THE ECONOMIC IMPACT OF COVID-19 ON AGRICULTURE AND FINANCIAL SERVICES IN NINEWA

A Rapid Market Analysis of Agriculture Needs in Ninewa

MAY 2020
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Summary

PERMA is supporting the emergence of an ecosystem of system-level partnerships between local authorities, government agencies, and non-government actors to support the recovery of agriculture and the rural economy in Iraq’s Ninewa Governorate. PERMA is working to rehabilitate economic activities in the agriculture sector by linking agriculture producers and MSMEs with access to financial services, developing their capacity to improve revenue, and fostering social cohesion to rebuild economic relationships.

The PERMA consortium consists of Mercy Corps, Triangle Generation Humanitaire (TGH), Public Aid Organization (PAO), and Altai Consulting Company. All partners in the consortium are key actors in northern Iraq in agriculture, food security and social cohesion.

This study was implemented to understand the economic impact of COVID-19 on agribusinesses to inform potential programme adaptations under PERMA and provide recommendations to other humanitarian actors responding in Ninewa. The survey interviewed private and government sector actors, financial institutions, as well as wheat, barley, vegetable and livestock producers.

Key Findings

- The Government of Iraq (GoI) and the Kurdish Regional Government (KRG) acted fast by implementing lockdown measures in response to the spread of Coronavirus (COVID-19). Between 14 March - 26 April, this lockdown included the restriction of non-essential movement of people, goods and services. As a result, agribusinesses were unable to travel between rural and urban areas and therefore unable to participate in the market, receive veterinary products and services for their animals, or service their machinery in preparation for the harvest. This has led to a loss in income, a reduction in livestock herds and delays to the harvest.

- In total, 75% of producers interviewed reported experiencing a loss in income. Although food prices remained stable throughout the lockdown, 73% of producers report adopting coping strategies in order to continue meeting basic needs.

- Producers require urgent financial and technical support to facilitate the resumption in activities in order to compensate for their loss in income. Agribusinesses interviewed in the target area say they have had no access to support from government, financial services or NGOs. Furthermore, the significant drop in oil prices has already led to significant losses in government capacity and resources to support agribusinesses through post-COVID-19 economic recovery.

- The two week closure of financial services during the lockdown triggered major losses in liquidity, exacerbating the existing nation-wide shortages. This is even further compounded by consumer financial losses and a drop in loan repayments.

Key Recommendations

Short Term Recommendations

- Provide financial and technical support to agribusinesses, particularly MSMEs, to restart activities in order to help recover their loss in income. Financial support to businesses could
include increasing PERMA’s cost-share to agribusinesses to provide producers access to subsidies in order to rent harvesters and purchase agricultural inputs.

- Exploring cash for work activities to inject money in the communities PERMA serves in order to enable access to labour, goods and services.
- Facilitate stronger communication and coordination between government services and producers and agribusinesses. This includes improving government databases at a district and sub-district level to facilitate more harmonised dissemination of communications to make producers and agribusinesses aware of the support available to them by the government and other NGOs. PERMA will support the government through a communications strategy to include platforms like SMS or WhatsApp.

Medium-Long Term Recommendations

- Facilitate new supply chains to enable producers to have alternative access to inputs and services. For example, this could include strengthening and diversifying supply chains for affordable animal feed, medication and vaccines. The supply chains will also allow agribusinesses the ability to sell their goods in different markets. By strengthening marketing channels, wheat and barley farmers can build stronger relationships with the private sector and access more markets.
- Provide financial support to private sector agribusinesses. For the next season, machinery suppliers require capital to invest in more machinery and to provide subsidies to farmers.
- Support financial institutions with access to liquidity through philanthropic grants and advocacy for establishing wholesale loan provider institutions with the government and central bank of Iraq. Facilitate access to loans for MSMEs in the agriculture sector.
- Avail technology solutions, such as digital financial services and online marketplaces to enable smallholder farmers to expand their businesses and access different local markets.

Introduction

COVID-19 Crisis in Iraq

As of 13 May 2020, there are 3,032 confirmed cases of COVID-19 in Iraq and 115 fatalities. This figure is likely an underestimate given that the circulation and expansion of COVID-19 testing resources are still in early stages. Iraq’s healthcare infrastructure has suffered from decades of chronic conflict and under-investment, and does not have the capacity to cope with a significant spread of the virus. Between 14 March to 26 April 2020, the Government of Iraq (GoI) and the Kurdish Regional Government (KRG) implemented significant containment measures, including a near total lockdown, closing nearly all public places and services with the exception of essential businesses, such as local grocers and pharmacies. Since 26 April, the government partially lifted the lockdown, allowing some businesses to re-open at limited capacity.

