

# Strengthening Economic Transformation in Iraq (SET)

## The challenge

Iraq's economy is highly reliant on oil, which is by far the country's main source of governmental revenues. This makes the public budget highly vulnerable to oil price fluctuations. After experiencing an oil price-driven growth spurt with a GDP growth rate of 7.0% in 2022, the economy was expected to contract by 1.0% again in 2023, as oil prices fell. According to its ministerial programme, the Iraqi government wants to reduce its dependence on oil drastically, yet faces considerable challenges to do so.

The revenues finance a large public sector that accounts for about 38% of employment. The underdeveloped private sector has suffered from two decades of conflict as well as the impact of the COVID-19 pandemic. With an annual population growth of 2.4%, about one million young people enter the labour market every year. According to the World Bank, the economic conditions in Iraq are currently not conducive to creating enough new jobs, especially in the private sector. For a sustainable economic transformation with regard to both, revenues and job creation, the government needs to invest in structural reforms and private sector growth.

## Our approach

SET aims to help build the capacities of partners for the development and implementation of necessary reforms for an economic transformation. In addition, it works to support labour market structures to be more needs-oriented and work with chambers and associations to anchor sustainable business development services.

Project name	Strengthening Economic Transformation in Iraq (SET)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Project region	Baghdad, Basrah and Erbil
Volume	15 Mio EUR
Lead executing agency	Ministry of Planning
Duration	01/2024-12/2026

The overarching objective of SET is to strengthen the economic policy framework conditions for a socially, ecologically and economically sustainable transformation of the economy in Iraq.

It is working on four outputs:

- **Output 1** aims at supporting evidence-based economic policy-making processes in Iraq (including KRI). To this end, the project is supporting government institutions and private organisations in preparing analyses and implementation plans for improving the economic policy framework, including complementary capacity development measures.
- **Output 2** is working to improve the representation of the interests of the private sector in political decision-making processes. To this end, the project works with chambers and associations to establish mechanisms for involving their member companies to systematically record and communicate the interests and needs of the private sector.
- **Output 3** aims at improving access to advisory services for socially, ecologically and economically sustainable business development for enterprises. The project is building the capacities of providers such as chambers and associations to offer



L. to r.: Data Management Workshop & Installation of Solar Modules in Baghdad Photovoltaics Training Centre

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Both pictures: Baghdad Job Fair 2024

services for micro-, small- and medium-sized enterprises independently and promote economic transformation. Special attention is given to adapting to the effects of climate change such as increasing water scarcity and droughts, which burden agriculture as well as other economic sectors.

- **Output 4** strengthens the effectiveness and needs-orientation of labour market policy instruments. The project is supporting employment service structures in developing, adapting and implementing relevant mechanisms. To ensure a needs-based approach, private enterprises are included to address labour market requirements better and to support job seekers in a more targeted manner.

SET is a follow-up module to the previous Private Sector Development & Employment Promotion (PSD) Project, which was jointly funded by the BMZ and the European Union.

PSD aimed at improving the framework conditions for a growth-oriented business climate. To this end, the project supported policy reforms such as a revision of the company law or the draft renewable energy law. The project also enhanced youth employment by providing support to MSMEs and to government partners offering training and job placement services. Around 12,500 young people, 4,900 of them women, were successfully placed in jobs and over 800 new jobs in MSMEs were created.

## The results

Shifting from supporting jobseekers and entrepreneurs directly, SET is now focussing strengthening partner structures. Building on previous results by continuing the support on evidence-based policy reforms for government partners through expert advisory

and capacity building. In support of participatory private sector initiatives, SET has supported the expansion of a Women Mentor Network from Basrah to other parts of Iraq. Iraqi women are a key driver of broader economic growth and development. Numerous studies have shown that an inclusive workforce benefits from a wider set of perspectives, skills and experiences, and thus becomes more innovative and resilient.

While more and more women in Iraq are entering the labor market and attaining leadership positions, they still face challenges, especially in the private sector and as entrepreneurs. To support women in overcoming these challenges, women professionals created a network that fosters knowledge exchange, provides practical advice and encourages personal and professional growth in 2019. Experienced professionals help those who have just started their entrepreneurial journeys. With the support of GIZ, the network has set up and continued to develop needs-based support formats and services.

SET has also supported Ministry of Labour and Social Affairs in further developing the digital platform MIHAN. The platform serves as both, advertising job offers as well as training and learning opportunities. Since its launch, four million users set up accounts.

In late 2024, the Baghdad Job Fair took place. With the support of the project, the Ministry of Youth and Sports organised a three-day event for jobseekers and young professional. During the fair, 700 interested candidates had the opportunity to get in touch with the more than 60 hiring companies directly. More than 1,850 job interviews took place. An extensive programme, for example CV writing and interview skills, completed the event.

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