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TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

MARKET ASSESSMENT

BUSINESS CONSTRAINTS AND OPPORTUNITIES AT
THE BUSINESS ENABLING ENVIRONMENT AND FIRM
LEVELS FOR THE PROVINCE OF DHI QAR, IRAQ



December, 2009

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ACRONYMS

BDS	Business development services
BE	Business environment
BEE	Business enabling environment
BMO	Business Membership Organization
COC	Chamber of Commerce
FG	Focus group
GOI	Government of Iraq
H&R	Hotels and Restaurants
HR	Human resources
ISIC	International Standard Industrial Classification
MFI	Micro-finance institution
MSME	Micro-, Small, and Medium Enterprises
PRT	Provincial Reconstruction Team
R&G	Rice and Grain – business cluster
SBDC	Small Business Development Center
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
TH&R	Tourism, Hotels & Restaurants – business cluster
TVM	Transportation and Vehicle Maintenance – business cluster
USAID	United States Agency for International Development
VC	Value chain

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1. EXECUTIVE SUMMARY

1.1 OVERVIEW AND MAJOR SUBSECTORS

Dhi Qar is a southern Iraqi province that is historic for being a center of ancient civilizations. Nasriya, the capital city of Dhi Qar, is comprised predominantly of Shia Muslims, with a minority of Sabians – a Gnostic religious group that follows John the Baptist as its chief prophetic leader and centers many of its rituals around water. Nasriya and the surrounding towns in Dhi Qar are well known for growing dates and for light manufacturing, such as boatbuilding and carpentry.

In terms of business organization, Dhi Qar contains fewer medium and large businesses more micro businesses than the Iraqi average. As would be expected, most medium-sized businesses are in the construction, manufacturing, and hotel and restaurant sectors where more employees are needed to sustain a business. Larger concentrations of micro businesses are in services and trade.

In Dhi Qar, fewer than 24% of enterprises claim to be registered with government agencies. This is less than the average for Iraq overall – which is in the 29-39% range – and represents one of the lowest registration rates in any Iraqi province.

Major sub-sectors in the Dhi Qar SME sector include:

- Trade, especially retail trade, but also wholesale. Largely local, as opposed to national or international. Nearly one-third of Dhi Qar's business value is provided by retail trade in foodstuffs, fashion, and furniture, plus parts and services for vehicles and communications.
- Construction, mostly in support of the rebuilding of physical infrastructure, plus the manufacture and distribution of construction materials.
- Manufacturing, especially in furniture, metals, clothing, and food processing.
- Transportation, often local, and related to the movement of both goods and people.
- Agriculture, including the typical staple farming of wheat, barley, dates, livestock, and fish.

1.2 CONSTRAINTS

The Dhi Qar business environment is less volatile than most other places in Iraq. When asked to name the single most important constraint of doing business in Dhi Qar, entrepreneurs placed financing first, followed by energy shortages and the economic environment. Security was ranked fourth. Regulatory concerns are not ranked very high for the simple fact that lack of enforcement and the presence of corruption that has permeated all levels of commerce considerably reduce the perceived effects of regulation.

Finance is one of the most significant constraints facing Iraq SMEs. In that regard, Dhi Qar enterprises appear to be affected more by cash flow and access to finance constraints than their peers in the rest of Iraq. Dhi Qar based enterprises, asked to rank the most debilitating constraints to their business, placed access to finance before all others.

Dhi Qar has one of the lowest SME banking penetration rates in Iraq. At less than 6%, it is still considerably low by international and even regional standards. Amongst the main reasons cited as barriers to dealing with banks for enterprises that don't, are liquidity constraints, lack of confidence in the banking sector, inexperience with banks, tax authority related issues, inconvenient geographic locations of banks, and cumbersome procedures. Only 1% of businessmen reported having had loans, compared to 3% of other Iraqi SMEs. This is not to say that banking services are not in demand. 88% of Dhi Qar SMEs, for example, are interested in long term financing from banks, compared to 81% of other Iraqi SMEs.

As expected, service utilization rates vary across industries and closely correspond to the financial services needs of each economic sector. Money transfer services, overdrafts, trade finance, asset finance, and loan services are dominated by the wholesale and retail trade sectors by virtue of their need to constantly move funds around and finance trade deals. The trade sector is also the largest users of bank financing probably because the current loan products offered by banks (short terms, asset based lending) are typical of most trade sector loans.

SME business organization levels in Dhi Qar are amongst the lowest in Iraq. Only 8% of SMEs report membership in business associations and chambers of commerce. Approximately 95% of these memberships are with the Nasriya/Dhi Qar Chamber of Commerce. The remaining 5% of memberships are with Industrial chambers. Dhi Qar SME owners join business and professional organizations at a lower rate than Iraqi businessmen in other regions.

Competent financial management is key to SME survival and growth. In the absence of adequate financial information and the capacity to process this information towards operational and investment decisions, SMEs are incapable of managing their own development. The standard in financial management among Dhi Qar based SMEs is very low, from bookkeeping and capacity to process financial data to institutional and professional support. Fewer than 60% keep any form of accounting records, and only 10% depend on dedicated accountants.

The consideration that most Dhi Qar SMEs (and Iraq SMEs in general) have for IT-related constraints is not high, primarily because there is no felt need to pursue IT development with a sense of urgency, perhaps also due to the fact that the customer base is also not technologically oriented (excepting only mobile communications). Computers, the internet and other forms of mass communication driven by the IT industry are underutilized in Iraq, particularly in Dhi Qar. SMEs in Dhi Qar are far less technologically savvy than their counterparts elsewhere in the country. Fewer than half of Dhi Qar businesses compared

with other Iraqi SMEs own and use computers in their businesses (8% vs. 18%), and only 2% of those that have computers utilize networks.

Dhi Qar SMEs' perception of the role of BMOs in providing IT training services and other capacity building services in general is lower than the rest of Iraq. BMOs in Dhi Qar will find it more challenging to market computer and other IT training services to SME owners in Dhi Qar when compared to the rest of Iraq in general.

SME owners in Dhi Qar, like their peers in much of Iraq, have very weak managerial capacity. Often lacking basic managerial skills from the outset, Dhi Qar SMEs grapple with limited managerial capacity due to nominal investment in capacity building, lack of exposure to recommended practices, and a 'know it all' attitude on part of the SME owner.

Enterprise owners reported a diversified spread of educational attainment. Approximately 97% of SME owners in Dhi Qar completed at least some level of formal education, with slightly over 82% having completed at least secondary schooling and 15% more have gone on to graduate from a university, garnering at least some of the skills necessary to running a successful business.

Business owner education levels in Dhi Qar are closely aligned with education levels for entrepreneurs elsewhere in Iraq with the exception of the tertiary education category where it appears the Iraq wide average is 8% higher than in Dhi Qar.

Lack of training is a serious SME business constraint in Dhi Qar as it is throughout Iraq. Training can be of various sorts, basic skill training for unskilled workers, upgraded skill training for semi-skilled or skilled workers, management training to staff, or entrepreneurial training. SME owners' attitude toward all of it is that it is unnecessary. That may be because they are traditional or cynical or because the training is poor and has been ineffective. It certainly is inexpensive, sometimes free and often the equivalent of less than an hour's pay. In any event, by and large SME owners do not think training works and do not engage in it for themselves or for their workers.

As elsewhere in Iraq, Dhi Qar SMEs have not taken to modern business concepts, especially in the areas of innovation and entrepreneurship. Their mode of business organization remains traditional, informal, simple, and often comfortably within the status quo. SME business attitudes are more rooted in neighborhood and trade than in education. The future also is more uncertain here than in most places. That is why there is so little interest in technology, upgrading the workforce, undertaking new modes of marketing, and instituting instruments of management and financial control. It also explains, at least in part, SME owner attitudes toward association activities.

The majority of SMEs in Dhi Qar are labor intensive with a high percentage of unskilled workers. The average number of employees is 5.0 employees (compared with 6.3 for the rest of Iraq), 52% of whom are unskilled workers. Construction sector enterprises have the highest average number of employees in Dhi Qar (nearly 13 employees). Dhi Qar SMEs

tend to employ less in labor distribution compared to their Iraqi peers, except in the case of the energy sector companies, with approximately 60% higher employment rate.

A significant portion of SME labor in Dhi Qar is informal. Under best case scenario conditions in which we assume only informal and/or unregistered firms employ informal labor, 64% of Dhi Qar SME labor is informal. A more realistic assumption, under which 50% of unskilled labor in registered firms is considered informal, increases SME labor informality to over 74%. In a third case scenario in which we consider 'unpaid family members' employed by registered to be also informal raises labor informality to 78%.

In the opinion of Dhi Qar SMEs, labor market constraints are a great deal less binding than in the rest of Iraq. When asked to rank their most debilitating constraints to growth, Dhi Qar SMEs ranked labor related concerns third to last in a list of 11 input and output constraints, while elsewhere in Iraq, it was rated next to last. In another series of survey questions, an average of 24% of enterprise owners claimed to have no labor related constraints at all, while at the same time Dhi Qar SMEs view labor constraints with much less applicability across the board (43% reported that these constraints were not applicable – almost double the average response of other Iraqi SMEs). This is again most likely due to the heavy presence of micro and retail businesses where the owner is playing the more technical roles, and where there are fewer laborers for the owner to concern himself/herself with.

Production constraints on the input side largely pertain to lack of working capital, equipment, and supply quality issues.

Similar to the rest of Iraq, the majority of SMEs in Dhi Qar operate in the shadow or grey market economy. This high level of business informality threatens the going concern and growth potential of Iraqi SMEs by undermining access to finance, technology, qualified labor resources, and other productivity inputs. It also elicits corruption, anti-competitive practices, and limits the government's ability to make policy decisions due to incomplete information.

With regards to infrastructure issues, the impact of electricity shortages, rates, availability, etc is much greater than other issues, although for every area, at least almost half of all businesses are severely affected. 74% of SMEs are severely affected by electricity issues, with an additional 10% affected but to a lesser degree – a total of 84% of businesses. The figures in the chart above represent the means of the frequencies of the different areas of infrastructure impact in the questionnaire. Development of the electricity sector and provision of electricity to businesses in Dhi Qar would have a positive impact on almost every business, allowing for the removal of a most crippling hindrance, freeing businesses to be more successful. The resulting effect would most certainly result in increased employment and production across the board.

1.3 OPPORTUNITIES

Constraints always create opportunities, especially when they are at the sector and firm level, and are not so embedded in the culture as to be part of a business environment that cannot easily be altered. The research indicated the following opportunities, to be realized through direct interventions:

- Conduct managerial training for SME owners, managers, and skilled employees at every level, to improve product quality and to stimulate employment for feeder industries to SOEs and the wholesale and retail trades that support hotel and restaurant related industries.
- Conduct training in technologies for improving business efficiency, communications, and advertising.
- Build support for women owned business to create a sustainable entrepreneurial culture to take advantage of a resource that once was strong and now is significantly underutilized.
- Educate business owners on the importance of transitioning to more formal organization of their businesses and workforce, in order to take advantage of available banking, advisory, and associational resources.
- Encourage the development of business and professional associations specifically dedicated to business improvement and advice.
- Focus on productivity improvements, especially in equipment and supply, for agribusiness.

2. BACKGROUND

2.1 OBJECTIVE

The objective of this report is to highlight and provide analysis of the constraints faced by small and medium sized enterprises in the Iraqi capital province of Dhi Qar. The report also makes recommendations on how some of these constraints can be overcome through targeted assistance to SMEs. Special emphasis is placed on the role of Small Business Development Centers in developing strategies and initiatives to deliver this targeted assistance.

More specifically, the report aims to:

- Identify key SME industries in Dhi Qar
- Provide general categorization of Dhi Qar SMEs
- Assess firm-level operations to highlight:
 - Input constraints
 - Output constraints
 - Management constraints
- Describe business-enabling environment constraints as they pertain to Dhi Qar SMEs
- Make recommendations to improve the competitive standing of Dhi Qar based SMEs

2.2 SURVEY METHODOLOGY

For this report, a mix of field-based qualitative and quantitative research methodologies was utilized to generate the key outputs highlighted above. Research components included i) field surveys, ii) focus group discussions, iii) interviews, and iv) desktop research. The complete assignment was undertaken between the beginning of July and the end of September, 2009. Appendix 3 outlines key assignment activities and the dates during which they were undertaken.

2.2.1 Term Definitions

SME – Small to Medium-Size Enterprise: The definition of SME is the same one used by the Government of Iraq. The definition is based on the number of employees for size classification. One to two employees is MICRO, 3-9 is SMALL, and 10-30 is medium. Companies having more than 30 employees are regarded as large. In our definition, “employees” include the business owner as well as family members that are working for the enterprise, be they paid or unpaid. Business premise location is not factored in to the definition, nor is registration. We did not distinguish between registered and informal enterprises in the definition of SMEs.

“Iraq Companies” or “Iraq SMEs”: Throughout the report, comparisons are made between the specific province that is under study and the rest of Iraq. This study is part of a larger project which incorporated all of the provinces of Baghdad, Salahhadin, Anbar, Babil, Baghdad, and Dhi Qar. What is referred to as the “rest of Iraq” or Iraqi companies in the report when comparisons are being made is the total aggregate of the other provinces upon which the focus of the report is not directed. For example, in the report concerning Baghdad, “Iraq SMEs” refers to SMEs in Najaf, Salahhadin, Anbar, Babil, and Baghdad.

2.2.2 Field Surveys

A major component of the research assignment was the surveying of 863 private businesses in Dhi Qar. The survey sought to answer research questions pertaining to SME characteristics and constraints through a mix of open-ended, ordinal, dichotomous, nominal, and scale questions. The survey contained 560 independent variables and was administered in interview format by trained researchers during the period of 25 July to 18 August, 2009.

An introductory note to enterprise owners was attached to individual surveys, explaining the goals of the surveys, how people were selected to participate, a charter of their rights as survey participants, and contact information should they have any complaints or suggestions.

2.2.3 Survey Design and Pretesting

The survey was designed by USAID-*TIJARA* with input from 4points and KCED as implementing partners, and was further amended to reflect recommendations highlighted in the pretesting phase.

Prior to pretesting, the Dhi Qar research team attended training on interview and survey administration techniques. The training also included explanation of questionnaire terminology, a simulation exercise, and individual and collective feedback sessions.

The Dhi Qar research team pretested the survey to 130 enterprise owners under undeclared pretesting conditions with the objective of i) testing survey question variations, ii) evaluating respondent understanding of the questions and terminology, iii) determining task difficulty, iv) assessing research team capacity and capability, v) tweaking survey logistics (e.g. getting the surveys to and from Dhi Qar and Baghdad, supervisor–interviewer coordination), vi) determining the intensity of required quality control processes and field team follow up, vii) testing data entry, data entry quality control, and data clearing process, and viii) evaluating respondent accessibility.

Outcomes of the pretesting phase included reducing the number of survey questions, reframing others, including terminology definitions within the survey, intensifying survey administrator and supervisor training, increasing quality control procedures, providing survey administrators with answers to frequently asked questions by survey participants, and increasing the number of data entry personnel.

2.2.4 Sampling: Sampling Frame

The starting point for determining the sampling frame was accessing Chamber of Commerce membership records in Dhi Qar. The intention was to use these records to define the target survey population across industries and draw preliminary generalizations in preparation for sample selection. However, Chamber records were insufficient in number, often lacked key information, such as contact information, and did not appear at all representative of the SME sector in Dhi Qar (e.g. the Chamber dataset did not include unregistered companies and housed a disproportionate number of retail enterprises).

After deliberation, it was decided to use multistage stratified cluster sampling to draw the survey sample. Clusters were determined to be the economic sector in which an enterprise operated and the size of the firm based on its number of employees.

The first stage was to define economic sector clusters. To do this, the research team studied commercial registry entries at the Ministry of Trade, reviewed other SME survey definitions from the region and beyond, and consulted the ISIC. To maximize sampling heterogeneity, recommendations for ten economic sectors clusters were discussed within the USAID-TIJARA team and finally accepted after minor modification. The clusters are i) agribusiness, ii) construction, iii) manufacturing, iv) professional services, v) retail and wholesale trade, vi) transportation and storage, vii) restaurants, hotels, and tourism, viii) communication, ix) electricity, gas, and oil, and x) others.

The second stage was to attempt to determine the size of each of these economic clusters by number of enterprises or economic output in order to weigh the survey sample across the clusters. In the absence of reliable economic data, the research team attempted to construct cluster representation by i) exploring the results of previously conducted private sector surveys in Iraq, ii) researching Government of Iraq (GOI) published data, iii) talking to GOI and Chamber of Commerce subject matter experts, iv) seeking input from Provincial Reconstruction Team advisors, v) discussions amongst the research team which were led by the Dhi Qar Area Coordinator, and vi) results from the survey pretesting.

Once preliminary understanding of each of the economic sector clusters was established, sample weights were assigned. The manufacturing, agribusiness, and hospitality and tourism sectors were over-enumerated to ensure adequate representation and increased homogeneity among the cluster sets. Upon completing this process, the research team sought to stratify the sample by enterprise size using the following categories provided earlier: 1-4 employees, 5-10 employees, and >10 employees.

In cross-tabulating economic sector clusters with enterprise size, the third stage was to determine the sample size within each of the (economic sector) X (SME size) tracts. To do this, the research team referred back to the resources highlighted above and constructed a proposed sample distribution across economic sector and enterprise size.

As with the economic sector stratification, the research team decided to over-enumerate tracts in the more than 10 employees category to ensure adequate representation at medium sized firm levels.

Once completed by the research team, the distribution model was further refined by USAID-TIJARA based on internal sources and further consultations with subject matter experts, and was then put forward for implementation.

Table 2-1 below highlights the sample distribution for Dhi Qar.

Table 2-1: Proposed Sample Distribution by SME Sector and Size – Dhi Qar

Sector	Sample Distribution (%)	Number of Enterprises	Number of Employees					
			1-4		5-10		> 10	
			%	#	%	#	%	#
Agribusiness	10%	50	50%	25	40%	20	10%	5
Construction	8%	40	25%	10	60%	24	15%	6
Manufacturing	12%	60	50%	30	40%	24	10%	6
Professional Services	16%	80	65%	52	25%	20	10%	8
Wholesale, Retail Trade	20%	100	60%	60	30%	30	10%	10
Transport and Storage	5%	25	55%	14	35%	9	10%	3
Hotels, Restaurants and Tourism	25%	125	20%	25	40%	50	40%	50
Communications	2%	10	70%	7	30%	3	0%	0
Electricity, Gas, Oil	1%	5	65%	3	35%	2	0%	0
Others	1%	5	0%	3	0%	3	0%	0
Total	100%	500		229		184		88

2.2.5 Sampling: Sample Size and Respondent Selection

The research team set a target sample size of 800, although contractually only 500 surveys were required. The team reasoned that sheer numbers would overcome any shortcomings imposed by distortions in the quantity of interviews requested, offset those caused by the inevitable disqualified responses, improve the potential accuracy sample stratification, and ultimately bring the sample even closer to total population representation.

With no directory on which systematic random respondent selection could be based, researchers were instructed to use a mix of chain referral and haphazard respondent

selection methodology. Haphazard selection meant that researchers conducted the survey interview with any enterprise owners that were willing to take the survey. Chain referral, i.e. asking a survey respondent to recommend someone else s/he knows to participate in the survey exercise, was especially critical in low intensity economic sector and high employee size tracts. Notably, field researches also claimed that respondents resulting from chain referrals were more accommodating towards completing the survey, often more willing to give up more of their time, and has fewer no-response answers.

2.2.6 Sampling: Geographic Coverage

As per contractual requirements, the survey exercise covered the city of Nasiriya and surrounding towns. The research team determined that it was best to expand geographical coverage further to compensate for possible participant selection bias and improve overall representation. Expanding coverage also facilitated meeting agribusiness cluster quotas, as many of the towns surrounding Nasriya are economically dependent on agriculture. The following table highlights key survey areas and gives the approximate percentage of surveys completed within each area.

Table 2-2: Sample Distribution by Geographical Area Within Dhi Qar

Area	% of Completed Surveys
Nasiriya	60%
Al-Chbaysh	40%
Al-Shoud Qadas	
Al-Shyoukh Market	
Al-Shatra	

2.2.7 Survey Design and Pretesting

One of the most difficult challenges associated with the research project was recruiting competent and experienced research staff to conduct the survey interviews. The concept of professional survey researchers is very new to Iraq, and certainly alien in most of the provinces in which the survey was conducted, including Dhi Qar. The situation was not helped by the complexity of the questionnaire, an unsettled security situation, and a highly demanding pool of respondent business people. To overcome these challenges, the project team ran recruitment advertisements in national newspapers, offered above-market remuneration packages, and invested heavily to develop survey and interview training material.

A total of 29 Dhi Qar-based researchers and supervisors were contracted on a full-time basis to conduct the survey throughout the province. Researchers were required to meet certain

age, education level, and experience criteria before they were hired. The field research team comprised an Area Coordinator, two Quality Control Supervisors, and 26 researchers paired into 13 research teams. Appendix 4 outlines the field team organizational chart for Dhi Qar and the names of the field research team.

The Area Coordinator oversaw overall implementation of the survey and acted as the team's focal point of contact with the Baghdad-based central office. Other functions fulfilled by the Area Coordinator included: ensuring the safety and well-being of the research team, scheduling interviews, and managing the enormous task of survey logistics. He was also required to oversee the Quality Control Supervisors and 4 research teams.

Quality Control Supervisors were primarily responsible for providing supervision and guidance to the research teams. The Supervisors helped schedule interviews, distributed surveys, and checked completed surveys for consistency and completion. Quality control staff were also tasked with randomly visiting and calling enterprise owners to validate survey responses.

In all, 26 Research Interviewers were hired to conduct survey interviews. Interviewers operated in teams of two to mitigate security risks and discourage fabrication.

As highlighted above, all field staff were required to undergo an intense one-day training course on interview and survey techniques. The training focused on survey interview procedures and skills and introduced the field teams to research objectives and methodology. Time was also spent going through the survey questionnaire and simulating interviews.

Area Coordinators and Quality Control Supervisors underwent additional training to help them manage survey logistics, monitor research progress, and simulate some of the problems they might encounter and possible solutions. At the request of USAID-TIJARA, the training was conducted a second time for all field staff.

In addition to the training, field staff were given three days to run practice surveys in the field. During these three days, the Area Coordinator, Quality Control Staff, and supervisors from Dhi Qar accompanied the researchers as they conducted the surveys to provide guidance and immediate feedback on performance. Survey respondents were informed that these were trial surveys, and that their responses would not be included as part of the research.

2.2.8 Field Control

To ensure the completeness, consistency, and credibility of collected survey data, several control procedures were put in place at the data collection and processing stages. These procedures resulted in the research team rejecting between 2% and 8% of completed surveys due to data inaccuracy or incompleteness.

Table 2-3 below highlights field control results:

Table 2-3: Field Control Statistics

Completed Surveys	Rejected Surveys	Accepted Surveys	Rejection Rate
941	78	863	8%

Quality Control Supervisors

As noted above, field-based quality control staff acted as the first line of accuracy monitoring. Upon receiving completed surveys, Quality Control Supervisors audited the surveys for completeness and accuracy and were required to verify survey data with a sample of the enterprise owner respondents.

Call Center

The research team setup a centralized call center in Baghdad comprised of six staff to reestablish contact with survey respondents and validate completed survey data. At least 20% of all completed surveys were required to undergo phone validation with the enterprise owners. The call center also kept a 'watch list' of Researchers with above average error rates or abnormal error types. Completed surveys from these Researchers underwent 100% validation, which meant all their completed surveys were revalidated with survey respondents until they were either removed from the watch list or were proven to falsify responses, in which case their contracts were terminated.

Field Coordinator

A senior Field Coordinator was hired to help manage the logistics of the survey operation. One of his main duties was to provide guidance to field staff and conduct spot visits to survey respondent premises to validate the survey responses in person. The Field Coordinator spent an average of one day per week in Dhi Qar, during which he would make three visits to survey respondents to validate responses and attend at least three survey interviews with different research teams.

USAID-TIJARA Field Visits

USAID-TIJARA staff were also instrumental to the survey quality control process. They randomly selected batches of completed surveys and visited survey respondents in Dhi Qar to validate survey data and the survey experience directly with the respondents. Approximately 10% of the required sample size was validated this way in Dhi Qar. Upon completing the validation exercise, USAID-TIJARA staff met with the Area Coordinator and Supervisor staff to give them direct feedback as to researcher performance. On their return to Dhi Qar, USAID-TIJARA staff also held debriefing meetings with the 4points Project Manager to highlight findings and provide feedback.

Data Processing

Once completed survey data was populated into the data processing software, a number of validation checks were run to help identify potential shortfalls during data collection:

- Duplication tests were run to identify patterns of duplication from the same research teams.
- Researchers' results were benchmarked against one another and against total population sets to highlight standard deviation differences.

Data Entry Control

The data entry quality control process entailed i) two-pass verification – re-entering randomly selected survey data and running discrepancy tests to check for any keystroke or entry errors, and ii) arithmetic checks that balanced totals for salient survey variables such as 'number of employees,' 'asset holdings,' etc.

In addition to the above, a number of structural elements in the program design also helped ensure that data accuracy was maximized, including:

- Remunerating all field staff based on set monthly salaries, not the number of surveys they completed, thereby minimizing the incentive for field researchers to falsify information.
- Ensuring that researcher teams never had within their possession either empty or completed surveys for more than a few hours at a time. Researchers met with their supervisory staff each morning to receive their day's worth of surveys, and then met with them again at the end of the day to hand over completed surveys.
- Surveys were stocked and archived in Dhi Qar and not in the field. They were sent to and from the field on an almost daily basis.
- A zero-tolerance policy for falsified information was implemented. Researchers or supervisors found to be falsifying survey information had their contracts terminated immediately.

2.3 FOCUS GROUP METHODOLOGY

A total of 15 focus groups were conducted in Dhi Qar, focusing on a few major industries – agriculture, industry, construction, transportation, and industry. The focus group discussions were used to validate survey results and explain phenomena and outcomes that quantitative and qualitative analysis of the data could not sufficiently explain. There were 6 to 10 participants per session, led by a moderator assisted by a scribe who took down notes, and logistically organized by the area coordinator for Dhi Qar. A layout of the focus group schedule is provided here in Table 2-4 for reference:

Table 2-4: Dhi Qar Focus Groups – Date, Industry, Location, and Participants

#	Date	Industry	Moderator	Location	No. of Participants
1	7-Sep	Agriculture	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	10
2	8-Sep	Agriculture	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	7
3	8-Sep	Agriculture	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	8
4	8-Sep	Agriculture	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	10
5	9-Sep	Agriculture	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	9
6	9-Sep	Industry	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	8
7	10-Sep	Industry	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	8
8	12-Sep	Industry	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	9
9	12-Sep	Services (Barbering)	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	8
10	13-Sep	Industry	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	7
11	13-Sep	Transportation	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	7
12	14-Sep	Construction	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	6
13	14-Sep	Construction	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	6
14	15-Sep	Construction	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	6
15	15-Sep	Construction	Ahmed Kamel Jaber	Dhi Qar Teachers' Union Hall	6

Focus group moderators as a rule were all university professors (mostly in the fields of business administration and economics). They were deemed as the best category of professionals in Iraq with enough audience addressing/control experience and a grasp of fundamental business knowledge to lead the focus groups.

2.3.1 Training for Focus Groups

The project manager personally trained all moderators using advanced focus group training materials and techniques. Moderators were trained in batches of two to ensure that key techniques resonated. During the training, focus group simulations were also conducted complete with actors playing the role of focus group participants. Trainings took place over a whole work day, during which at least two hours were spent talking about the program and discussing the objectives of the exercise. All field coordinators were subjected to the training, and provided with all the logistics instructions.

Similarly, session scribes were also required to attend a scribe training. They were subjected to an outline of the program, as well minute-taking and scribe techniques. An in-class simulation where scribes were tested on their ability to observe, listen, and take detailed notes of the session was also conducted. Scribes that passed the test were hired, while those who failed had their contracts terminated.

2.3.2 Materials

A focus group toolkit was created for use by the moderators and area coordinators. The toolkit included detailed instructions on focus group logistics, agendas, participant ground rule guidelines, scribe report outline, moderator report outline, attendance sheets, lists of BEE constraints, a list of BDS services, example value chains, invitation scripts, SPSS dataset printouts, and more.

2.3.3 Organization of Focus Groups

Each focus group was organized by the area coordinators working with the quality control specialists to recruit the participants according to the pre-determined sector. The recruiting was accomplished through calling survey participants, as well as reaching out to new and additional businesses that would be able to attend in the case that not enough of the survey participants were available to participate. A challenge to the recruitment was that the all of the focus groups fell within the month of Ramadan, wherein all work days are much shorter and people are in general more tired and irritable and less available for extraneous activities that expend energy and are not their main line of work.

Each focus group session was an average of 90 minutes long, with some occasionally reaching up to two and a half hours. The moderator steered the discussion around three main themes: 1) identifying the value chain – understand the players, what is local, where connections are made, and where there may be gaps and inefficiencies, 2) business-enabling environment constraints – identifying regulatory and infrastructure issues, and 3) firm-level constraints – identifying shortcomings and challenges at the firm level. Towards the end of the focus group discussions, an additional question was added regarding the identification of specific regulations that the participants would like to see changed.

2.3.4 Quality Control

Each focus group discussion was video recorded and recorded on a voice recorder for back-up. The scribe assisted the moderator and produced an independent set of notes that would be used to compare with the moderator report submitted at the end of the session. Quality control personnel in Dhi Qar reviewed the video recordings of each focus group on a daily basis upon completion in order to ensure that the focus group discussion was carried out properly and allowed for the best and most informative discussions possible, and to evaluate moderator and coordinator performance. Reports were prepared outlining key strengths and weaknesses and were sent back to moderators and coordinators to correct any mishaps.

Focus groups all across the country, including in Dhi Qar, were halted for five days between September 2 and September 7 in order to bolster efforts to ensure that the following issues were better addressed: 1) moderator performance (moderators had the consistent problem of not listening enough and talking too much), 2) some of the coordinators were not doing a thorough enough job organizing the focus groups, and 3) focus group participants (even though sometimes very knowledgeable and opinionated) were not necessarily reflecting their industry or cluster.

2.3.5 Focus Group Reports

Original focus group reports are available in Arabic and were used to bolster findings throughout the final report. Brief summaries of each of the focus group discussions are provided in English in Appendix 1.

2.4 THEORETICAL FRAMEWORK FOR THIS STUDY

2.4.1 Competitive Advantage/Value Chain Theory

The theoretical framework for the methodology prescribed is an updated version of Michael Porter's "competitive advantage theory." It is a largely private enterprise approach to creating a competitive marketplace of rivals who contend on the basis of price, quality, and control of supplies or of markets. Rivals try to guard their advantages through a variety of techniques.

When rivalry is fair, the theory argues that businesses succeed to the extent they create value for their clients and customers. The theory tries to identify the assets that create an advantage for a business, business sector, or geography, and then to build upon it.

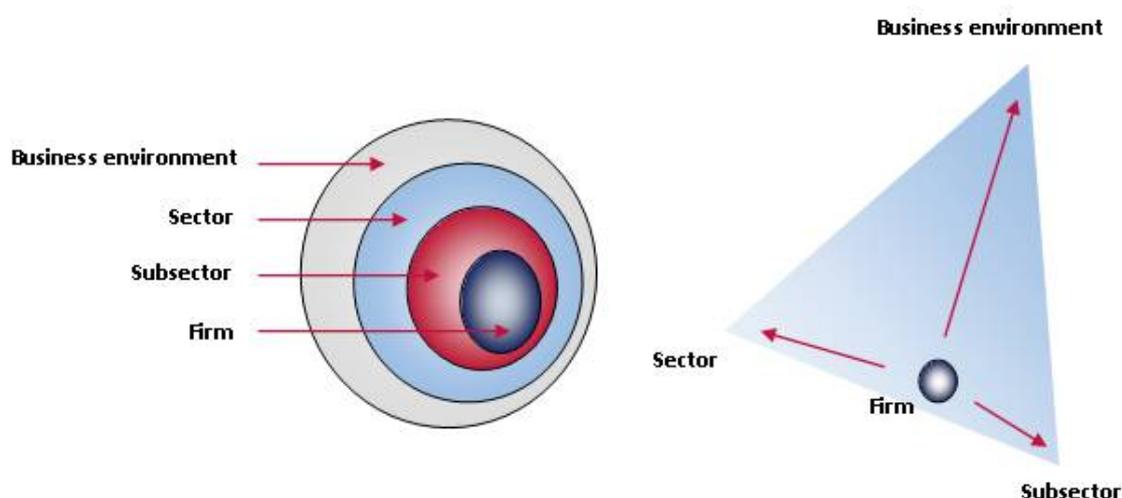
One of the ways of creating and maintaining competitive advantage is to identify the internal and external elements of business practice that add value to the final product, and hence to the business. Such enhancing activities link together into a value chain. Improvements to any link in the chain rebound to the benefit of the whole chain, and hence the competitiveness of the business itself. One can look at improving the links in the value chain by identifying constraints that interfere with, suppress, or block company value, or opportunities that advance it. A corollary to this theoretical approach is that a business enabling environment (BEE) is one in which constraints against creating greater value have been minimized. That is, the removal of obstructions to creating a chain of value automatically improves the business environment.

Both approaches are applicable in this study, but the constraint approach predominates. That is largely because the focus of the study is improving business services to SMEs that have been hurt by violence and that collapse of the economy over the past half decade. Our assumption has been that a detailed study of the market will lead to ways to overcome the negatives and to identify new opportunities for growth and prosperity.

2.4.2 Heuristic Representation of Constraint Control

Ultimately, this report comes down to what interventions best are able to deal with the constraints. To understand the degree of control an SME has over its environment, we have created two graphics on the next page. The first indicates the matrix of influences under which an SME operates. It suggests that the decisions made by an SME depend on a variety of increasingly abstract and encompassing environments, of which the largest is the business enabling environment itself. The second graphic suggests the degree of control the SME owner has over those environments.

Figure 2-1: Illustrated Heuristic Representation of Constraint Control



For example, a barley farmer is identified by his firm, belongs to the farming (or perhaps vegetable farming) subsector of an agribusiness sector that may include processing, transportation, retailing, etc., and operates in an overall business environment that includes his water, electricity, transportation, etc. It follows that the most effective interventions will be at the subsector and sector level, in terms of costs and benefits and/or return on investment for the intervener.

We have used the phrase ‘sub-sector’ instead of ‘cluster,’ since we are not referencing clusters in the classic sense of the term and believe this more accurately describes the situation. We also have used the terms ‘opportunity’ and ‘intervention’ interchangeably, preferring opportunity in most instances. Though we realize they are not the same, the goal of this report is to identify the most opportune and fruitful options for intervention, and not to prescribe types of intervention in detail.

3. UNIQUENESS OF BUSINESS IN DHI QAR

3.1 GENERAL CHARACTERISTICS OF DHI QAR

Dhi Qar is remarkable as the birthplace of historic civilizations, such as the ancient Sumer people, and is home to the ancient city of Ur, homeland of the well-known Biblical and Quranic patriarch figure Abraham. During the Saddam regime, the province of Dhi Qar was a bastion of anti-Baathist resistance. In post-war Iraq, Dhi Qar was occupied by Italian forces until September 2006 when it became the second province (after Muthanna) to be handed over to the Iraqi Security Forces. Nasriya, the capital city of Dhi Qar, is homogenously comprised of Shia Muslims with only a slight intermixing of Sabians – a religion that requires water to perform religious rites and follows John the Baptist as its chief prophet. Nasriya and surrounding towns in Dhi Qar are well known for their date growing activities as well as light manufacturing activities such as boatbuilding and carpentry. Table 3-2 provides a breakdown of key SME sectors surveyed in Dhi Qar.

Table 3-1: Dhi Qar Demographics¹

Capital:	Nasriya
Area:	12,900 sq km (4% of Iraq)
Population:	1,687,000 (6 % of total)
Gender Distribution:	Male: 50% Female: 50%
Geographical Distribution:	Rural: 38% Urban: 62%
Population by District:	
Nassriya	593,700
Al-Shatra	366,000
Al-Rifa'i	336,000
Suq Al-Shoyokh	255,800
Al-Chibayish	64,000
Other	71,500

Table 3-2: Approximate Makeup of SME Sector in Dhi Qar

Construction	%	Light Manufacturing	%	Transportation	%
Contractors	46%	Metal Works	48%	Personal Transportation	100%
Construction Supplies	38%	Carpentry	32%		
Construction Services	16%	Tailoring	11%		
		Brick Factories	9%		
Agribusiness	%	Retail	%	Others	%
Dates	37%	Food and Beverage	60%	Barber Shops	32%
Wheat, Barley, Grain	30%	Mobile Phones & Computers	14%	Restaurants	23%
Horticulture	16%	Furniture and White Goods	11%	Electricity Generators	15%

¹ 'Baghdad Governorate Profile'; United Nations Office for the Coordination of Humanitarian Affairs; Inter-Agency Information and Analysis Unit; July 2009

Livestock	9%	Others	15%	Bakeries	14%
Poultry	7%			Internet Cafes	9%
				Stationery Shops	7%

The tone of the business culture is determined by special role of the province in the seat of national government. Businesses are very diverse, and the landscape includes many different subsectors with unique elements that present challenges as well as opportunities for the Dhi Qar SMEs.

Answers to questionnaires and extensive conversations in focus groups reveal that Dhi Qar shares many of the economic and business attributes and characteristics of Iraq in general. However, there are significant differences that create a unique system of BEE constraints. Individual features of the Dhi Qar SME landscape revealed by statistical comparisons appear below.

3.2 SIZE AND MAKEUP OF DHI QAR ENTERPRISES

As a percentage of business organization, Dhi Qar contains fewer medium and large businesses than the Iraq aggregate (see Figure 3-1 below) and more micro businesses. As would be expected, more of the medium-sized businesses are in the construction, manufacturing and hotel and restaurant sectors where larger numbers of employees are needed to sustain business. Larger concentrations of micro businesses are in services and trade (see Figure 3-2 below).

Figure 3-1: SME Composition by Size

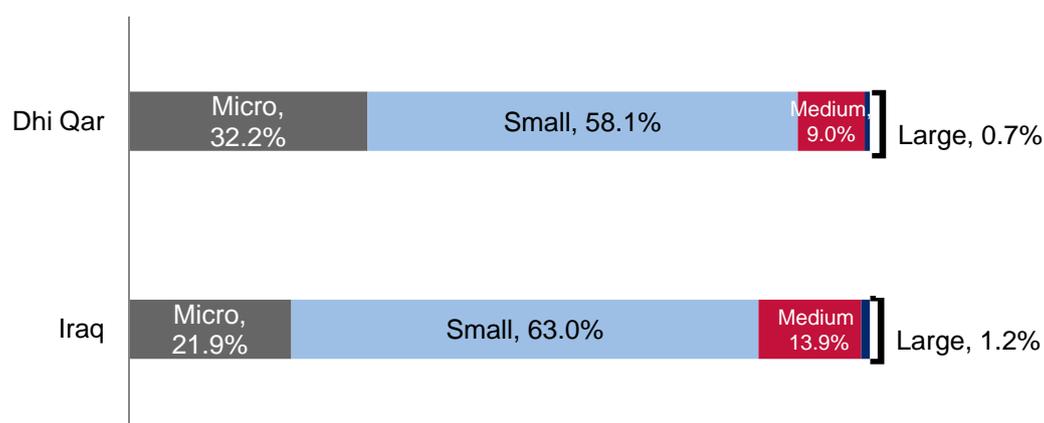
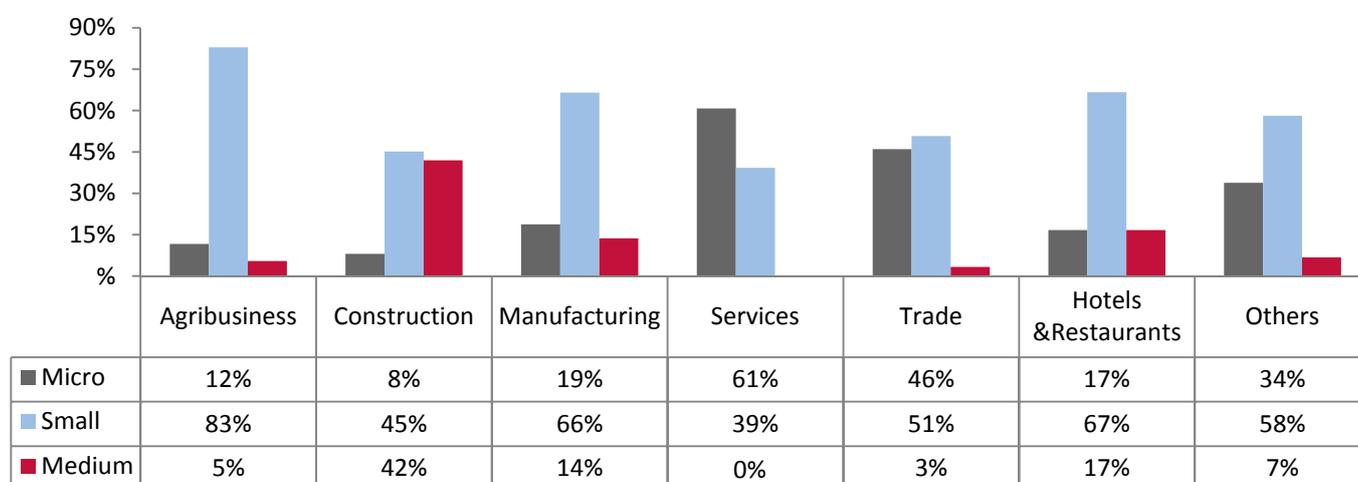


Figure 3-2: The Dhi Qar SME Sector Makeup – Size and Sector²



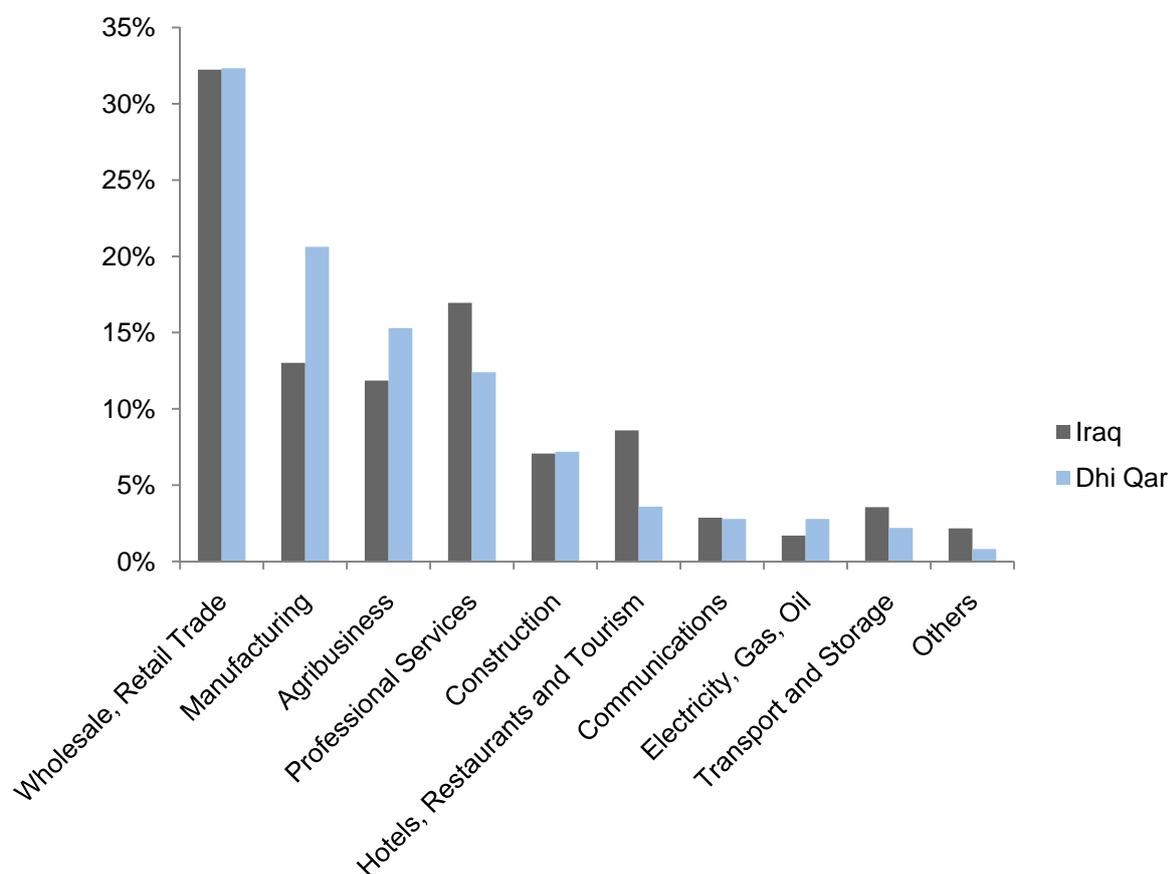
A large number of businesses are new entities. Almost 50% of businesses surveyed have been created or established since the fall of the previous regime. Due to the heavy concentration of micro-businesses, they make less use of both unskilled and administrative labor, and have a higher percentage of business owners in the labor force. Women penetrate SME ownership about half as much (1.6% vs. 2.5%) as they do in other provinces.