While these measures have mitigated the spread of the virus, the economic effects of these measures are already immense. Adding to the urgency, Iraq is in a delicate stage of reconstruction following the conflict with the Islamic State (ISIS) and continues to experience cycles of political crisis and insecurity, with a government currently in transition. Moreover, the drastic fall in global oil prices has posed further challenge, as the Iraqi government forecasts a potential fiscal deficit of between $40-80 billion.
As the second largest industry in Iraq, the agricultural industry is seen as one of the most promising sectors to support the Iraqi economy to recover from the economic impacts of the COVID-19 crisis, including food insecurity, poverty, and unemployment. OCHA has classified agriculture activities as tier 1 and the government is prioritizing it as part of its COVID economic recovery plan.\(^1\) Since 2018, the Iraqi government has been following a plan to reduce the amount of imports and increase food sovereignty. In 2019, Iraq achieved near self-sufficiency in grain crops, and suspended import of 16 agricultural products including eggs and poultry. The onset of protests in 2019 led to widespread consumer boycotts of Iranian products, resulting in a 40% drop in the value of agricultural imports and an increase in demand for local products.\(^2\) This year, the government increased the number of banned agricultural products to 25 to include wheat and barley, certain vegetables, poultry and fish. The restrictions on border crossings\(^3\) between Iraq and Iran in an effort to prevent the spread of COVID-19, likely means that the demand for local agricultural products have increased since the start of the lockdown.

However, even as the government invests in agricultural productivity, the industry faces security threats and vulnerabilities. For a second year, ISIS has set ablaze wheat and barley farms across Iraq to extort farmers into paying local taxes.\(^4\) Furthermore, the looming economic crisis in Iraq triggered by the drop in oil prices will reduce government capacity to support farmers to recover from the losses they have experienced as a result of the COVID-19 crisis.

### Rapid Analysis

#### Assessment Objectives

The Rapid Market Analysis seeks to understand the follow-on implications for agriculture as a result of COVID-19, in terms of income and food security, including access to inputs, labour and sales channels. Specifically, it aims to build an understanding to the following questions:

- To what extent has COVID-19 economically impacted producers and market actors in key agricultural sectors and which market functions are most affected?
- How are critical businesses and institutions coping and adapting to the crisis?
- What support do businesses do recover from the crisis?

#### Methodology

Between 13 to 21 April 2020, the PERMA team conducted a rapid market assessment to understand the impact of lockdown measures on agriculture activities in the areas where PERMA operates. Primary data was collected through 268 phone interviews with market actors across sub districts of Al Hamdaniya and Mosul (see Table 1). The respondents included mukhtars (village leaders), wheat and barley farmers, vegetable farmers, livestock producers, public and private veterinary clinics, agricultural input suppliers, machinery suppliers, financial services, and government employees. Only

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1. [https://www.alsumaria.tv/news/%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF/343948/alsumaria-article](https://www.alsumaria.tv/news/%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF/343948/alsumaria-article)

2. [Iraq’s Agricultural Plan to Achieve Self-Sufficiency (Arabic)](https://www.alsumaria.tv/news/%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF/343948/alsumaria-article)

3. Although government regulations often continued to allow commercial traffic during the movement restrictions, overall there was a decrease in even commercial export/import traffic.

4. [Iraq’s Wheat and Barley field fires repeat for a second year (Arabic)](https://www.alsumaria.tv/news/%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF/343948/alsumaria-article)
four percent of market actors interviewed were female.\textsuperscript{5} Secondary data including other agency reports and news articles were used to supplement the findings of this report.

\begin{table}[h]
\begin{tabular}{|l|c|}
\hline
\textbf{Category} & \textbf{Number of Respondents} \\
\hline
Mukhtars & 27 \\
\hline
Vegetable, wheat, barley farmers and livestock producers & 196 \\
\hline
Private Sector (agriculture input suppliers, machinery suppliers and private veterinary services) & 28 \\
\hline
Government Institutions & 7 \\
\hline
Financial Institutions (banks, microfinance institutions, insurance company and mobile money agents) & 10 \\
\hline
\end{tabular}
\end{table}

\textit{Figure 1 - Market Actors Interviewed}

\textsuperscript{5} We recognize the gender imbalance to be a constraint for this assessment. However, due to the need for a rapid assessment and our limitation in being able to only conduct interviews on the phone, we moved forward with the analysis.
Results and Analysis

Community

To understand how communities were impacted and coping with the lockdown, PERMA interviewed 27 mukhtars across villages in Mosul and Al Hamdaniya. All respondents were male aged 34 - 77 years old, averaging at 51.8 years. The survey demographics by location is illustrated in Figure 2.

