjournal.com

ISSN (E): 2788-0389

Email: editor@peerianjournal.com

projects and employees has not returned to its pre-2014 peak, the balanced upward trend indicates the possibility of recovery if a stable legal and financing environment is in place. Thus, this analysis demonstrates that small projects in Iraq still suffer from structural fragility, and their development is directly linked to political and security stability, as well as to the presence of a serious institutional will to transform this sector from individual initiatives into a sustainable development lever.

Table (2) Number of employees per project and the gross domestic product (in million dollars) in Iraq for the period (2003-2021)

| Year | Worker for each Project | GDP (million dollars) |
|------|-------------------------|-----------------------|
| 2003 | 2.7175223 | 215.04 |
| 2004 | 3.6557759 | 211.188 |
| 2005 | 3.6076778 | 120.972 |
| 2006 | 4.0003442 | 139.44 |
| 2007 | 4.0041026 | 160.872 |
| 2008 | 2.7726799 | 149.604 |
| 2009 | 2.6999708 | 123.468 |
| 2010 | 6.9084539 | 133.572 |
| 2011 | 3.0749138 | 567.372 |
| 2012 | 3.3481417 | 524.028 |
| 2013 | 2.1692424 | 332.328 |
| 2014 | 1.893897 | 261.708 |
| 2015 | 1.8956851 | 269.76 |
| 2016 | 2.041978 | 311.592 |
| 2017 | 2.1163843 | 334.272 |
| 2018 | 2.1212957 | 308.964 |
| 2019 | 2.0089628 | 294.552 |
| 2020 | 2.2218539 | 314.964 |
| 2021 | 2.3184433 | 321.288 |

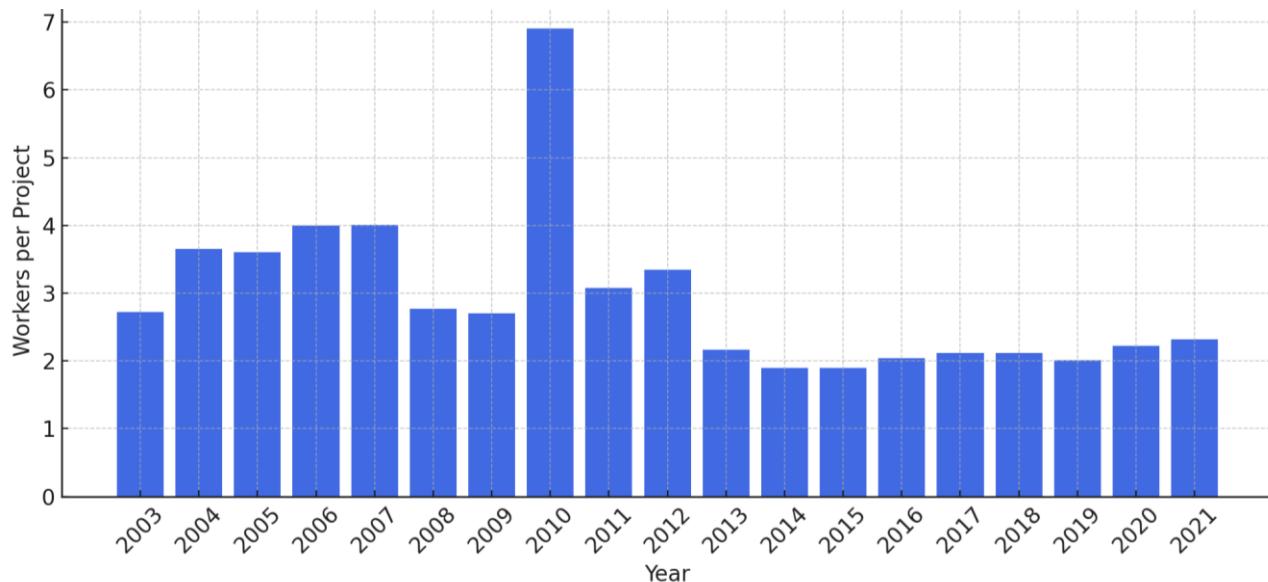


Figure (2) Number of Employees per Project in Iraq for the Period (2003-2021)

Figure (2) shows the average number of employees per small project in Iraq during the period from 2003 to 2021, with clear variations reflecting the fragility of the sector and the fluctuating economic and political conditions surrounding it. In the early years (2003-2009), the average employment per project ranged between 2.7 and 4 employees, indicating the family- or individual-based nature of projects and their weak ability to generate stable jobs. The year 2010 witnessed an exceptional jump, peaking at approximately 6.9 employees per project, an unusual number for this type of project. This suggests that the boom resulted from unnatural interventions, such as reclassifying some projects or injecting temporary funding within the context of government or international programs, without accompanying structural reform. However, this increase did not last, as the average declined in the following years, returning to levels ranging between 2.1 and 3 workers between 2011 and 2015. This was impacted by the security and economic crises that swept the country, particularly after ISIS overran large areas of Iraq. From 2016 to 2021, the index maintained a relative stability between 1.9 and 2.3 workers per project. This reflects the emergence of a small-scale entrepreneurship ecosystem based on resource-limited projects, often home-based or digital, but suffering from weak expansion and employment due to the absence of supportive policies, business incubators, and conflicting legal and financing frameworks. This low employment stability does not necessarily reflect the maturity of the sector; rather, it highlights its limited impact on reducing unemployment or enhancing economic stability unless the state intervenes by developing concrete programs aimed at raising the average employment rate per project to at least 4 workers, linking this to a national strategy for sustainable development.