Retail trade in Dhi Qar is of equal importance as the national average (see Figure 3-3 below). The different level of business maturity and type flows from this fact. We can expect such an area to have a many new businesses that are more dynamic, able to adjust to different operating environments and changes in the enforcement policies of laws affecting their businesses.

Manufacturing, agribusiness, and energy sector businesses are somewhat more emphasized in Dhi Qar, as is reflected below in Figure 3-3.

² Large companies are removed from the graphical depiction. For that reason, some of the sector breakdowns may not add up to 100%. Also, due to rounding on uneven percentages, please allow for +/- 1% error of margin.

Figure 3-3: Dhi Qar and Iraq Sector Makeup Comparison



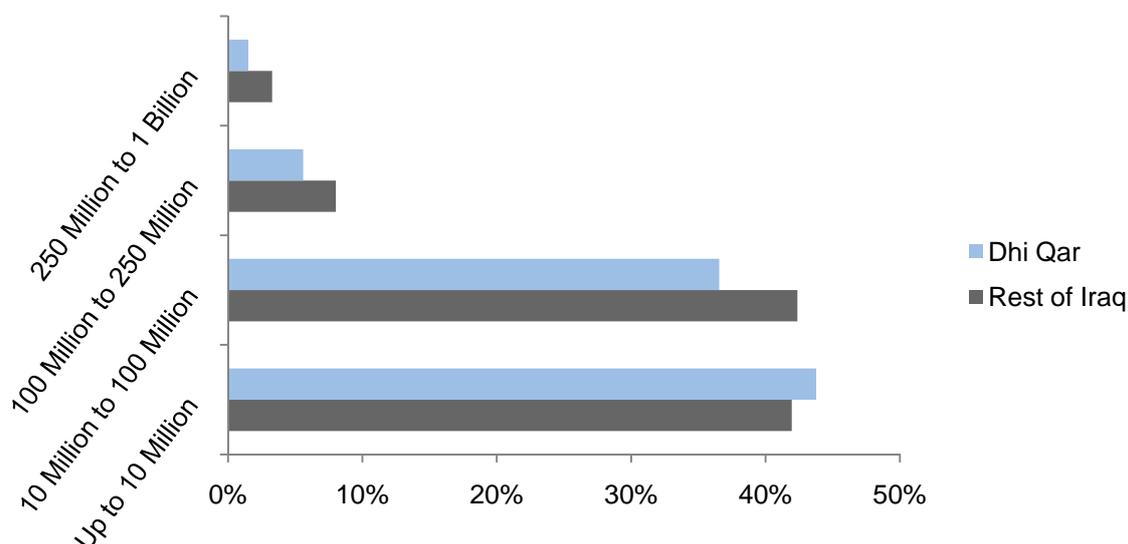
Given the high rate of political and security volatility in Iraq in general, it is reasonable to assume that businesses will seek to reduce their profile as much as possible, manifesting in a lower index of registration. This is true all over Iraq on the average, and especially in Dhi Qar (see Figure 3-4 below).

Figure 3-4: Informality Comparison – Dhi Qar vs. Iraq



Dhi Qar SME Owners tend to have lower levels of assets. 45% all SMEs in Dhi Qar have less than \$9000 (10 Million IQD) in assets. Much of those assets reside in inventory, cash, machinery and equipment and somewhat in land and buildings.

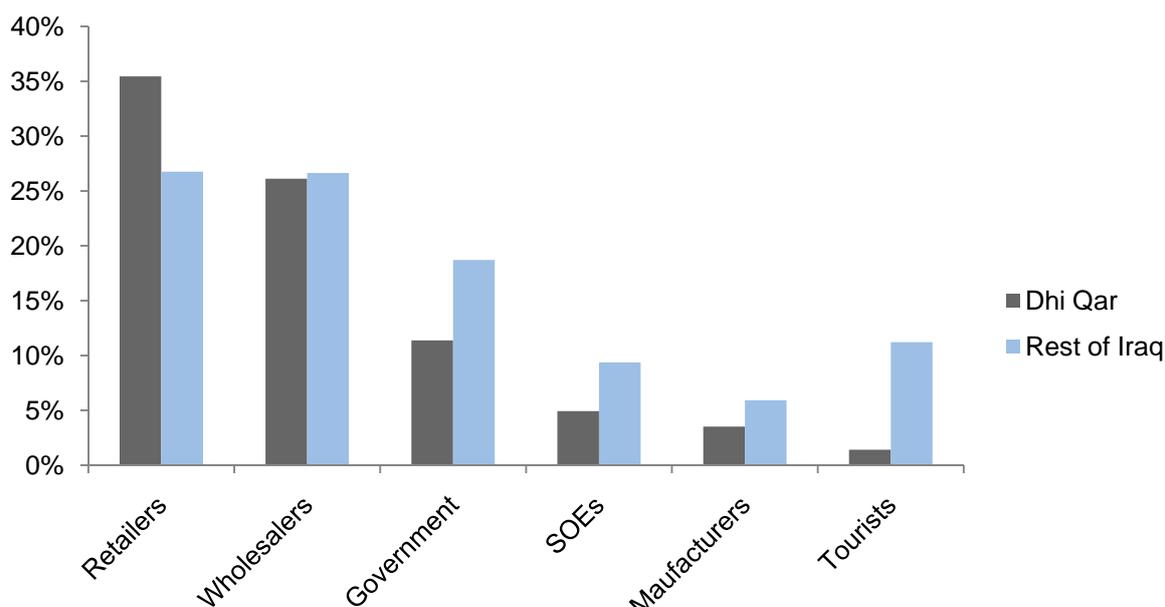
Figure 3-5: Dhi Qar vs. Iraq SME Asset Base Size (Dinar Iraqi)



3.3 RETAIL ORIENTATION

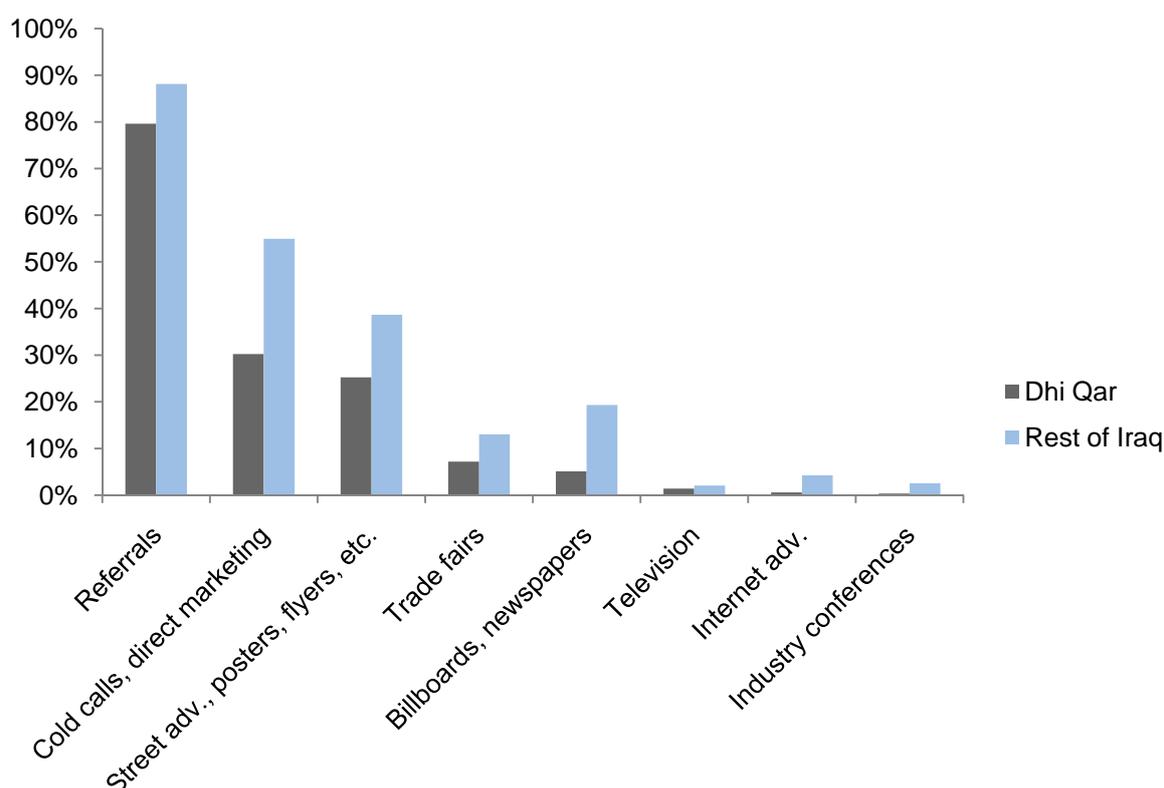
Retail and wholesale sales represent a large slice of business for obvious reasons, more retail than wholesale.

Figure 3-6: Main Customers for Dhi Qar and Other Iraq SMEs



In reaching out to customers, and as might be expected, Dhi Qar SMEs are less sophisticated than their counterparts in the rest of Iraq. Use of cold call techniques, flyers, newspaper/billboards, trade fairs, industry conferences, and internet advertising are all rarely utilized in Dhi Qar as effective techniques for reaching out to customers, if at all (see Figure 3-7 below).

Figure 3-7: Techniques Used to Reach Customers - Comparison



Less than half the percentage of Dhi Qar businesses compared with other Iraq SMEs own and use computers in their businesses (8% vs. 18%), and only 2% of those that have computers utilize networks.

3.4 FORMS OF BUSINESS SUPPORT

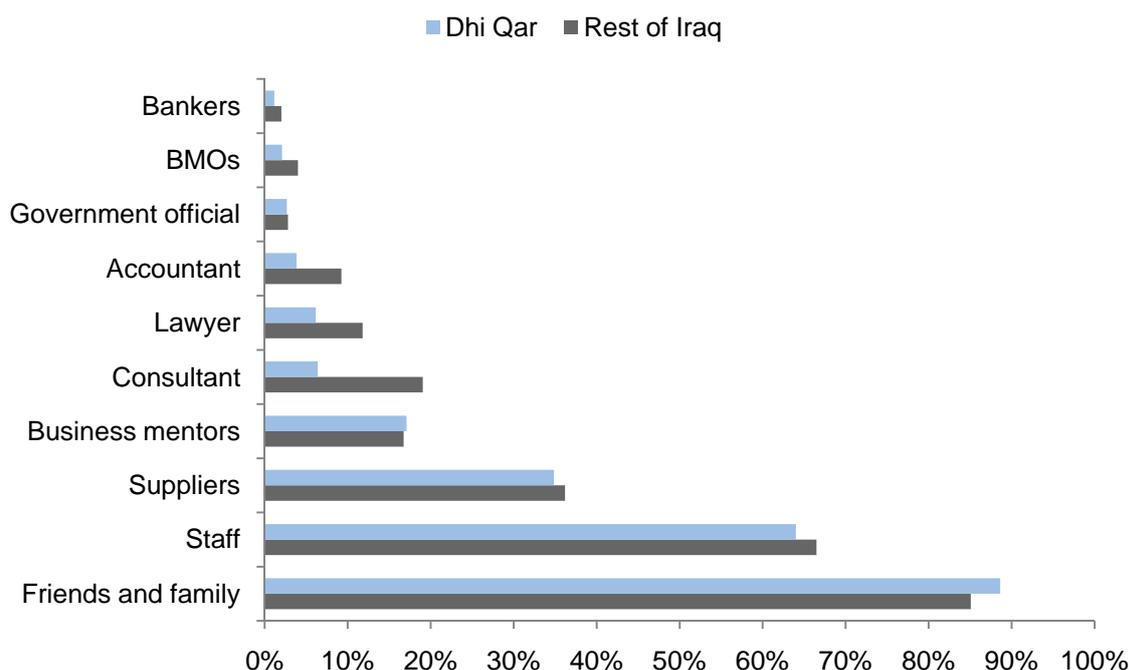
Dhi Qar SME owners join business and professional organizations at a lower rate than Iraqi businessmen in other regions.

Figure 3-8: Business Association Membership for Dhi Qar and Other Iraq SMEs



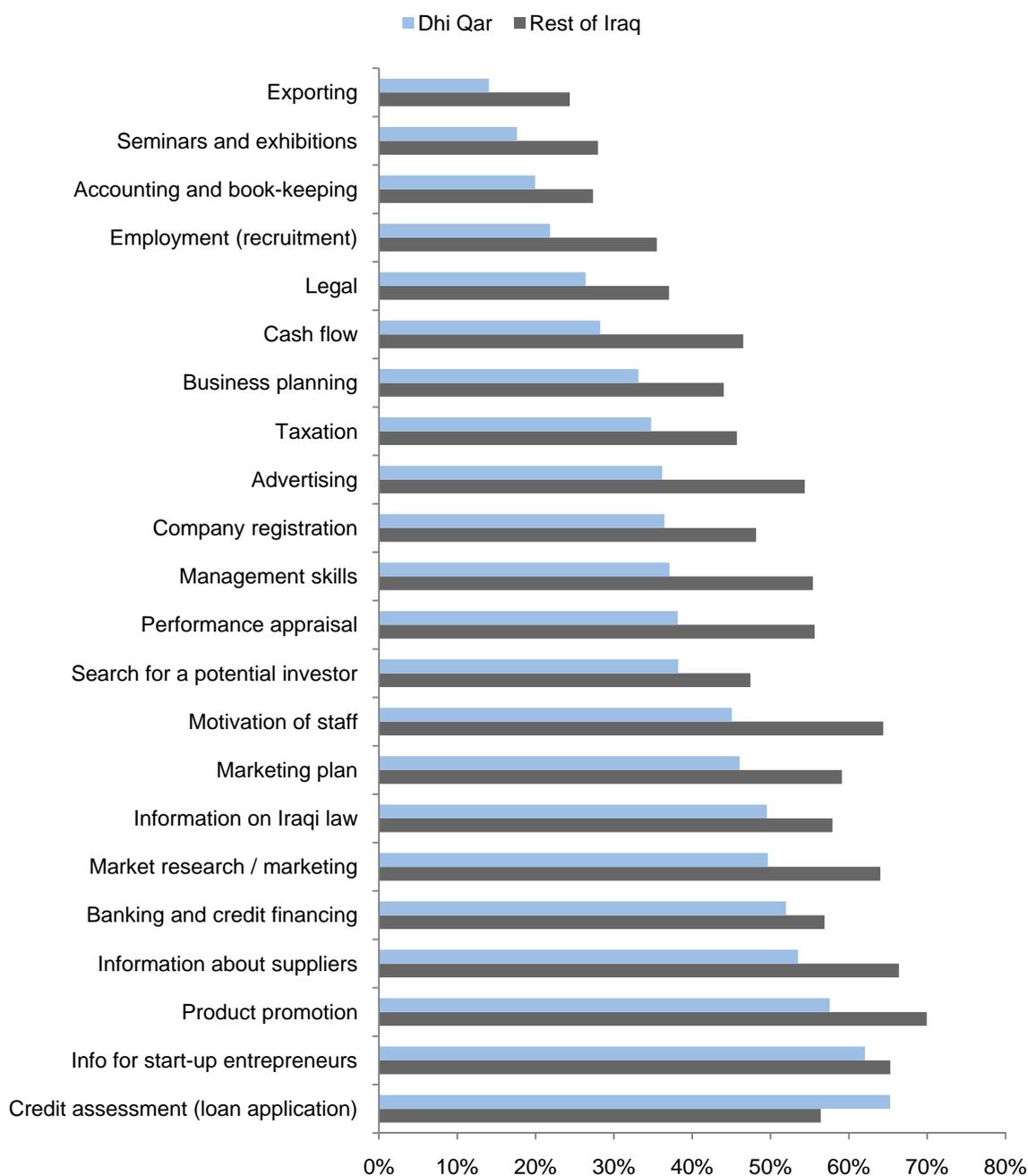
They expect support for networking to develop customer and supplier contacts, to share knowledge, and to build their capacity. They seek advice heavily from friends and family as well as staff and suppliers. Their reliance on friends and family, and lower rates of utilization of subject matter experts reflects their lesser degree of formality and sophistication when compared to SMEs throughout Iraq (see Figure 3-9).

Figure 3-9: Seeking Outside Support and Advice – Dhi Qar vs. Iraq SMEs



Dhi Qar SMEs do significantly less in-house training when compared with their Iraq counterparts (45% vs. 71%). SMEs in Dhi Qar are significantly less interested in BDS services compared to their counterparts in other provinces in Iraq. The kinds of BDS they seek are all to a significant degree less than other Iraqi SMEs seek them, with the exception of assistance in filling out loan applications. The contrasts in BDS demand are depicted in Figure 3-10.

Figure 3-10: BDS Services the SMEs Want (Dhi Qar v. Iraq)



3.5 SPECIAL CONSTRAINTS AND CONCERNS

When asked to name the single most important constraint of doing business in Dhi Qar, financing placed first, followed by energy shortages and economic environment (see Table 3-3). Security finished fourth. Regulatory concerns are not ranked as high for the simple

fact that lack of enforcement and the presence of corruption that has permeated all levels of commerce reduce considerably the effects of formal regulation.

Table 3-3: Ranking of Top SME Business Concerns and Constraints

Iraq			Dhi Qar		
Concern / Constraint	Weighted Score ³	Rank	Concern / Constraint	Weighted Score ³	Rank
Security	2.389149	1	Raise finance for growth	2.63939	1
Energy Shortages	2.28944	2	Energy Shortages	2.506379	2
Raise finance for growth	2.220564	3	Economic environment	2.237416	3
Cash flow	2.114215	4	Security	1.780987	4
Economic environment	2.001604	5	Cash flow	1.761082	5
Access to business opportunities	0.906357	6	High competition	1.202456	6
High competition	0.885238	7	Access to business opportunities	1.009244	7
Keep up with new technology	0.713702	8	Keep up with new technology	0.648423	8
Access to market intelligence / information	0.607158	9	Employee skill limitations	0.51707	9
Employee skill limitations	0.59078	10	Access to market intelligence/ information	0.464454	10
Governmental regulations	0.259242	11	Governmental regulations	0.220299	11

Dhi Qar SME owners make less use of the banking system than other Iraqi SMEs and have fewer multiple accounts. Only 6% of Dhi Qar SMEs reported having a business bank account, compared to 11% of other Iraq SMEs that have business bank accounts. Also, only 1% reported having had loans, compared to 3% of other Iraqi SMEs. This is not to say that banking services are not in demand. 88% of Dhi Qar SMEs, for example, are interested in long term financing from banks, compared to 81% of other Iraqi SMEs.

³ Weighted score is generated by weighting the frequency of responses for ranking of 1 with a weight of 5, ranking of 2 with a weight of 4, ranking of 3 with a weight of 3, ranking of 4 with a weight of 2, and ranking of 5 with a weight of 1. The weighted frequencies for each ranked response were then totaled and added together to produce one ranking containing all issues.

4. DHI QAR FIRM LEVEL CONSTRAINTS

4.1 INTRODUCTION

Firm level constraints discussed here include the following:

- Access to Finance
- SME Organization dealing with SME perceptions of and participation in BMOs
- Information and Technology
- Managerial Constraints
- Labor Market Constraints
- Supply Constraints

4.2 ACCESS TO FINANCE CONSTRAINTS

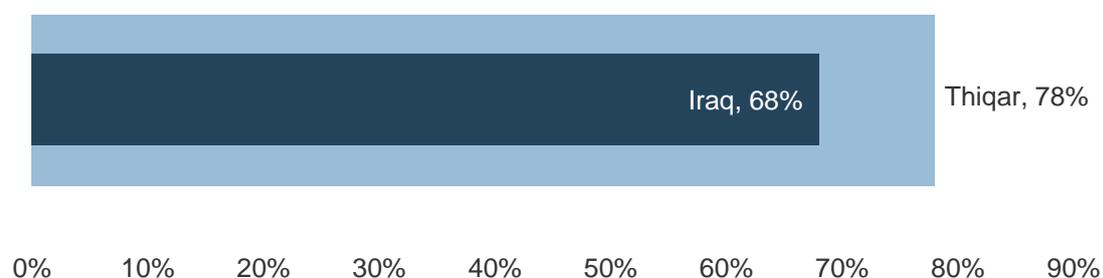
Finance is one of the most significant issues facing Iraq SMEs. In that regard, Dhi Qar enterprises appear to be affected more by cash flow and access to finance constraints than their peers in the rest of Iraq. Dhi Qar based enterprises, asked to rank the most debilitating constraints to their business placed access to finance before all others. Table 4-1 below highlights constraints as ranked by Dhi Qar and Iraqi businesses.

Table 4-1: Iraq and Dhi Qar Ranked Constraints

Iraq SME Constraints	Rank	Dhi Qar SME Constraints	Rank
Energy Shortages	1	Raise finance for growth	1
Security	2	Energy Shortages	2
Raise finance for growth	3	Economic environment	3
Economic environment	4	Security	4
Cash flow	5	Cash flow	5
High competition	6	High competition	6
Access to business opportunities	7	Access to business opportunities	7
Keep up with new technology	8	Keep up with new technology	8
Access to market intelligence/ information	9	Employee skill limitations	9
Employee skill limitations	10	Access to market intelligence/ information	10
Governmental regulations	11	Governmental regulations	11
Others	12	Others	12

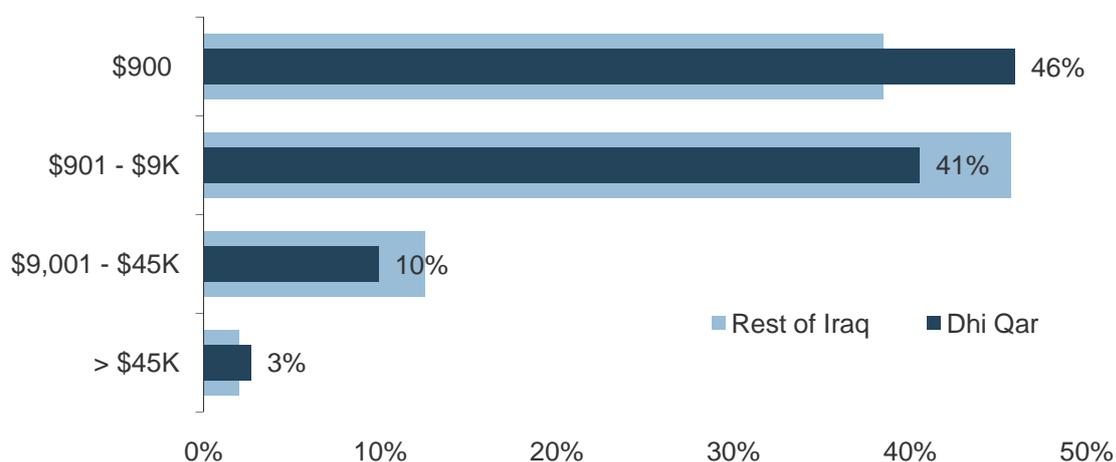
In fact, as indicated by Figure 4-1 below, almost 20% more Dhi Qar SMEs claim to be at least mildly affected by access to finance constraints than their peers in rest of Iraq.

Figure 4-1: % of SMEs Negatively Affected by Lack of Access to Finance



An important measure of access to finance or lack thereof is the amount of debt / liabilities carried by enterprises. Almost 90% of Dhi Qar business claim not to carry amounts owed to others (liabilities) on their books. Businesses claiming payables and debt to others predominantly owed less than \$1,000. In fact almost 90% of these businesses claim to owe less than \$9,000. Even though the research question does not distinguish between debt bearing and non-debt bearing interest liabilities these exceptionally low levels of indebtedness are indicative of restricted access to finance. Figure 4-2 below indicates SME indebtedness levels in Dhi Qar and other Iraqi provinces.

Figure 4-2: Dhi Qar SME Liabilities ‘Amounts Owed to Others’



As is the case in many emerging markets with less than developed financial markets, savings and tapping into informal sources of credit such as savings, and friends and family seem to be the most significant form of operational and expansion funds for Iraqi SMEs.

In Dhi Qar, SMEs were asked to highlight utilization of various sources of finance for their business. Overwhelmingly, enterprise owners claimed to self finance through business

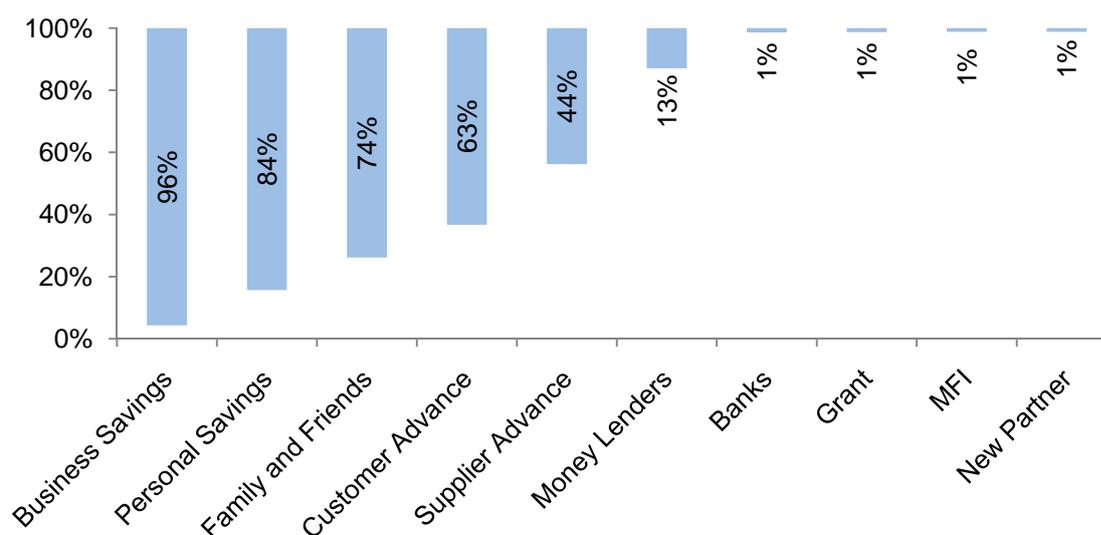
savings at least on occasion (96%), followed by personal savings (84%), and family and friends (74%).

Trade credit is also a major source of finance with over 63% of enterprises reporting customer advances as a source of credit, and 44% reporting supplier credit as at least an occasional source of finance.

Credit market financing from banks and microfinance is 75% less than the average Iraq rates, and one of the lowest amongst all surveyed provinces. Less than 1% of SME claim to borrow at least on occasion from banks, with similarly discouraging figures for microfinance borrowing.

Money lenders partially compensate for the low bank and MFI borrowing rates. Approximately 13% of Dhi Qar enterprises claim to borrow from informal money lenders at least occasionally. This rate is 30% higher than the Iraq average. Figure 4-3 outlines key sources of business finance for Baghdad based SMEs.

Figure 4-3: Sources of SME Finance

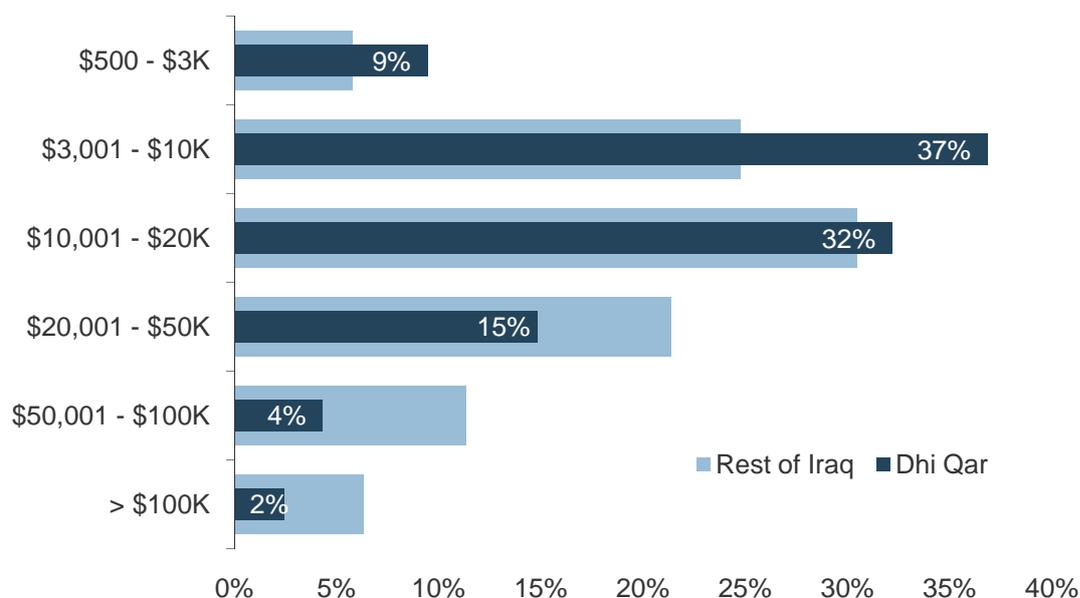


Several reasons appear to be driving Dhi Qar SMEs towards informal lending:

Credit needs as indicated by survey results (see Figure 4-4) and discussions with SMEs are primarily working capital requirements generally characterized as small in value, and short in tenure. Almost 50% of SMEs claim they need less than \$10,000 in credit facilities to expand their business and with average tenures of less than 12 months for current bank borrowing customers, the case for working capital requirements is strengthened. Similarly and as highlighted above, low indebtedness levels may also indicate that what little financing might be available goes towards funding working capital requirements.

While it appears that at least some banks are able to fulfill working capital credit needs, they remain relatively expensive products in the opinion of SMEs. Discussions also highlight that the majority of enterprises are unwilling to undertake the transaction costs associated with bank lending for small-ticket loans of this nature unless they faced with no other choice.

Figure 4-4: SME Immediate Finance Needs



SMEs remain reluctant to approach banks and MFIs for financing citing cumbersome procedures, administrative barriers, and corruption (see Table 4-2 below). It also appears that many enterprises, especially micro and some small businesses are confusing MFI loans with grants. More than 8% of business owners claim (in their own words) "I have never been nominated" when asked why they have never taken an MFI or bank loan. When donor grant programs were the prevalent form of financing a few years ago, businesses were often nominated by local leaders, grant officers, and NGOs to receive financial assistance. Although grant activity had subsided considerably, elements of its operating model appear to have resonated with some business owners.

Table 4-2 below highlights approximate responses from Dhi Qar based SMEs when asked why they don't use banking or microfinance lending facilities.

Table 4-2: Reasons Why SMEs Don't Do Business with Lending Institutions

Reason	% of Respondents
Never applied for a loan / don't need a loan	21%
No one has ever contacted me about loans / I have never been nominated	19%
High Interest / other interest related issues	15%
No institution to give me a loan / none in my area	14%

Cumbersome loan procedures	14%
No finance available	11%
I don't know / others	4%

Fully secured lending is still the most predominant form of lending by Iraqi banks. This undermines the ability of many enterprise owners to approach banks for credit facilities. Enterprise owners with prior bank credit experience or who attempted to secure bank credit cited collateral requirements as high as 250% of loan amounts.

The religious beliefs and practices of SME owners appear to also adversely affect demand for credit market financing. A significant number of SMEs claimed usury/interest as the major deterrent to taking bank loans.

High interest rates appear to be another source of concern for SME borrowers. Many entrepreneurs claim negative spread between their trade margins and the cost of bank funds. Whether enterprise owners are referring to actual or perceived interest rates is unclear, however this is view held by both bank and non-bank borrowers.

Corrupt practices by banking officials and loan officers were given as another reason claimed by SME owners for shunning bank credit. Stories of credit officers requesting up to 30% of the principle loan amount in graft to approve loans are not uncommon as indicated during focus group discussions.

SMEs also cite procedural complications coupled with lack of banking knowledge/experience as a major constraint to dealing with banks and entering the formal credit system. At least 4% of SMEs claim to have approached a banking institution for credit, but were either turned down or put off by the procedures involved, including preparation of financial statements, business plans, and projections.

Iraqi banking inefficiencies and inaccessibility has created substitute credit channels that are now the norm in industries such as farming, livestock breeding and retail trade. In the case of farming, farmers and land owners borrow from fresh produce/livestock traders against pledges to sell/broker harvests to or through the trader. These arrangements are so well established that mechanisms for debt pooling, transfer, and even arbitration protocols have been established around them. These arrangements are mostly interest free to the farmer and offer incentives that regulated financial institutions such as banks and MFIs will have to compete hard against.

4.2.1 Banking Services

Dhi Qar has one of the lowest SME banking penetration rates in Iraq. (See Table 4-3). At less than 6%, it is considerably low by international and even regional standards. Among the main reasons cited as barriers to dealing with banks for enterprises that don't, are liquidity

constraints, lack of confidence in the banking sector, inexperience with banks, tax authority related issues, non-convenient geographical locations of banks, and cumbersome procedures. Table 4-4 below highlights some of the reasons cited by business owners when quizzed about their lack of banking activity.

Table 4-3: Bank Penetration Rates Amongst Iraqi SMEs

Najaf	Erbil	Babil	Kirkuk	Baghdad	Salah ad Din	Dhi Qar	Anbar
26%	16%	12%	11%	8%	8%	6%	4%

Table 4-4: Reason for No Bank Account

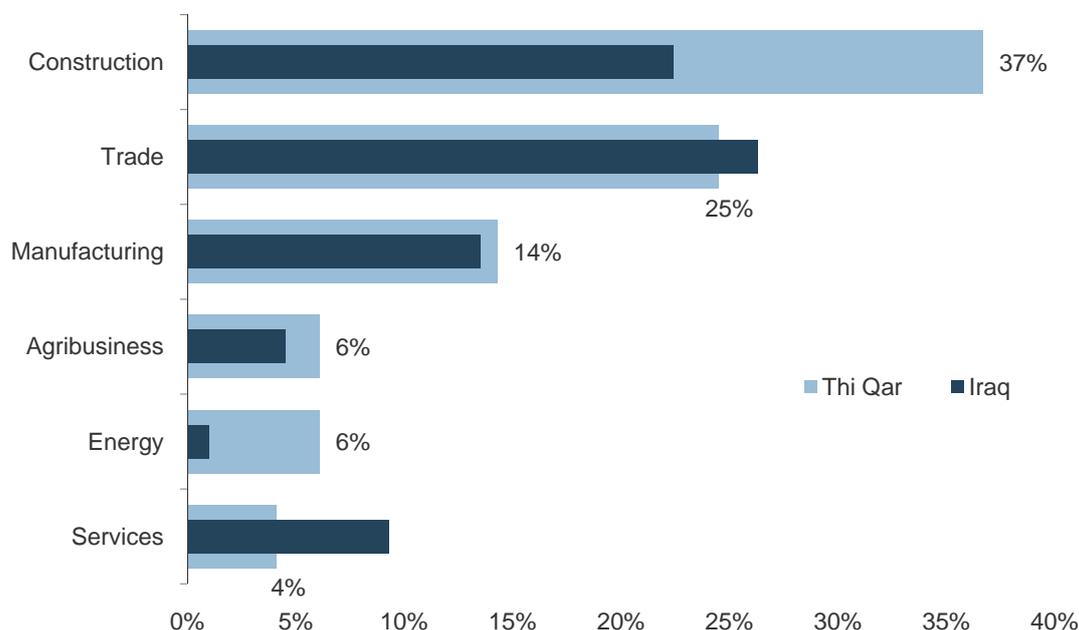
Reason	% of Respondents
Don't need / don't want	32%
Liquidity constraints / no savings	54%
Cumbersome procedures	11%
Other	3%

Over 90% of these enterprises bank with public institutions; namely Al-Rasheed and Al-Rafidayn. Unlike other agribusiness heavyweight provinces, the Agricultural Bank is virtually non-existent as a banking service provider in Dhi Qar. Common reasoning as to why Dhi Qar based SMEs prefer public banking institutions over private banks include i) public banks are more accessible by virtue of their branch network, ii) confidence levels in public banks are higher than those for private banks, iii) long standing relationships with state owned banks pre-dating the emergence of private banking in Iraq, and iv) some enterprises claim they are mandated to bank where they do by virtue of sector in which they operate or because of trade links with suppliers, customers, and other business partners force them to bank at the same bank.

Of the 6% banked enterprises, approximately 27% manage more than one bank account. In most instances SMEs have more than one bank account to make up for limited networking between banks and limited branch networks at the same bank. Only 3% of enterprises manage more than 2 bank accounts.

Construction, wholesale trade, and manufacturing companies account for almost 80% of all banked enterprises in Dhi Qar. Notably, its only medium sized construction companies and one wholesale trader that exclusively hold more than one bank account. Figure 4-5 below highlights Dhi Qar bank penetration rates by industry as compared to the rest of Iraq among those SMEs that are banked.

Figure 4-5: Bank Penetration by Industry



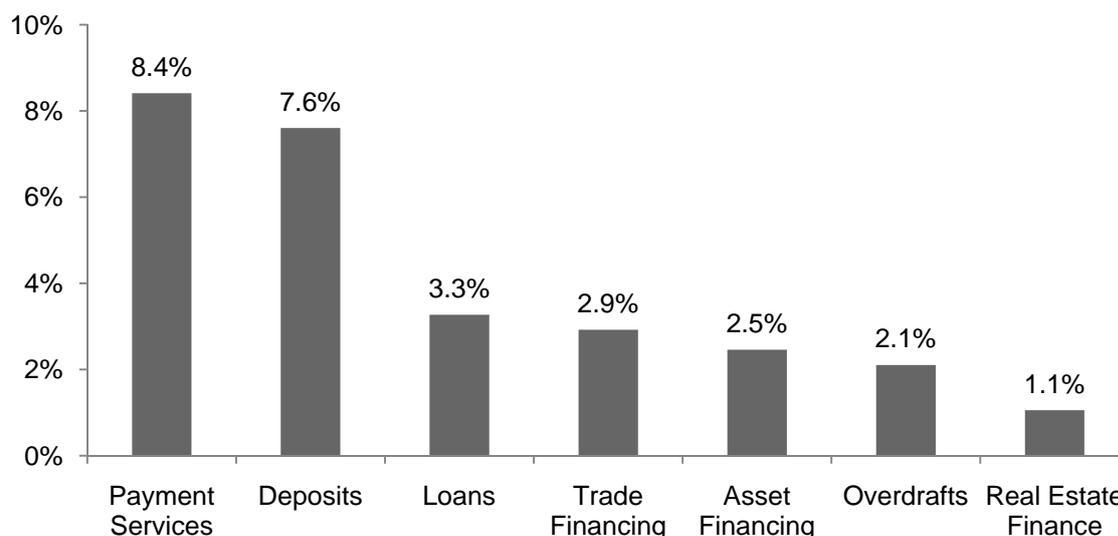
Bank payment facilitation services have the highest usage rates among Dhi Qar businesses. After this, deposit and savings service have high usage rates amongst SME banking customers in Dhi Qar, with an average of 8% of SMEs utilizing this service. This ratio is higher than the 6% account holders highlighted above in Table 4-3, however it must be noted that the 6% account holders pertains to business accounts, whilst the 8% is a combination of both personal and business accounts held by business owners. Out of necessity, many entrepreneurs appear not to make the distinction between business and personal banking, with personal bank accounts utilized towards business needs and vice versa.

Other than deposit services, up to 8% of SMEs use utilize bank fund transfer (including check collection) services for trade related purposes. Over 14% surveyed enterprises use one form or a combination of the following credit products: loans (3.2%), trade finance (2.5%), overdrafts (3.7%), asset financing (3%), real estate finance (2.1%).

4.2.2 Analysis by Sector

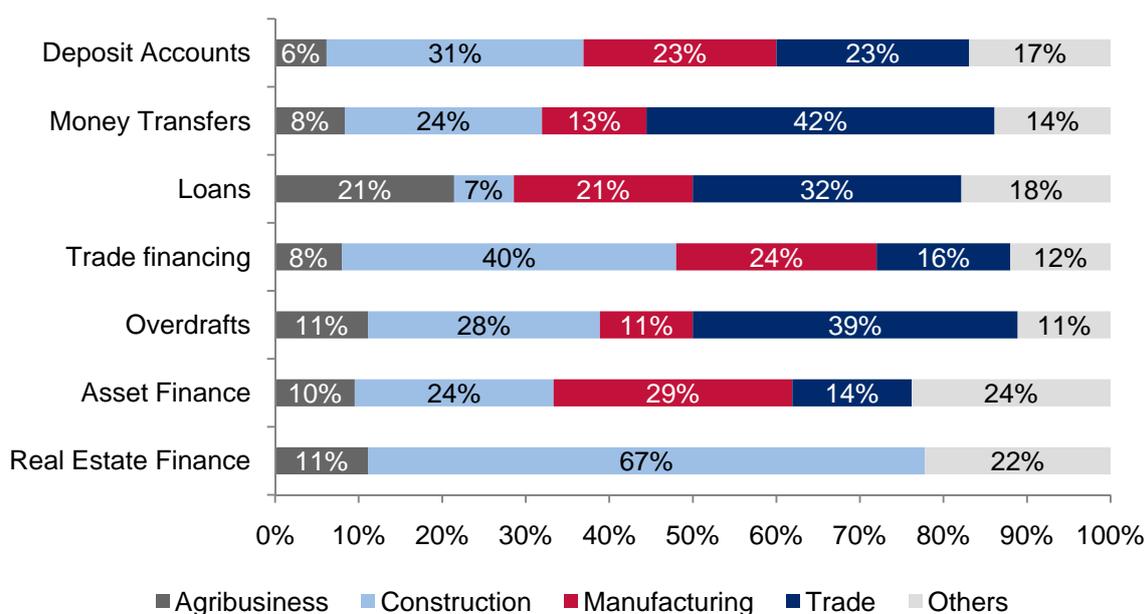
As expected, service utilization rates vary across industries and closely correspond to the financial services needs of each economic sector. Money transfer services, overdrafts, trade finance, asset finance, and loan services are dominated by the wholesale and retail trade sectors by virtue of their need to constantly move funds around and finance trade deals. The trade sector is also the largest users of bank financing probably because the current loan products offered by banks (short terms, asset based lending) are typical of most trade sector loans.