Findings from primary and secondary data show that the closure of shops, services and businesses resulted in a significant loss in income, an increase in price of household and food items, and an increased dependency on coping mechanisms among communities in order to meet basic needs.

Movement Restrictions

Although the state mandated a lockdown on all non-essential businesses, mukhtars interviewed did confirm that roads were open within villages and between surrounding villages allowing communities to access goods and meet daily needs. Food shops were open in every village interviewed, except in Bazergtan, where residents either went to nearby villages for food, or received food vouchers from the Bartella centre.

However, travel between villages and city centres, such as Mosul or Al Hamdaniya, were mainly restricted for medical purposes only. Farmers who needed to go to the city centre either to buy or to sell goods required a permit from the government. Some farmers did go to Mosul city to repair agricultural machinery; though, permits issues for this purpose were generally very limited.

Food prices

Communities in Ninewa have experienced an increase in food prices and shortages in supplies. According to the market price monitoring data collated by FAO, the World Bank and WFP, prices of basic commodities have generally remained stable across Iraq during the lockdown; however, in Ninewa, the price of rice has increased by 100%. In the CCI Beneficiary Market Perspective Survey, 72% of households interviewed have experienced price increases and shortages of household and food items including lentils, rice, vegetable oil and wheat flour (Figure 3). PERMA’s Rapid Market Analysis had similar findings, with half the mukhtars surveyed reporting a price increase in rice, sugar, flour, fruits and vegetables of up to 15%.

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6 Iraq Covid-19 Food Security Monitor, Issue 4, 5th May 2020
Impact of lockdown measures on households and workforce

Findings of the survey indicated that the lockdown and subsequent closure of businesses has made it difficult for households and communities to sustain their livelihoods and meet basic needs. In particular, daily wage workers, who largely make up the workforce of the agricultural sector, were unable to access employment during the curfew. According to the National Protection Monitoring Assessment, which surveyed 129 sub districts across Iraq, 89% of respondents reported loss of employment and/or livelihoods as the main impact of the COVID-19 crisis, followed by the lack of access to humanitarian services (58%); inability or difficulty in purchasing basic necessities (55%); lack of access to government services (52%); and inability and/or difficulty to pay rent (44%).

NGO assistance during the COVID-19 crisis

The lockdown and subsequent market disruption has rendered communities more vulnerable and in greater need of humanitarian assistance. However, for NGOs and humanitarian agencies who are mandated to support communities in times of crisis, the lockdown made it challenging for teams to operate and move across district and Subdistrict lines. In line with UN OCHA and government regulations, during the lockdown, humanitarian agencies were only allowed to provide limited life-saving activities including: hygiene promotion and hygiene kits, MPCA and Cash programming response, WASH services, and infrastructure and rehabilitation projects for COVID-19.

Indeed, 89% of mukhtars surveyed confirmed that they had not received any assistance from NGOs as a result of the COVID-19 outbreak and lockdown. Only three villages said they had received limited humanitarian assistance: Al Smaqia in Basheeqa sub district received food baskets; Kani Harami in Nimrod sub district received telephone calls to raise awareness about COVID-19; and Said Hamad in Nimrod sub district received food assistance. However, as of 4th May, OCHA has now added food security and livelihoods on its list of priority activities; the impact of these activities have not yet been assessed. PERMA sees this as an opportunity to leverage its infrastructure and expertise to help community agricultural economies recover from this crisis.

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7 CCI Beneficiary Market Perspectives, 5th Round
8 National Protection Monitoring Assessment
Recommendations

- Exploring cash for work activities to inject money in the communities PERMA serves in order to enable access to labour, goods and services.

Wheat and Barley, Vegetable and Livestock Producers

To understand the severity of the economic impact of COVID-19 on producers, PERMA interviewed 52 vegetable farmers (10 big farmers, 22 medium farmers, and 20 small farmers), 80 wheat and barley farmers (24 big farmers, 25 medium farmers, and 31 small farmers) and 64 livestock producers. The survey asked farmers how they were adapting and responding to the COVID-19 crisis and alternative solutions being taken or needed to be taken in order to cope.