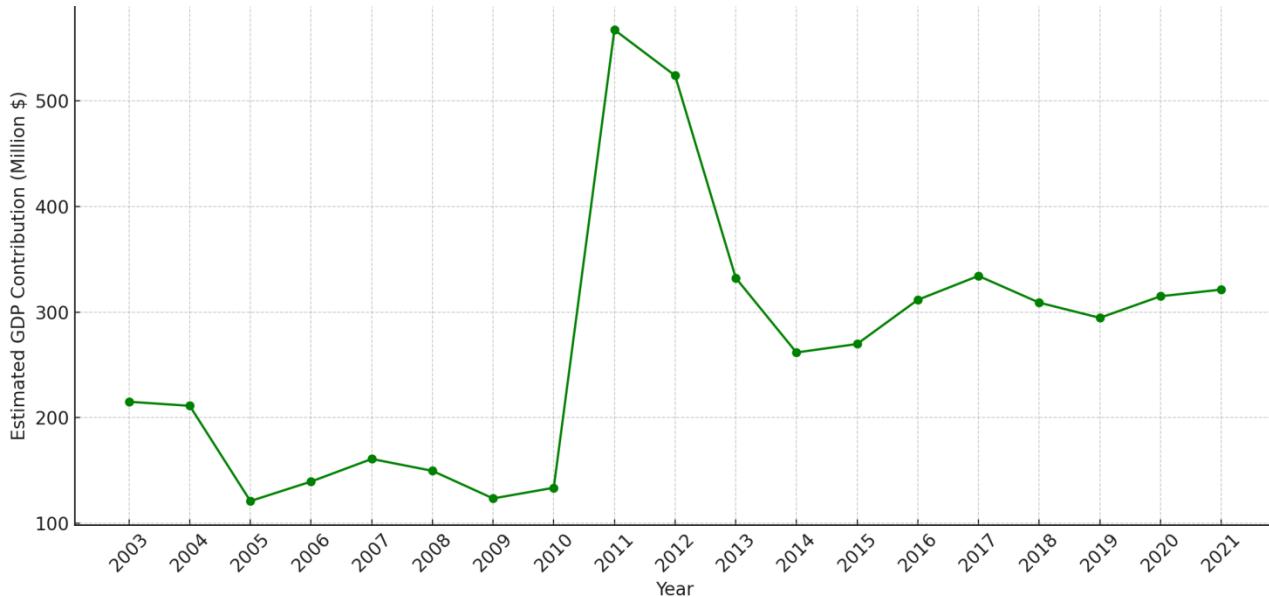


Figure (2) Contribution of small businesses to the GDP (in millions of dollars) in Iraq for the period (2003-2021)

The graph associated with the table shows an upward curve in the contribution of small businesses to the GDP, starting in 2010, when the total contribution did not exceed \$133 million. This trend peaked in 2011 at \$567 million, before rapidly declining in 2013-2014 to less than \$300 million. This surge and subsequent collapse reflect a failure to institutionalize temporary successes and reveal the sector's dependence on circumstantial contexts (security, international funding, seasonal programs). What is striking in the graph is that the post-2016 period did not witness additional collapses, but rather maintained a relatively stable and gradually growing contribution, indicating the emergence of small, flexible projects (home-based, digital, commercial) capable of continuing despite weak institutional support. It also indicates that this sector is playing a more established economic role, even if it has not yet reached the stage of strategic influence.

The previous tables and figures reveal a relative correlation between the number of workers in small projects and the level of these projects' contribution to Iraq's GDP. The number of workers is a vital indicator of the size of each project's economic activity. The greater the number of workers, the higher the production and service capacity, which is directly reflected in the added value generated by these projects. For example, during 2011 and 2012, with the highest employment rates recorded (more than 145,000) (Employed), the contribution of small businesses to the GDP has reached its highest levels (estimated at around \$567 million annually), demonstrating that expanding employment within this sector not only creates job opportunities but also contributes to stimulating the economic cycle and boosting national revenues. Conversely, during periods when the number of employed people declined, the contribution of businesses to the GDP declined significantly. This demonstrates that stimulating employment within these businesses is a key lever for achieving sustainable economic growth, provided that this is accompanied by productive, financial, and administrative support that increases the efficiency of this workforce and transforms individual effort into measurable and accumulative collective economic value.