Figure 4-6: SME Banking Services Utilization



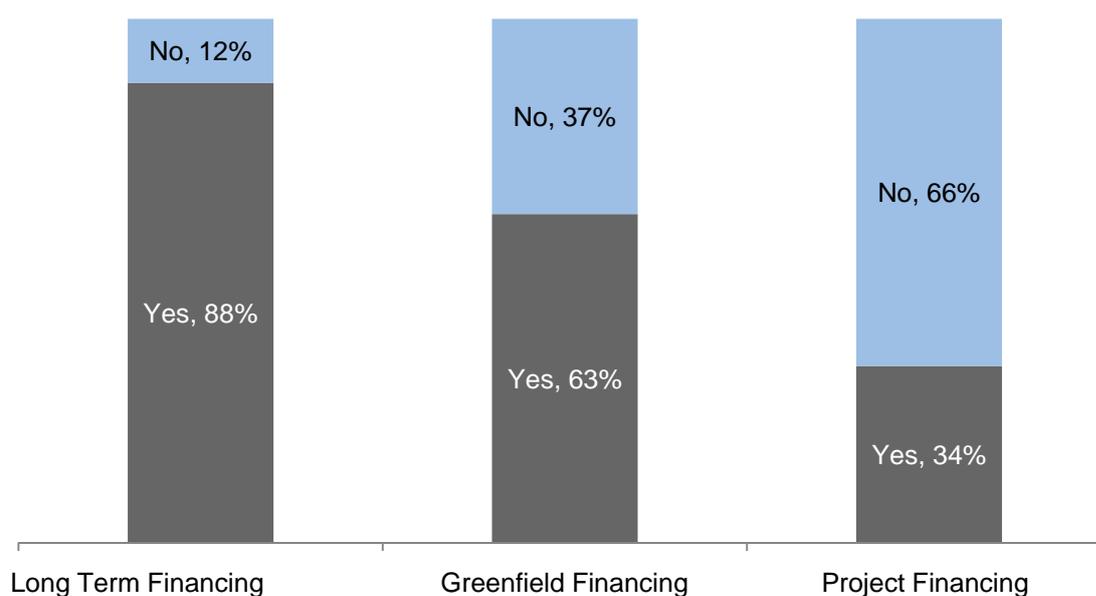
As previously highlighted, the construction industry has the highest banking penetration rate in Dhi Qar. This is also reflected in banking service utilization, where it's apparent that construction businesses are the largest user group of banking service products. The industries presence is especially evident in the real estate financing and trade finance categories. Note that trade financing for the purpose of this research included surety bonds which are common and often a necessity in the Iraqi construction industry especially for contractors bidding or working public projects.

Figure 4-7: Banking Service Utilization by Economic Sector



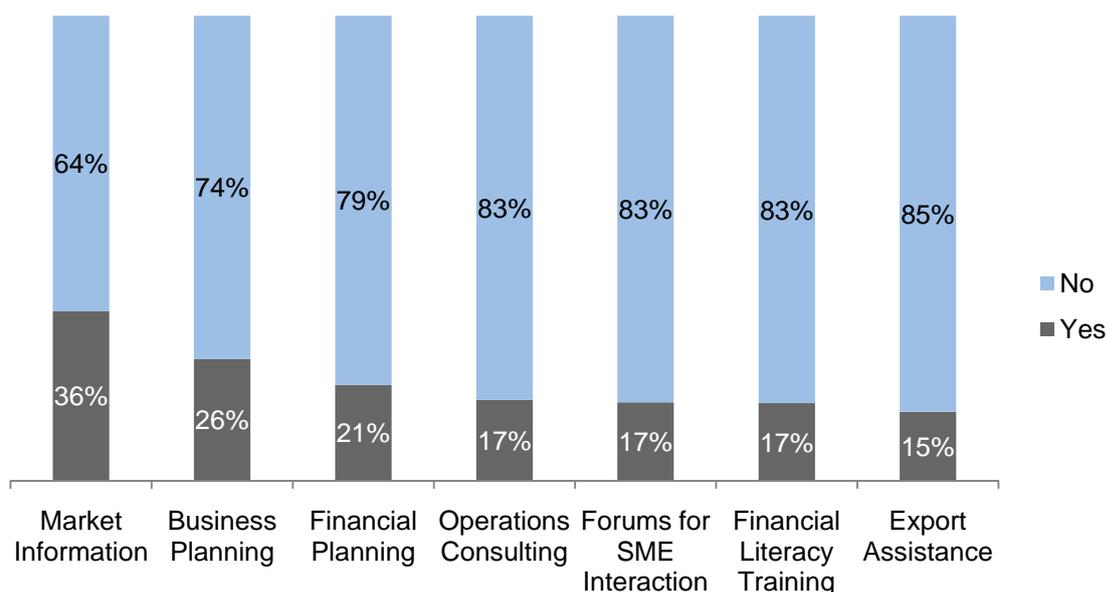
The needs gap for additional financial services offered by banks is significant in long term, greenfield/risk capital, and project finance categories. Almost 90% of SMEs stressed the need for increased long-term finance offerings by banks to finance capital assets and business expansion. Similarly, 63% of the surveyed enterprises indicated demand for greenfield/risk capital finance. Manufacturing and construction businesses represented most of the demand for increased project finance products, which is currently in demand by 34% of SMEs.

Figure 4-8: Demand for Additional Bank Financing Services



Value-added (non-financial) banking services are virtually non-existent in Iraq, and Iraqi SMEs are not accustomed to the concept of non-financial banking services. As highlighted earlier less than 2% of SMEs have ever referred to their bank for business advice. However, there appears to be at least some demand across all economic sectors and enterprise segments for value-added banking services, especially in extended services such as market information and business planning.

Figure 4-9: Demand for Value-Added Banking Services



A significant portion of the aforementioned demand for value-added banking services is likely driven by the absence of traditional service providers for many of these services. It's also evident from discussions with enterprise owners that most are indifferent as to who provisions these services provided they are affordable and of acceptable quality.

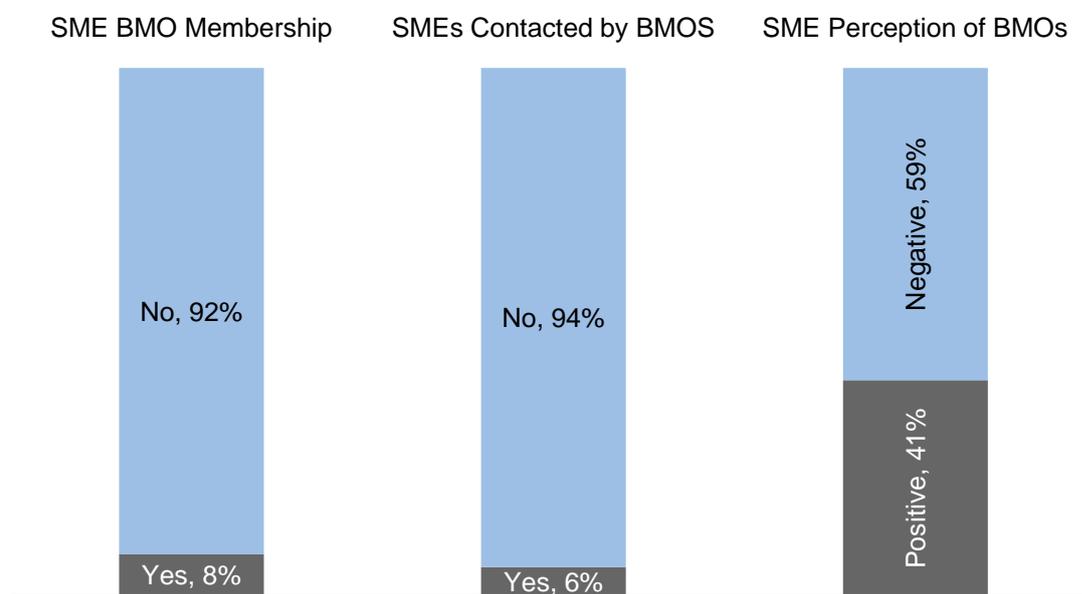
In its current stage of development, SME value-added services may not top the list of banking industry priorities in Iraq, however, the opportunity presented in extending even very basic information and outreach services may have significant impact towards increasing banking penetration rates for non-banked SMEs and provide platform for banks to up-sell and cross-sell second generation banking products to existing customers.

As is the case in other emerging markets, many of these services can be designed and provisioned in cooperation between banks and traditional business development service providers such as SBDCs and other business membership organizations by way of co-sponsorship and alliances.

4.3 SME ORGANIZATION

SME business organization levels in Dhi Qar are amongst the lowest in Iraq. Only 8% of SMEs report membership in business associations and chambers of commerce. Approximately 95% of these memberships are with the Nasriya/Dhi Qar Chamber of Commerce. The remaining 5% of memberships are with Industrial chambers. Figure 4-10 below highlights membership levels, BMO outreach, and SME perception towards the benefit of business associations in Dhi Qar.

Figure 4-10: SME Involvement With and Attitudes Towards BMOs



The low penetration rate is hardly justified considering the dynamics of the BMO sector in Iraq. The sector is dominated by formerly government controlled chambers of commerce at governorate levels and operate under a federation of chambers umbrella. Previously, registration for all business was mandatory and often enforced with heavy-handed tactics, which partially explains the highly publicized figure of 250,000⁴ Baghdad Chamber of Commerce membership base alone.

Although they are now managed as autonomous, non-government organizations, these chambers managed to retain influence in post-conflict Iraq by virtue of laws from the days of government control that i) delegate the managing of the Iraqi Trade Name registry to the chamber, ii) stipulate that all entities seeking to conduct business with GoI must hold valid Chamber of Commerce membership.

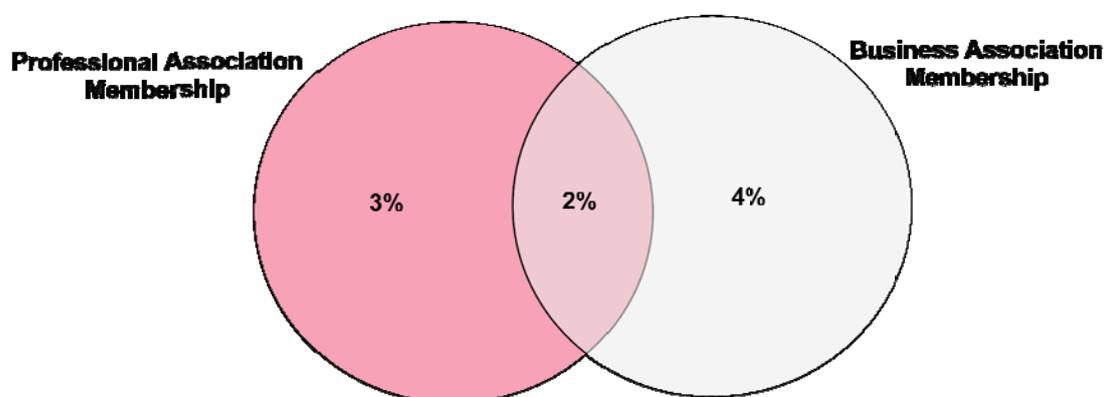
However, it must be noted that in the opinion of many, these chambers of commerce played a pivotal role in post-conflict Iraq. Enterprise owners state that with the failing of many state services with the start of the conflict, they come to depend on the Chambers for commercial services including import and export certification, trade dispute resolution, and benefits from twinning agreements between the chamber and regional BMOs. In the words of one pharmaceutical product importer "...after [the fall of the previous regime] our Chamber [Baghdad Chamber of Commerce] registration was the only proof we had of our company's legitimate existence."

⁴ Claimed verbally by Baghdad Chamber of Commerce.

It's therefore surprising that business organization rates are low, however the situation is partially explained by:

- Limited outreach by business membership organizations. Only 6% of survey respondents claim to have ever been contacted by a business membership organization offering membership services or otherwise.
- Remnant mistrust and suspicion from pre-conflict times, especially since some enterprise owners still perceive Chamber of Commerce membership as a regulatory burden enforced upon them.
- Considerably high membership fees, especially in-light of the limited services currently offered by business associations.
- Fragmentation of the BMO sector with a significant number of new entrants since 2003 claiming to represent various business and industrial interests.
- Competition from professional associations and syndicates which indirectly compete/ substitute BMOS to provide business development services (when applicable e.g. Engineers Syndicate, Pharmacists' syndicate) and other benefits to member business owners. Notably, only 2% of enterprises hold membership in both professional syndicates and business associations. Figure 4-11 highlights the dynamics between the two types of organizations.

Figure 4-11: BMO vs. Professional Association Membership



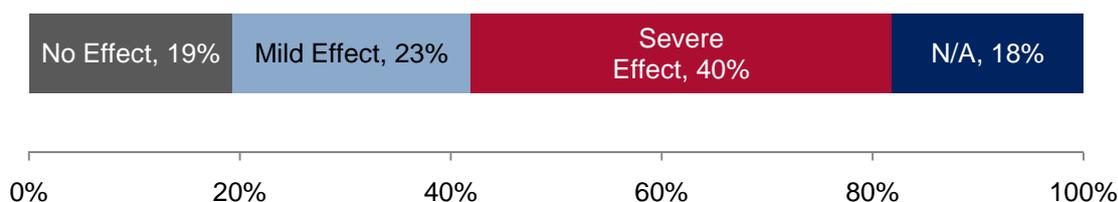
Even with low levels of SME organization highlighted above, 40% of SMEs believe business membership organizations benefit small business. However of the 51% of SMEs that did not believe so and are aware of the concept of BMOs, there was some very harsh criticism.

Comments such as “business associations are useless”, “business associations only service the needs of large companies”, and “chambers of commerce only exist to maintain status quo” were not at all uncommon from SME enterprise owners quizzed about their opinions of BMOs.

Similar attitudes towards BMOs are reflected by enterprise owners when asked about constraints pertaining to sales and marketing efforts. The majority of SMEs (63%) perceived

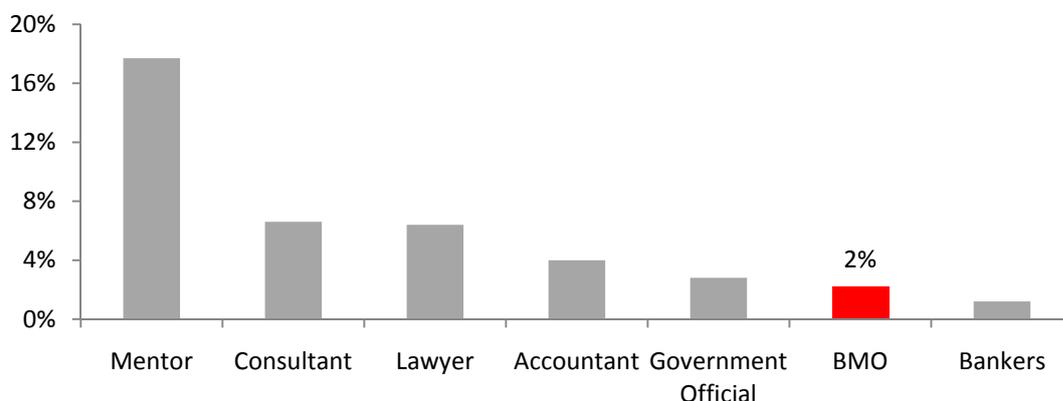
“lack of business association support” to have negative impact on their sales and marketing ability, with over 40% of enterprises claiming to be ‘severely’ effected by lack of BMO support (see Figure 4-12).

Figure 4-12: Effects of Lack of Business Association Support on SME Marketing and Sales Efforts



Business associations also appear to have minimum impact as sources of business advice and problem solving for SMEs. Only 2% of SMEs approach business associations to discuss business ideas or resolve issues. In fact more SMEs turn to politicians, and government officials, than they do to business associations for business advice (see Figure 4-13).

Figure 4-13: SMEs: Sources of Advice and Problem Solving



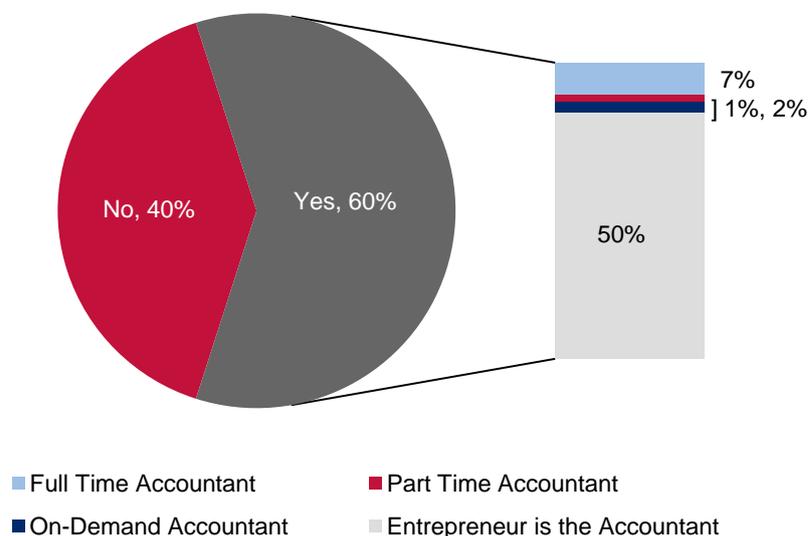
4.3.1 Financial Literacy and Bookkeeping

Competent financial management is key to SME survival and growth. In the absence of adequate financial information and the capacity to process this information towards operational and investment decisions, SMEs are incapacitated to manage their development.

The standard in financial management amongst Dhi Qar based SMEs is very low starting with bookkeeping, capacity to process financial data, and institutional and professional support. Less than 60% keep any form of accounting record and only 10% depend on dedicated accountants. Of the companies that keep records, only 8% depend on either a fulltime accountant (7%), a part-time accountant (1%), or an on-demand accountant (2%).

The more than 80% of entrepreneurs that keep records depend on their own ability to keep records as highlighted by Figure 4-14 below.

Figure 4-14: SME % Keeping Accounting Records



It is evident that many enterprise owners whilst comprehending the importance of even simple bookkeeping may not know how. An electrical generator assembler from East Baghdad explains his dilemma as follows: *“I keep a copy of most invoices and from experience I know how much each generator costs. This enables me to charge more than my costs and turn a profit. The problem is that invoices don’t tell me how much money I spend servicing products that are still under my warranty. Sometimes I’m not sure if the warranty costs [after sales] cause me to lose money on the generators I build.”*

There is evidence from other SMEs that limited capacity to keep even simple accounting records hampers their growth and going-concern prospects, as in the case of an auto-electrician in East Baghdad who explains his situation as follows: *“...to grow my business and better serve customers I stocked my workshop with \$3,500 worth of electrical spare parts from Bab Al-Shargy [a Baghdad market]. When the inventory finished I wasn’t sure if I made a profit or loss from the proceeds. I think I profited, but my two workshop assistants are certain we incurred a loss. Although it might mean losing some customers, I have decided not to do this again [stock spare parts] just in case we did lose money”.*

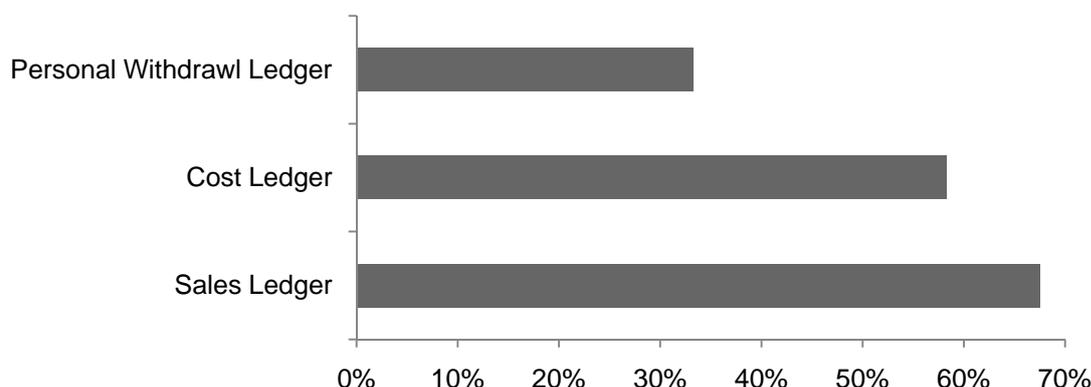
It is not uncommon to hear Iraq enterprise owners debate the cost-benefit of bookkeeping. It’s clearly important to many as highlighted by the quotes presented above, yet others perceive the function and associated process as contextually irrelevant to them personally and to their business objectives. A fabric and ready-made garments retailer explains *“why should I hire an accountant to tell me what I already know? My standard of living, and what I am able to provide for my family is the measure of success for my business, not some numbers that mean nothing to me.* A female hairdresser and beautician from Baghdad

suburbs shares a similar view point “my measure of success is the number of brides I help prepare [beautify]. I do not need an accounts book.

The three entrepreneurs quoted above, and thousands of Iraqi business owners like them may stand to benefit from accounting and financial literacy training. Indication from the survey results and discussions with SME is that a large number of enterprises demand accounting and financial management training.

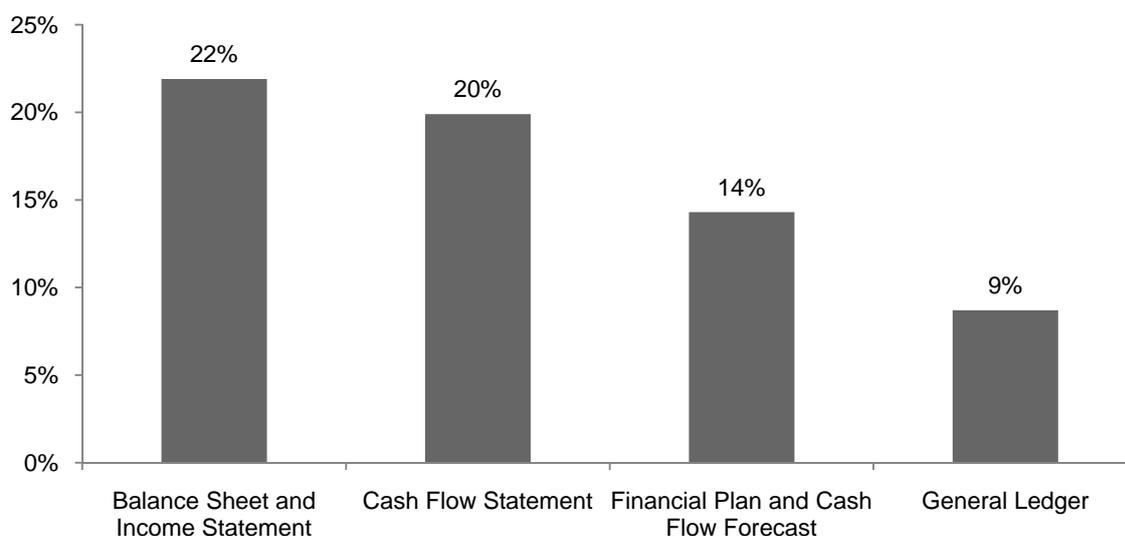
For SMEs that do keep financial records, single entry journals appear to be the most popular. Sales ledgers are propagated by 68% of SMEs, cost ledgers by 58% and only 33% keep a personal/ expense withdrawal ledger (see Figure 4-15 below). Almost 3% of enterprises keep ‘other’ types of accounting records which are almost exclusively receivables journals. The reason single entry journals appear to be popular is most likely due to their intuitiveness, simplicity, and reduced error probability.

Figure 4-15: % of SMEs Maintaining Single Entry Accounting Ledgers



On more sophisticated bookkeeping and financial reporting, only 9% of SMEs keep a general ledger of accounts. This is surprising considering that 22% of enterprises claim to prepare balance sheet and income statements , and a further 20% claim to prepare cash flow statements at least frequently (see Figure 4-16 below). In general accounting norms, the general ledger of accounts is used towards preparation of the aforementioned statements. Only 14% of enterprises prepare financial forecasts.

Figure 4-16: % of SMEs Preparing Financial Statements



Whilst many Iraqi SMEs do not keep detailed ledgers they may require financial statements for i) tax purposes, ii) banking purposes, iii) trade purposes, iv) conducting business with Gol / state owned enterprises/ large companies, v) contractual purposes, and vi) dealings with business partners/ shareholders.

Most enterprises depend on certified accounts to put together the aforementioned statements in a manner that is at best highly questionable. The process usually entails the enterprise owner dictating what s/he would like to the statements to reflect depending on the target audience they are intended for (not necessarily with the intent to deceive). This obviously deemphasizes the need to keep accurate or complete ledger records. To highlight the potential abuse of this process, the research team came across instances (in Baghdad and not Dhi Qar) where a certified account is in full time employment with an SME, but also uses his/her credentials as a certified accountant to ‘accredit’ his employers financial statements for tax evaluation purposes.

It therefore comes as no surprise that led by Dhi Qar construction industry, 9% of SMEs have their statements audited (in an audit, preparation of financial statements is the responsibility of the enterprise). However, a significant percentage (77%) of enterprises that hire auditors also depend on them to discuss business ideas and related business issues. Figure 4-17 and Figure 4-18 below highlight the percentage of SMEs that hire external auditors, and the percentage of SME’s dependant on professional accountants and auditors for business advice.

Figure 4-17: Audited Financial Statements - % of SMEs

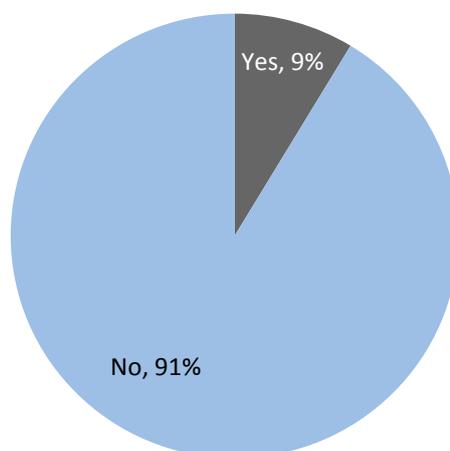
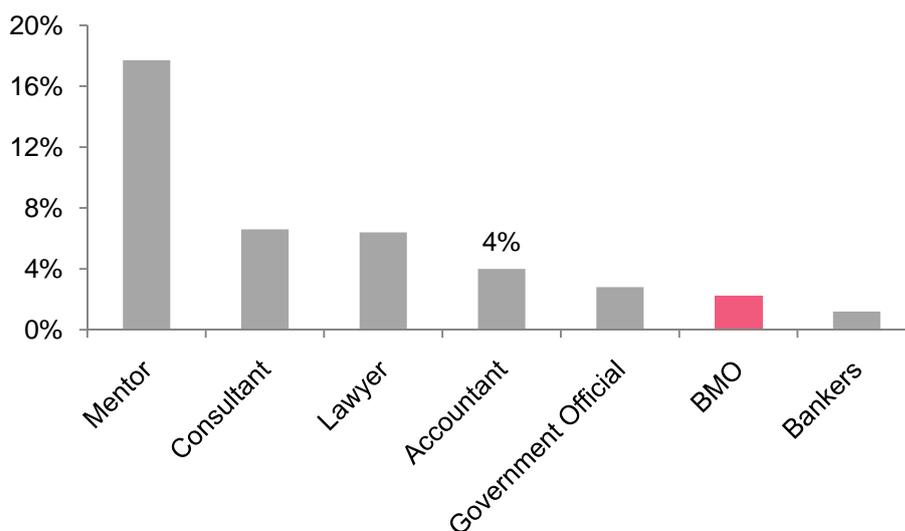
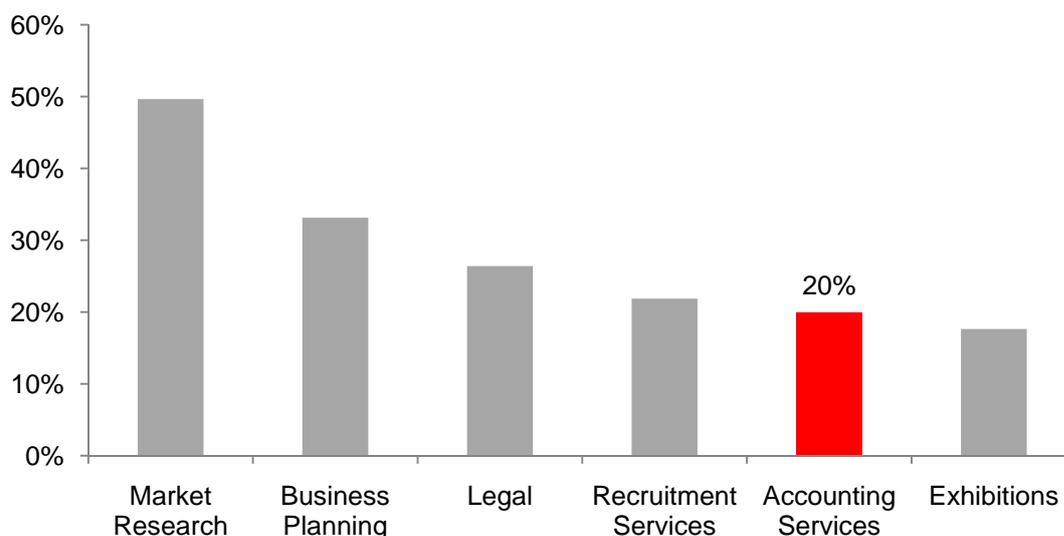


Figure 4-18: SME Sources of Advice and Problem Solving



The innate nature of enterprise owners with their accountants and lack of SME awareness as to the importance of sound bookkeeping and fiscal management appears to negatively affect demand for new accounting services. As a result, only 20% of enterprises perceive the provisioning of accounting services through business associations as important. As indicated in Figure 4-19, accounting and bookkeeping services ranked next to last in a comprehensive list of potential BDS services offered through business associations.

Figure 4-19: Demand for BMO Provisioned Accounting Services



4.4 INFORMATION AND TECHNOLOGY CONSTRAINTS

Technology constraints come in different forms. Among the most prominent we examine here are issues dealing with computer and internet usage, as well as telecommunications in the form of mobile phone usage. As can be noted from the chart below, the consideration that most Dhi Qar SME's (and Iraq SMEs in general) have for IT-related constraints is not high, primarily because there is no felt need to pursue IT development with a sense of urgency, perhaps due mainly to the fact that the customer base is also not technologically oriented (excepting only mobile communications). Computers, the internet and other forms of mass communication driven by the IT industry are underutilized.

Table 4-5: Ranking of the Top Sources for News / Information About Business / Customers for SMEs in Dhi Qar

Source	Weighted Rating ⁵	Dhi Qar Rank	Iraq Rank
Word of mouth	4.201217	1	1
Customers	3.193896	2	2

⁵ Weighted ratings were generated by giving ordered weights to the different responses depending on their top five rankings in response to the question, multiplying the responses by these weights and dividing by the total number of responses. A weight of 5 was given to the top ranked response, a weight of 4 to the second highest ranked response, and so on until a weight of 1 was given to the 5th and lowest ranked response.

Employees	2.562677	3	3
Suppliers	1.708797	4	4
SMS messages	1.148997	5	5
Rival firms	0.82885	6	6
Television	0.366889	7	10
Newspapers	0.235134	8	8
Business associations	0.228455	9	7
Radio	0.22555	10	11
Internet	0.211302	11	9

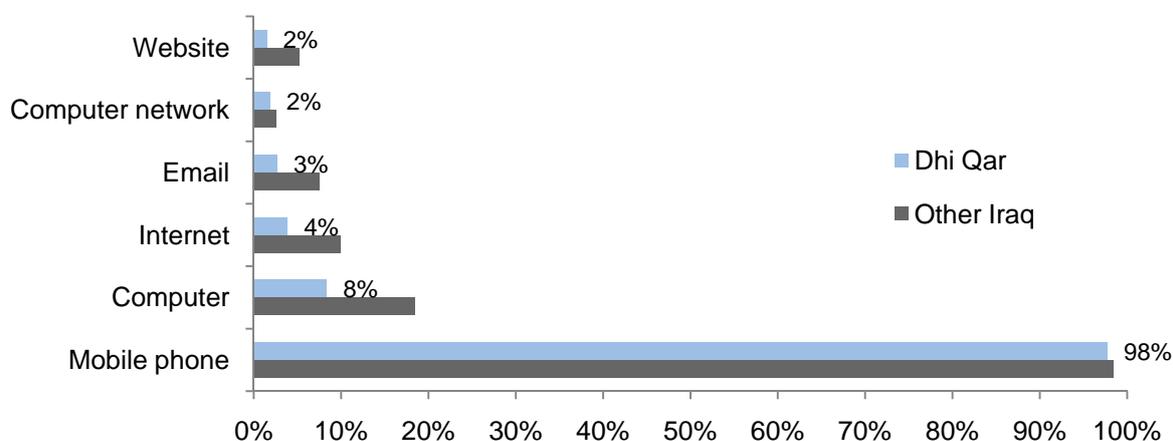
The above table (Table 4-5) demonstrates the low dependency on IT related mediums for doing business, as Internet, Radio and Television are all outside of the top five ranked sources of business information in Dhi Qar. This same trend is reflected more or less in the Iraq data as a whole.

4.4.1 Technology Integration

When comparing with the rest of Iraq, across the board, SMEs in Dhi Qar are far less technologically savvy. As Figure 4-20 represents, Dhi Qar companies integrate all IT modes at a rate less than other Iraqi companies across the board. Mobile phone usage in Dhi Qar is close to the national average, while almost every other IT mode is used at least half as much by Dhi Qar SMEs as it is by other Iraqi SMEs.

Only 4% of Dhi Qar SMEs use the internet to conduct business, 2% use websites, 3% use email, and 2% have computer networks, which is about 1/4 of all of the SMEs that own computers.

Figure 4-20: Integration of Technology – Iraq and Dhi Qar



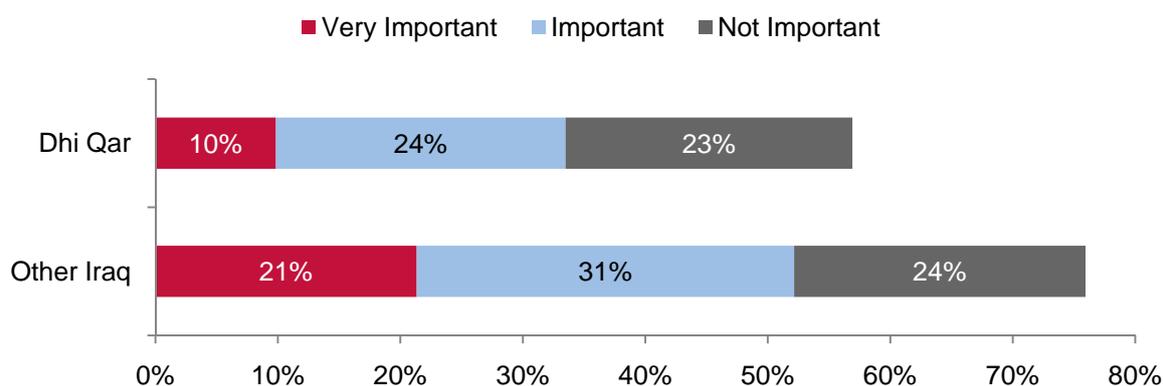
Of the SMEs that use computers, on average Dhi Qar companies use about as many computers (average 1.9 computers per company) per company as the rest of Iraqi SMEs surveyed (average 2.0 computers per company).

For those that do not use computers, there does not appear to be a sense of urgency when it comes to SMEs equipping themselves with technological know-how. For example, only 6 out of 863 companies surveyed in Dhi Qar indicated that they utilize computer training services, which is less than 1%. This is slightly less than the rest of Iraq, reporting approximately 2% of SMEs utilizing computer training services at least occasionally.

4.4.2 BMO IT-Related Service Needs

SME perception of the role of BMOs in providing these services and other capacity building services in general is lower than the rest of Iraq (see Figure 4-21). BMOs in Dhi Qar will find it more of a challenge to market computer and other IT training services to SME owners in Dhi Qar when compared to the rest of Iraq in general.

Figure 4-21: Perception of the Importance of BMOs in Building Capacity and Know-How



4.5 MANAGERIAL CONSTRAINTS

Managerial capacity is a key element to SME competitiveness. In fact, many analysts go as far as to claim that enterprise growth is limited by the speed at which it can upgrade its managerial capacity. A capable SME manager is not only fundamentally strong in the technical aspects of his/her business, but need also hone the necessary skills to oversee the functional elements of the enterprise to the point they are able to make tactical and strategic decisions conducive to the growth of the business. This involves developing skills and knowledge in functional areas such as financial management, marketing, planning, and personnel management, among others.

SME owners in Dhi Qar, like their peers in much of Iraq, have very weak managerial capacity. Often lacking basic managerial skills from the get-go, Dhi Qar SMEs grapple with

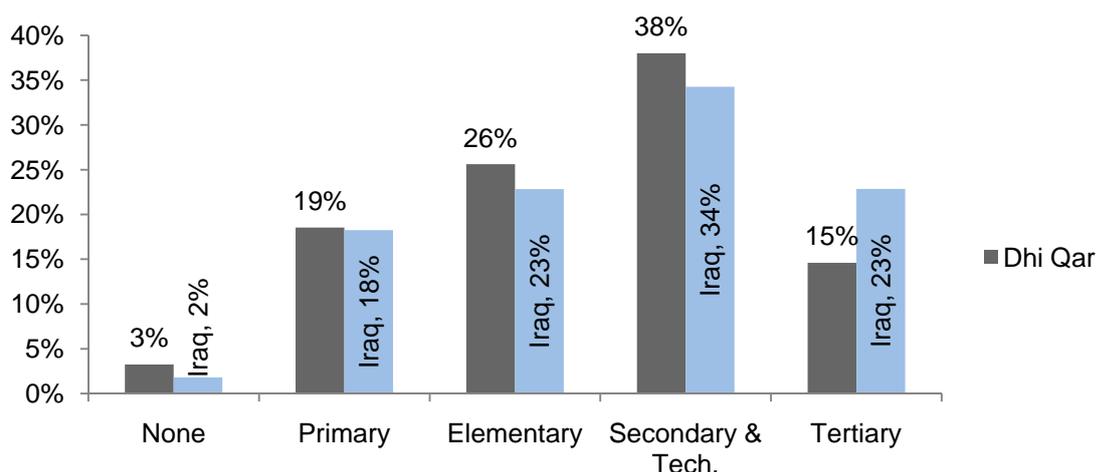
limited managerial capacity due to nominal investment in capacity building, lack of exposure to recommended practices, and a ‘know it all’ attitude on part of the SME owner.

4.5.1 Educational Constraints

Enterprise owners reported a diversified spread of educational attainment. Approximately 97% of SME owners in Dhi Qar completed at least some level of formal education, with slightly over 82% having completed at least secondary schooling and 15% more have gone on to graduate from a university, garnering at least some of the skills necessary to running a successful business.

Business owner education levels in Dhi Qar are closely aligned with education levels for entrepreneurs elsewhere in Iraq with the exception of the tertiary education category where it appears the Iraq wide average is 8% higher than in Dhi Qar. Figure 4-22 highlights education levels amongst surveyed business owners in Dhi Qar compared to their peers elsewhere in Iraq.

Figure 4-22: SME Owners are Well Educated



During focus group discussions, a large majority of SME owners claimed labor market exclusion and unemployment as a primary factor for venturing into business. However, contrary to popular opinion, there appears to be no correlation between entrepreneurship and exclusion from the educational system in Iraq, which is often not the case in other emerging market.

4.5.2 Technical Knowledge (Cognitive Competence) Constraints

Businesses fail for a variety of causes, many related to the knowledge and experience of owners in their field of business or their general understanding of business principles. Such constraints affect some fields more than others. Although we do not know how Iraqi businesses benchmark against regional or international standards, we can make some conclusions about which business sectors are most constrained by cognitive competence.

The chart below indicates that, as expected, it is high among professional service/manufacturing SMEs. It is low in industries whose markets and/or dynamics have developed or changed rapidly, or in which cognitive competence was low to begin with. An example of the latter has been agribusiness.

Farmers traditionally have depended on government provided technical expertise that no longer is available. Lacking that support today, farmers and livestock breeders who have not had the opportunity or faced the necessity of developing their businesses without that high level of support have suffered. Low cognitive competency does not necessary predict failure. Many businesses have low cognitive competence entry requirements, especially in retail sector, and retail sales to end-users comprises a very large business segment.

In addition to sector differences, the age of an entrepreneur is a factor in cognitive competency. Generally, the younger the SME owner, the less cognitive competence he/she has. It would be expected that younger owners tend to establish themselves in industries with low technical and experience requirements, and that is the case in Iraq, with the highest growth rates for industries such as trade that require low cognitive competence.

Figure 4-23: Age by Sector

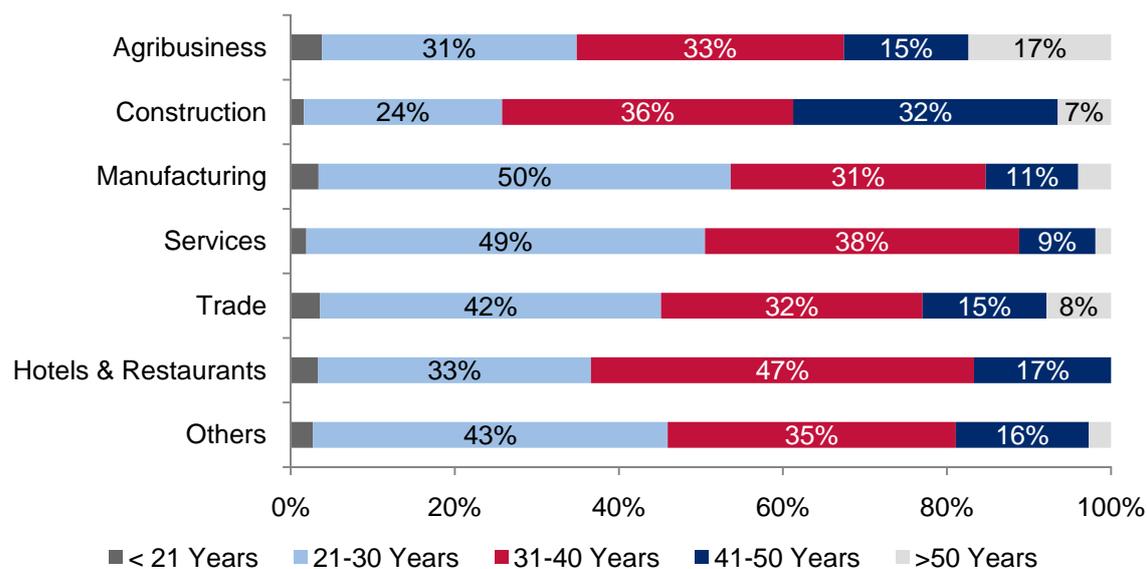
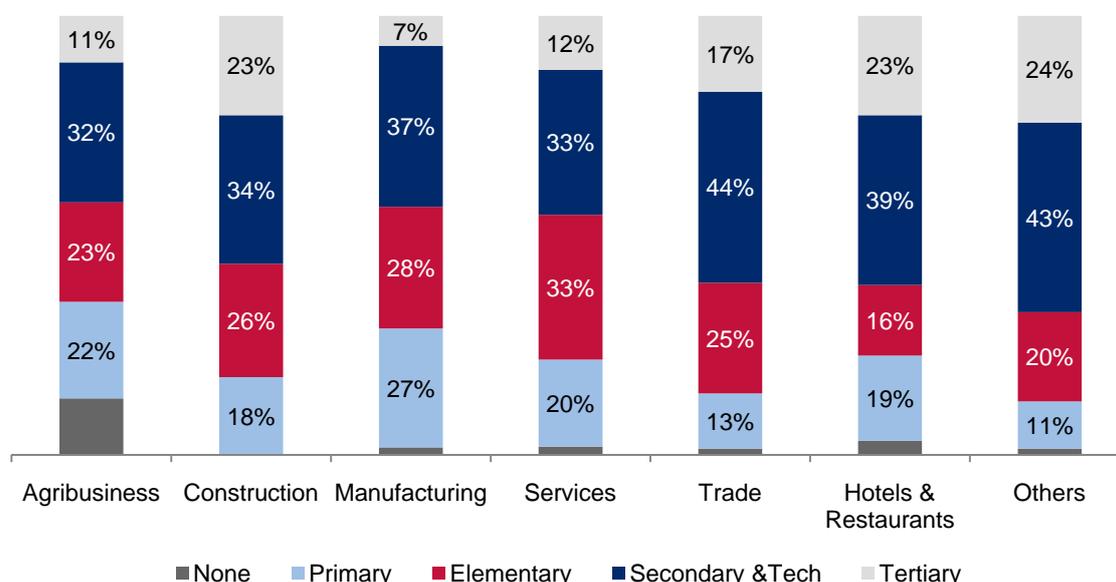
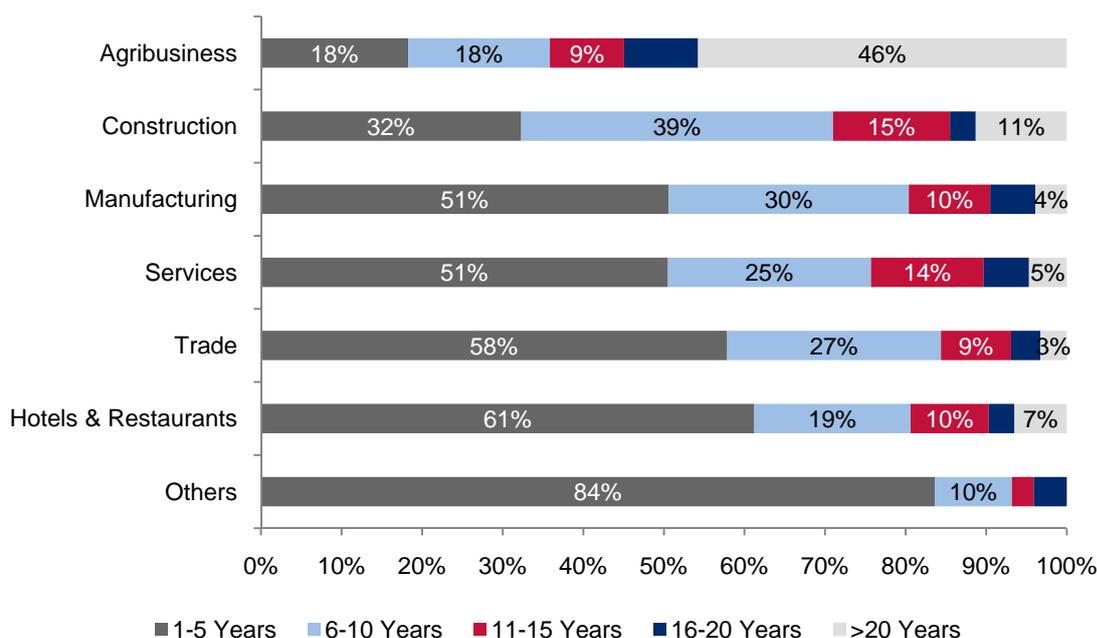


Figure 4-24: Cognitive Competence Measured as Education by Sector



Technical expertise forms a barrier to entry to business sectors that require high cognitive competence, such as agribusiness and manufacturing. The same high barriers apply to exit, because of the high fixed assets and core investments that cannot be transferred. Thus low cognitive competence sectors tend to have more start ups and higher mortality. This is further confirmed by the high number of new entrants into low skill sectors such as wholesale and retail trade, and also in the indication of high exit rates of retail enterprises as enterprises get older.