Findings from primary and secondary data show that most producers were forced to completely halt their activities during the lockdown. The increase in prices of agricultural input, livestock feed and veterinary products, and the inability to access markets to buy and sell goods, have caused significant loss in productivity and income. Unless there are critical interventions made to support producers’ economic recovery, many businesses, particularly MSMEs will be vulnerable to collapse.

Vegetable, Wheat and Barley Farmers

For the first time in 50 years, Iraq will not import wheat and barley, along with 23 other agricultural products. The list of banned imported agricultural products includes a variety of fruits and vegetables such as tomatoes, cucumbers, eggplant, carrots, sorghum, lettuce, garlic, foliage, watermelon, pepper and dates.

In May, the Ministry of Agriculture announced that Iraq had reached a state of self-sufficiency in producing various vegetables such as tomatoes, potatoes and eggplant, but that more work was needed to ensure products are distributed across governorates in order to avoid food shortages and prevent crop damage.

This year, the government expects wheat production to exceed 6 million tonnes and plans to export up to 850,000 tonnes of barley. Since the start of the nation-wide harvesting campaign in mid-April, the government has procured 542,000 tonnes of wheat.

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9 [https://iraqidinarchat.net/?p=62904](https://iraqidinarchat.net/?p=62904)
10 [Iraq’s Agricultural Plan to Achieve Self-Sufficiency (Arabic)](https://www.almirbad.com/detail/50929)
11 [https://www.almirbad.com/detail/50929](https://www.almirbad.com/detail/50929)
12 [https://iraqidinarchat.net/?p=62904](https://iraqidinarchat.net/?p=62904)
Impact of the lockdown on agricultural activities

Most farmers said they were observing the state-mandated lockdown by staying at home (Fig. 4). The harvest for wheat and barley in Ninewa starts in mid-May, and farmers faced significant pressure under the lockdown to continue with vital activities in order to mitigate losses in seasonal income. 14% of wheat and barley farmers said they were unable to access critical maintenance services and supplies needed for preparing for the harvest.

Although the government did provide permits to farmers to continue activities, many farmers said they were unable to access these permits because the process was slow and unclear.

For most farmers, the impact of the curfew and lockdown was directly linked with (Fig 5):

- Missed or delayed agricultural activities with significant ramifications on productivity.
- Difficulty accessing inputs and supplies and increase in prices
- Loss of income
- Difficulty accessing markets to buy and sell goods

Farmers interviewed projected significant loss in agricultural productivity and profitability. For vegetable farmers who had harvested their crops of vegetables, onions, and cucumber, the lockdown and subsequent closure of road stalls and bazaars meant that farmers were unable to sell their crops in the market.

77% of vegetable farmers have said production has decreased, and that they anticipate losses this year, either due to the inability to sell on time, damage to their crops, or having less variety of crops to produce. Similarly, 38% of wheat and barley farmers project challenges selling their crops to market this year owing to damaged crops. For wheat and barley farmers, where the harvest season has recently commenced, 25% say they are experiencing delays to the harvest, putting their crops at risk of damage by fires. The continued delays in the harvest and in transportation of goods to the market will likely affect the quality of outputs, and decrease the selling price of crops.

Loss in income

Loss in income was the highest reported impact of the lockdown on farmers. 83% of wheat and barley farmers and 67% of vegetable farmers reported having no income (Fig. 6 & 7). Of the farmers still receiving an income, most had experienced an either a significant or moderate drop in their earnings.
Similarly, of the farmers who usually employ labour, 62% of vegetable farmers and 60% of wheat and barley farmers said they were either unable to do so because the lockdown did not allow for labourers to come to the farms, or they were paying their employees reduced salaries because there was not enough work for them.

To cope with significant losses in income, 67% of wheat, barley and vegetable farmers reported using coping strategies to continue meeting basic needs. This mainly included reducing food consumption (13.5%), and borrowing money (40.5%).

**Post-COVID-19 Economic Recovery**

When the lockdown is lifted, 50.5% of wheat, barley and vegetable farmers said they urgently require financial support in order to restart activities. This includes subsidies to purchase agricultural inputs such as seeds and fertiliser, subsidies to rent machines, and compensation for lost productivity.