Conclusions:



Data on small businesses in Iraq show a clear positive relationship between the number of employees in this sector and its estimated contribution to GDP. The number of employees reflects the level of economic activity and production for each business, and therefore, its increase represents a direct indicator of the expansion of the overall economic impact. For example, in 2011 and 2012, the number of employees peaked at more than 145,000. This coincided with the highest estimated contribution of small businesses to GDP, reaching approximately \$567 million, equivalent to more than 1.2% of non-oil GDP at the time. This demonstrates that stimulating small businesses to employ not only contributes to reducing unemployment but also increases added value at the macroeconomic level. Conversely, the decline in the number of employees in some years (such as 2009 and 2014) was accompanied by a decline in the sector's contribution to GDP, demonstrating that the operational capacity of these businesses is a crucial factor in measuring their development effectiveness. Therefore, any development policy aimed at increasing the contribution of small enterprises to the national economy must prioritize the creation of real job opportunities within these enterprises and the provision of a favorable operating environment that enhances their ability to expand, produce, and generate income.

References:

- 1) World Bank. (2020). Small and Medium Enterprises (SMEs) Finance: Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital. Retrieved from <https://www.worldbank.org/en/topic/smefinance>
- 2) OECD. (2017). Enhancing the Contributions of SMEs in a Global and Digitalised Economy. OECD Publishing. Retrieved from <https://www.oecd.org/mcm/documents/C-MIN-2017-8-EN.pdf>
- 3) Beck, T., & Demirguc-Kunt, A. (2006). Small and Medium-Size Enterprises: Access to Finance as a Growth Constraint. *Journal of Banking & Finance*, 30(11), 2931–2943. <https://doi.org/10.1016/j.jbankfin.2006.05.009>
- 4) ILO (International Labour Organization). (2022). World Employment and Social Outlook: Trends 2022. Geneva: ILO Publications. Retrieved from <https://www.ilo.org>
- 5) Blanchard, O., & Johnson, D. R. (2012). Macroeconomics (6th ed.). Pearson Education.
- 6) Sachs, J. D. (2005). The End of Poverty: Economic Possibilities for Our Time. Penguin
- 7) Al-Azzawi, S. N. (2021). The role of small enterprises in reducing unemployment in Iraq: An analytical study. *Tikrit Journal for Economic and Administrative Sciences*, 17(54), 75–98.
- 8) United Nations Development Programme (UNDP). (2020). Iraq Private Sector Development Strategy 2020–2030. Baghdad: UNDP Iraq. Retrieved from <https://www.iq.undp.org>
- 9) Central Bank of Iraq. (2021). Annual Economic Report 2020. Baghdad: CBI Publications.
- 10) World Bank Group. (2021). Doing Business in Iraq 2020: Comparing Business Regulation for Domestic Firms in 190 Economies. Retrieved from <https://www.doingbusiness.org>



Czech

Journal of Multidisciplinary Innovations

Volume 44, August 2025.

Website: www.peerianjournal.com

ISSN (E): 2788-0389

Email: editor@peerianjournal.com

- 11) Al-Sabah, M. A., & Ali, A. H. (2022). Legal Challenges Facing Small Business Development in Iraq: A Critical Review. *Iraqi Journal of Economic Sciences*, 20(3), 115–132.
- 12) GIZ Iraq. (2022). Support to Startups and MSMEs in Fragile Contexts: Lessons from Iraq. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Retrieved from <https://www.giz.de/en/worldwide/40405.html>
- 13) Nabi, G., Walmsley, A., Liñán, F., Akhtar, I., & Neame, C. (2018). Does entrepreneurship education in the first year of higher education develop entrepreneurial intentions? The role of learning and inspiration. *Studies in Higher Education*, 43(3), 452–467. <https://doi.org/10.1080/03075079.2016.1177716>
- 14) UNESCO. (2021). Reimagining our futures together: A new social contract for education. Paris: UNESCO. Retrieved from <https://www.unesco.org>
- 15) World Bank. (2020). *Small and medium enterprises (SMEs) finance: Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital*. World Bank. doi:10.1596/978-1-4648-1554-7
- 16) International Labour Organization. (2022). *World employment and social outlook: Trends 2022*. ILO Publications. Retrieved from <https://www.ilo.org>
- 17) Organisation for Economic Co-operation and Development. (2017). *Enhancing the contributions of SMEs in a global and digitalised economy*. OECD Publishing. Retrieved from <https://www.oecd.org>
- 18) Ibrahim, A. N. (2025). *The role of small and medium enterprises (SMEs) in promoting sustainable environmental development in Iraq*. *Iraqi Journal of Sustainable Development Studies*.
- 19) Awad, K. S. (2024). Small and medium enterprises as a means to promote economic development: Study of the role of SMEs in job creation and growth in Iraq. *International Journal of Business Management, Economics and Strategies*, 3(8).
- 20) United Nations Development Programme. (2021). *MSME survey report Iraq 2020: Private sector development strategy pillar*. UNDP Iraq.