Figure 4-25: Cognitive Competence as the Age of the Business by Sector



4.5.3 Training

Lack of training is a serious SME business constraint throughout Iraq, not just in Dhi Qar. Training can be of various sorts, basic skill training for unskilled workers, upgraded skill training for semi-skilled or skilled workers, management training to staff, or entrepreneurial training. SME owners' attitude toward all of it is that it is unnecessary. That may be because they are traditional or cynical or because the training is poor and has been ineffective. It certainly is inexpensive, sometimes free and often the equivalent of less than an hour's pay. In any event, by and large SME owners do not think it works and do not engage in it for themselves or their workers.

Below are results for two important skills for overall business improvement.

Figure 4-26: Importance of Marketing Training

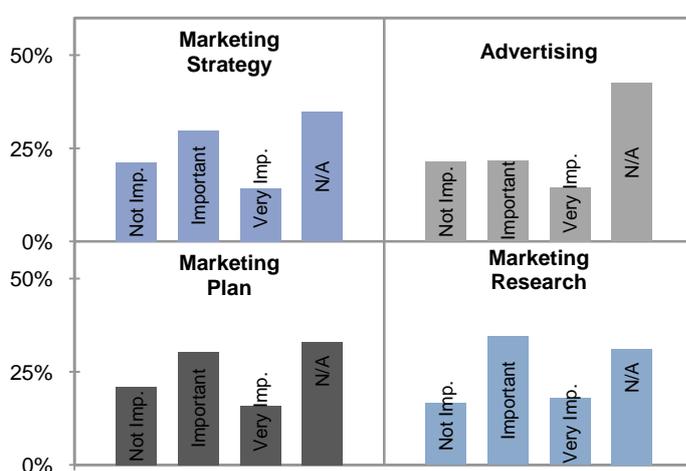
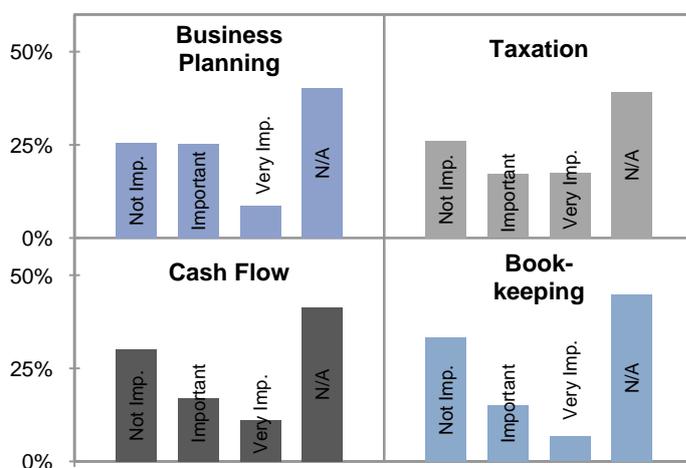
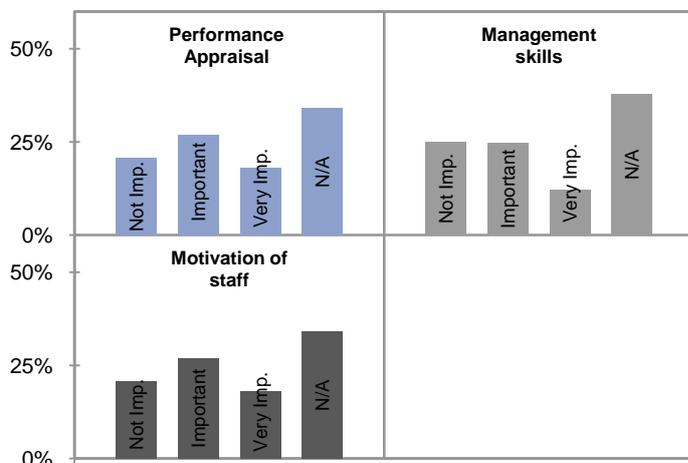


Figure 4-27: Importance of Finance Training



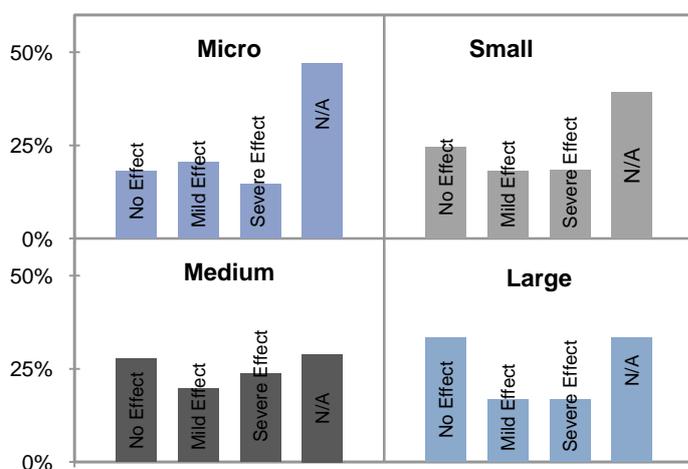
Human resource training fares better in the view of respondents (below).

Figure 4-28: Importance of Human Resources Training



When asked to evaluate the effect of training, note the difference in the attitudes of large businesses. Across the spectrum of training types, the large business the more sensitive it seems to be to the benefits of training.

Figure 4-29: Effect of “Lack of Vocational Training”



Management training shows the same general pattern: the more sophisticated the business, the greater appreciation of the benefits of training.

Figure 4-30: Effect of “Lack of Trained Middle Management”

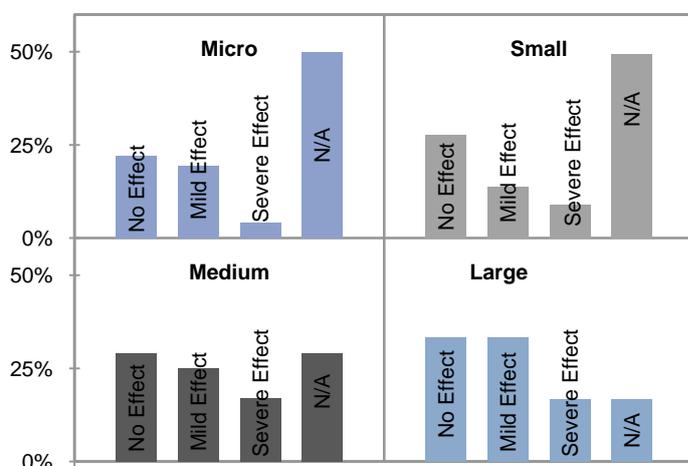
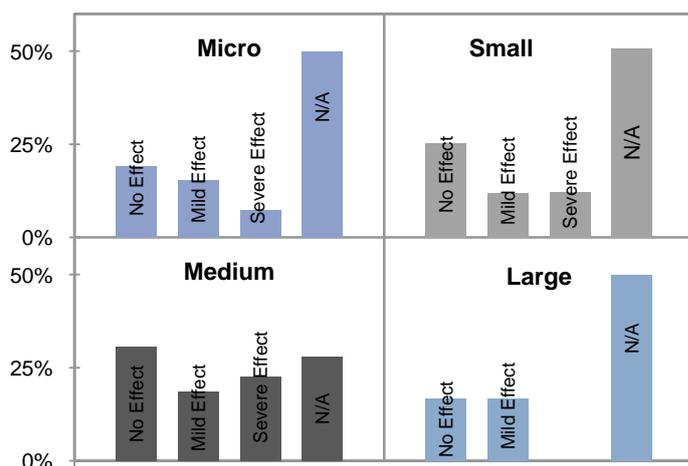


Figure 4-31: Effect of “Lack of Trained Higher Management”



When the discussion turned from opinion to fact, from how SME owners valued training and evaluated its impact to how they practiced it, the picture change for the worse. Here is a sampling of three types of more sophisticated training.

Figure 4-32: Frequency of Technical Training by Business Size

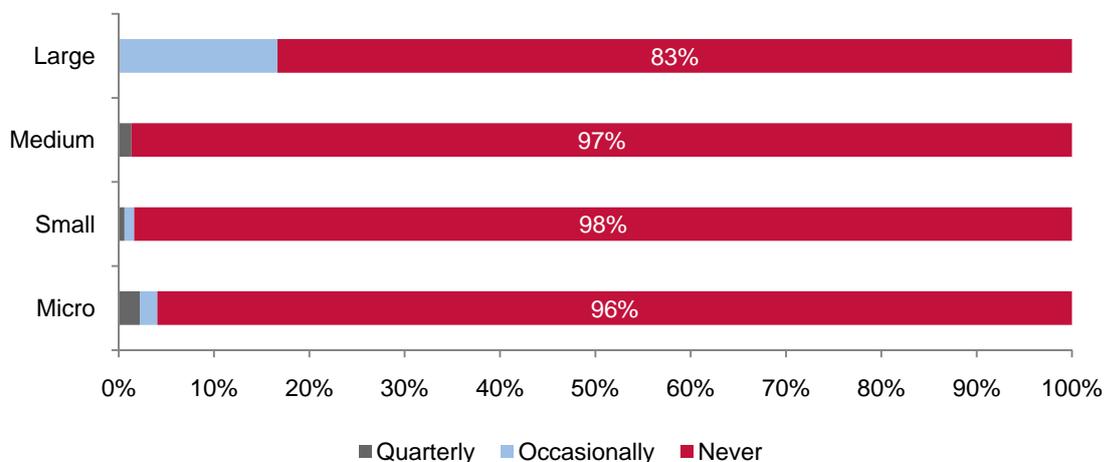
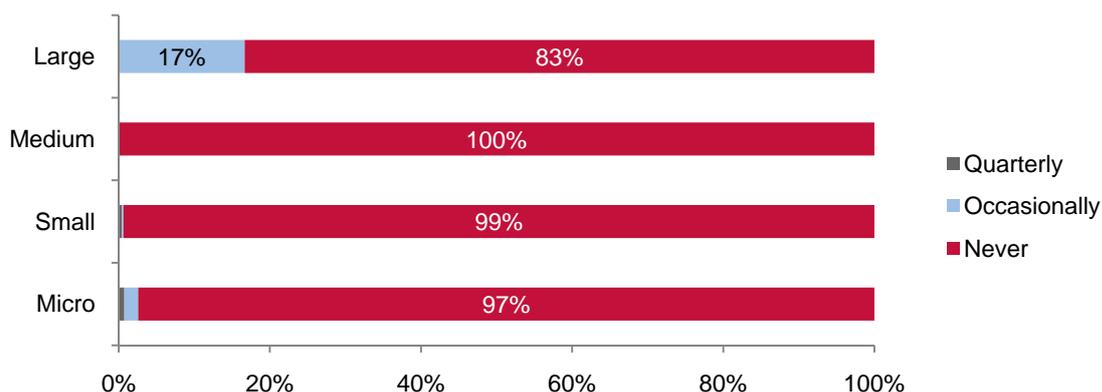


Figure 4-33: Frequency of Computer Training by Business Size



Note again, that while the numbers are almost shockingly low, the larger the business the more in actually performs training. Of course, this could be because when there are many employees and ample financial resources, it is easier to send people to training. It also could be that there is a greater appreciation of what training can do and that it may even have been small but decisive element in business growth.

Figure 4-34: Frequency of Management Training by Business Size



4.5.4 Exposure and Attitudes

Like elsewhere in Iraq, Dhi Qar SMEs have not taken to modern business concepts, especially in the areas of innovation and entrepreneurship. Their mode of business organization remains traditional, informal, simple, and often comfortable in the status quo. SME business attitudes are more rooted in neighborhood and trade than in education. The future also is more uncertain here than in most places. That is why there is so little interest in technology, upgrading the workforce, undertaking new modes of marketing, and instituting instruments of management and financial control. It also explains, at least in part, SME owner attitudes toward associational activity.

We discuss attitudinal issues in other sections of the report. However, general attitudes toward entrepreneurship itself have an impact, as indicated in focus group discussions. At least one entrepreneur interviewed was preparing to leave a more lucrative position for government employment. When times are uncertain, the pull of lifetime security exercises a potent draw. The prestige of government work cannot be dismissed, either. This risk averseness has an impact both on the willingness to become an entrepreneur and the ability to develop a skilled private sector workforce.

Similarly, attitudes toward informality, closely held and family orientation of business, and lack of examples of successful expansion into medium size, and the necessary concerns about security all create complex interactions. Some impacts generated include laxity about recordkeeping, legal and accounting standards; reluctance to search for advice and support from non-family resources; unwillingness to innovate or to adopt technical advances to reduce costs of expand markets; absence of role models in successful businesses; inability to grasp the benefits of collaboration and association; and especially the capacity to make use of financial services.

4.6 LABOR MARKET CONSTRAINTS

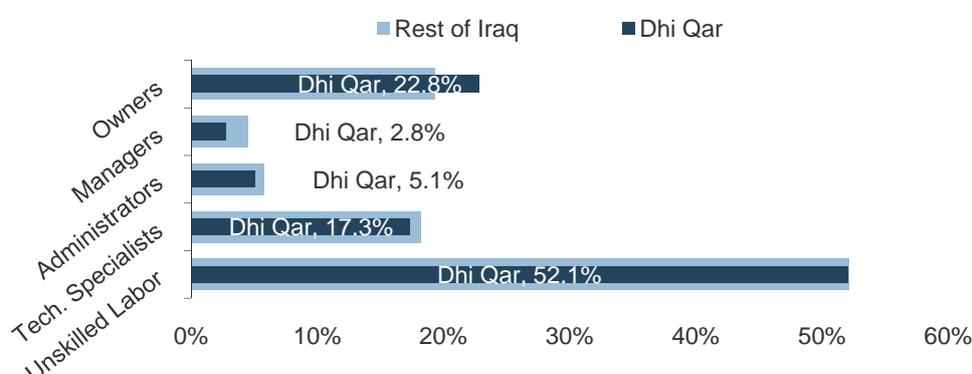
The majority of SMEs in Dhi Qar are labor intensive with a high percentage of unskilled workers. The average number of employees is 5.0 employees (compared with 6.3 for the rest of Iraq), 52% of whom are unskilled workers. Construction sector enterprises have the highest average number of employees in Dhi Qar (nearly 13 employees). Dhi Qar SMEs tend to employ less in labor distribution compared to their Iraqi peers, except in the case of the energy sector companies, with approximately 60% higher employment rate. Table 4-6 below compares the average number of employees per economic sector in Dhi Qar and Iraq.

Table 4-6: Average Number of Employees Per Economic Sector

Sector	Dhi Qar	Iraq
Construction	12.84	15.5
Electricity, Gas, Oil	8.67	5.2
Hotels, Restaurants and Tourism	6.03	7.7
Manufacturing	5.82	7.4
Agribusiness	5.07	6.1
Wholesale, Retail Trade	3.47	4.5
Communications	3.38	6.4
Professional Services	2.51	4.1

Dhi Qar's SME labor force is heavier in the areas of owners and less so in all other labor categories when compared to the rest of Iraq. Unskilled labor is still the highest occupational category representing 52% of all SME labor in Dhi Qar - this is primarily due to the heavier presence unskilled labor in construction. Figure 4-35 below highlights the labor composition within SMEs in Dhi Qar as compared to the rest of Iraq.

Figure 4-35: Labor Composition of SMEs in Dhi Qar vs. Rest of Iraq



As indicated by Figure 4-36 below, Dhi Qar SME owners are less affected by ‘lack of qualified technical labor’ compared to the other Iraqi peers, and the applicability of technical labor is lower in Dhi Qar by virtue of the high number of ‘not applicable’ category responses; indication that SME owners are themselves likely filling a technical labor role. Figure 4-37, a representation of responses to the ‘effects of inadequate vocational training’ yields similar results, with Dhi Qar SMEs reporting less strong effects in response to ‘inadequate vocational training.’

Figure 4-36: Effects of Inadequate Qualified Technical Labor

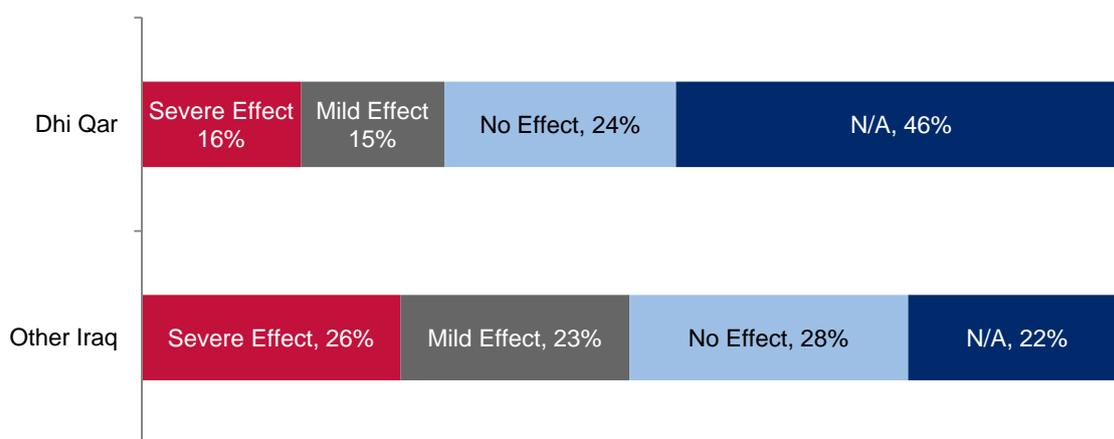
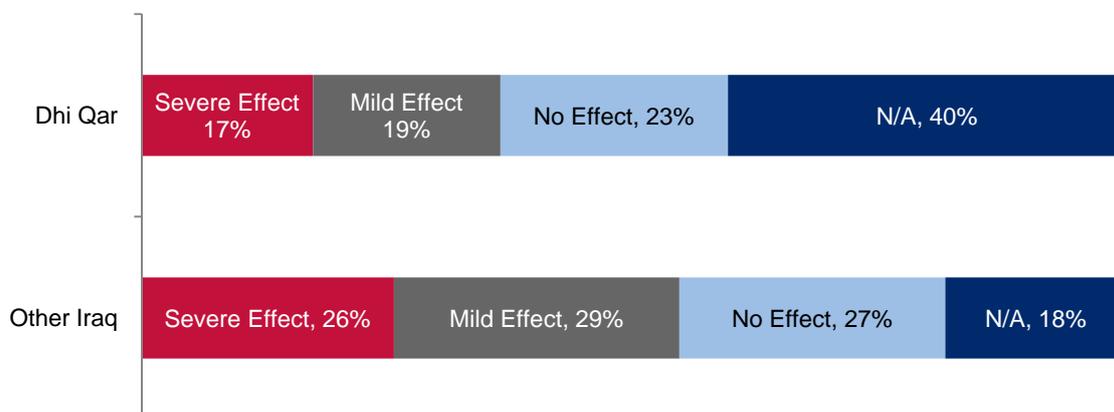


Figure 4-37: Effects of Lack of Tech. (Vocational) Training on Iraqi and Dhi Qar SMEs

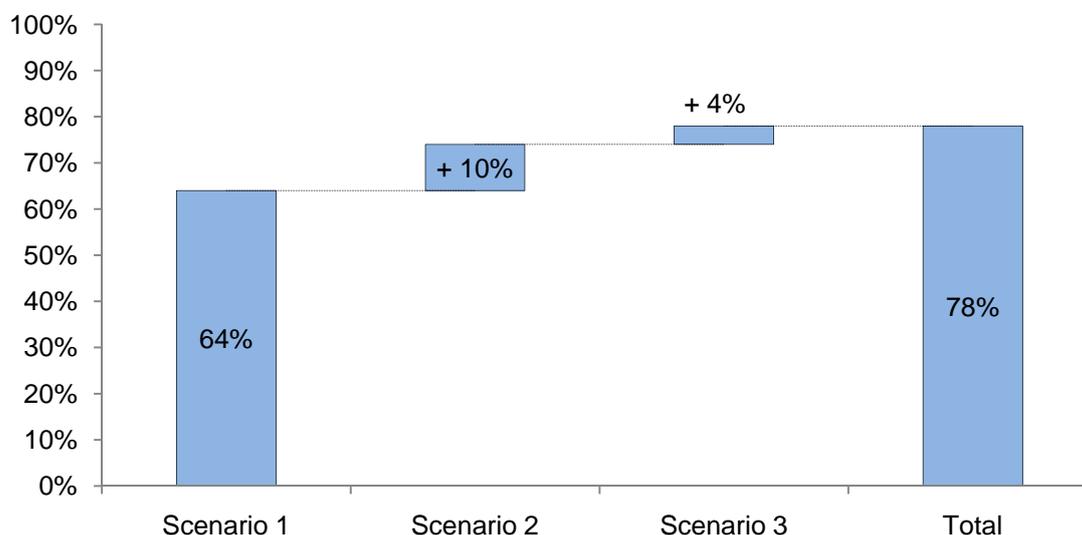


4.6.1 Informality of Labor

A significant portion of SME labor in Dhi Qar is informal. Under best case scenario conditions in which we assume only informal / unregistered firms employee informal labor, 64% of Dhi Qar SME labor is informal. A more realistic assumption, under which 50% of unskilled labor in registered firms is considered informal, increases SME labor informality to over 74%. In a third case scenario in which we consider ‘unpaid family members’ employed

by registered to be also informal raises labor informality to 78%. The three scenarios are graphically presented below in Figure 4-38.

Figure 4-38: Informality of the Labor Force in Dhi Qar Under Three Different Scenarios



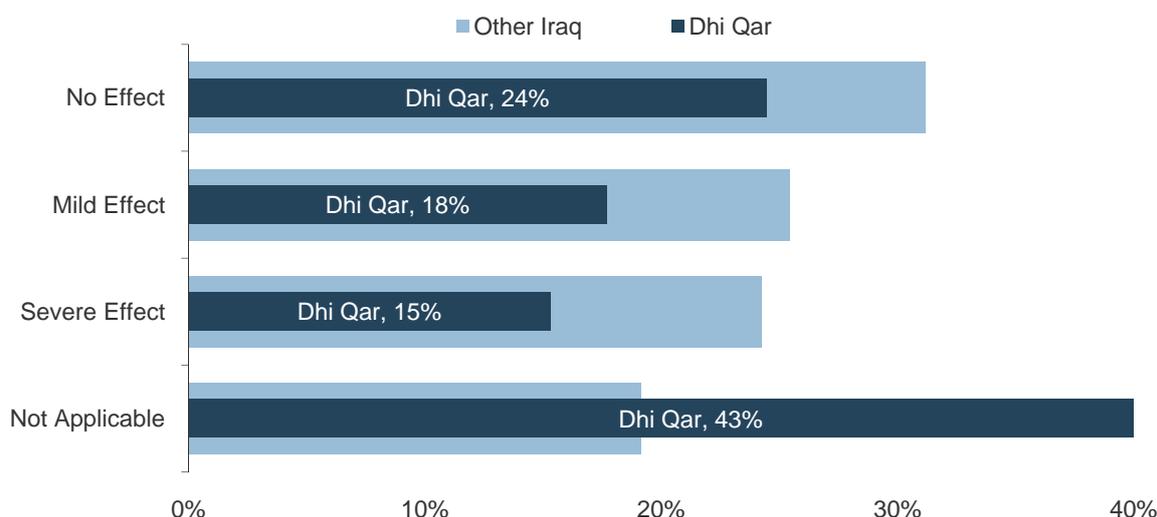
The high rates of labor informality highlighted above are in part driven by:

- There are many Dhi Qar SMEs that operate in the shadow economy. 76% of enterprises are not registered with any government agency thereby affecting the ability of enterprises to secure social security, and other benefits for employees, as generally these benefits require government registration.
- Lack of labor law enforcement. To encourage private sector labor participation, Iraq comprehensively upgraded labor laws in 1987 to mainstream employer-labor relations and guarantee minimum labor benefits (pertaining to severance pay, advance notice of dismissal, leave benefits, social security contributions, etc). Current employment practices within the SME sector and the private sector generally fail to mirror labor law requirements, often without consequence because of general unawareness of the law, and lack of enforcement by the government.
- High unemployment rates limit the options available to SME labor market participants, forcing many of them to lower expectations with regards to employment conditions or forgo them all together.
- Other input constraints over which SME owners have less influence than labor e.g. production inputs, encourage SME owners to cut corners when it comes to employment formality and benefits. Many SMEs claim they can't afford the costs associated with employee formalization, even if they wanted to.
- The existence of unpaid family and next of kin social network labor which is informal by definition, also increases labor informality rates.

4.6.2 SME Concerns Regarding Labor

In the opinion of Dhi Qar SMEs, labor market constraints are a great deal less binding than in the rest of Iraq. When asked to rank their most debilitating constraints to growth, Dhi Qar SMEs ranked labor related concerns third to last in a list of 11 input and output constraints, while Iraqi peers rated the same concerns next to last (reference Table 3-3 in section 3.5 above). In another series of survey questions, an average of 24% of enterprise owners claim to have no labor related constraints at all, while at the same time Dhi Qar SMEs view labor constraints with much less applicability across the board (43% reported that these constraints were not applicable – almost double the average response of other Iraqi SMEs). This is again most likely due to the heavy presence of micro and retail businesses where the owner is playing the more technical roles, and where there are fewer laborers for the owner to concern himself/herself with. Labor constraint effects are depicted below in Figure 4-39, taken as an average of the different rates of response for the various areas of constraint.

Figure 4-39: Effects of Labor Constraints on Iraqi vs. Dhi Qar SMEs



When asked to rank employee-related concerns, many Dhi Qar enterprise owners (35% of them, compared to 20% of other Iraqi enterprise owners) indicated that they did not have any employee-related issues. Enterprises that did claim labor related concerns indicated in a list of employee-related concerns that they are mostly worried about compensation outlays to employees, workplace discipline, and limited employee skill-sets. They are less concerned with supervisory staff due to the overall smaller size of enterprises. Table 4-7 below highlights employee concerns as ranked by Dhi Qar enterprise owners and their peers in other Iraqi provinces.

Table 4-7: Concerns Related to Employment Issues for Dhi Qar SMEs

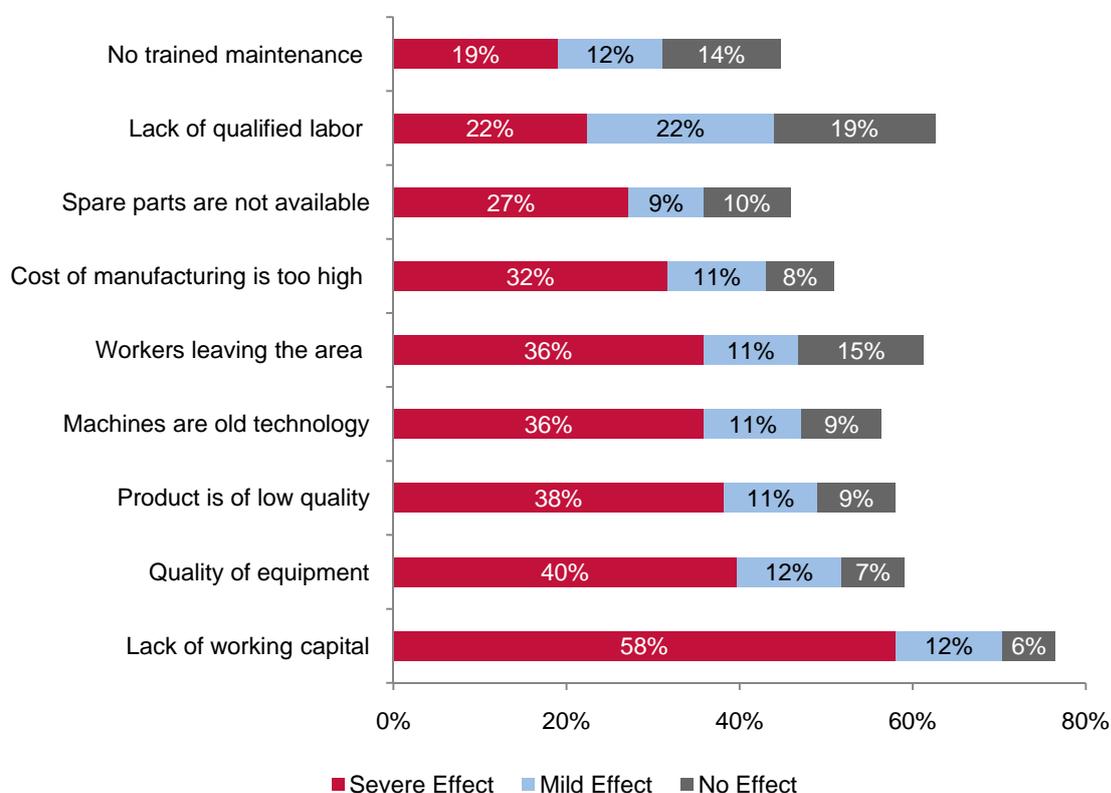
Employee SME Constraints	Dhi Qar Ranking	Iraq Ranking
No issues	1	5

Compensation rates are not justified	2	1
Lack of workplace discipline	3	4
Lack of appropriate skill for the required tasks	4	2
Unable to find component supervisors	5	3
Social security / tax contributions	6	6
Cannot freely choose employees	7	7
Cost of hiring is too high	8	8
Employee absenteeism	9	10
Lack of motivation unrelated to job issues	10	9
Cannot retain employees	11	11

4.7 PRODUCTION CONSTRAINTS

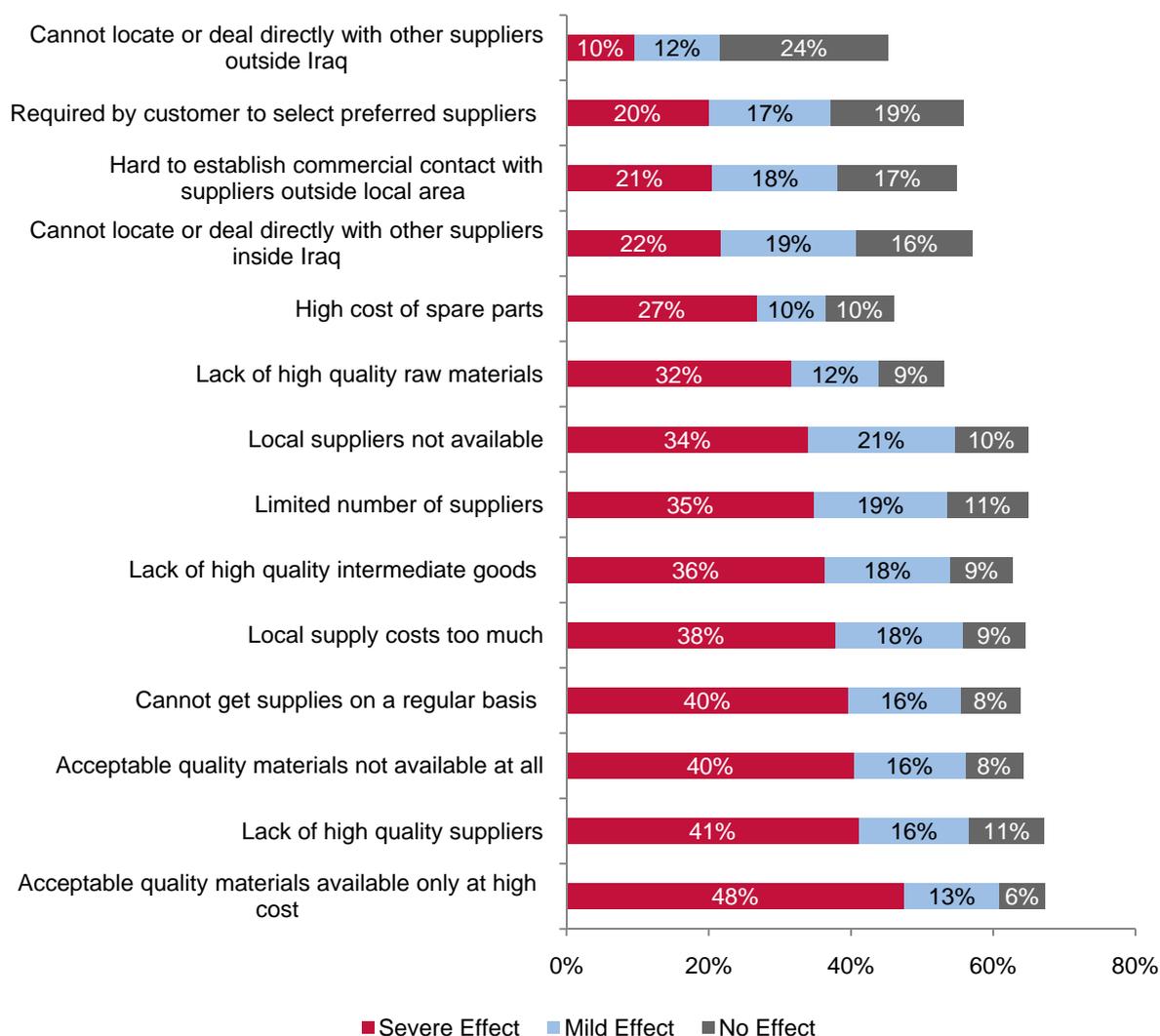
Production constraints on the input side largely pertain to lack of working capital, equipment, and supply quality issues.

Figure 4-40: Dhi Qar SME Operational Constraints



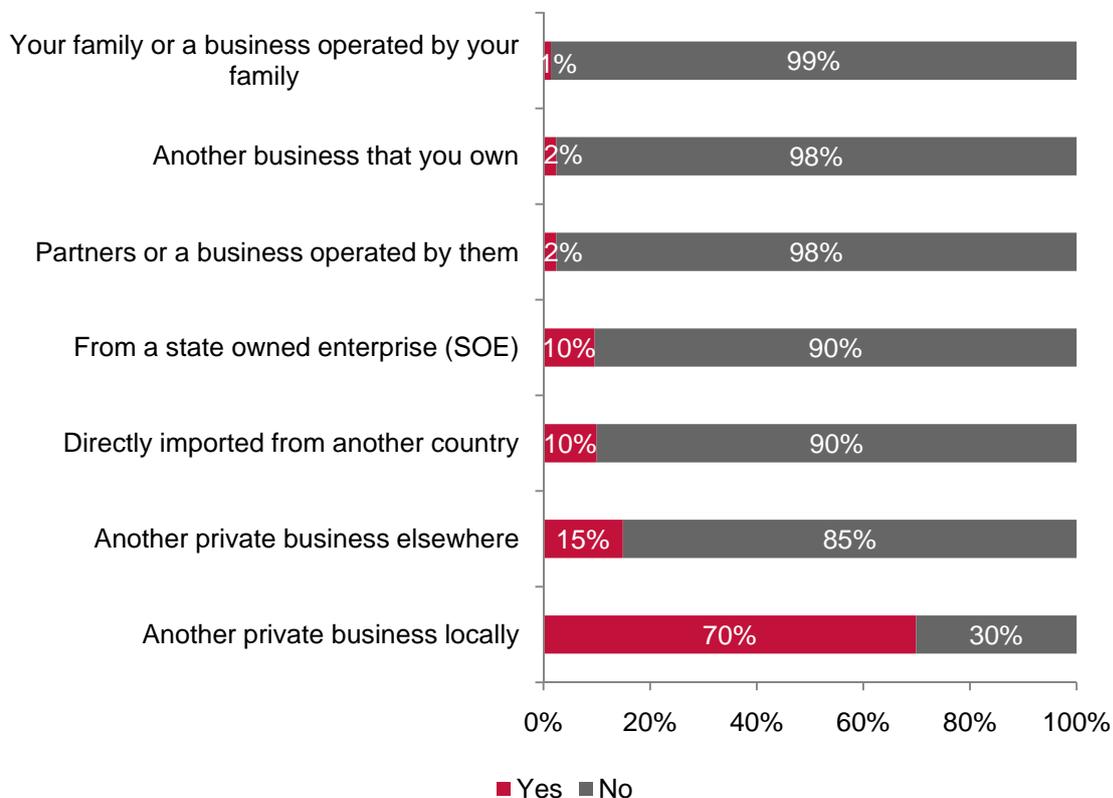
Supply constraints receive particularly high ratings in the areas of high cost of quality supplies, lack of high quality supplies and suppliers, and supply regularity. High cost of quality materials effects 61% of SMEs, 48% of which report this as a severe constraint. 57% of Dhi Qar SMEs suffer from the lack of quality suppliers, 41% of which to a severe degree.

Figure 4-41: Dhi Qar SME Supplier Constraints



Dhi Qar SMEs obtain supplies from private local sources at a rate of 70%, 22% higher than other Iraqi SMEs do. Looking within the province, private local supply is the highest source of raw materials followed by private supply elsewhere, imports, and then SOEs (see Figure 4-42 below).

Figure 4-42: Dhi Qar SME Sources for Raw Materials



5. DHI QAR ENABLING ENVIRONMENT CONSTRAINTS

5.1 INTRODUCTION

Contained in this section is a discussion of the following:

- Informality / Regulatory Issues
- Infrastructure Constraints
- Security Constraints

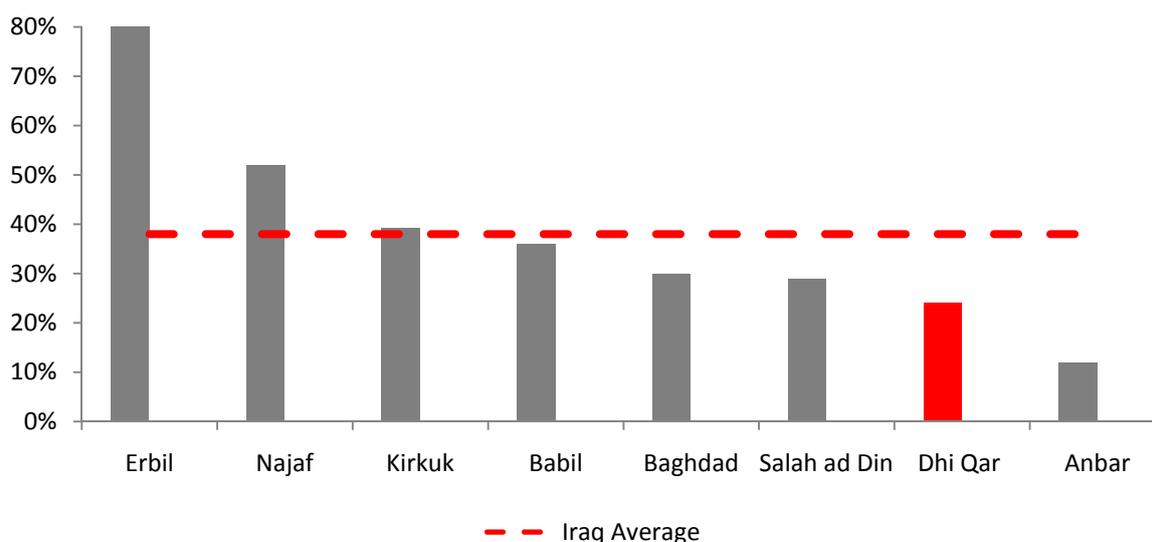
5.2 INFORMALITY / REGULATORY ENVIRONMENT

Similar to the rest of Iraq, the majority of SMEs in Dhi Qar operate in the shadow economy. This high level of business informality threatens the going concern and growth potential of Iraqi SMEs by undermining access to finance, technology, qualified labor resources, and other productivity inputs. It also elicits corruption, anti-competitive practices, and limits the government's ability to make policy decisions due to incomplete information.

5.2.1 Company Registration

In Dhi Qar, less than 24% of enterprises claim to be registered with government agencies. This is one of the lowest business formality rates amongst all Iraqi provinces, and is less than the average for Iraq overall which is currently in the 29-39% range.

Figure 5-1: Company Registration According to Province and National Average



Energy: Energy industry enterprises have the highest registration rate amongst Dhi Qar businesses (63%). The industry is primarily comprised of fuel stations and private electricity generation activities. Petrol stations are older businesses, and as such are much more likely to have registered before 2003, at a time when registration was heavily enforced. Whilst no longer the case, generator owners producing electricity for public consumption used to have to register in order to receive government rationed petrol and fuel products. Due to the limited number of SMEs operating in this sector in Dhi Qar, their overall effect on average registration rates for the Province are very limited.

Agribusiness: Driven by high formality rates amongst farmers and poultry farms, agribusiness enterprises also maintain above average registration rates (39%). There are several reasons for this, i) farmers register with the Ministry of Agriculture which employs a more streamlined registration process than the established Ministry of Trade registration process for the rest of Iraqi enterprises, ii) most farmers (especially dairy and wheat and barley growers) sell their harvests to SOEs, which requires registration, iii) the majority of agricultural enterprises in Dhi Qar predate the current disorder and would have been compelled to formalize or face dire legal consequences, and iv) much of the farmland in Dhi Qar was titled to farmers through the government through a process that undoubtedly included registration to complete.