Wheat and barley farmers also asked for support to protect their farms from fires, which causes significant damage to their crops each year. Since April, there have been at least 80 fires on wheat and barley farms, which have destroyed 1300 acres and damaged up to 13,000 acres.\(^{13}\) Although the cause of the fires vary (electrical wiring, accidental and wildfire), many farmers interviewed are especially scared that their crops are vulnerable to arson attacks by ISIS. For a second year, ISIS has started a campaign to sabotage the wheat and barley harvest by setting fields ablaze.\(^{14}\)

41% of wheat and barley farmers said they require support for the harvest including access to machinery, transportation and seed cleaners. In order to make up for the lost income this season, 41% of wheat and barley farmers also asked for input support, irrigation support and greenhouse support to build their capacity to grow other types of crops and plants in the next season.

\(^{13}\) [https://www.kurdistan24.net/ar/news/45ba8565-46ac-45b8-8e69-773623fa63d6](https://www.kurdistan24.net/ar/news/45ba8565-46ac-45b8-8e69-773623fa63d6)

\(^{14}\) [Iraq's Wheat and Barley field fires repeat for a second year](Arabic)
Livestock producers

Impact of lockdown measures on livestock breeding activities

While livestock breeders surveyed said they were observing the state-mandated lockdown by putting their activities on hold, some breeders said they were trying to continue work by moving their activities to small gardens within their local vicinity, and/or selling their goods in rural markets where there are less restrictions on movement.

For most livestock producers, the lockdown measures were directly linked with:

- Difficulties accessing inputs, such as animal feed
- Difficulties accessing veterinary services for sick animals
- Loss in income
- Lack of access to markets to sell goods

All breeders interviewed reported facing difficulties accessing inputs and services. 69% of breeders reported experiencing an increase in prices of breeding inputs such as animal feed and veterinary products. Since most input suppliers are located in urban areas, breeders faced difficulties finding animal feed or seeking veterinary products and services when they needed them. Several sheep farmers reported that the inability to reach veterinary services or access critical treatment and vaccines had led to losses within their herds. Where animal feed was accessible, most breeders said the prices were too high (citing price increases of up to 100%) causing them to rely on grazing instead, yielding lower quality meat.

Loss in income

Most breeders reported experiencing significant decrease in profitability as a result of the lockdown. Dairy farmers were unable to access urban markets to sell their milk leading to an oversupply in local markets and a decrease in price. With limited capacity to store their production, dairy farmers have experienced major losses in income. One dairy farmer cited losses of 50% and another dairy farmer said that the inability to sell dairy products had caused them to sell off other animals in order to continue meeting basic needs. For poultry and cattle farmers, the loss of income across households is expected to lead to a decrease in demand and consumption of meat and poultry products. Furthermore, the closure of roads and restaurants made it difficult to find markets to sell their products.

Recommendations

- Provide financial support and subsidies to farmers to purchase agricultural inputs and to pay for services
- Provide technical support to farmers to diversify their crops for the upcoming season in order to make up for lost income
- Facilitate new supply chains to enable producers to have alternative access to inputs and services.
75% of breeders reported that they had no income under the current circumstances. Of the remaining 25% of breeders who are still receiving an income, up to 74% said they had experienced a significant or moderate drop in their salaries (Fig. 8). In order to alleviate the loss in income, 82% of livestock breeders reported using coping strategies to meet basic needs. This mainly included borrowing money (49%) and selling their assets (15.6%, Fig. 9).

Post-COVID-19 Economic Recovery

The drop in demand and quality of outputs is already leading to a decrease in the price of animal products and a loss in revenue for livestock breeders. In order to restart activities, 52.4% of the breeders said they require financial support and 25% requested support for animal feed, medication and vaccines.

Recommendations

- Provide support to diversify supply chains to enable producers to access affordable animal feed, medication and vaccines, as well as different markets to sell their goods.
- Provide financial support and subsidies to farmers to purchase agricultural inputs and to pay for services

Private Sector

In total 28 agribusinesses were interviewed. This included 6 agriculture input suppliers, 16 machinery suppliers (including harvester suppliers/owners, seed cleaners and solar equipment suppliers) and 6 veterinary services.

Impact of lockdown on business activities
All private sector actors experienced significant business disruptions due to curfew and movement restrictions. Nearly 50% of input suppliers were forced to partially halt business operations, and many agriculture input suppliers were unable to access markets to buy and sell goods, especially across other governorates. Although the government did authorise permits to allow movement, input suppliers noted difficulty in obtaining these approvals and subsequent challenges in transporting goods. Although most machinery suppliers interviewed reported success in receiving access letters, some reported being unable to carry out key maintenance requests or deliver spare parts for harvesting machines since their mechanics were unable to come to work. Since access restrictions are less stringent in rural areas, input suppliers in these areas, along with one private veterinary clinic, reported minimal disruptions in access to their services.

All informants highlighted a slight to moderate increase in the price of goods owing to an increase in transportation costs, delays in receiving supply, and fluctuations in exchange rates. For example, machinery suppliers cited a 25% price increase in essential tools. Furthermore, the ban on imports of 25 agricultural products required market actors to seek new supply chains which caused further delays and higher prices. For example, input suppliers and veterinary services receive their goods through the Kurdistan Region; the curfew and access restrictions in this region led them to seek different avenues of supply from other governorates of Iraq.

Business and supply chain disruptions are expected to cause significant losses to the private sector. Input suppliers are projecting low sales of seasonal inputs this year and expressed concerns that if the situation prolongs, stocks will expire and they may not be able to sell their goods. For machinery suppliers, machinery sales, maintenance and rental are seasonal businesses situated around the harvest season. Challenges in importing their goods and the inability of farmers to access their services has led to significant losses in sales this year.

**Post-COVID-19 Economic Recovery**

To recover from the crisis, most private sector actors require support to build new supply chains so they can receive their goods and provide their services in a timely manner and at competitive pricing. They also require financial investments to subsidise the cost of their goods and services for consumers, in order to encourage sales.

**Recommendations**

- Facilitate new supply chains to enable producers to have alternative access to inputs and services. For example, this could include strengthening and diversifying supply chains for affordable animal feed, medication and vaccines. The supply chains will also allow agribusinesses the ability to sell their goods in different markets. By strengthening marketing channels, wheat and barley farmers can build stronger relationships with the private sector and access more markets.
- Provide financial support to private sector agribusinesses. For the next season, machinery suppliers require capital to invest in more machinery and to provide subsidies to farmers.
Government Institutions

Although Iraq has extensive arable lands, it is still a major importer of food. Farmers have limited capacity to meet local demand due to lack of capacity, investment and technical skills.

While the government does provide significant support to farmers through the provision of subsidies, expansion service and technical support, it has limited capacity to deliver. Government agricultural facilities, such as research facilities, veterinary clinics, irrigation dams, and livestock buildings have suffered significant infrastructural damage due to years of conflict and looting. The COVID-19 crisis has caused added strain on government services, with higher demand from farmers to support and even lower capacity to operate during the lockdown. Many agribusinesses and farmers were unaware of the support available to them and some were worried that crucial subsidies they rely on may get cut.

To understand the impact of the crisis on government institutions, PERMA interviewed 7 informants for this analysis: A public veterinary clinic in Basheeqa, the Extension Department of Agriculture in Mosul City Centre, Agriculture offices in Qaraqoch, Bartella and Nimrod, the Department of Agriculture in Bartella, and the Water Resource Directorate of Ninewa.

Movement Restrictions

Government institutions reported similar access restrictions to the lockdown as other actors: most were operating on reduced working hours and staff capacity. The closure of roads prevented the movement of essential goods and limited government capacity to provide support and services. For example, the veterinary clinic in Basheeqa reported difficulty transporting medicines as well as a halt in the vaccination campaign for livestock, which was supposed to start in April. For agriculture offices, the lockdown measures and road closures resulted in the suspension of all activities and reduced staff capacity. One agricultural office said they had experienced a 25% staff turnover since the lockdown began.

Impact of lockdown measures on government services

To continue supporting farmers in this crisis, government institutions said they were providing access letters to the owners of harvesters to allow them to move, repair machinery, and to prepare the harvesting campaign. They are also providing advice to help the farmers prepare planting summer crops. Due to the movement restrictions, technicians cannot access fields to assist farmers, but where possible they provide advice over the phone. In addition, the Extension Department of Agriculture in Mosul Centre said they are providing free medicines for plant diseases to farmers in need.

Some informants said they anticipated a decrease in government financial support as a result of the crisis’ impact on the economy and the drop in oil prices. In April, the Finance Ministry announced a halt of all government spending, with the exception of employee and pensioner wage and some experts are predicting employee salary cuts in the near future.  

Supporting Post-COVID-19 recovery

In the interviews with producers, most respondents said that although they had ways of contacting government services, it was unclear what support was available to them during the lockdown. Many producers and agribusinesses expressed frustrations over not being able to apply for access letters to authorise transportation of critical goods and services between rural and urban areas. The PERMA team also observed discrepancies between how government offices at a district and subdistrict level were communicating with farmers. A more effective communication strategy is needed to ensure all farmers are receiving the information they need.