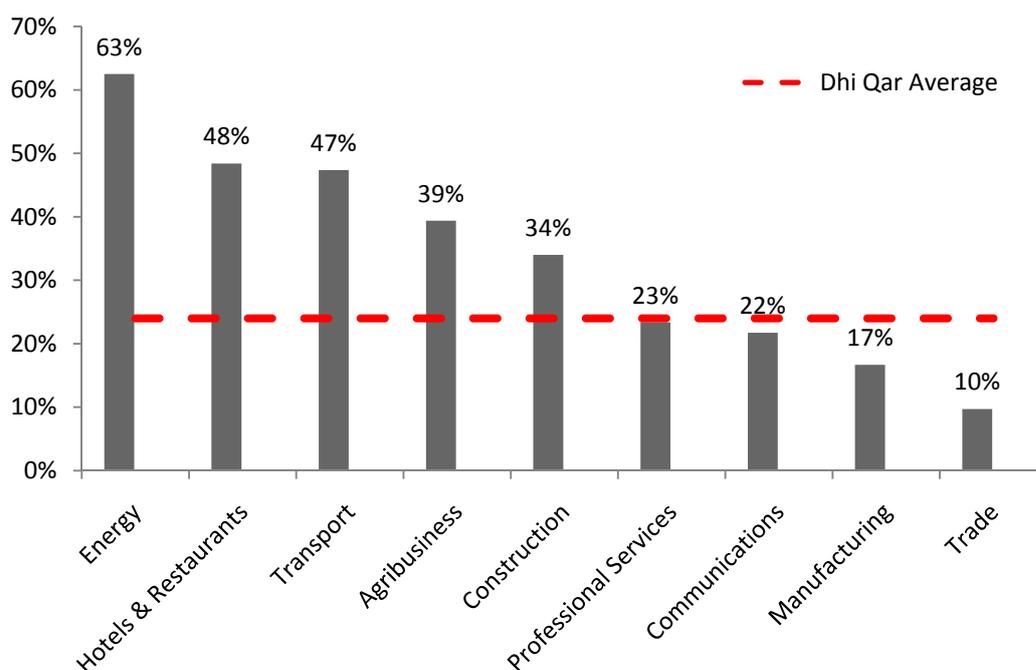
Construction: Driven by a large number of upper-small and medium sized construction companies, formality rates in the construction industry are also above Dhi Qar averages. The main reason for this is that the construction industry primarily services government customers which require SMEs to be registered before being awarded business (approximately 68% of non-retail construction output is for government and state owned enterprise clients).

Manufacturing: With very little medium-heavy manufacturing to speak of in Dhi Qar, the industry is driven by mostly light, workshop outfits manufacturing brown goods and metal based fixtures. These enterprises are predominantly informal as they have little reason to seek government registration. Registered firms within the manufacturing sector are also mostly workshop like entities but tend to have more employees and service a broader audience than their non-registered peers. Almost 60% of registered manufacturing firms claim to serve customer beyond their localities including government clients, unlike their non-registered peers that overwhelmingly claim to customers within the neighborhood or locality in which they operate. There is also a significant number of bakeries in sector that are registered. It's highly likely they register to benefit from subsidized government flour distribution.

Trade: The trade sector is the largest SME sector in Dhi Qar and significantly affects the formality rates in the Province. Only 10% of trade enterprises are registered in Dhi Qar. These are mostly wholesale traders that trade a variety of products including construction materials, dates, and white goods. They tend to be medium and large enterprises (over 90%).

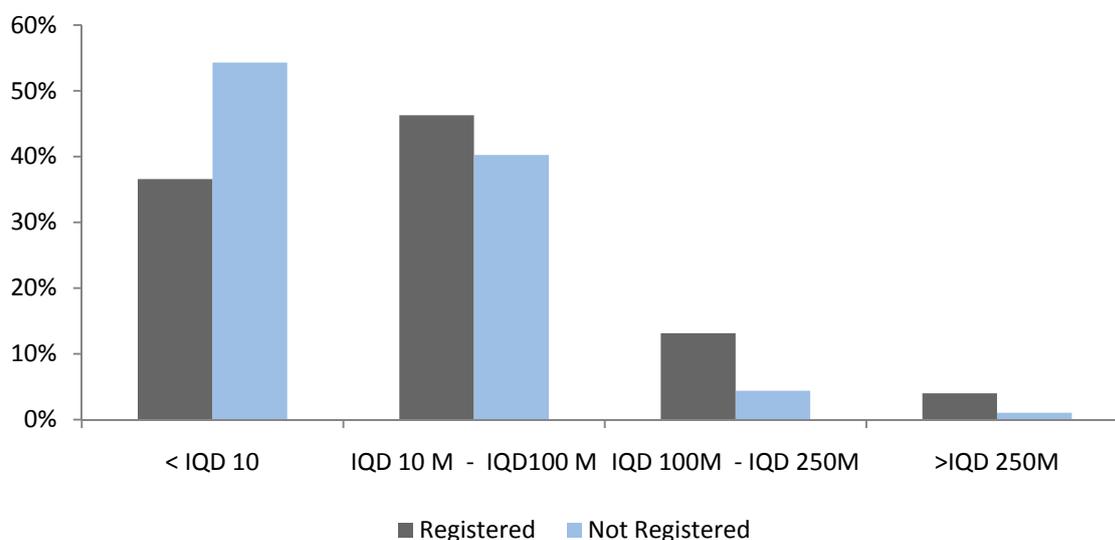
Transport, Hotels and Restaurants: The hospitality and restaurant, and the transportation sector have higher than average formality rates (48%, and 47% registration rates respectively). Both industries have high registration rates due to prevailing laws that govern their operation, and the high asset value of the typical business operating in either sector. Figure 5-2 below highlights industries and respective registration rates.

Figure 5-2: Registration Rates by SME Industry



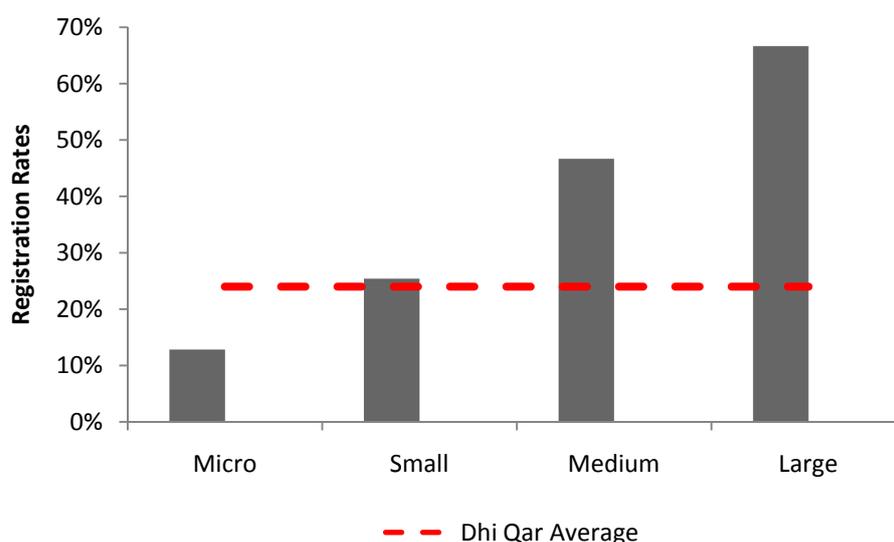
Many Iraqi SMEs appear oblivious to the fact that informality comes at a high cost to them and to their enterprises. Hesitant to invest in fixed assets to avoid asset-seizure risks or attracting the attention of authorities, informal SMEs in Dhi Qar appear to have smaller asset bases than their formal peers. Figure 5-3 below indicates that the concentration of informal enterprises is more in the asset base category of IQD 10 million to IQD 100 million, formal enterprises dramatically outdo shadow economy companies in all higher asset base categories.

Figure 5-3: Asset Base Registered vs. Informal Firms in Dhi Qar



Analyzing formality by firm size (number of employees) provides for a similar scenario. The larger the enterprise the more likely it operates in the formal economy. Figure 5-4 below highlights formality rate in micro, small, medium, and large sized enterprises.

Figure 5-4: Registration Rates by Firm Size



Informality may affect a host of other SME performance indicators as highlighted by Table 5-1 below.

Table 5-1: Dhi Qar Registered and Informal Averages According to Traits

Traits	Registered Firms Mean	Unregistered Firms Mean
Age of business/ Years	14	8

Number of Employees	7.5	4
Number of Partners	2.42	1.33
Number of Technical Specialist	3.2	2.5
Number of Technical Specialist	3.2	2.5
% of Assets Base - Cash	30%	32%
% of Assets Base - Receivables	12%	13%
% of Assets Base – Vehicles	6%	3%
% Assets Base - Machinery and Equipment	22.4%	18%
% Assets Base - Land and Buildings	11%	7%

Not highlighted above is the issue of informality and corruption. While corruption is rampant across all SME industries and most transaction circles as reported in the survey and focus group discussions, in the view of formal businesses and indeed a number of informal is that unregistered businesses aggravate the situation.

The research team has no specific Dhi Qar related evidence to prove this, but given the similarities of the business environment and dynamics across Iraq we refer to an interview quota from a Baghdad Suburbs aquaculture farmer *“Last year, the Government was distributing hatchlings [the larva stage of fish] to fish farms in the area, when I went to sign for my quota, the official demanded a bribe, because even though it was my right, armature/ hobbyist fish farmers were paying the official for the hatchlings. How would they feel if I took their quotas of seeds or fertilizers?”*

Another example of how informality appears to undermine the competitiveness of registered firms by manipulating input dynamics is presented by a restaurant owner from Babil *“... I am the only restaurant on this street that has to pay commercial rates for electricity, because I’m registered as a commercial enterprise with Al-Watiniya [National Grid], everyone else [other restaurants] pays residential rates. Of course that affects my costs”*

In the absence of tangible SME support from the government, in the minds of many Dhi Qar entrepreneurs, the cost of formalizing outweigh the benefits of operating in the formal sector. An unregistered retailer explains from Anbar explains *“... what are the benefits of registering? It’s all the same except for the heartache and the money you have to pay [to register]. Registration brings the taxes [tax authority], not customers.*

The single most cited reason for lack of registration in Dhi Qar is *“the registration process is too bureaucratic/ complicated/ difficult”*. This was reported by over 32% of unregistered firms.

Other cited reasons by order of frequency include “no relevant authority to register my business with,” “my project is too small to register”, “I don’t have the time”, “I don’t know how”, “I don’t want to deal with the government”, “because of taxes”, “my project is not important to the government”, “my business is new”, “I can’t afford it”. Interviews and focus group discussions alluded to similar reasoning. Table 5-2 below highlights reasoning as to why Dhi Qar SMEs are not registering with the relevant government authorities, and an approximate percentage of frequency count.

Table 5-2: Reasons Cited by Dhi Qar SMEs for not Formalizing

Explain why you have not registered your business:	% Frequency
The process is difficult/ cumbersome/bureaucratic	32%
My business does not need to register	19%
No relevant authority with which to register my business	14%
I don’t want to register	9%
Tax authority/ Government will come after me	8%
I don’t know how to register	7%
Other	5%

In light of the above the following factors are at least partially attributable to the high levels of business informality in Dhi Qar:

Administrative burden: As highlighted above Dhi Qar enterprises feel restricted by the administrative burdens to register their business. The World Bank’s Doing Business Report (2010) ranks Iraq as the sixth worst economy amongst 183 economies in which to start a business, a measure of the cost and time required to register a business. Table 5-3 below compares Iraq, Middle East and North Africa, and OECD indicators for business registration requirements as reported by the World Bank 2010 Doing Business Report. Table 5-4 highlights the registration process and the cost associated with each step.

Table 5-3: Iraq is One of the Most Difficult Countries in the World in Which to Register a Business

Indicator	Iraq	Middle East & North Africa	OECD Average
Number of Procedures	11	7.9	5.7
Time in Days	77	20.7	13
Cost (% of income per capita)	76%	34%	5%
Min. capital (% of income per capita)	30%	130%	16%

Table 5-4: Procedures to Registering a Business in Iraq

Procedure	Time to complete	Cost to Complete
Obtain a trade name reservation letter	2 days	\$305
Hire a lawyer to draft articles of association	1 day	\$780
Deposit initial capital at commercial bank	2 days	\$5
File for registration at the Commercial Registry	14 days	\$305
Advertise incorporation notice in the newspaper	3 days	\$70
Make company seal	2 days	\$20
Obtain registration certificate	1 day	included above
Report to tax authority to establish tax registration	2 days	\$400
Legalize accounting books	2 days	\$150
Register employees for social security	3 days	\$20
Apply for a trade license	30- 60 days	\$175
Total	62 - 92 days	\$2,230

Business owners claim there are even more hidden costs not mentioned in the World Bank report. A professional services business owner, familiar with business registration procedures by virtue of having registered his business recently claims business registration is even more difficult than highlighted by the World Bank “this [Doing Business Report] does not take into consideration the cost of preparing the initial paperwork, the transaction costs associated with opening a bank account or finding a registration lawyer, or the bribes that have to be paid to complete at least half these procedures”.

Undoubtedly, this excessiveness of these procedures and the complications involved hinder the willingness and acceptance of the enterprise owners to consider registration, unless they absolutely have to.

Exposure: Most Iraqi business owners remain fearful of visibility that may attract unwarranted attention by regulatory agencies and even criminal elements. The intensity of the registration process, the sheer number of stakeholders involved, and procedures such as publicly advertising incorporation appear to intimidate business owners. The notation of visibility that comes with registration also puts-off other classes of entrepreneurs, especially those who fear business registration might diminish their chances of getting a government job, pensions, or other government assistance.

Awareness: Knowledge of and about business registration is poor amongst SME owners as highlighted by the number of enterprises questioning the need to register or claiming

unfamiliarity with the procedures. The infant entrepreneurial culture has many businesses considering their enterprise a livelihood activity more than a formal business.

Lack of interest: The distinct lack of interest by some business owners to formalize their business cannot be ignored. As noted above, the widely held perception that it does not matter whether or not their businesses are registered, or, worse, that lack of registration is more beneficial, has created a sense of apathy towards formalization by some business owners.

5.2.2 Regulatory Issues

15 different FG discussions were held in Dhi Qar. During these FG discussions, companies spoke about issues that hindered them in the enabling environment and suggested laws or regulations that needed to be changed for reasons pertinent to them. Many suggestions were made regarding regulations governing imports, quality control issues, establishment of agencies to offer services and supervision over sub-industries and industries, and imposed government taxes and fees.

Table 5-5 below represents common issues that were mentioned across the industry, communications, construction, agriculture, transport, and professional services focus groups that were held in Dhi Qar. The issues are listed along with the number of times they were raised in the FG discussions, and by which industry.

Table 5-5: Cross-Sector Suggestions for Legal Reform

	General	Detailed Description	Frequency
1	Access to Government Supported Finance	There are no government subsidies or loan support available, and those that are available are subject to prohibitive conditions and extensive paperwork.	Mentioned 15 X (agriculture 5, industry 4, prof. services 1, transportation 1, construction 4)
2	Worker Rights / Government Services	There is no health insurance or social security for workers, who are subject to work-related injuries and illnesses.	Mentioned 12 X (agriculture 3, construction 4, prof. services 1, transportation 1, construction 3)
3	Trade and Manufacturing Protection / Government Quality Control	There is no quality control on inputs, parts, and raw materials which are imported from abroad.	Mentioned 11X (agriculture 3, industry 4, prof. services 1, transportation 1, construction 5)
4	Anti-Trust	There is no state regulation of wholesale merchants supplying raw materials, who exploit monopoly positions in the market to keep their	Mentioned 10 X (agriculture 3, industry 3, transportation 1,

		prices artificially high.	construction 3)
5	Government Imposed Taxes and Fees	Enterprises should be exempt from taxes in order to encourage them to expand and grow their businesses.	Mentioned 8 X (industry 3, prof. services 1, transportation 1, construction 3)
6	Trade and Manufacturing Protection	Lack of customs duties makes imported products cheaper, creating competition for locally produced goods.	Mentioned 7 X (agriculture 4, industry 3)
7	Streamlining Bureaucratic Procedures / Eliminate Corruption	Licensing procedures for the establishment and registration of new and existing unregistered enterprises are complex and often involve bribery.	Mentioned 6 X (industry 2, prof. services 1, construction 3)

The tables below highlight specific regulatory issues that were raised by businesses during their sector-specific FG discussions:

Table 5-6: Construction Suggestions for Legal Reform

	General	Detailed Description
1	Public Services	Garbage disposal services are expensive and not provided by the government, yet construction company owners must pay fines for rubble and debris that is not picked up from the street.
2	Taxes / Government Protection	There are no taxes on foreign construction companies, making it challenging for Iraqi companies to compete.
3	Security	It is difficult to transport construction materials because of security issues, which necessitate roadblocks and curfews; expensive fuel and unpaved roads also add to the costs of transport.

Table 5-7: Industry Suggestions for Legal Reform

	General	Detailed Description
1	Eliminate Corruption / Transparency in Government Procedures	Corruption in state offices prevents many industrialists from getting contracts unless they offer bribes.
2	Amending Inefficient Regulations	A factory or a workshop cannot be closed without the approval of the industrial development office.
3	Amending Inefficient Regulations / Security Measures	Tight security measures prevent transporting furniture between provinces without elaborate administrative procedures.

Table 5-8: Agriculture Suggestions for Legal Reform

	General	Detailed Description
1	Eliminate Corruption / Transparency in Government Procedures	Government agencies are corrupt and provide pesticides only to merchants and local markets, and not to farmers.
2	Amending Inefficient Regulations	Current laws require farmers to sell wheat and barley to the state-owned company for grain trading for below market price.
3	Industry Protection and Subsidy	The state does not subsidize tractor sales to farmers.

4	Amending Inefficient Regulations	The state does not regulate water pollution or punish those who dispose of sewage in the river.
5	Property Rights	Laws governing disputes over land ownership are inadequate.
6	Eliminate Corruption	Administrative corruption and bribery in the agricultural sector affects the distribution of water and gas to farmers.
7	Elimination of Corruption / Transparency in Government Procedures	Government employees require bribes before authorizing loans to farmers.
8	Amending Inefficient Regulations	Laws in Iraq do not permit the transport of animals between provinces.
9	Government Quality Control	Veterinary medications are not regulated, and imported medicines are often past their expiration date.

Table 5-9: Transportation Suggestions for Legal Reform

	General	Detailed Description
1	Transparency in Government Procedures	Traffic laws are not clearly defined, and procedures for registering commercial vehicles with the General Directorate of Traffic are complex and expensive.

5.3 INFRASTRUCTURE CONSTRAINTS

Infrastructure issues are the most prominent of issues that hinder the development of the private and public sectors alike in Iraq. They are never given their full justice according to their prominence, however, as responsibility is always shifted from one agency to another, a general feeling of powerlessness sets in. Those responsible in government get tired of hearing about infrastructure problems and prefer not to talk about it, and private sector leaders therefore feel powerless and prefer not to address the issue. While the lack of ability of the Iraqi government to address the most critical of infrastructure issues continues to prevail, the importance of these issues as constraints cannot be ignored in this report. Although they are not going to be described here in vast detail as all are already familiar with them, they must be mentioned and highlighted yet again for the reason that particularly electricity, as a main pillar of infrastructure, has been cited by SMEs surveyed in Iraq as the number one constraint that they face in the enabling environment.

Figure 5-5: Aggregate Effect of Main Infrastructure Issues on SMEs in Dhi Qar

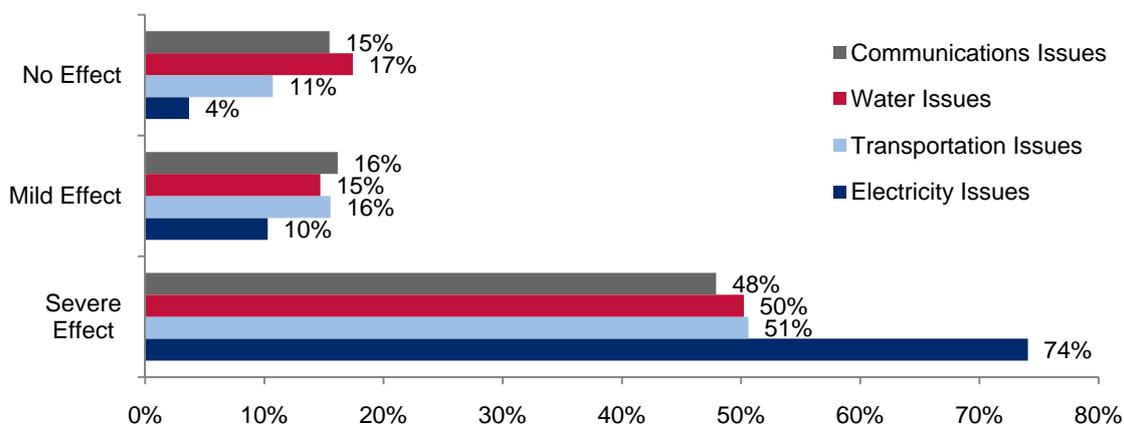


Figure 5-5 demonstrates the issues regarding infrastructure that most severely impact SMEs in Dhi Qar. As is depicted, the impact of electricity shortages, rates, availability, etc is much greater than other issues, although for every area, at least almost half of all businesses are severely affected. 74% of SMEs are severely affected by electricity issues, with an additional 10% affected but to a lesser degree – a total of 84% of businesses. The figures in the chart above represent the means of the frequencies of the different areas of infrastructure impact in the questionnaire. Development of the electricity sector and provision of electricity to businesses in Dhi Qar would impact positively almost every business, allowing for the removal of a most crippling hindrance meaning that the business is able to be that much more successful. The resulting effect would most certainly result in increased employment and production across the board.

Figure 5-6: Effect of Infrastructure Issues on SMEs: Other Iraq

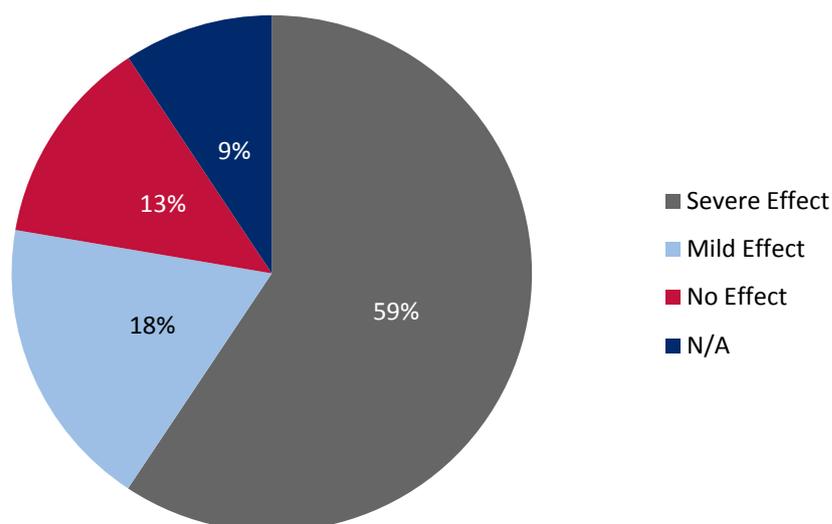
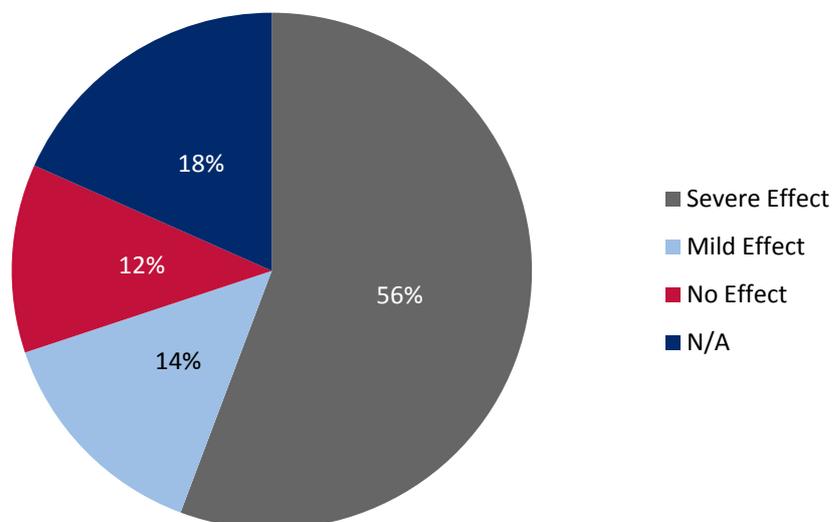


Figure 5-7: Effect of Infrastructure Issues on SMEs: Dhi Qar



The two pie charts above depict the differences in the mean answers of all questions dealing with infrastructure constraints and their affect on businesses. Of respondents, a slightly lesser percentage of businesses in Dhi Qar are severely impacted by the same issues that businesses in Iraq in general are, and within a 3% margin, the same holds true for the percentages of businesses that are mildly affected and not at all affected by infrastructure issues.

Table 5-10: Ranking of Infrastructure Issues Affecting Businesses in Dhi Qar

Sector	Issue	Rating ⁶	Dhi Qar Rank	Iraq Rank
Electricity	Unreliable supply	2.669767	1	1
Electricity	High rates	2.62093	2	2
Electricity	Phase supply not available	2.547148	3	3
Transportation	High rates	2.525522	4	4
Electricity	Poor service quality	2.432905	5	5
Communications	Inadequate cell phone coverage	2.362369	6	7
Electricity	Corrupt utilities	2.257276	7	8
Electricity	High cost of backup power	2.257276	8	9
Transportation	Poor availability	2.170732	9	10

⁶ Rating is generated by weighting the frequency of responses for “severe effect” with 3, “mild effect” with 2, and “no effect” with 1, totaling the frequencies of severe, mild, and no effects for each issue, and dividing by the total sum of the frequencies of these three responses.

Transportation	Security	2.149652	10	6
Communications	High rates	2.137369	11	11
Water	Water supply is intermittent	1.989547	12	12
Water	Water quality is poor	1.960511	13	13
Transportation	Cannot obtain supplies from certain areas	1.667445	14	17
Communications	Land line telephone service does not exist or is inadequate	1.632985	15	14
Transportation	Cannot send products to certain areas	1.622093	16	16
Communications	Poor wire line service	1.527357	17	15
Transportation	Lack of storage facilities	1.483683	18	18

The infrastructure issues that affect businesses in Dhi Qar are broken out in Table 5-10 above and ranked according to degree of importance of “weighted effect.” The top issue is clearly electricity followed by transportation, communications and water. Four of the top 5 ranked infrastructure constraints in Dhi Qar are electricity related. Notice the placement of security and its position of importance at 10th versus its position in other provinces at 6th.

5.3.1 Electricity Issues

Table 5-11: Priority Ranking of Most Prominent Constraints – Dhi Qar and Iraq

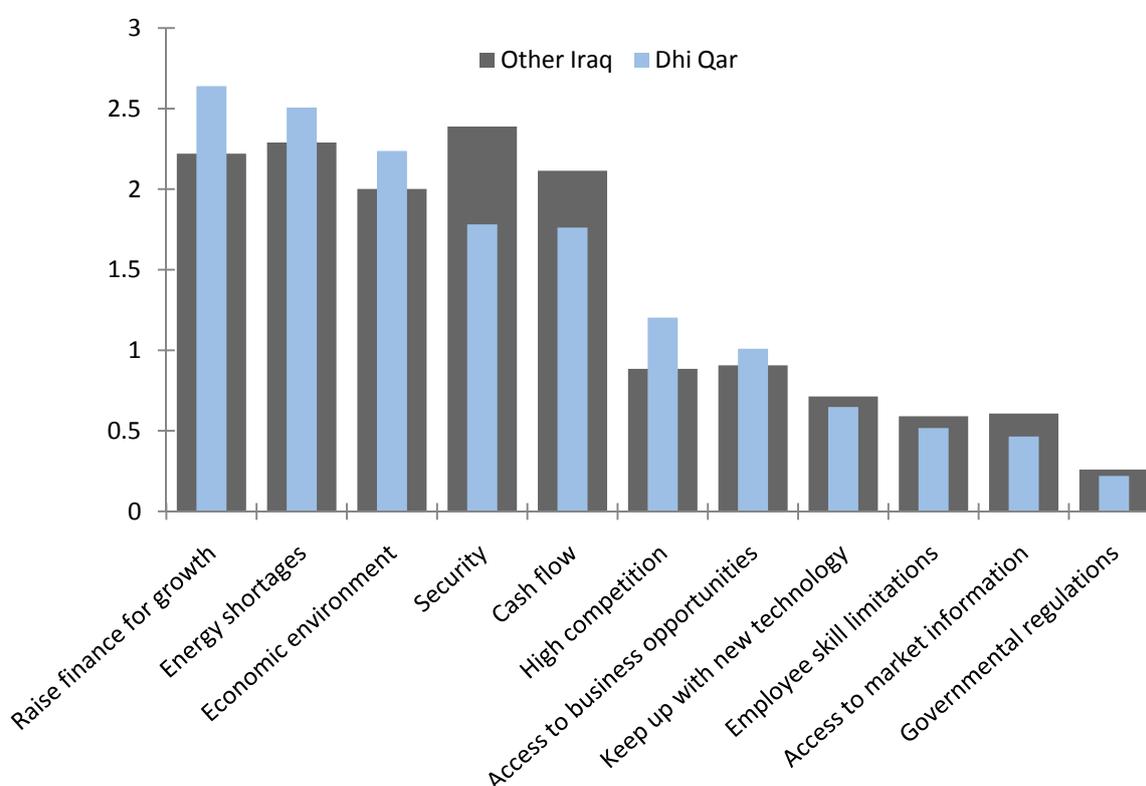
Hindrance / Constraint	Dhi Qar Score ⁷	Dhi Qar Rank	Iraq Rank
Raise finance for growth	2.63939	1	3
Energy Shortages	2.506379	2	2
Economic environment	2.237416	3	5
Security	1.780987	4	1
Cash flow	1.761082	5	4
High competition	1.202456	6	7
Access to business opportunities	1.009244	7	6
Keep up with new technology	0.648423	8	8
Employee skill limitations	0.51707	9	10

⁷ Weighted score is generated by weighting the frequency of responses for ranking of 1 with a weight of 5, ranking of 2 with a weight of 4, ranking of 3 with a weight of 3, ranking of 4 with a weight of 2, and ranking of 5 with a weight of 1. The weighted frequencies for each ranked response were then totaled and added together to produce one ranking containing all issues.

Access to market intelligence/ information	0.464454	10	9
Governmental regulations	0.220299	11	11

Energy shortages, as an infrastructure constraint, are ranked the number two constraint by people in Dhi Qar and the rest of Iraq alike. Dhi Qar SMEs rank financing as their number one issue. When weighing all of the responses of surveyed SMEs in Iraq to the question that asks them to rank their top 5 constraints, security demonstrates a greater overall rating and weight than any other constraint in Iraq, but to a lesser degree of severity than financing and energy issues in Dhi Qar (see Figure 5-8 below). Figure 5-9 below demonstrates that in all areas of electricity constraints, Dhi Qar SMEs rate impact lesser than their counterparts in other parts of Iraq.

Figure 5-8: Weighted Ranking⁸ Comparisons for SME Constraints in Iraq and Dhi Qar

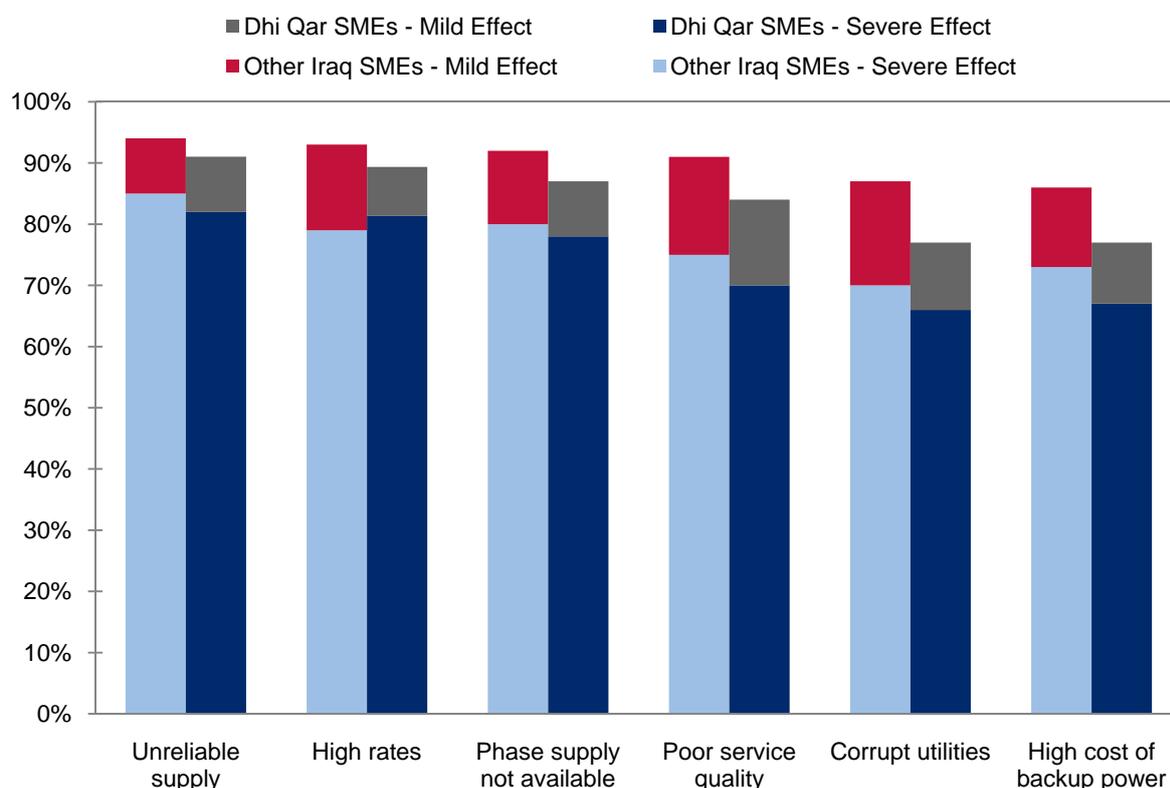


Among all of the different varieties of issues that affect energy supply, the most concerning are unreliability – the inability to predict when electricity will be available and when it will not, and the high energy rates followed by lack of phase supply. 82% of Dhi Qar SMEs are severely affected by the lack of predictability, 81% by high rates, and 78% of them are

⁸ Rating is generated by weighting the frequency of responses for ranking of 1 with a weight of 5, ranking of 2 with a weight of 4, ranking of 3 with a weight of 3, ranking of 4 with a weight of 2, and ranking of 5 with a weight of 1. The weighted frequencies for each ranked response were then totaled and added together to produce one ranking containing all issues.

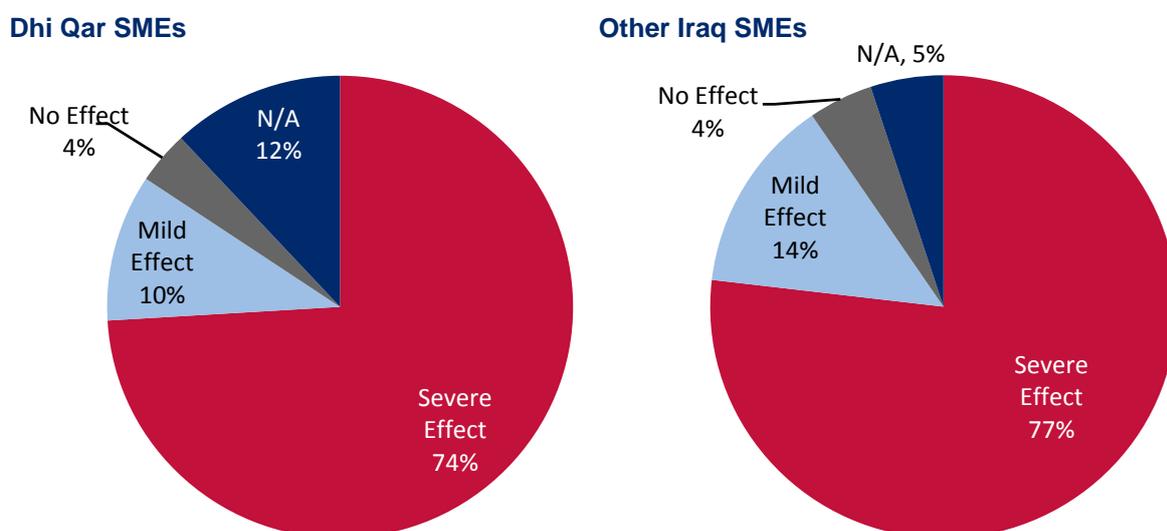
severely affected by lack of phase supply. Figure 5-9 below illustrates the intense effect that the different electricity issues have on Dhi Qar SMEs, comparing them to the rest of Iraqi SMEs. In nearly all cases, both severe and mild effects of the various electricity constraints are reported as less impacting by Dhi Qar SMEs than by other Iraqi SMEs.

Figure 5-9: Electricity Constraints – Dhi Qar and Iraq



A mean figure of 74% of all Dhi Qar SMEs are severely affected by electricity issues, with an added additional 10% that are affected to a lesser degree. A total of 84% of all Dhi Qar SMEs are affected by this constraint, compared to 91% Iraqi wide.

Figure 5-10: Mean Effect of Electricity Issues on Dhi Qar and Iraq SMEs



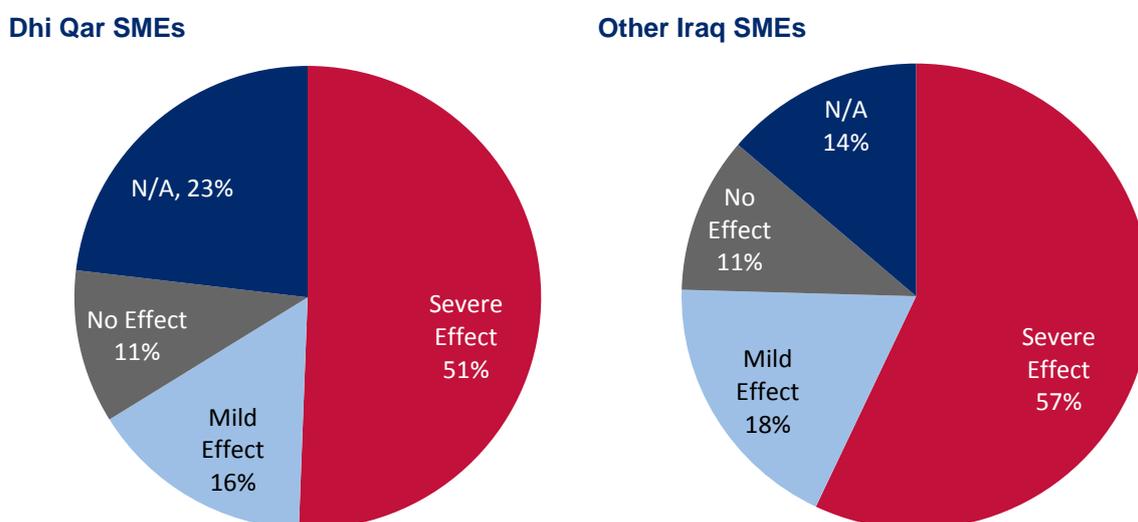
Of the 15 focus groups that were conducted in Dhi Qar, electricity issues were the most commonly mentioned infrastructure issue. Many focus groups reported mentioning of electricity shortages as a main problem the participants face.

5.3.2 Transportation

Transportation is the second severely impacting of all infrastructure issues. Again, Dhi Qar SMEs are more severely impacted by transportation constraints, as they were electricity constraints, than other Iraqi SMEs in general.

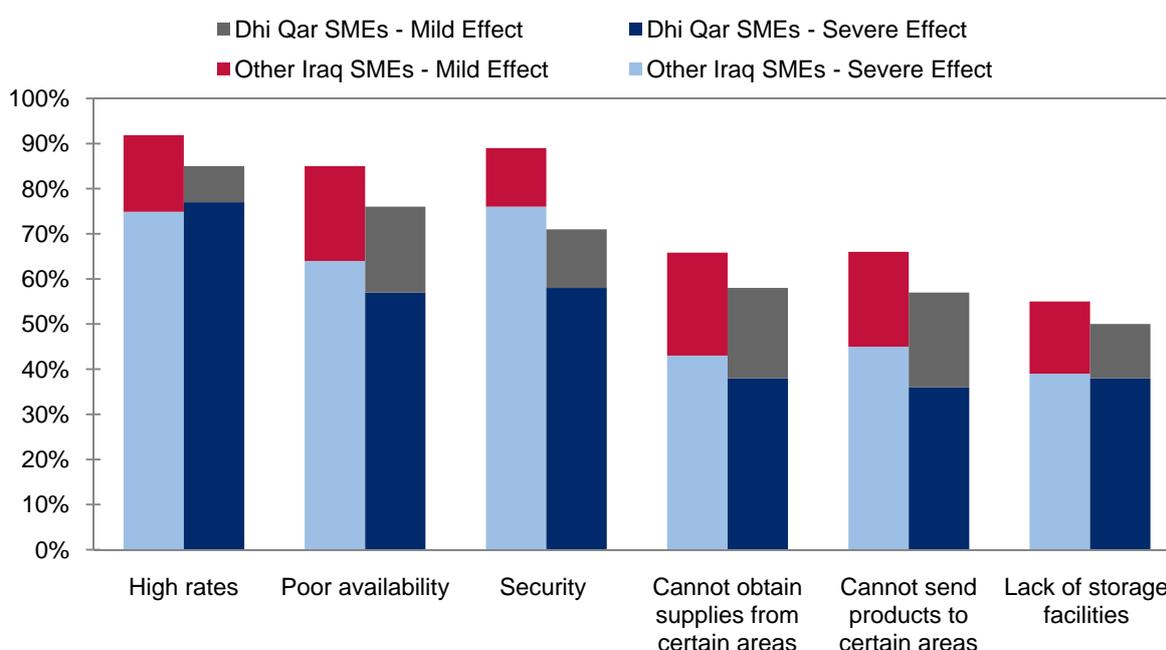
A total of 51% of SMEs are severely impacted by transportation deficiencies, while 16% are mildly impacted. The total percentage of SMEs impacted by inadequate transportation availability is 67%. This total is less than the percentage of impacted SMEs on the national scale. This is reflected in Figure 5-11 below.

Figure 5-11: Effect of Transportation Issues on Businesses - Iraq and Dhi Qar Comparison



The most prevalent issue for Dhi Qar SMEs regarding transportation is the high cost, followed by poor availability, from both of which over 75% of SMEs in Dhi Qar complain (see Figure 5-12 below). Security, as relates to transportation, is third, but almost 20% less pertinent than it is in other parts of Iraq.