Recommendations

- Facilitate stronger communication and coordination between government services and producers and agribusinesses. This includes improving government databases at a district and sub-district level to facilitate more harmonised dissemination of communications to make producers and agribusinesses aware of the support available to them by the government and other NGOs. PERMA will support the government through a communications strategy to include platforms like SMS or WhatsApp.

Financial Institutions

For a two week period during the lockdown, financial services were forced to close.

To examine the impact of these closures, the assessment interviewed three banks, one insurance company, three microfinance institutions (MFIs) and three mobile money agents.

Movement Restrictions

Like other market actors, financial institutions were operating on reduced working hours and staff numbers, and were adopting COVID-19 prevention measures such as social distancing within the office, as well as the use of gloves, facemasks and hand sanitizer. At MFIs and banks, there were fewer and delayed financial transactions owing to movement restrictions and the absence of reviewers and approvers. Moreover, for mobile money agents (MMAs), since mobile money transactions are a side business for many MMAs, the closure of local shops and businesses also resulted in the closures of many mobile money services.

Liquidity Challenges

All informants cited significant liquidity challenges with anticipated negative consequences on the stability of their businesses and the ability to meet consumer demands. Nation-wide liquidity shortages, exacerbated by public panic, caused many banking customers to liquidate their savings due to fears of prolonged curfew and bank closures. Concurrently, banks were unable to collect loan repayments
and deposits, insurance companies were unable to collect their premiums, and mobile money agents faced challenges accessing liquidity causing business disruption.

Since these interviews have taken place, the Central Bank of Iraq (CBI) has announced further measures to strengthen liquidity to reduce the impact of the contraction resulting from the COVID-19 crisis. However, these measures only include reducing the proportion of mandatory reserve for bank deposits. This measure does not apply to MFIs as they do not fall under the supervision of the CBI.

Supporting Post-COVID-19 recovery

As state-mandated curfews and lockdown measures begin to ease, liquidity remains a key challenge that all financial institutions require urgent support with. Banks and MFIs anticipate receiving a higher demand for loans to support business recovery, but do not have the liquidity they need to meet these demands. At the same time, there is an increased risk to lending portfolios, with one bank already reporting that 50% of borrowers have some amount in arrears. Existing customers will require restructuring to their loans and an extension to their repayment schedules.

Recommendations

- Support financial institutions with access to liquidity through philanthropic grants and advocacy for establishing wholesale loan provider institutions with the government and central bank of Iraq.
- Facilitate access to loans for MSMEs in the agriculture sector.

Conclusion

Since the assessment was conducted, the government has eased lockdown restrictions, allowing many farmers to resume activities. Farmers and agribusinesses are experiencing significant consequences that prevent their ability for business continuity, owing to disrupted supply chains, price increases of goods and services and loss in productivity. Financial institutions and government services, whose support is critical to support farmers and agribusinesses out of this crisis are also experiencing significant financial and operational strain, limiting their capacity to operate.

PERMA is proposing a holistic intervention strategy to support Post-COVID-19 economic recovery which in the short term includes supporting agribusinesses and farmers with financial and technical support to recover their losses and supporting government institutions with stronger coordination mechanisms. Long term, PERMA will work to increase the resilience of agricultural market actors by supporting to diversify their supply chains and increase the capacity of financial institutions to support farmers in the project area.
# Annexes

## Annex 1. Interview Questions

### KEY INFORMANT QUESTIONNAIRE

**Introduction**

Hello, my name is ___________________. I am conducting a survey to help our organisation identify the most appropriate response for immediate interventions, particularly in agriculture. A consortium consisting of three organizations, Mercy Corps, TGH and PAO is currently implementing the COVID-19 emergency response and also will continue to work on the PERMA program to support the recovery of Agriculture and MSMEs in Ninewa.

Would it be possible for me to interview you? This interview will take about 40 minutes. We promise you that we will maintain the confidentiality of all the information you provide to us and will be solely used for the COVID-19 response and PERMA program realignment in Ninewa. Participation does not guarantee being selected for involvement in a program.