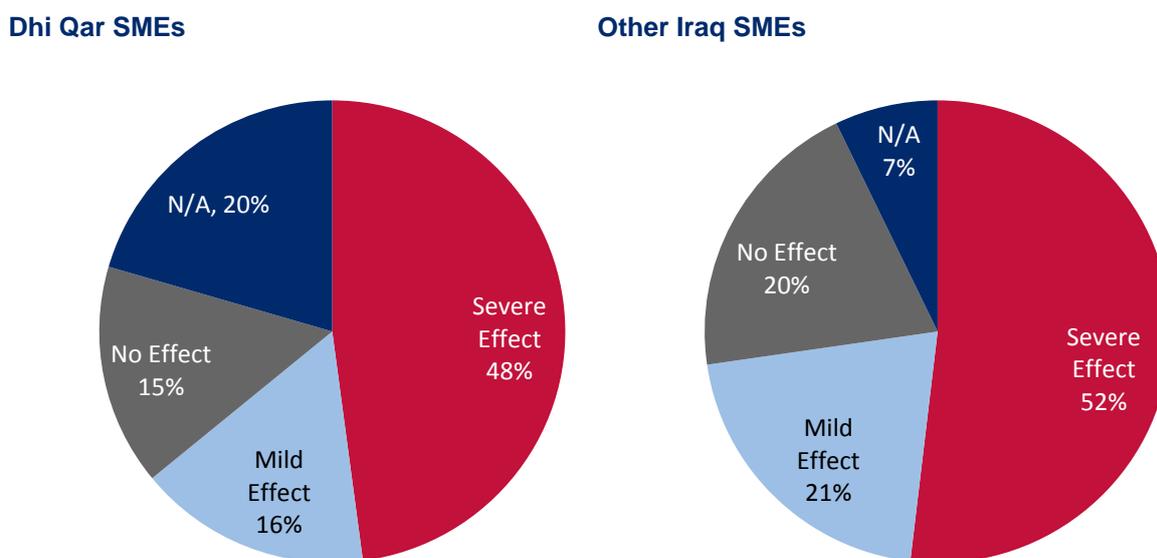
Figure 5-12: Effect of Different Kinds of Transportation Issues on Dhi Qar SMEs



5.3.3 Communication

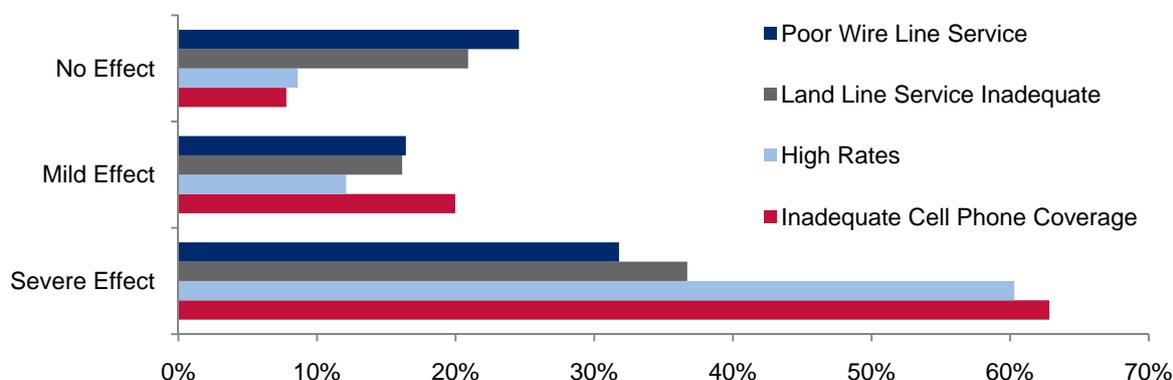
Communication inadequacies are cited as the third most severely impacting of all infrastructure issues, but still remaining fairly high. 48% of all SMEs in Dhi Qar say that they are severely impacted by communications issues. This is 4% lower than the other SMEs in Iraq. A significant number of SME owners have become more dependent upon cell phone provision and therefore are not so affected by other forms of telecommunication infrastructure.

Figure 5-13: Effect of Communication Issues on Businesses - Iraq and Dhi Qar Comparison



Cell phone service inadequacies and cost affect on SMEs are perhaps the greatest concern of all communications issues. A much greater percentage of Dhi Qar SMEs are affected by Cell Phone Coverage issues in particular (see Figure 5-14 below) when compared with the other kinds of communication constraints faced by Dhi Qar SMEs. Altogether, 80% of Dhi Qar SMEs are affected by inadequate cell phone coverage.

Figure 5-14: Communications Issue Effects on Dhi Qar SMEs



5.3.4 Water

Water issues are the least most important infrastructure concern that affects SMEs in Dhi Qar. The overall impact of this issue is significantly greater than the impact of this issue on SMEs in the rest of Iraq. 50% of Dhi Qar SMEs are severely affected by water issues, a total of 65% who are affected either severely or mildly. Again, Dhi Qar SMEs are less affected than their counterparts in other places in Iraq (see Figure 5-15 below). Intermittent water supply and water quality are pretty much equal to one another as the issues that determine this mean measure, with intermittent supply effect only slightly higher than quality (see Figure 5-16 below).

Figure 5-15: Effect of Water Issues on Businesses - Iraq and Dhi Qar Comparison

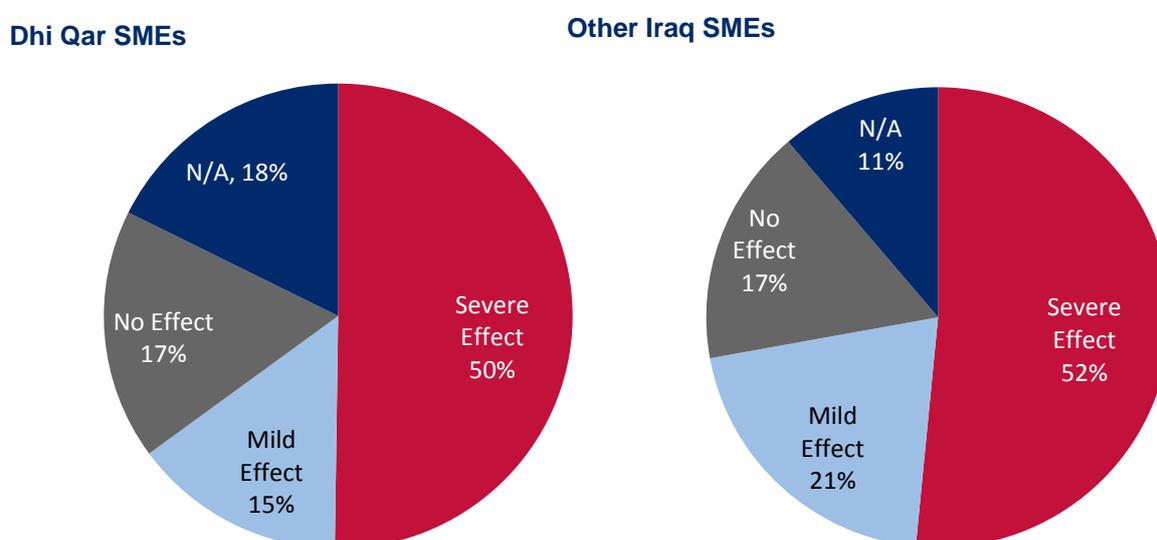
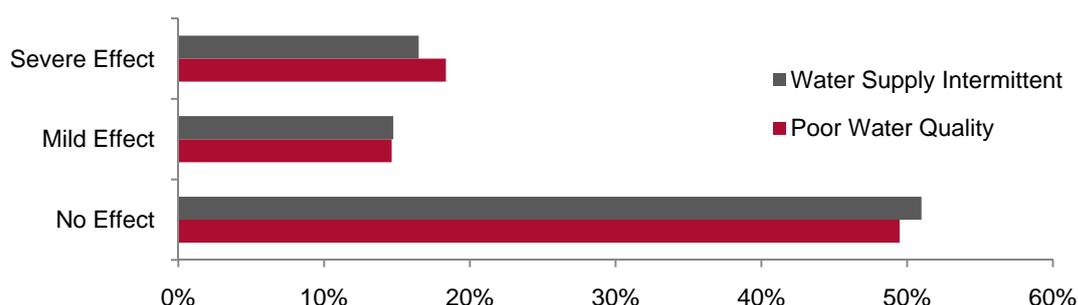


Figure 5-16: Water Issue Effects on Dhi Qar SMEs



5.4 SECURITY CONSTRAINTS

The Dhi Qar business environment is less volatile than the rest of Iraq. Security is rated as the number one concern on the aggregate ranking of 11 different top constraints by Iraqi

SMEs in general, whereas Dhi Qar SMEs see security further on down as the number four constraint behind financing and energy issues.

Table 5-12: Priority Ranking of Most Prominent Constraints – Dhi Qar and Iraq

Hindrance / Constraint	Dhi Qar Score	Dhi Qar Rank	Iraq Rank
Raise finance for growth	2.63939	1	3
Energy Shortages	2.506379	2	2
Economic environment	2.237416	3	5
Security	1.780987	4	1
Cash flow	1.761082	5	4
High competition	1.202456	6	7
Access to business opportunities	1.009244	7	6
Keep up with new technology	0.648423	8	8
Employee skill limitations	0.51707	9	10
Access to market intelligence/ information	0.464454	10	9
Governmental regulations	0.220299	11	11

Over half of Dhi Qar SMEs report that they are severely affected by security issues (see Figure 5-18 below). The two charts below give a good picture of the effect of security on Dhi Qar SMEs versus other Iraqi SMEs. Dhi Qar SMEs report a severe effect of security on business to a lesser degree than the rest of Iraq does. The overall percentage, including those that are mildly affected, is 18% lower than what other Iraqi SMEs report (71% vs. 89%).

Figure 5-17: Effect of Security on SMEs - Iraq Aggregate and Dhi Qar Comparison

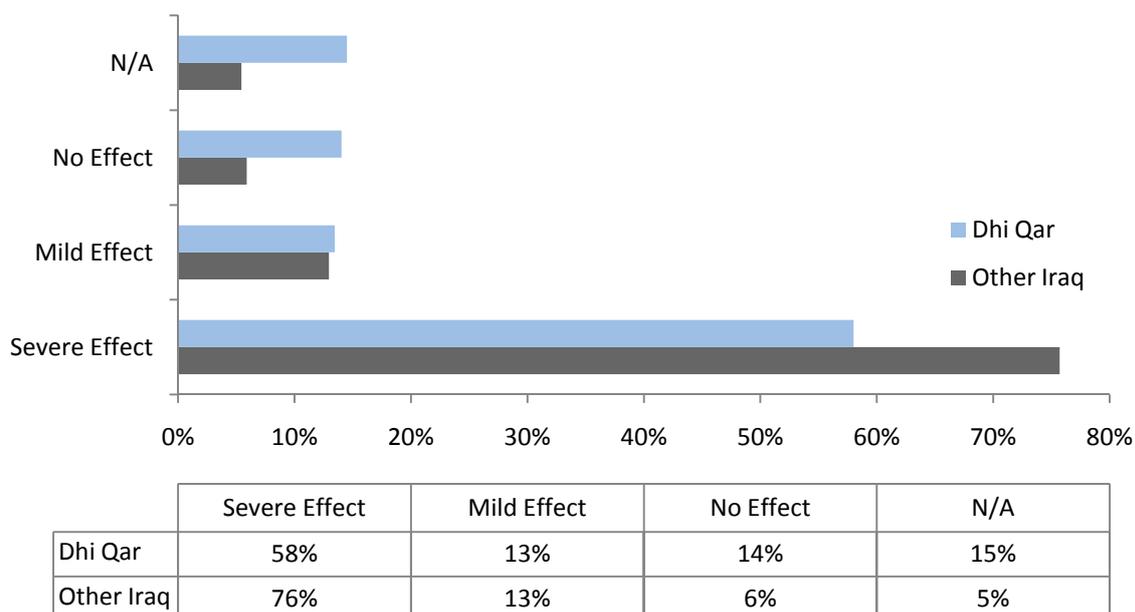
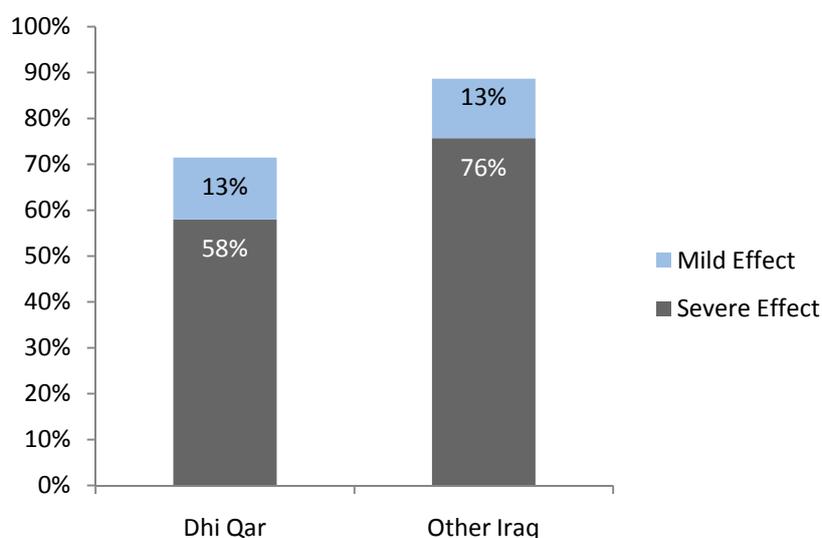


Figure 5-18: Effect of Security Concerns on SMEs - Iraq and Dhi Qar Comparison

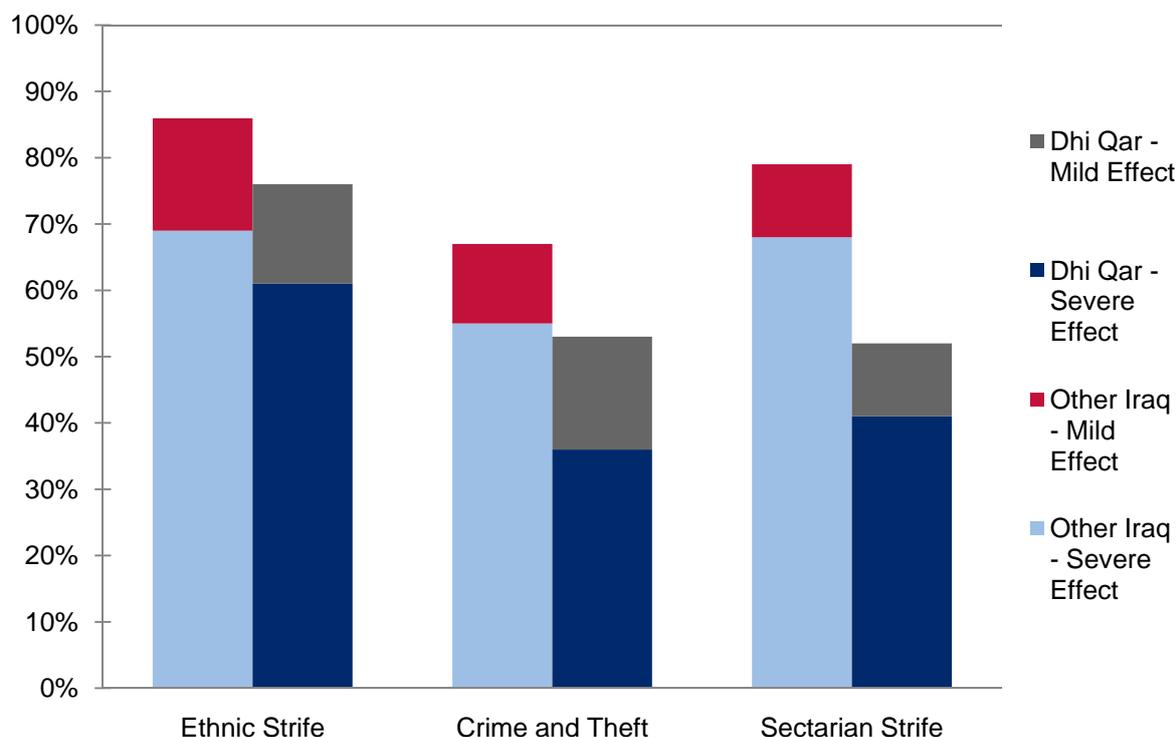


Security issues affect SME business through affecting transportation, availability of goods, ability of laborers to report to a work location, and the availability of skilled and unskilled labor at reasonable rates. In addition, ethnic and sectarian strife as well as crime and theft do have an impact on SME morale and business operations as a whole.

The case in Dhi Qar is somewhat better than the rest of Iraq when it comes to issues of sectarian and ethnic strife, which is the opposite from Baghdad, for example. This is primarily because of the relatively homogeneous nature of the ethnic and sectarian make-up of the Muslim Dhi Qar community, accompanied by a significant portion of Sabians, which form a different religion all together and have not had significant clashes with Shia Muslims.

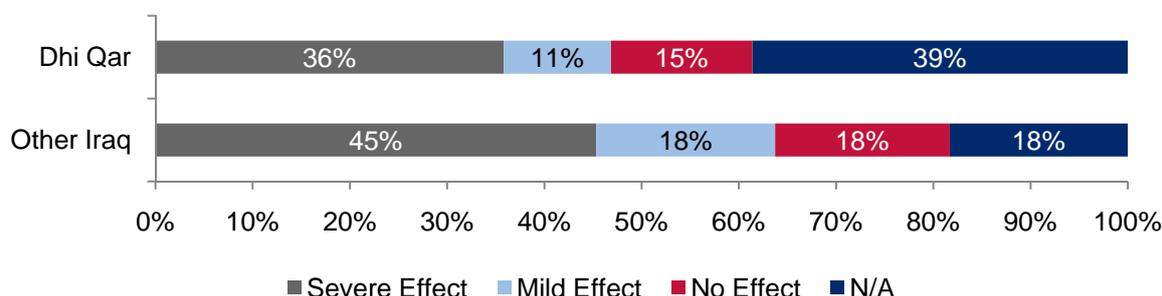
Slightly over 60% of all Dhi Qar SMEs indicated that they are severely impacted by sectarian strife (see Figure 5-19 below), lower than the Iraq aggregate 69% of SMEs affected by the same. A total of 53% are affected either severely or mildly by crime and theft, and the same for a total of 52% by sectarian strife.

Figure 5-19: Effect of Security Related Issues on SMEs in Dhi Qar



With regards to labor, Dhi Qar SMEs are somewhat affected by shifts in labor due to security issues, as would be expected anywhere in Iraq. In some cases, only certain people with certain ethnicities can work or live in certain areas, although less so in Dhi Qar. This means that even if the SME owner does not prefer to segregate, job preference sometimes is forced to favor an employee based on ethnicity, due to ability to work in a specific area where the business may be located. 36% of Dhi Qar SMEs still claim to be severely affected by workers leaving the area due to security concerns, an additional 11% on top of that mildly affected (see Figure 5-20).

Figure 5-20: Affect on SMEs of Workers Leaving Due to Security Reasons



Strangely, and this same phenomenon is repeated in most all other provinces in Iraq, Dhi Qar businesses, even with the highest level of security constraints in the country, are looking less to the government for security improvements (see Figure 5-21 and Figure 5-22 below). Citizens of Dhi Qar are apparently pleased with the efforts of the Iraqi Government, with only 11% out of all SMEs surveyed indicating that they are dissatisfied (3% dissatisfied, 8% very dissatisfied) with the government’s ability to guarantee security. Strangely, 89% are satisfied and even 32% are very satisfied with what the government is doing in Dhi Qar to provide security. Reasons for this are unknown, but one might speculate that the reason for these statistics regarding satisfaction with government provision of security may have to do with extremely low expectations that Iraqi businesses have of the Iraqi Government’s abilities in general, so anything they are doing that has a positive affect brings a satisfactory response from businesses. It is also worth noting that the response data gathered was collected during the months of August and July, before the series of large bombings in Baghdad that began at the end of August.

Figure 5-21: Dhi Qar SME Satisfaction with Government Provision of Security

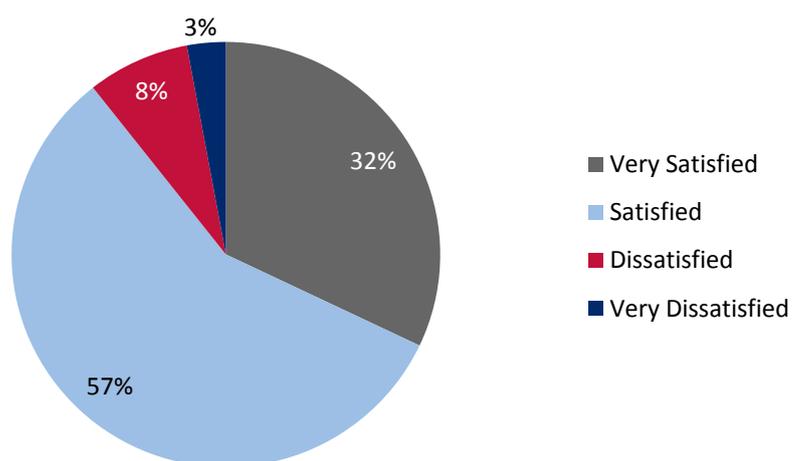
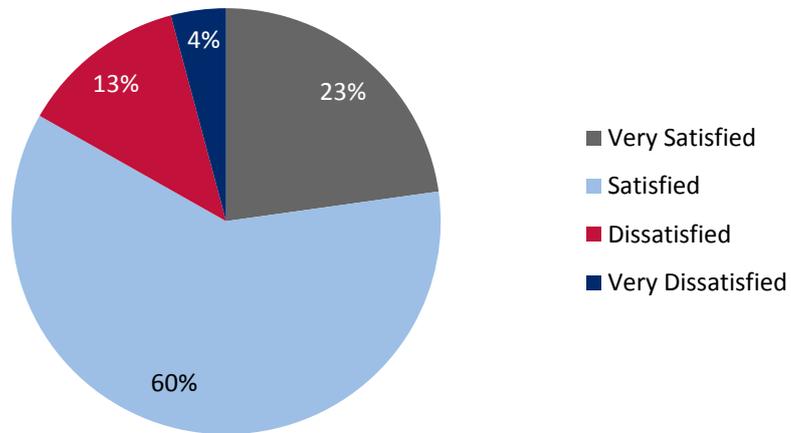


Figure 5-22: Rest of Iraq SME Satisfaction with Government Provision of Security



6. DHI QAR IN FOCUS – DATE FARMERS, LIGHT MANUFACTURERS AND TRANSPORTATION CLUSTER

6.1 INTRODUCTION

Three main areas representing the dynamic concentrations of SME business presence in Dhi Qar are grain and date farmers, light manufacturers, and transportation and vehicle maintenance businesses. The research team examined each interview with the goal of comparing answers of the representatives from the constituent firms with those of Dhi Qar businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Dhi Qar at the sector and sub-sector level.

Table 6-1: Three Concentrations of Sub-Sectors and Firms in Dhi Qar

FIRM LEVEL	SUBSECTOR LEVEL	SECTOR LEVEL
Date Farming	Agriculture	Agribusiness
Light Manufacturing	Light Manufacturing	Manufacturing
Transportation Cluster	Transportation	Transportation

Since both the business sectors and the minimum number of interviews were prescribed, and the process only partially randomized, the research advances no claim that the sample represents an actual percentage make-up of these business that exist in Dhi Qar in any larger sense. However the technique of over-sampling did allow for a broader perspective than otherwise would have been possible and the results may be taken as heuristic and actually representative of what are believed to be the main sub-sectors in Dhi Qar. Also, some claims are not backed up by tables. They are in fact opinions expressed by participants in the FGs.

6.2 CLOSER LOOK AT DATE FARMERS [54 INTERVIEWS]

This section contains observations about SMEs in the Dhi Qar province that are classified as date farmers. These businesses have been chosen as a special subsector to highlight in this report for the reason that they represent a significant stake in the economy relating to employment and production. The following characteristics of these subsector companies are mentioned due to the fact that they are unique, and differ from other Dhi Qar SMEs in some fairly significant degree. Characteristics that are shared by date farmers with the rest of Dhi Qar SMEs to the same degree are not highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

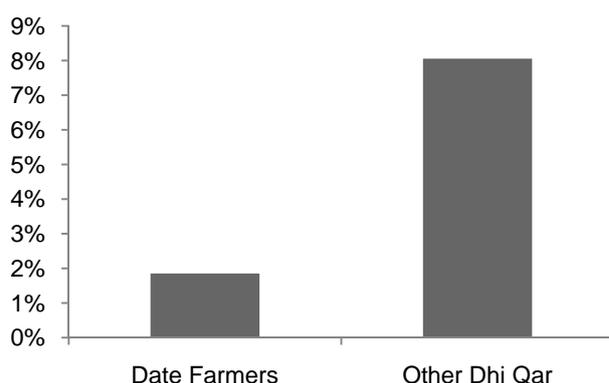
6.2.1 Informality / Formality

Date farmers share characteristics common to other agricultural enterprises in Iraq regarding measures of informality / formality. They are more family-owned and less formally organized, while at the same time have higher government registration rates than other businesses in their province. To this extent they demonstrate a number of traits supporting their identification as formal entities, yet exhibit many informal traits at the same time.

Factors that support a higher degree of informality include the following:

- 80% of date farmers are family owned, versus 54% of other Dhi Qar businesses.
- Only 2% of them are members in any kind of a BMO (see Figure 6-1 below).
- None of them (0%) employ accountants (see Figure 6-9 further below) preferring to either rely on business owner record keeping or simply do not keep records at all.
- All use accounting tools to a lesser degree (see Figure 6-10 further below).
- None integrate, nor are desirous of integrating, any kind of information technology modes or practices into business organization (with the exception of mobile phones).

Figure 6-1: SMEs Belonging to Business Associations



On the IT front, although 96% of date farmers use mobile telephones, none of the respondents (0%) indicated they had a computer, compared with 9% of other Dhi Qar businesses. Thus none indicated their usage of any form of computer-related information technology to connect with customers or do business.

Factors that support a higher degree of formality include the following:

- Over 90% of date farmers own their business premises, versus only 24% of other Dhi Qar businesses that own their business premises (see Figure 6-2 below).
- A much higher percentage of date farming businesses are registered with the government (52%) compared to other Dhi Qar businesses (22%) as depicted below in Figure 6-3.

Figure 6-2: Business Premises Location

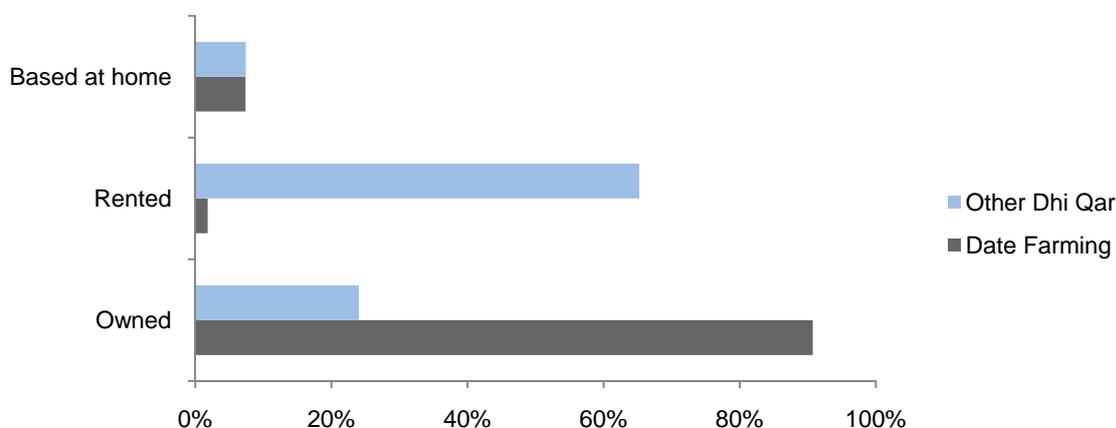
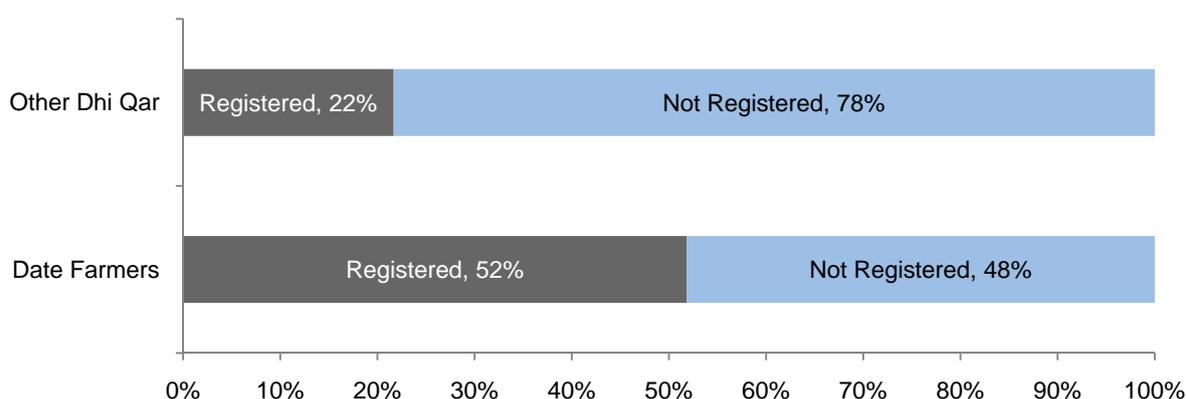


Figure 6-3: Business Registration



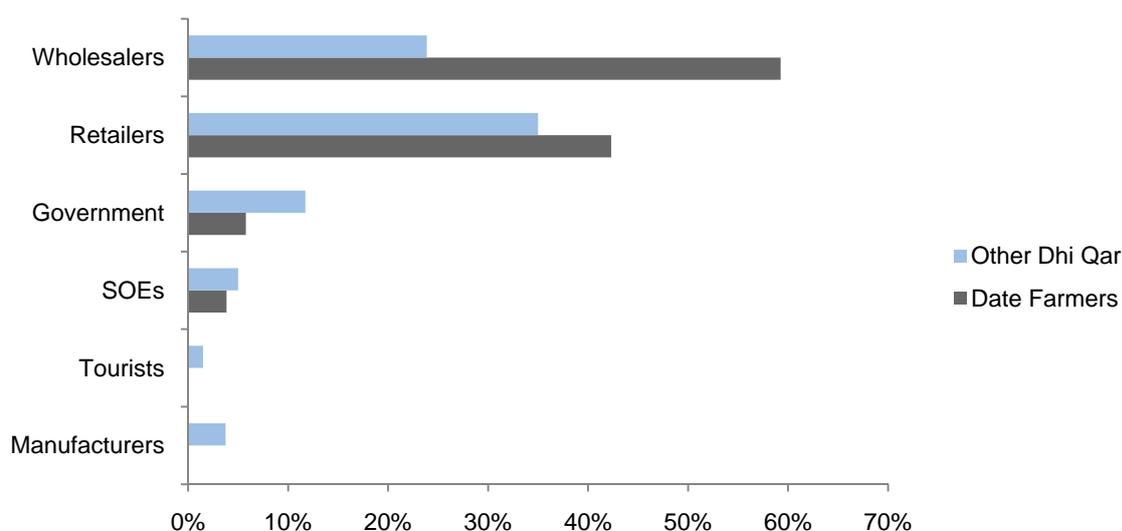
Reasons for date farmer informality are more obvious and have to do with the traditional nature of farming and agricultural practices in Iraq. Date farmers have had little motivation to improve business practices, especially since so much of their expense in the past was supported by government subsidies. As per FG discussions, many of them strongly feel the current lack of that support.

The degree to which they exhibit traits that strengthen their formality in business registration and land ownership is tied to the nature of their business. As land owners, they cannot escape government attention and therefore cannot avoid being paid visits by tax assessors and other government representatives. During the previous regime, when laws governing the private sector were more strictly enforced, many agribusinesses no doubt were obliged to register their businesses due to their higher rate of visibility as well as in order to take advantage of government subsidies.

6.2.2 Customers and Sales

Different from Babil and Najaf, yet similar to Baghdad agribusinesses, Date farmers sell to wholesalers a great deal (59% noted them as main customers) more than other Dhi Qar businesses (only 24%), while very few of them sell to government or SOEs, in fact to a lesser degree than other Dhi Qar businesses deal with the government as customers (see Figure 6-4 below).

Figure 6-4: SME Main Customers



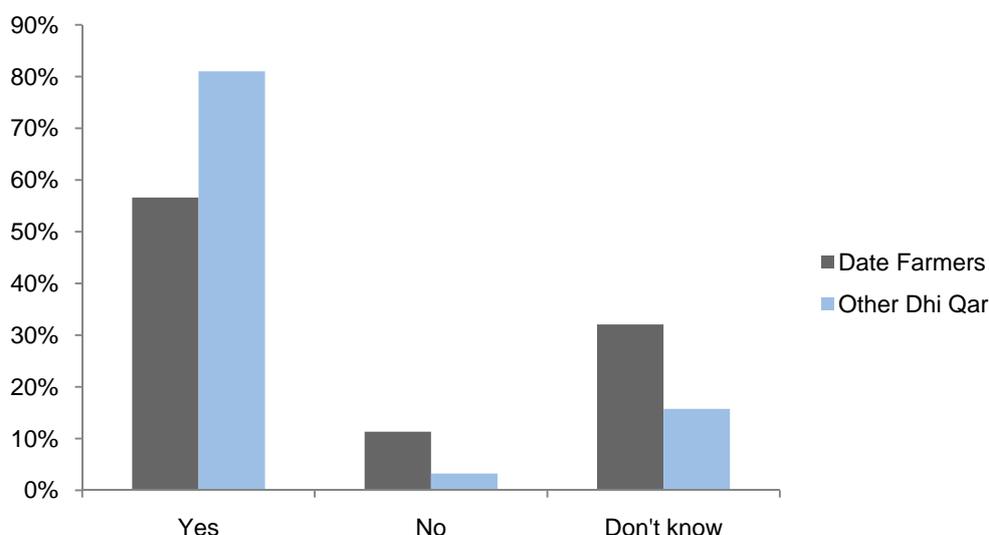
An average of 31% of sales amongst date farmers is made to the government (only 6% as main customers [noted above], the rest are secondary customers), versus 19% of sales to government from other Dhi Qar SMEs (of whom 12% cite government as main customers). None of the date farmers engage in any exports, and neither do any of the other Dhi Qar businesses – 0% and 0%.

Almost 90% of date farm SME turnover was below \$9,000 in both 2007 and 2008, compared with nearly 60% of other businesses in Dhi Qar.

Date farming is of course a seasonal activity (70% reported seasonal fluctuations in activity), compared to only 27% of other Dhi Qar businesses that fluctuate seasonally. 100% of date farmer respondents indicated that there were no large buyers for their products. One company (out of 54 surveyed) indicated that there was a large buyer that he would like to sell to but was not able to do so.

23% of date farmers are looking into export markets as a business strategy for the coming year to strengthen returns, a rate which is almost four times that of other businesses (6%) in Dhi Qar. They are less willing to invest new capital to grow their business, however, as indicated in Figure 6-5.

Figure 6-5: Planning to Invest Additional Capital in the Coming Year



6.2.3 Labor Issues

The average number of employees for date farming businesses is only slightly less than other Dhi Qar businesses (4.7 vs. 5.0 per company). That said, a higher percentage of date farmers complain of labor shortages both in skilled and unskilled worker categories (see Figure 6-6 below). Date farmers report to a higher degree a lack of skilled workers, or technical specialists. As it stands, technical specialists comprise only 9% of the average date farmer workforce (see Figure 6-7 below). That means an average of only one technical specialist for every two date farming businesses. An average frequency half that of other Dhi Qar businesses.

Figure 6-6: Labor Shortages

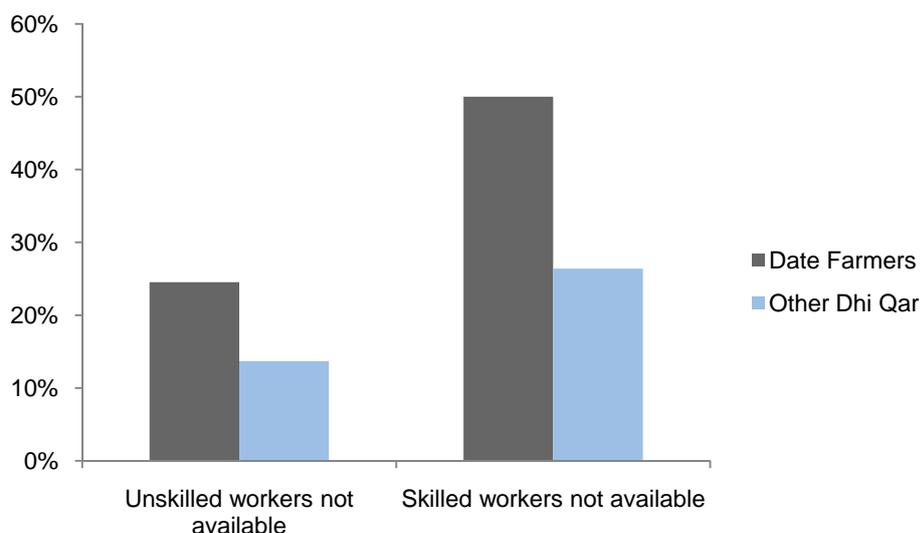
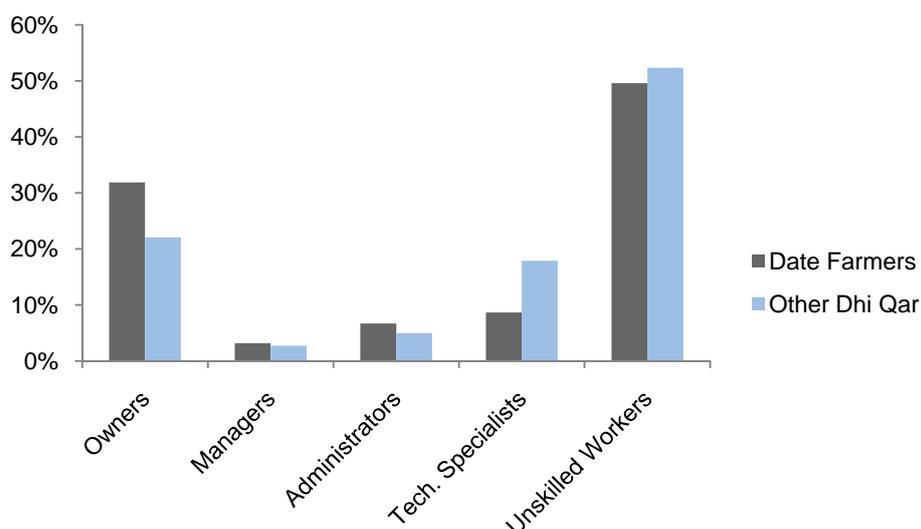
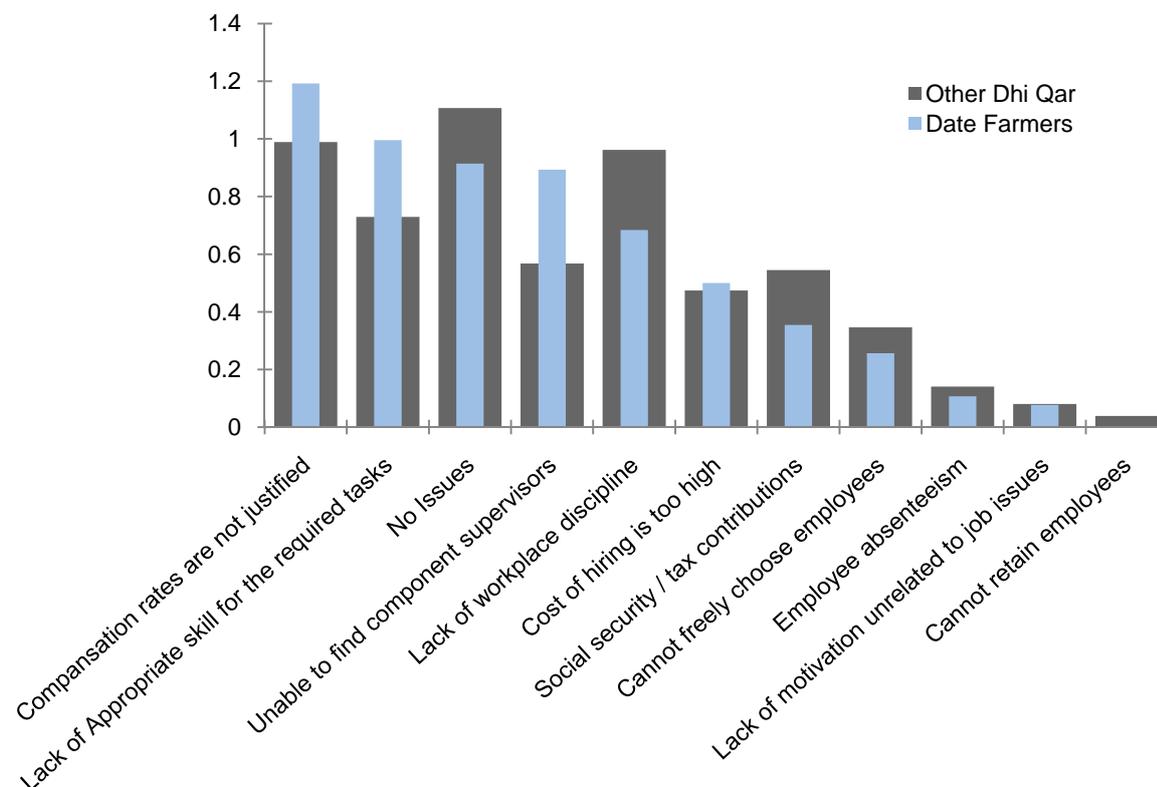


Figure 6-7: Date Farmer and Other Dhi Qar Labor Force Composition



Indication of inability to find more technically inclined labor is also reflected in the answers that date farmers provided when they were asked to rank their most challenging labor-related issues. The most challenging labor issues that date farmers face are compensation rates, followed by not being able to find required skill sets and a lack of qualified supervisors. All three of these issues were ranked with a stronger severity than they were ranked by other Dhi Qar businesses (see Figure 6-8 below). Of greatest concern for other Dhi Qar businesses was the issue of workplace discipline.

Figure 6-8: Weighted Rankings⁹ of SME Employment Issues



17% of date farmers report that availability of qualified labor has declined over the past 3 years (compared with 7% of other Dhi Qar companies that feel the same). This is a further indication of their difficulty in finding skilled labor.

Only slightly more date farmers (22%) than other Dhi Qar businesses (17%) are interested in employment agency services, but only ¼ of those that are interested (6%) are willing to pay for them.

6.2.4 Accounting and Banking Practices

As indicated above, date farming companies are extremely weak with regards to financial literacy and accounting practices when compared to other Dhi Qar businesses. Not one date farming businesses employs an accountant, even on demand. Only 37% on top of this keep their own records. It is apparent, however, that nearly 65% and 60% of date farmers utilize sales and cost ledgers respectively (see Figure 6-10).

⁹ Rating is generated by weighting the frequency of responses for ranking of 1 with a weight of 5, ranking of 2 with a weight of 4, ranking of 3 with a weight of 3, ranking of 4 with a weight of 2, and ranking of 5 with a weight of 1. The weighted frequencies for each ranked response were then totaled and added together to produce one ranking containing all issues.

Figure 6-9: Accounting Practices

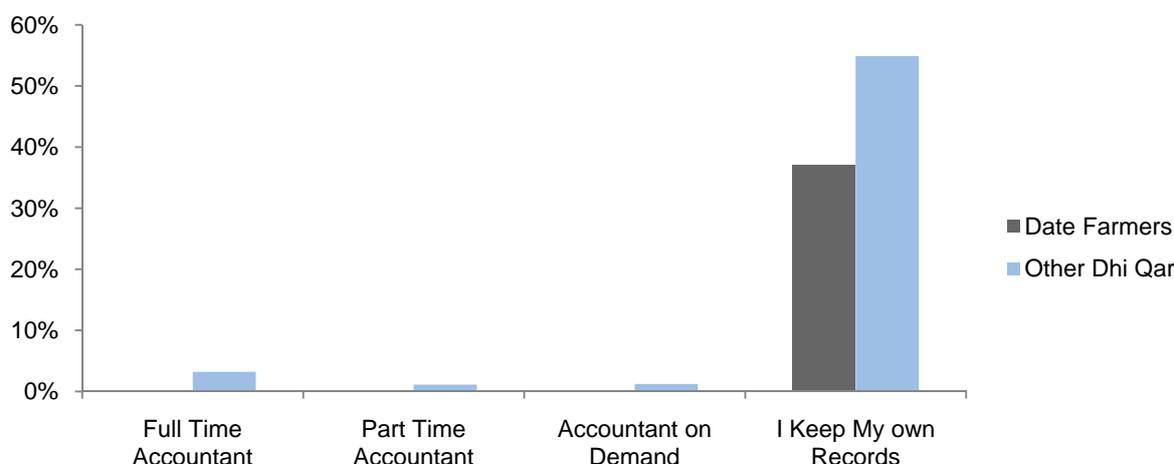
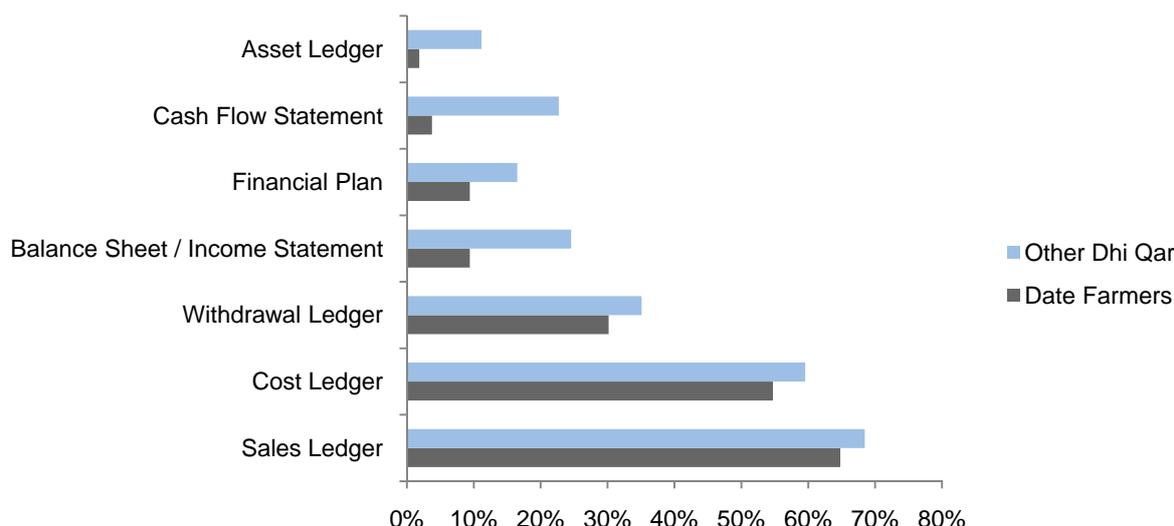


Figure 6-10: Utilization of Accounting Tools



Cash is the preferred method of payment for services and goods, as is the case everywhere. However where there are usually a number of companies who utilize more sophisticated modes of payments, no payments are made by date farmers through any kind of transfer service, from banks or money exchange offices, nor checks.