<table>
<thead>
<tr>
<th>Basic Information</th>
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<tbody>
<tr>
<td>Name of Interviewer</td>
<td>Organisation</td>
</tr>
<tr>
<td>Name of Key Informant</td>
<td>Contact Details (phone number)</td>
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<td>Occupation or name of organisation</td>
<td>Location (address and description)</td>
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<td>Date of Interview</td>
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### General questions for Mukhtars

- Is the population in your village currently restricted in terms of movement or access to markets?
- If yes, where/how far are villagers able to travel (to markets, other villages, please specify)?
- If partially, where can they go and where can’t they go?
- Have you received any help from NGOs in response to the COVID-19 outbreak?
The Economic Impact of COVID-19 on Agriculture in Ninewa

Questions for Wheat & Barley Farmers/vegetable farmers/livestock producers

- How are your current agriculture activities (wheat & barley farming, vegetable farming, goat & sheep activities) impacted by the curfew/movement restrictions?
- Did you miss/delay any of the routine agricultural activities due to the curfew and restrictions of movement? Yes or No
- If yes, will the production suffer?
- Are you still being able to continue your normal planting stage? (Weeding, harvesting, selling of the products) Yes or No
- What is the impact on the inputs and services because of this current situation?
- Are the inputs and services still available for your agriculture activities? Yes, fully available/yes, partially/not available
- What about the prices? Decreased/the same/increased
- Are you still receiving an income under the current circumstances?
- If yes, to what extent has your income been impacted by the current circumstances? significant drop/moderate drop/little/no drop?
- Did you receive or will you receive any financial help from the government due to these circumstances?
- What types of coping mechanisms are you using the most, both for food security and livelihood adaptation?
  - sale of assets,
  - consumption of low-quality food
  - consumption of fewer items of food
  - borrowing food
  - borrowing money
- What steps are you taking to overcome these challenges during curfew/movement restrictions and overall disruptions to markets?
- What kind of support do you need under the current circumstances to restart normal agriculture/business activities?
- Besides financial support, what kind of additional support could be provided to you?
- Does COVID-19 have an impact on the tasks or roles within family members for small producers or on the tasks assigned to each worker for big producers?
- How about the availability of workers?
- Is there an effect on the worker’s salary? If yes, what was the effect?
● What do you do if you need a specialist or help in emergency cases (diseases in animals or crops, fire, birth complications in livestocks, etc)?
● Do you have a plan or people you might contact? If yes, what is the plan?
● What will be the impact of the COVID-19 crisis on the future of your agriculture activities?

Questions for Inputs suppliers and services providers – focus on the inputs and services that needed in this coming 3 months (Apr – Jun), includes harvester suppliers, harvester rental, vet services/clinics, transportations, dept of extension services (DoA), etc
● How are your current businesses or activities impacted by the curfew/movement restrictions?
● Are you still being able to continue your business or activities as usual?
● How will you overcome these challenges during curfew/movement restrictions?
● If curfew/movement restrictions are lifted, what are other challenges facing suppliers and service providers, because of the general COVID-19 emergency?
● What will be the impact of the COVID-19 crisis on the future of your business?
● What kind of support will help to recover and restart the normal businesses?
● Are farmers able to access your services? Yes, fully or Yes, partially or No
● Is there a way to compensate farmers for the service’s losses during the curfew period? If yes, how?
● Did you or will you receive any financial help from the government?
● Have you noticed a change in the supply or demand of your products? Which products and why?
● How have you adjusted? For example, getting supply from a different geographical area
● Is there a difference in the prices of imported materials or raw materials needed for production? If yes, please explain more.
● Do you still have access to them? Yes, fully or Yes, partially or No

Additional Questions for institutional partners (DoA, DII, etc):
● Is there any help for the farmers planned by the government? How are you planning to help the farmers recover from this crisis?
● What is the role of the government institution partners in terms of understanding the impact and mitigating them for the agricultural sector in Iraq?

Questions for formal or informal financial institutions:
● How are your current financial transactions (savings, lending, instalment collection) impacted by the curfew/movement restrictions?
● What measures have you put in place to cope with the crisis and continue your services?
● How has your liquidity been impacted by the COVID-19 crisis?
● How has your portfolio at risk been affected? How have the borrowers in arrears been affected?
● What kind of support will help you to recover from the stress of COVID-19 and restart the normal services?
● How are the farmers or MSMEs accessing your services? Is there a way to compensate for the losses during the curfew / COVID-19 crisis period?
● What are the relief measures provisioned by the government for financial institutions and their clients? What do you expect from the government to reduce the losses caused by COVID-19?
● What changes are you considering in the terms and conditions, repayment, interest rate, penalties or providing additional loans to mitigate the adverse effects COVID-19?
CONTACT

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A Mercy Corps-led Consortium:

About Mercy Corps
Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.