2% of date farmers indicated that they hold business bank accounts, compared with 6% of other Dhi Qar businesses. No respondents indicated they held an account at an Iraqi private bank, while all that responded to the question of where accounts are held indicated that they banked at Iraqi Government owned banks.

All respondents indicated that they have never had a loan from a bank or an MFI, but as Figure 6-11 below indicates, date farmers take loans from both money lenders (non-institutionalized lenders) and family and friends. In fact they rely more on family and friends for financing than they do on their own savings. The borrowing must be seasonal and for short periods, however, as less date farmers indicate they currently owed money to others at the time of the survey in July and August than other businesses in Dhi Qar (see Figure 6-12).

Figure 6-11: Sources of SME Financing

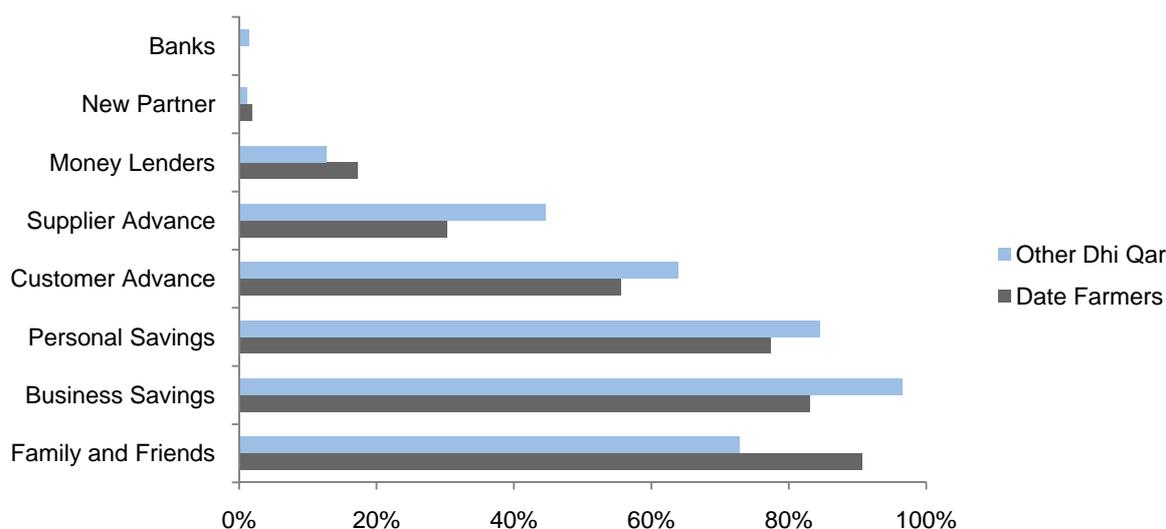
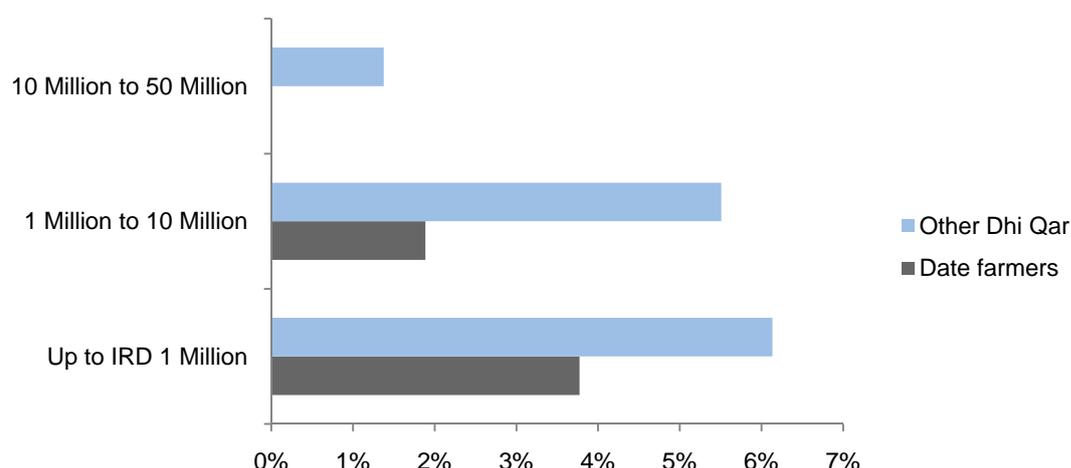


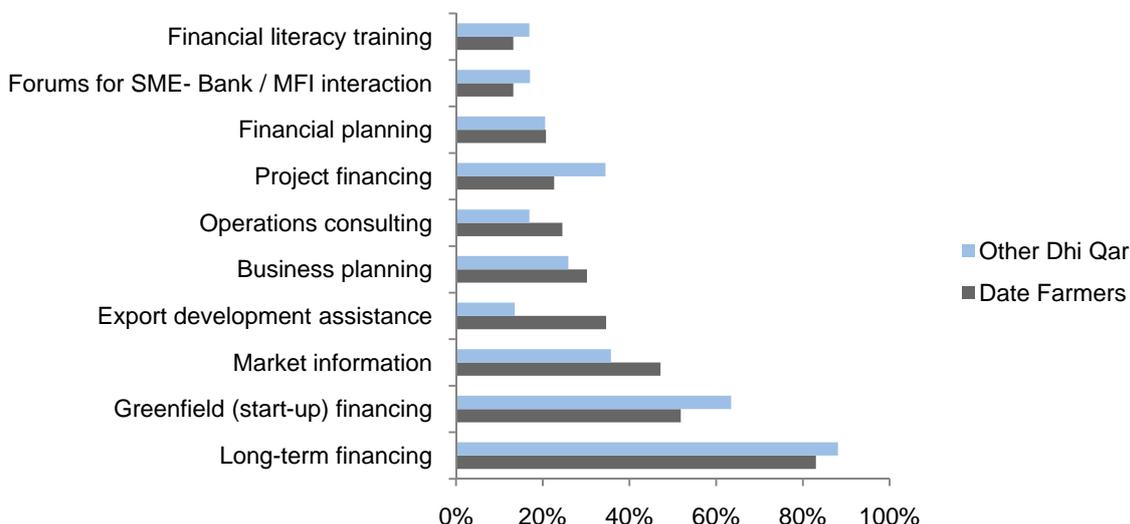
Figure 6-12: Amount of Money Owed to Others by SMEs at the Time of the Survey



Although there are no date farming companies taking loans from banks, 83% indicate that they desire long-term financing as a service provide by a bank. There is also existing demand for other types of value-added bank-provided services, as indicated below in Figure 6-13. There is particularly strong demand (compared to the demand of other Dhi Qar

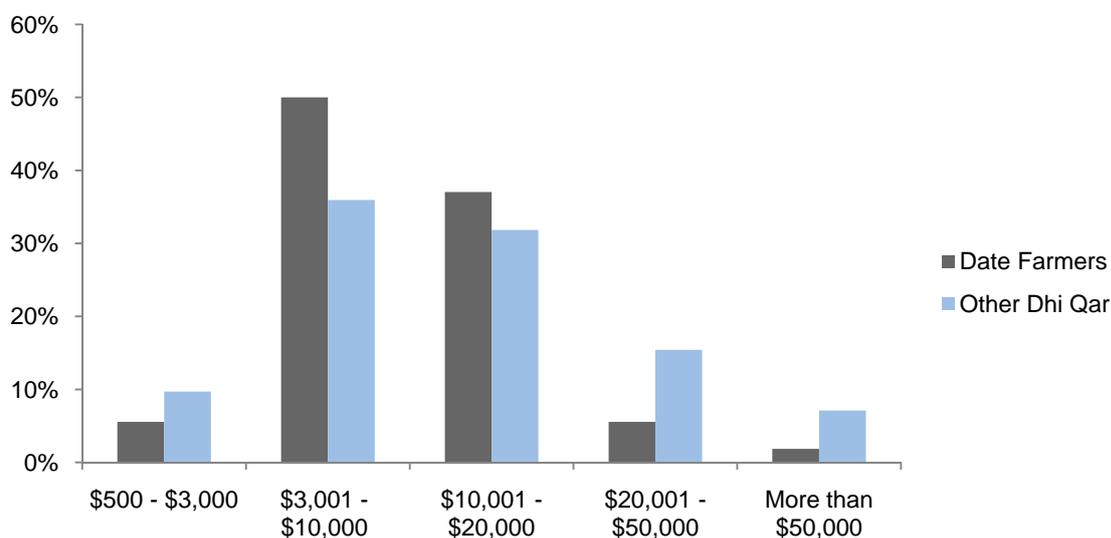
businesses) for export development assistance, which is a business strategy that date farmers are looking to develop in the coming year.

Figure 6-13: SME Demand for Banking Services



For those that indicated their desire for long-term financing, over 50% require less than \$10,000 (see Figure 6-14).

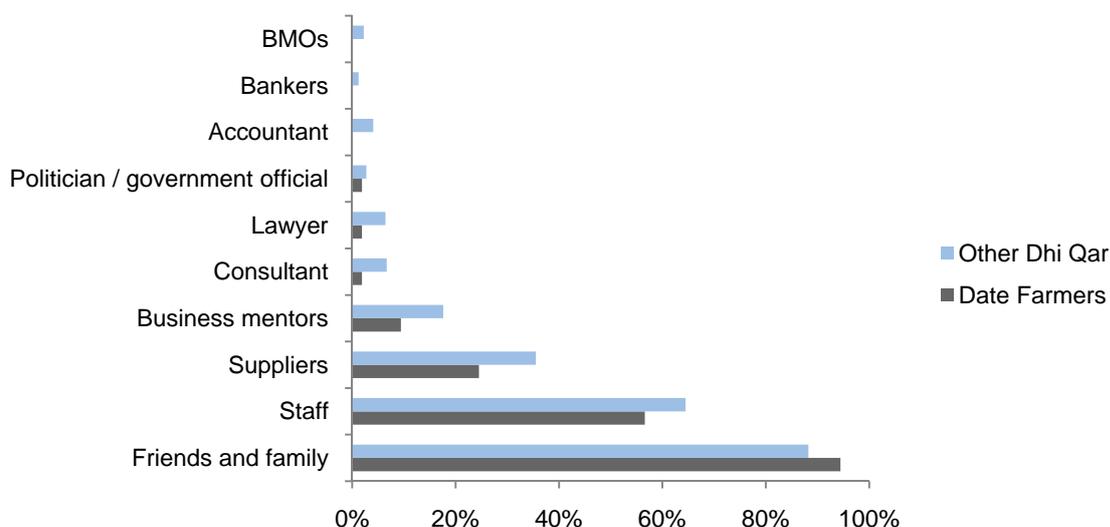
Figure 6-14: SME Financing Needs



6.2.5 Date Farmers and BMOs

Just under 2% of date farmers belong to BMOs (see Figure 6-1 above). Even those belonging to BMOs, however, do not utilize BMOs for seeking advice on business decisions (see Figure 6-15).

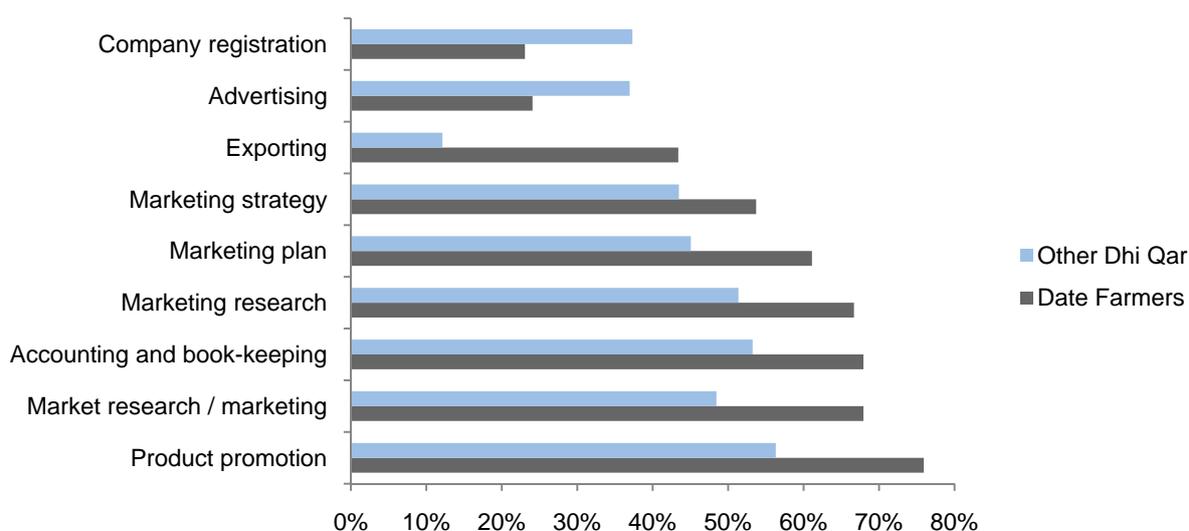
Figure 6-15: Sources of Business Advice



Despite the low percentage of businesses belonging to BMOs, nearly 60% of date farmers believe that BMOs can be helpful, which is 20% more than other Dhi Qar companies. 13% of them have been contacted by BMOs, more than double the rate other companies in Dhi Qar have been contacted.

Kinds of assistance that date farming companies are interested in as services provided by BMOs are listed below in Figure 6-16. Many of the kinds of services that they are interested with significant variance from interests of other Dhi Qar companies are marketing related. Particularly there is demand for exporting assistance at a rate nearly 4 times the demand of other Dhi Qar businesses.

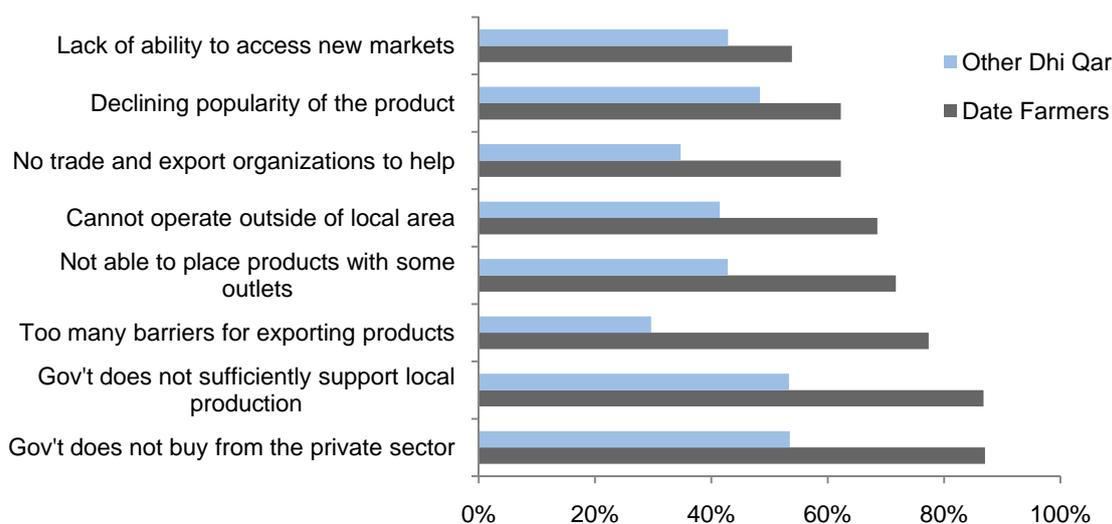
Figure 6-16: SME Demand for BMO Services



6.2.6 Constraints

Date farmers suffer from lack of marketing support and ability, and as indicated above are looking to BMOs as a possible source for this assistance. Figure 6-17 outlines the different kinds of marketing issues that date farmers are experiencing in comparison to other Dhi Qar businesses.

Figure 6-17: % of SMEs Affected by Marketing Constraints



Two other areas of constraint include operational issues (related to equipment, product quality, and labor issues) and infrastructure issues (involving transportation and water), as indicated below in Figure 6-18 and Figure 6-19.

Figure 6-18: % of SMEs Affected by Operational Constraints

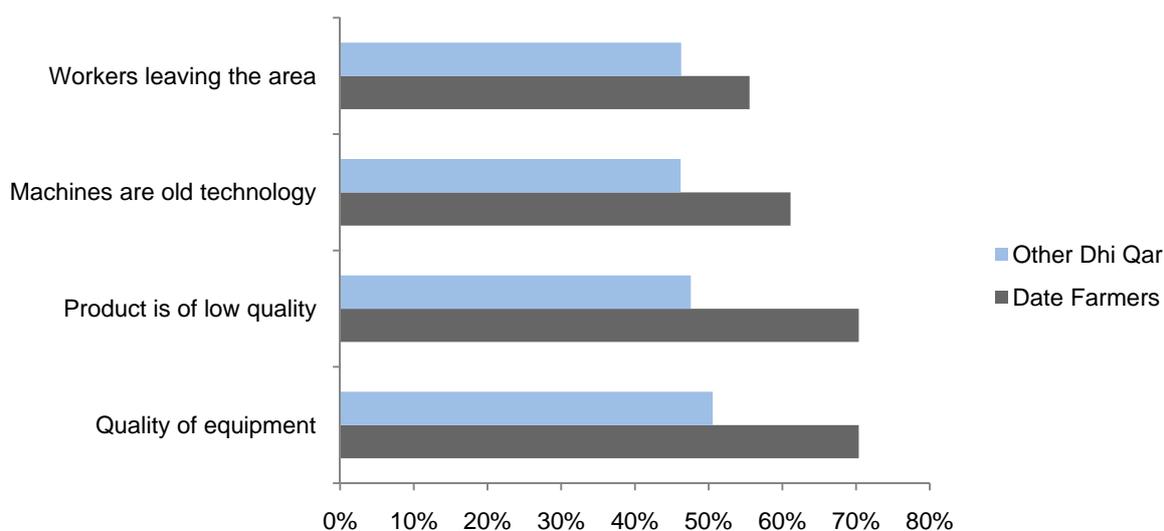
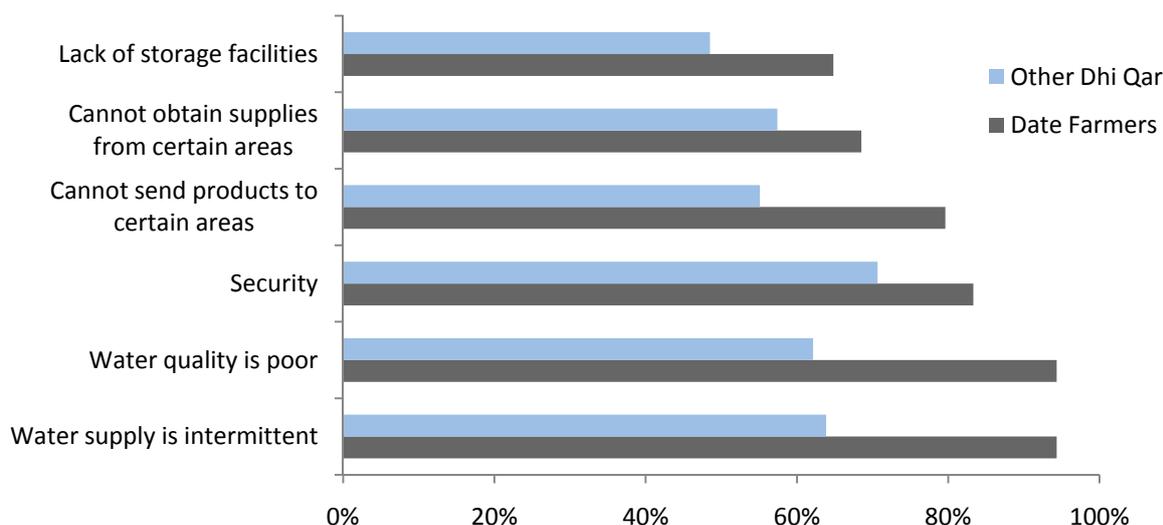


Figure 6-19: % of SMEs Affected by Infrastructure Constraints



6.2.7 Dhi Qar Date Farmers Summary

A Review of Constraints

Multi-level constraints experienced by date farming SMEs in Dhi Qar:

- **Access to Finance** – Loans and other means of financing are not available at reasonable interest rates, repayment periods, and collateral requirements.
- **High Management and Service Costs** – Banking is almost nonexistent for SMEs in general. It constrains the financing of equipment purchase. It affects every part of the growth and distribution cycle.
- **Labor Skills and Availability** – Skilled labor is not available, and even unskilled labor at rates that producers can pay is not sufficiently available.
- **Marketing Ability** – Date farmers face difficulty in marketing their products, particularly they are not able to find the support they need to expand to new markets, both domestic and export.
- **Lack of Financial Literacy** – Without ability to control accounting and payments effectively, date farmers will not be able to expand business or access credit.
- **IT Illiteracy** – Date farmers are not at all IT literate. They are not able to use computers or anything related to computers to assist them in organizing their business activity.
- **Water and Electricity** – Water and transportation are two infrastructure-related series of issues that form constraints for date farmers who are in need of both to ensure that their crops are irrigated and delivered to market.
- **Equipment** – Equipment is either not available or it is old and breaking down, and spare parts are hard to get a hold of. This constraint relates back to lack of financing, which is needed to purchase new equipment.

A Review of Opportunities at Firm, Sub-Sector, and Sector Levels

- Offer training and consulting services to help farmers understand loan application procedures
- Offer training in basic accounting practices and financial literacy
- Create private sector oriented BDS, to take advantage of cultural Dhi Qar business norms.
- Create awareness as to the benefit of IT integration into business practices, and follow up with training.
- Provide accounting services for year-end close-outs.
- Provide marketing assistance, particularly in the field of assisting companies in their exporting activities and connecting with buyers abroad as well as sort through the logistical and legal issues involved in exporting their products.
- Offer one-stop-shop services in export assistance to date farmers.

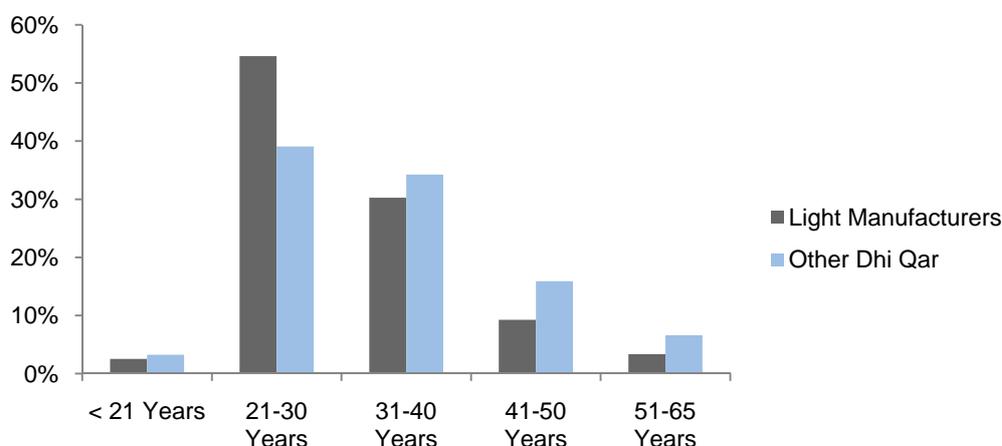
6.3 A CLOSER LOOK AT LIGHT MANUFACTURING SMES [119 INTERVIEWS]

This section contains observations about SMEs in the Dhi Qar province that are classified as light manufacturers. These light manufacturers have been chosen as a special subsector to highlight in this report for the reason that they represent a significant stake in the economy relating to employment and actual production. The following characteristics of these subsector companies are mentioned due to the fact that they are unique, and differ from other Dhi Qar SMEs in some fairly significant degree. Characteristics that are shared by light manufacturers with the rest of Dhi Qar SMEs to the same degree are not highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

6.3.1 General Characteristics

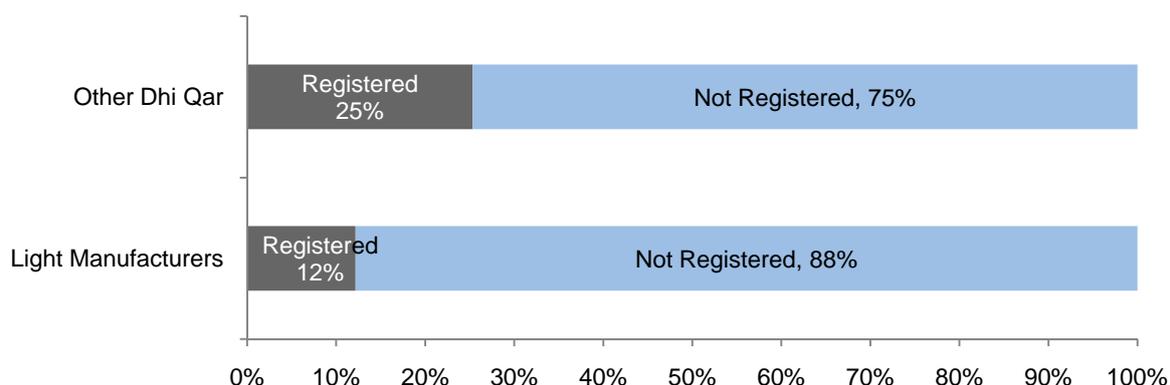
Light manufacturing business owners are on average slightly younger than other Dhi Qar business owners (Figure 6-20).

Figure 6-20: Business Owner Age



Only 12% of light manufacturers are registered with the government, which is below the rate at which other Dhi Qar businesses are registered with the government (see Figure 6-21). They belong to business associations, however, at the same rate – 8% – as other Dhi Qar businesses belong.

Figure 6-21: SME Registration with Government



Dhi Qar light manufacturers are not particularly computer savvy. Only 3% use computers – 1/3 the rate of other Dhi Qar businesses (at 9%). Only 1% use email and internet. None have or use websites.

6.3.2 Labor

Although many light manufacturers indicate that availability of qualified workers has improved over the last three years (Figure 6-22), many remain affected considerably by lack of qualifications in their employee base, as indicated by the three highest rated factors in Figure 6-23 below.

Figure 6-22: Change in the Availability of Qualified Labor over the Last 3 Years

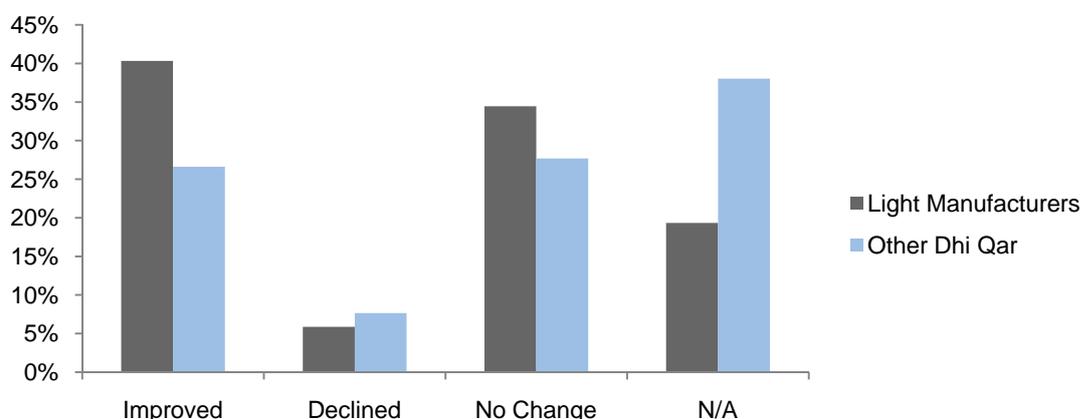
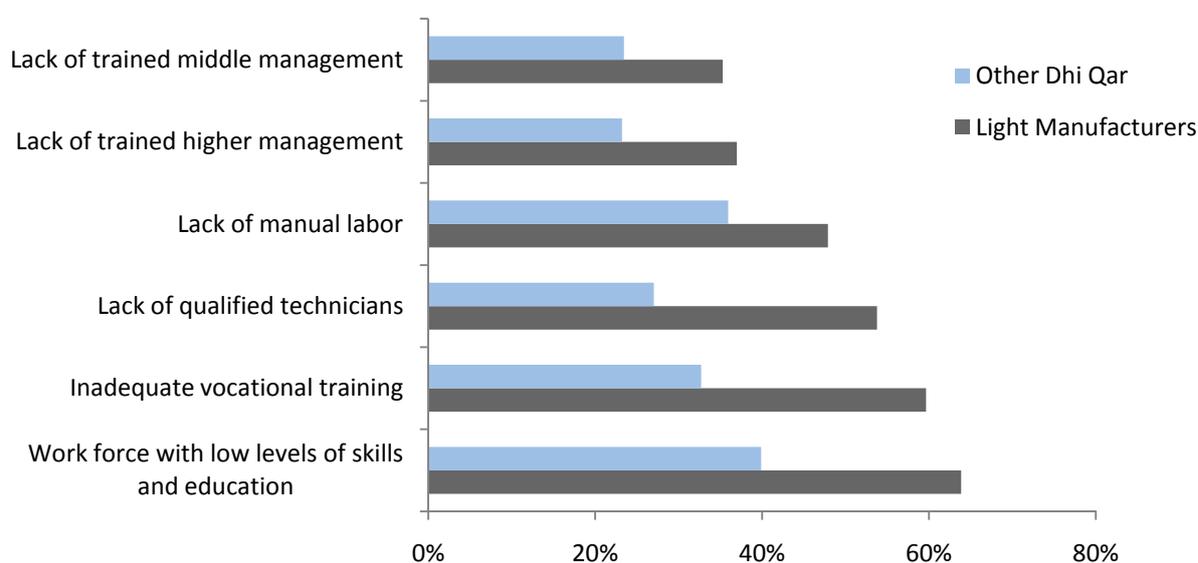


Figure 6-23: % of SMEs Affected by Labor Constraints



To compensate, 66% of light manufacturing businesses provide on the job training, while only 41% of other Dhi Qar businesses do the same.

Nearly all (97%) light manufacturing companies find new employees through word of mouth. None (0%) use employment agencies.

18% of light manufacturers are of the opinion that an employment agency could provide a useful service to their business; the same opinion is expressed by 17% of other Dhi Qar businesses. Only 8% of them, however, are willing to pay for said services (compared to 11% of other Dhi Qar businesses).

6.3.3 Sales

Light manufacturing sales seem to be doing slightly better than other Dhi Qar business sales. Annual turnover indications for 2008 demonstrates that light manufacturers were generating higher levels of turnover (see Figure 6-24). Moreover, light manufacturers reported an improvement in sales turnover over the last year at a rate that was greater than other Dhi Qar businesses (see Figure 6-25).

Figure 6-24: Annual Sales Turnover for FY 2008

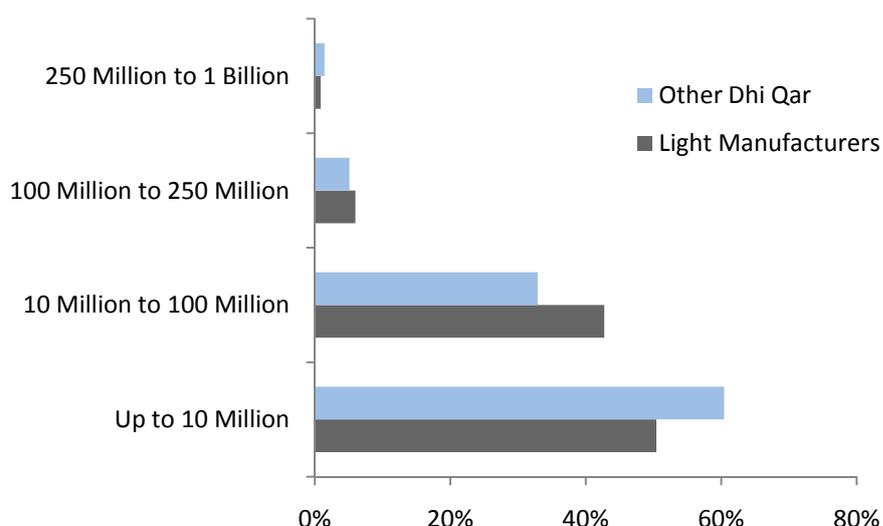
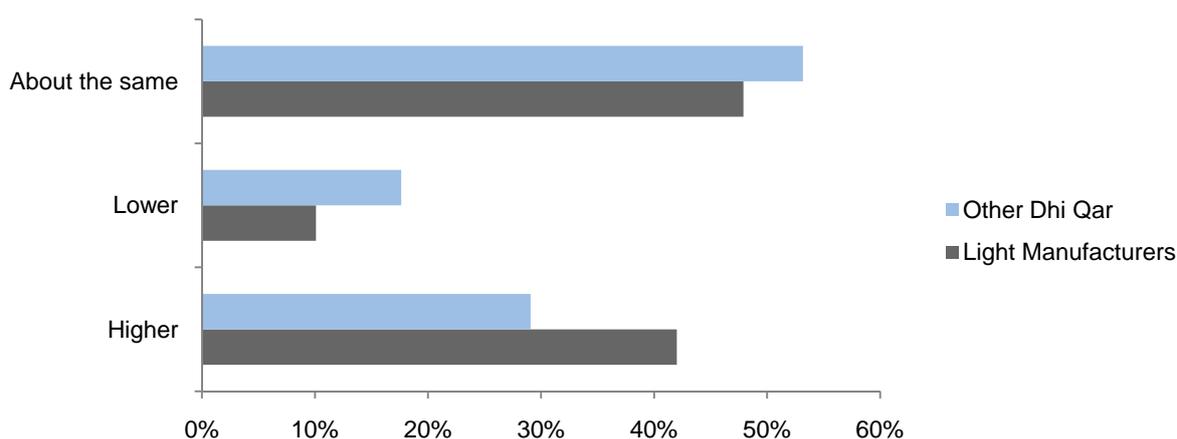


Figure 6-25: Sales Turnover in the Last Financial Year



Despite this, a much higher percentage of light manufacturers compared to other businesses in Dhi Qar indicate they suffer more severely with regards to marketing and competition constraints. Figure 6-26 below indicates the different kinds of marketing constraints that light manufacturers face that more severely affect them than other Dhi Qar SMEs. As is the case with manufacturing in all parts of Iraq, competition is also a very pressing issue weighing

heavy on Iraqi industry. As Figure 6-27 indicates, light manufacturers are facing difficulty particularly in areas where unregulated and on taxed foreign products are forcing their prices down to a level where they are unable to continue to produce and continue to cover costs. This concern was highlighted in the FG discussions and demands were voiced by participant industrialists for government to adopt more protectionist stances against foreign imports.

Figure 6-26: % of SMEs Affected by Marketing Constraints

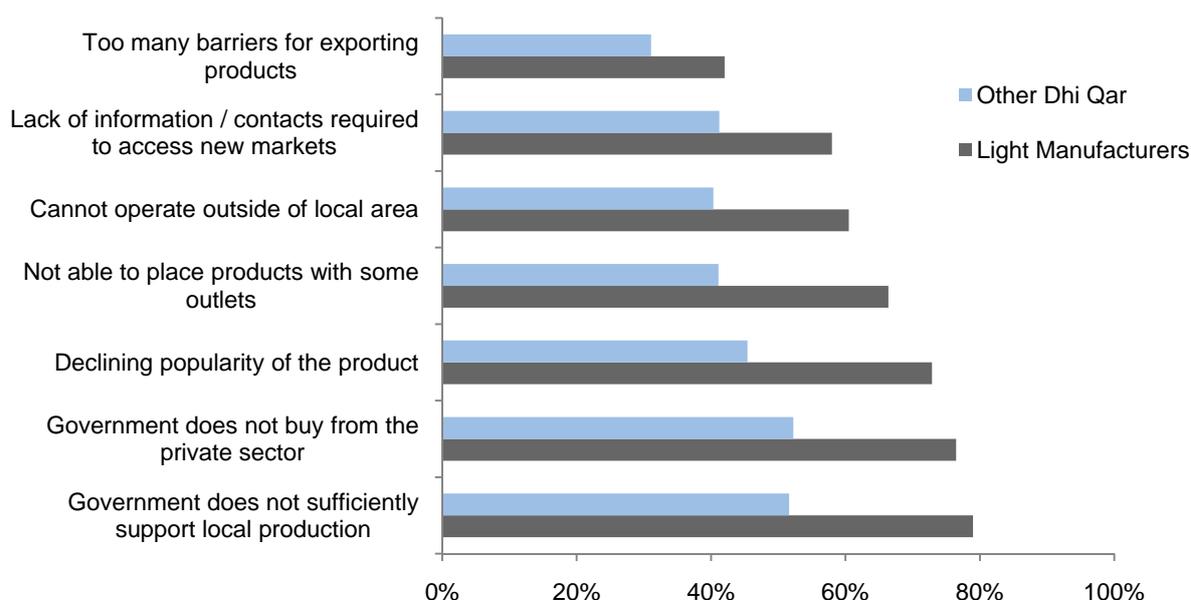
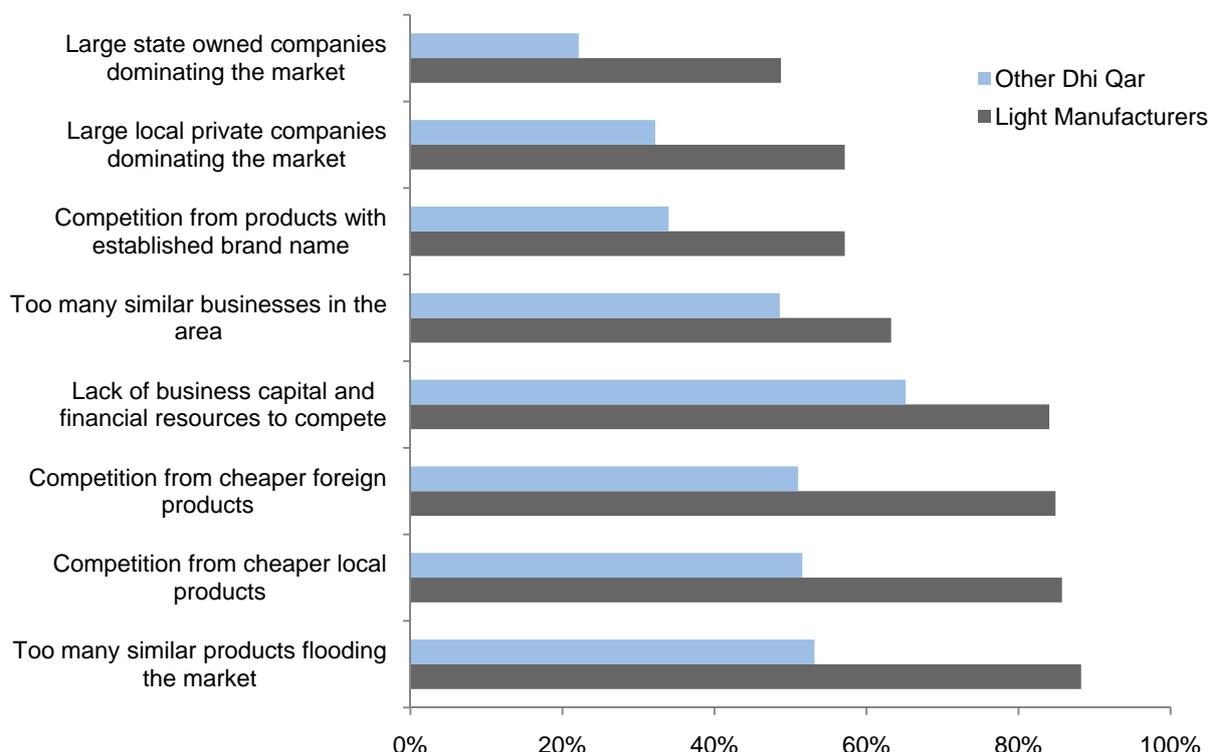
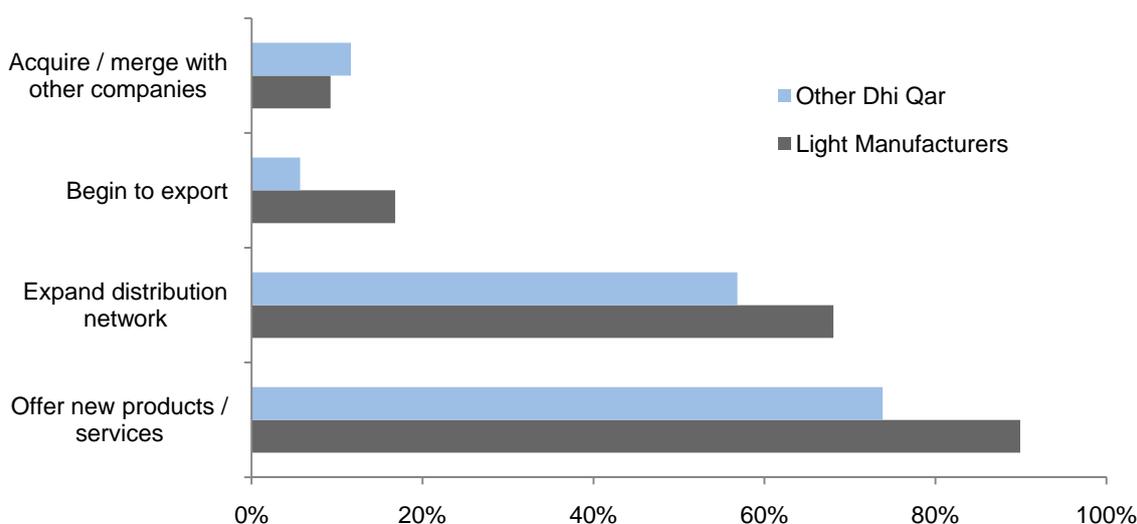


Figure 6-27: % of SMEs Affected by Competition Constraints



To further improve sales and counter current constraints, light manufacturers are looking to offer new products as well as expand distribution networks and even export in the coming year (see Figure 6-28).

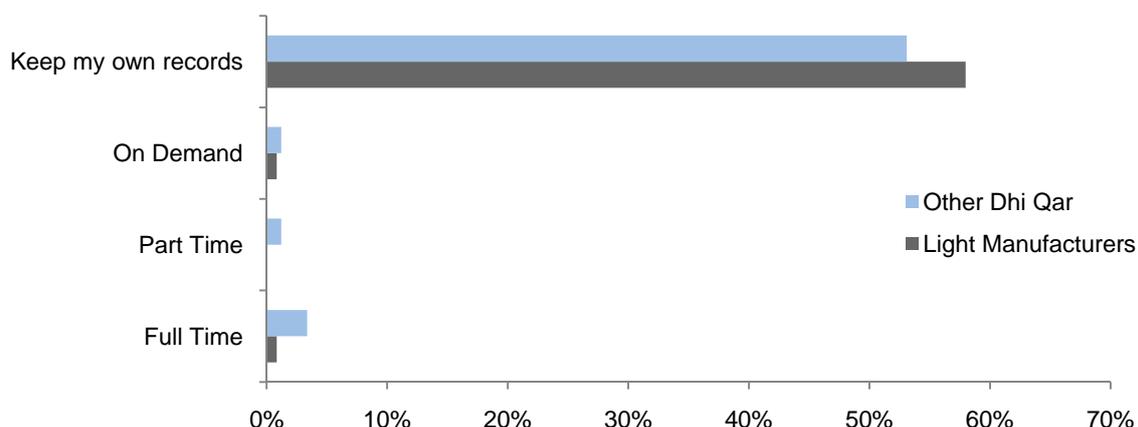
Figure 6-28: SME Business Strategies for the Coming Year



6.3.4 Banks and Accounting

Light manufacturers in Dhi Qar utilize accounting services to a lesser degree than other Dhi Qar businesses do (see Figure 6-29).

Figure 6-29: SME Utilization of Accountants

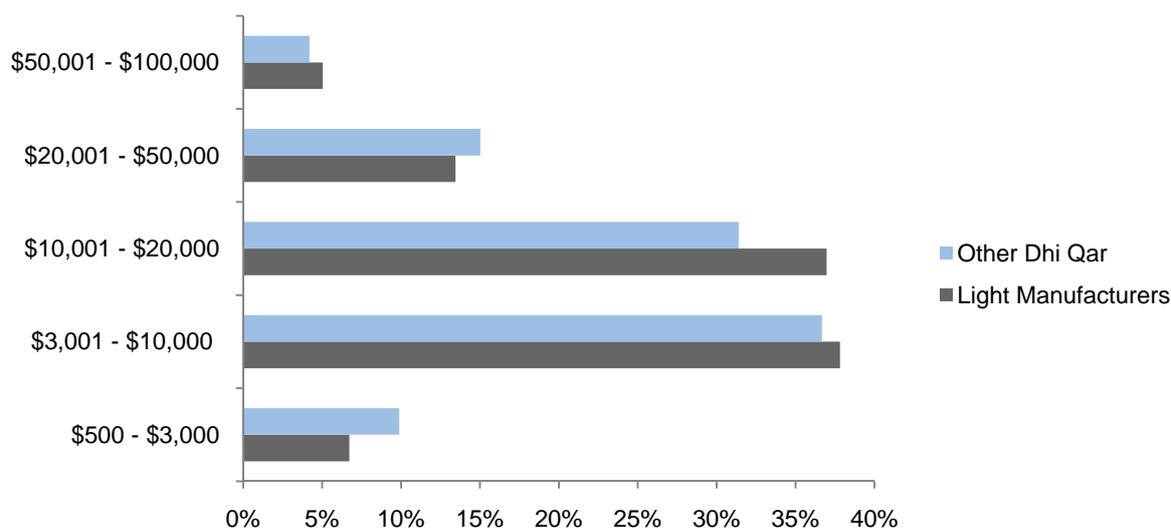


Only 4% have business bank accounts, versus 6% of other Dhi Qar businesses. All who responded indicated that their bank accounts were at an Iraqi Government owned bank, whereas 16% of other Dhi Qar company respondents indicated that they banked with private banks.

1% reported having had a loan – same rate for other Dhi Qar businesses. 92% expressed a demand for long-term financing provided by banks - compared to a slightly lesser rate of 87% of other Dhi Qar businesses that expressed the same.

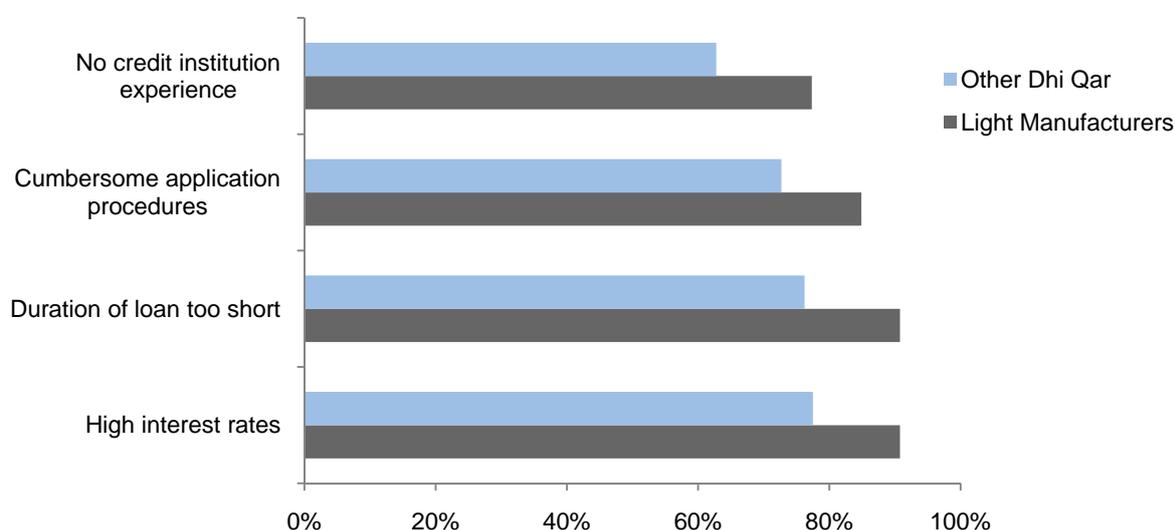
Approximately 75% of those that expressed interest in pursuing loans indicated their financing needs were in the range of \$3,000 to \$20,000 USD.

Figure 6-30: SME Financing Needs



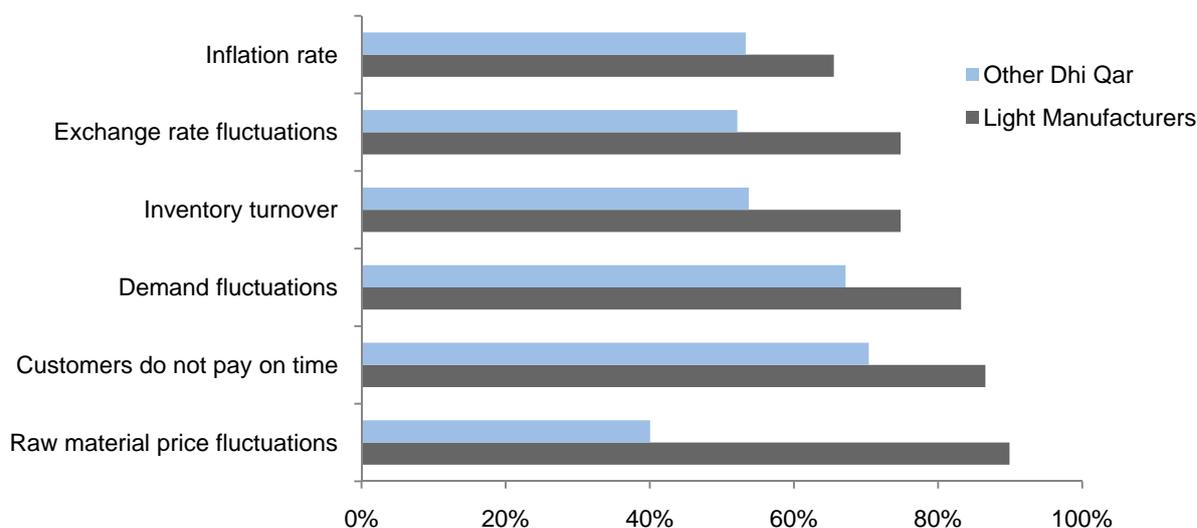
Reasons that are more strongly unique to light manufacturing businesses for the discrepancy in bank-provided long term financing utilization versus demand are related to interest rates, loan duration, application procedures, and experience, as depicted below in Figure 6-31.

Figure 6-31: % of SMEs Affected by Access to Finance Constraints



Financing would be particularly helpful for light manufacturers in dealing with the price fluctuations of raw materials, customers not paying on time, and other issues that create cash flow problems (see Figure 6-32 below).

Figure 6-32: % of SMEs Affected by Cash Flow Constraints

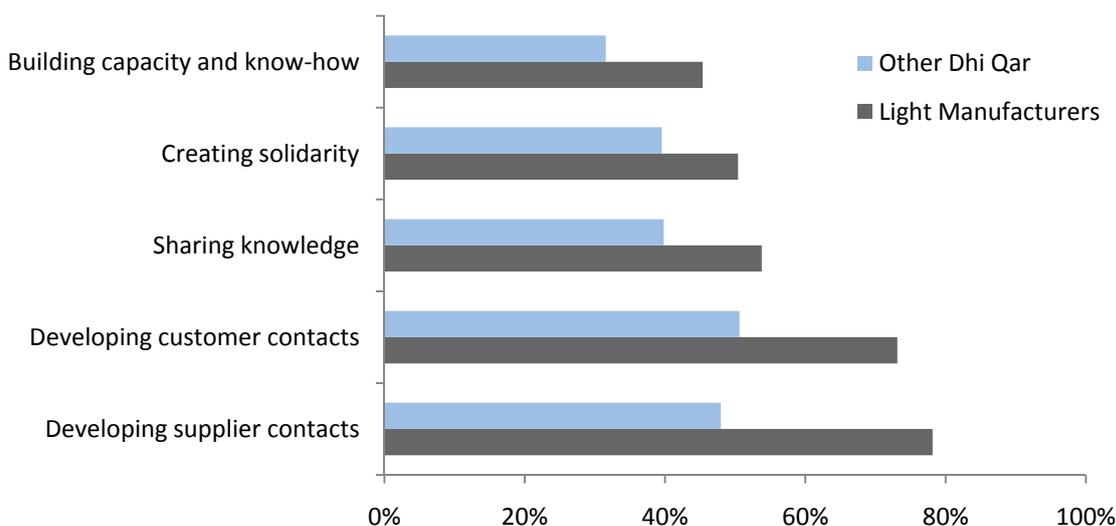


6.3.5 BMOs and BMO Services

None (0%) of the light manufacturing companies surveyed indicated that they seek advice from BMOs, compared with 2% of other Dhi Qar businesses that do. More, on the other hand, look to suppliers (55% vs. 32%) and staff (78% vs. 62%) for advice concerning business decisions. Only 3% of light manufacturers have ever been contacted by BMOs versus 6% of other Dhi Qar companies that have.

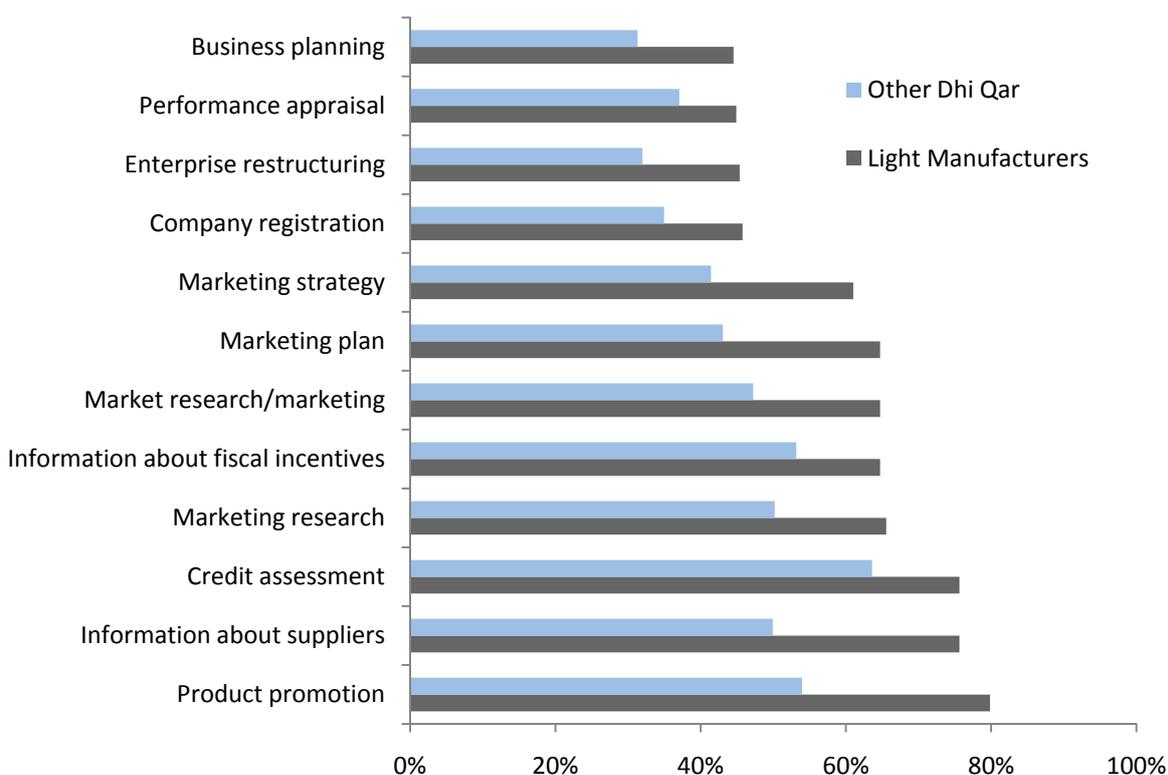
53% of light manufacturers believe that BMOs play a useful role to support business, compared with 39% of other Dhi Qar companies who feel the same. Many of them are of the opinion that BMOs are useful in assisting them with developing supplier and customer contacts (see Figure 6-33 below).

Figure 6-33: BMO Roles and Contributions that SMEs Find Useful



Light manufacturers would look to BMOs to provide several different kinds of marketing, finance, managerial, and supply related services to counter the constraints that press on them firmly in these areas. Figure 6-34 below indicates BMO services which are in particularly high demand by light manufacturers, compared to other Dhi Qar businesses.

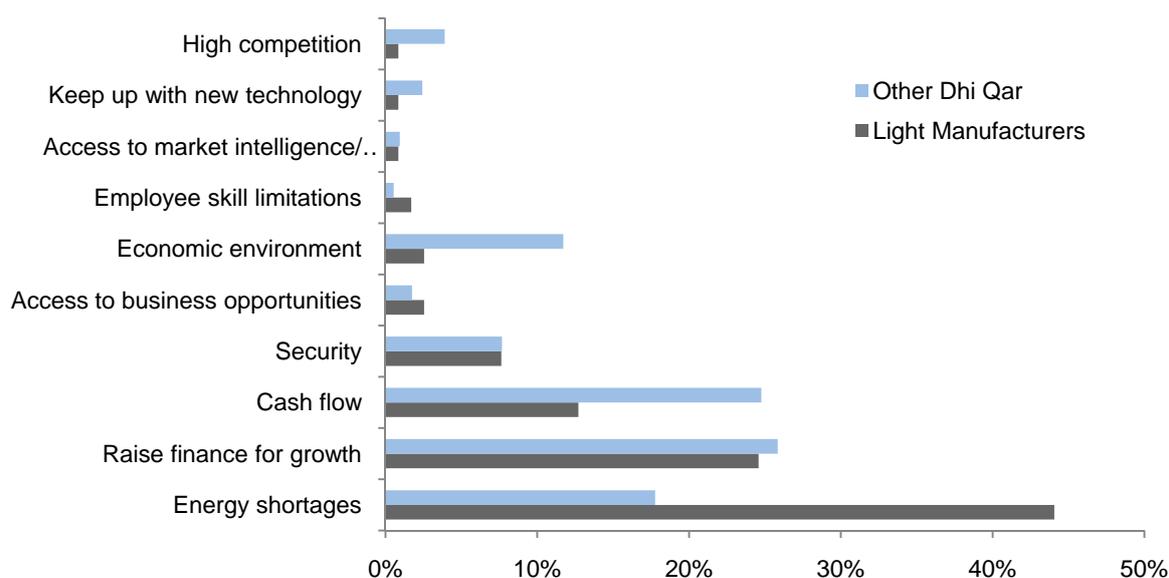
Figure 6-34: SME Demand for BMO-Provided Consulting Services



6.3.6 Constraints

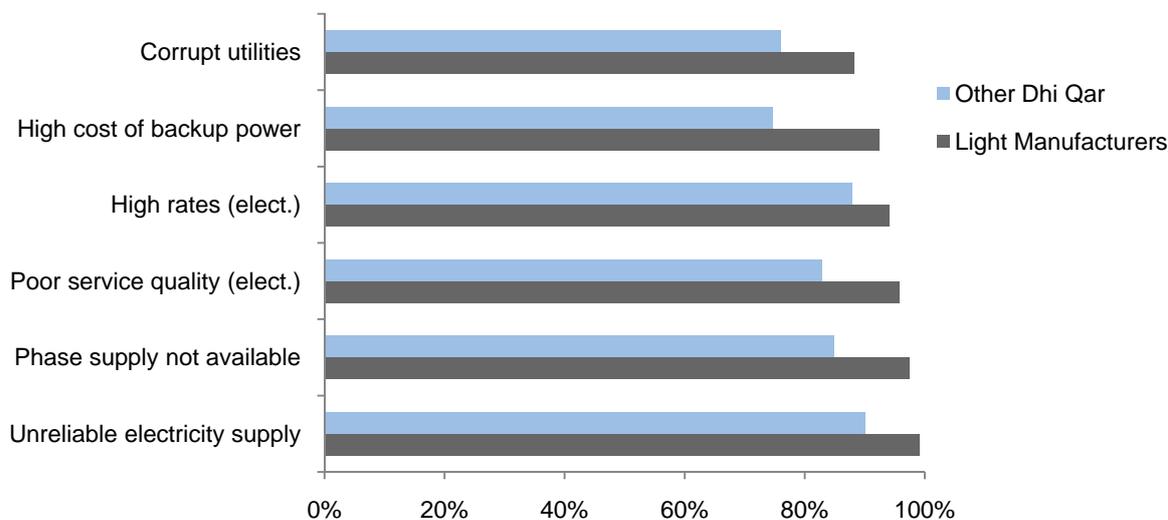
As is the case in Baghdad and other provinces throughout Iraq, light manufacturing's greatest hindrance is lack of electricity needed to operate machinery and production implements. Twice as many light manufacturers compared to other Dhi Qar SMEs indicated that the shortage of electricity was their number one hindrance to business growth (see Figure 6-35).

Figure 6-35: % of SMEs and Their Number One Hindrance to Growth



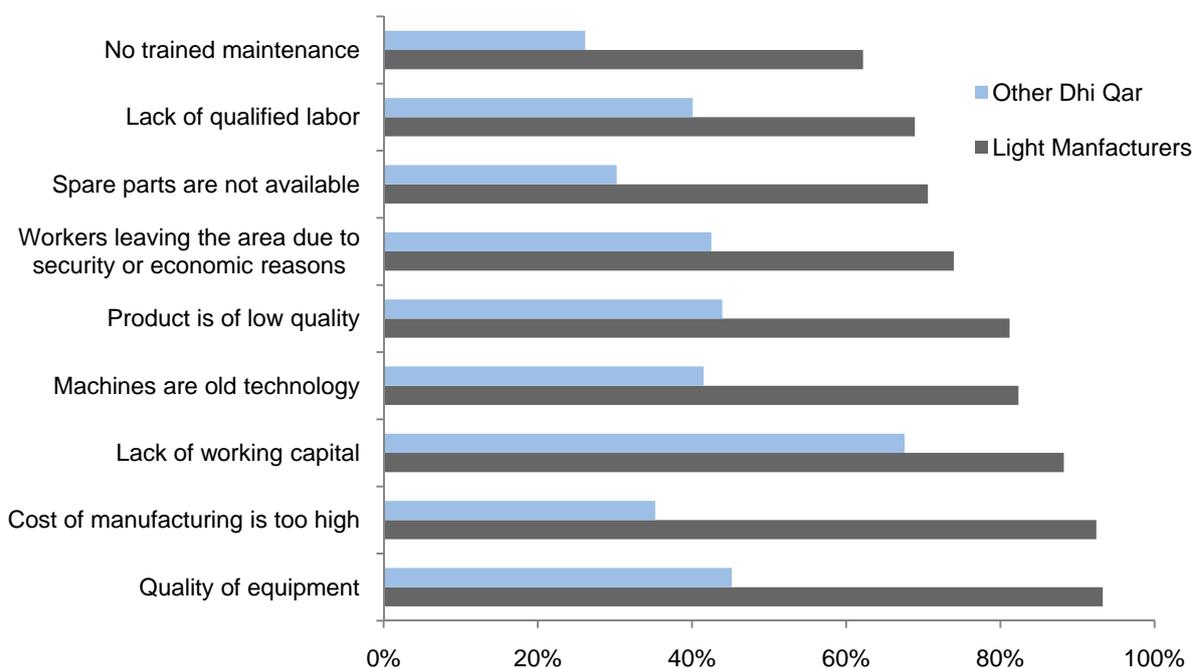
Nearly 100% of light manufacturers are affected by unreliable supply of electricity which impeded them in operation of their manufacturing lines and equipment (see Figure 6-36). Moreover, machinery that pulls greater amounts of voltage and amperage requires three-phase supply that is not available. Lack of national grid electricity necessitates the private manufacture and provision of electricity by means of local generators, which means incurring additional high costs for manufacturers that are often prohibitive.

Figure 6-36: % of SMEs Affected by Electricity Constraints



Equipment issues and high costs of manufacturing are among the most severely felt operational issues that impede light manufacturers in their business activity (see Figure 6-37).

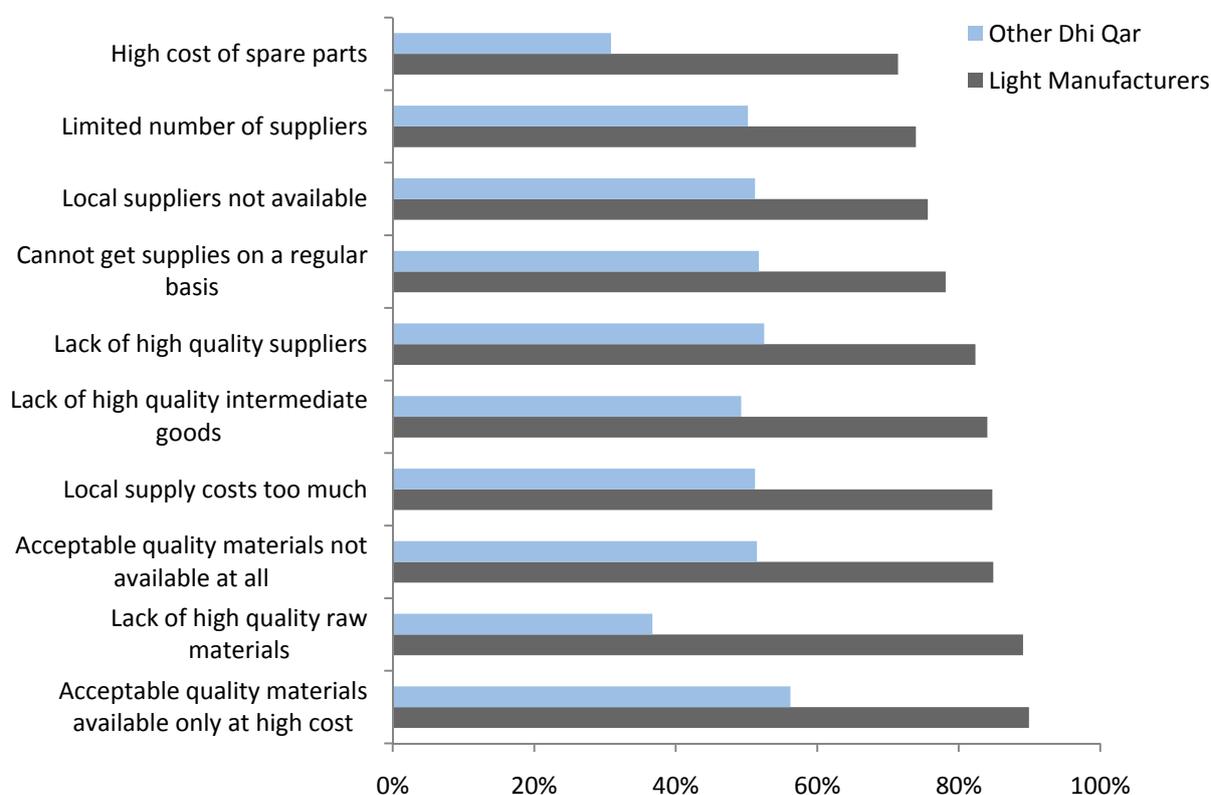
Figure 6-37: % of SMEs Affected by Operational Constraints



With regards to raw materials for manufacturing, most obtain locally, but twice as many light manufacturers compared to other Dhi Qar SMEs get their supplies from out of the country – importing them directly - 13% vs. 6% of other Dhi Qar companies. Cost and quality are the

most pressing issues that impact light manufacturers to a degree much greater than they do other Dhi Qar businesses (see Figure 6-38).

Figure 6-38: % of SMEs Affected by Supply Constraints



6.3.7 Summary of Dhi Qar Light Manufacturing SMEs

A Review of Constraints

- **Access to Finance** – high interest rates, short loan duration, complex procedures and lack of experience keep manufacturers from obtaining financing for badly needed equipment and raw materials.
- **Lack of Government Support / Protection** – Manufacturers often cite the lack of government support for their industrial activities and demand protection from imported competition. Whether or not the government adopts any kind of version of a protectionist policy towards imports, the difficulty in the areas of competition constraints still face light manufacturers in Dhi Qar.
- **Access to Export Markets** – Light manufacturers looking to expand their distribution and sales opportunities into other countries lack the ability to connect with customers and distributors abroad.

- **Competition** - competition that these firms face both on a local and international (imports) scale. Imports flood the market with no quality control restrictions placed on them, pushing out local production.
- **Equipment** – Equipment is old and there is limited ability to invest in new equipment that must be imported without financing support. Due to the fact that equipment is out-dated, there are other issues including lack of spare parts and effects of poor equipment on production quality.
- **Lack of Skilled and Unskilled Labor** –Dhi Qar manufacturers are not able to find the skills that they need in the worker base available to them.
- **Supply** – Local market sources do not import high quality inputs. Manufacturers often either lack the resources to obtain supplies outside the country on their own or are not able to pay for them.
- **Electricity** – All manufacturers are affected by lack of electricity – steady current, three-phase supply and general availability. Without state power, industrialists rely solely on local power generation, which often cannot produce adequate levels or currents of output in order to allow the factory to produce at full capacity.

A Review of Opportunities at Firm, Sub-Sector, and Sector Levels

- Loan packaging assistance, helping manufacturers to understand bank requirements and navigate the application procedures.
- Marketing development assistance in the areas of accessing new markets and exporting. There is already a willingness and recognition from rice and grain producers that BMOs can provide useful services in developing capacity and know-how. Overcoming this constraint will impact firm, sector, and BEE issues. As a part of this process, quality certification may create predictability in export markets.
- Going along with export assistance, there is even a need for import-substitution assistance that can assist Iraqi industrialists with bringing packaging and marketing material quality up to international standards in order to compete with imports on levels that are otherwise compromised
- Formalization and expansion of management training by BMOs and BDS deliverers, along with marketing and finance training represents product improvement as a source of sustainability for the helping institution, and operates at every level of activity.
- On a policy level, BMOs can advocate for legislation that imposes at least some degree of protection for local industry, perhaps in the form of quality control restrictions, which solves an issue that is most cited by not only industrialists, but all kinds of businesses in the FG discussions.
- On an organizational level, BMOs can lead the organization of coalitions that can advocate for adjustment in the provision of electric current to industrial areas in order to provide manufacturers with a steady stream of 3-phase power at certain times of day in order to bring factory production up to capacity. An increase in power and therefore capacity will mean an increase in product and revenues, and will also necessitate the hiring of additional workers.

6.4 A CLOSER LOOK AT TRANSPORTATION AND VEHICLE MAINTENANCE SMEs [39 INTERVIEWS]

This section contains observations about transportation and vehicle maintenance (TVM) SMEs in the Dhi Qar province. They include the following subsectors:

Commercial vehicle owners	40%
Vehicle service shops	40%
Spare part retailers	15%
Fabricators	5%

Unlike in Anbar there are no vehicle traders in this sample cluster. They are a group of 39 businesses that have been chosen as a special subsector to highlight in this report for the reason that they represent a significant stake in the economy relating to employment and actual production. They form a unique cluster of SMEs.

As far as the kinds of constraints and characteristics that are unique to this cluster, nothing particular stands out. In contrast to the date farming and light manufacturing subsectors that we have already been explored, TVM businesses and business issues are more or less the same as those that are generally applied to the aggregate Dhi Qar SME community.

This said, things that did appear slightly unique to this business cluster have been mentioned in this section. Characteristics that are shared by TVM companies with the rest of Dhi Qar SMEs to the same degree are not necessarily highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

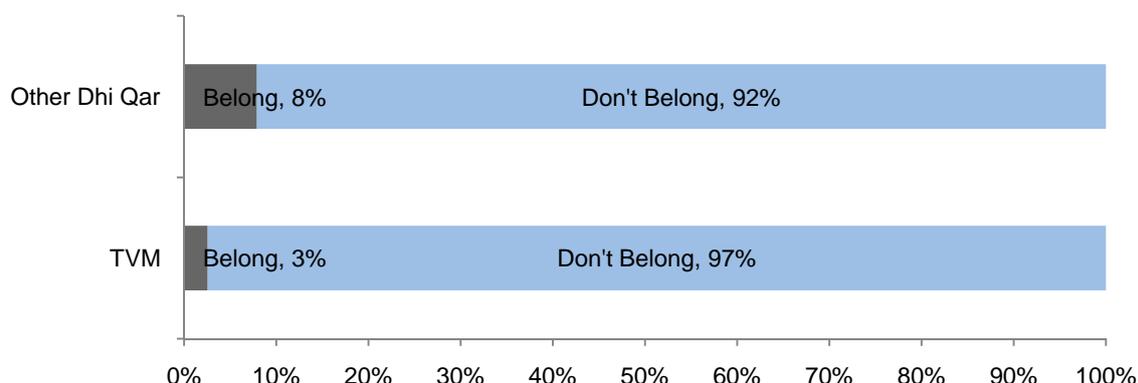
6.4.1 Formality / Informality

Slightly more TVM businesses compared to other businesses in Dhi Qar are registered with the government (Figure 6-39). Less than half of them, however, are members in any kind of a BMO (Figure 6-40). None of them (0%) belong to a professional association.

Figure 6-39: % of SMEs Registered with the Government

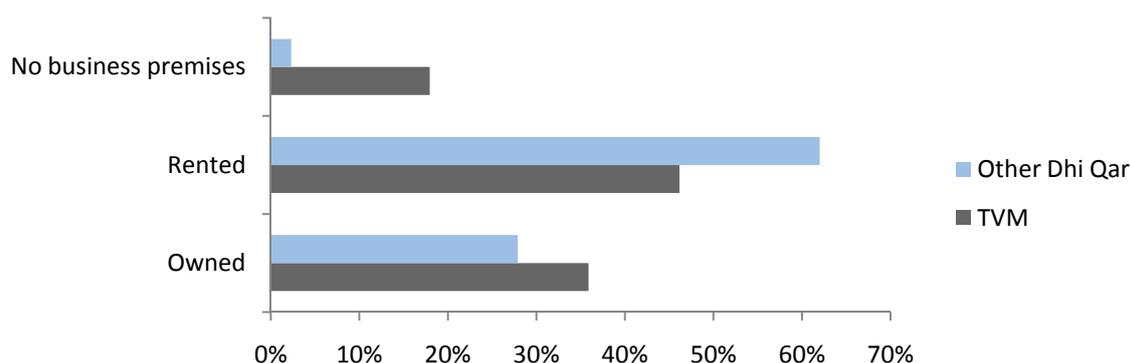


Figure 6-40: % of SMEs Belonging to a BMO



TVM companies are a bit more elusive than other companies in Dhi Qar. Although they have (only slightly) higher rates of registration, they are less organized as indicated above, and almost 20% have no business premises (see Figure 6-41 below).

Figure 6-41: SME Business Premises

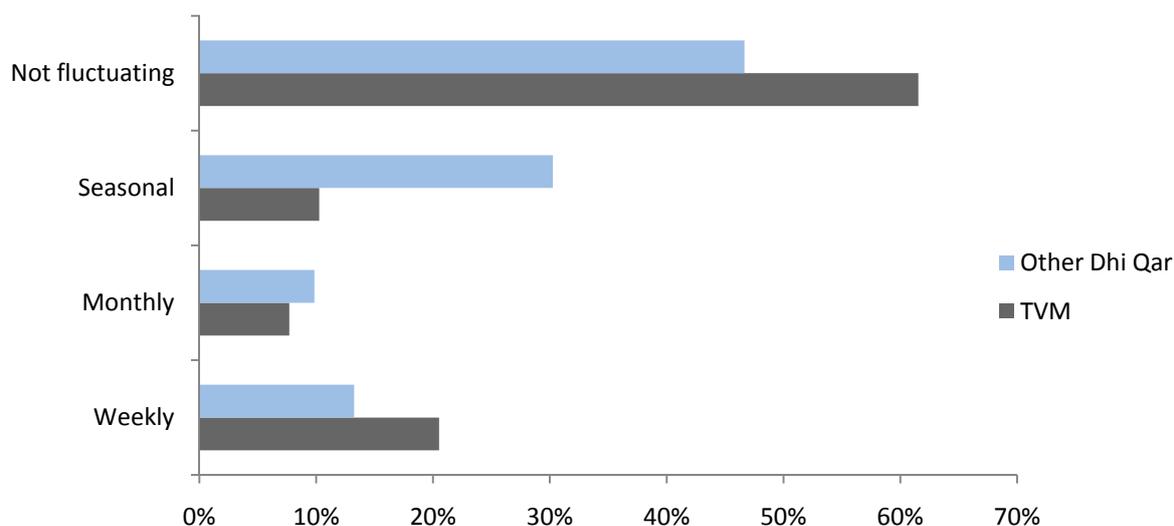


6.4.2 Sales and Customers

On the sales front, 100% of TVM respondents indicated that there were no large buyers for their products that they are doing business with. 13% (vs. 4% of other Dhi Qar) indicated that there are large buyers that they are *not* able to do business with. Unique to the TVM cluster, 8% serve tourists as main customers, versus 1% of other Dhi Qar SMEs.

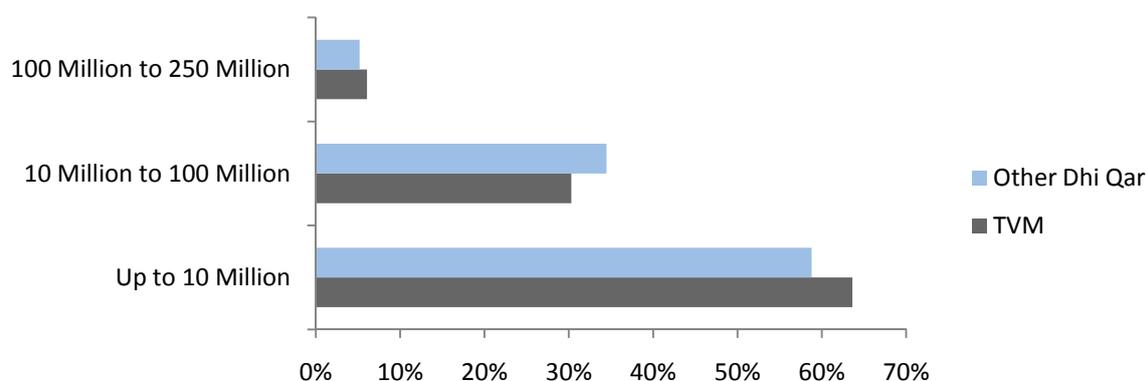
Business activity is more stable for TVM businesses than other businesses in Dhi Qar (see Figure 6-42). Although there is more variance on a weekly basis, there are more companies that do not have fluctuating activity a tall and a great deal fewer fluctuate on a seasonal and even monthly basis.

Figure 6-42: Business Activity Fluctuation



Sales turnover on average is close to that of other Dhi Qar SMEs (see Figure 6-43). Just over 60% have turnover below 10 Million IQD (\$9,000 USD), 30% between \$9,000 USD and \$90,000 USD, and just below 10% above that.

Figure 6-43: SME Sales Turnover in 2008 (in Iraqi Dinar)



Only 84% think that their businesses are profitable, compared to 96% of other businesses in Dhi Qar.

6.4.3 Financial Practices and Banking

On the whole, TVM businesses practice accounting less. Figure 6-44 and Figure 6-45 indicate the degree to which TVM use accounting services and two key accounting tools to a degree less than do other Dhi Qar businesses.

Figure 6-44: SME Accounting Practices – Use of Accounting Services

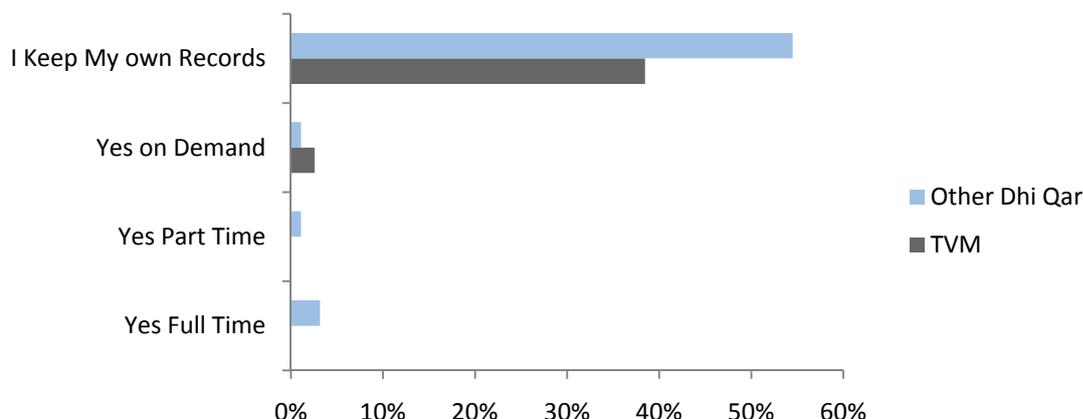
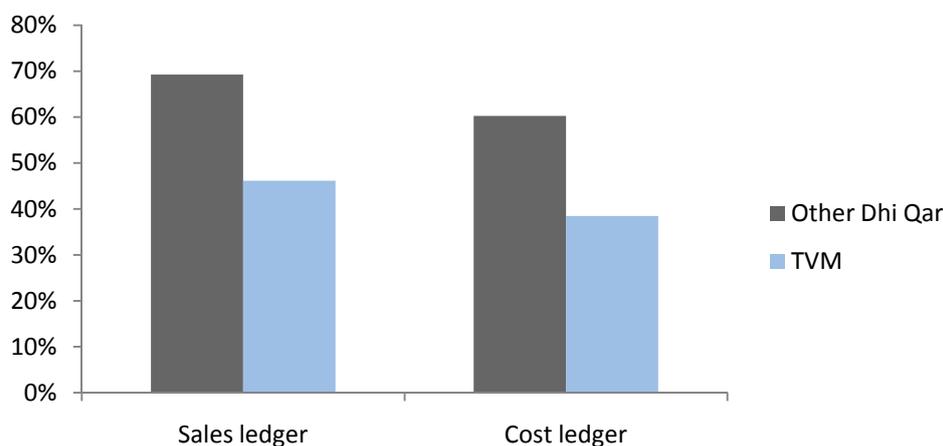


Figure 6-45: SME Use of Accounting Tools



With regards to banking, only 8% of TVM businesses have a business bank account, compared to 6% of other Dhi Qar businesses. None (0%) have ever had loans. Only 8% have any debt, all under \$9,000 USD.

84% of TVM businesses indicate that they would be desirous of receiving long-term financing from a bank. This is to a lesser degree than other Dhi Qar businesses are interested in long term financing (88%). They are interested in all kinds of banking services to a lesser degree than other Dhi Qar SMEs.

6.4.4 BMOs

32% believe that BMOs play a useful role in developing SME businesses, 9% less than the 41% of other Dhi Qar businesses that feel the same. All across the board, SMEs are less interested in business services from BMOs.

6.4.5 Labor

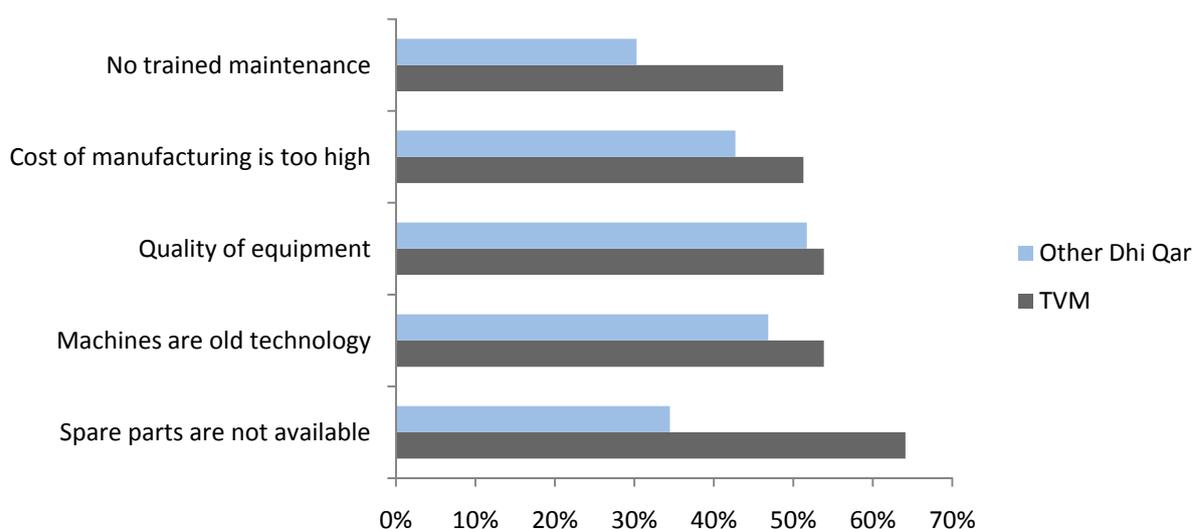
No TVM businesses use employment agencies, and most (81%) rely on word of mouth to find new employees. This is not strikingly different from the average Dhi Qar business in this regard.

6.4.6 Constraints

Unique variances on constraints particular to TVM companies are only in regard to operational issues. On all fronts across the board, with exception only to these operational issues and security, TVM businesses indicated as equal or lesser degrees of constraint severity.

With regards to operational constraints, spare parts availability as relates to equipment and being able to maintain that equipment is affecting TVM companies to a greater degree than other Dhi Qar companies. Figure 6-46 depicts the variances.

Figure 6-46: % of SMEs Affected by Operational Constraints



The only other area of constraint where TVM companies are affected more than other Dhi Qar companies is with regards to security. Only slightly more TVM businesses (74% vs. 71%) are affected by security when compared to other Dhi Qar businesses.

6.4.7 Summary of Dhi Qar TH&R SMEs

A Review of Constraints

- **Access to Finance** - high interest rates, short loan duration, and stringent collateral requirements affect most TVM as they do other SMEs as constraints severely or mildly impacting business. Overall access to credit, corruption, cumbersome application procedures, and lack of experience are also significant factors.

- **Equipment and Maintenance** – TVM businesses have issues with their equipment breaking down and spare parts and the expertise to fix it not being available.

A Review of Opportunities at Firm, Sub-Sector, and Sector Levels

- Loan packaging assistance, helping TVM businesses to understand bank requirements and navigate the application procedures.
- Training for maintenance personnel can be offered by BMOs as a more technically oriented outreach program that would benefit TVM companies.

7. BEE AND FIRM LEVEL OPPORTUNITIES

7.1 ENABLING ENVIRONMENT

7.1.1 Regulatory Reform

Constrained by burdensome laws, regulations, and administrative procedures at all levels of government, Iraqi SME competitiveness is disadvantaged. The resources SMEs invest towards operating in such a complex and uncertain environment undermines many of their gains, and threatens the viability of SME development initiatives.

Improving regulations that impact SMEs and the business community in general should be prioritized at central, provisional, and municipal levels. Building on the findings of this market assessment, a thorough review of regulatory policy and current legislation should be undertaken to identify and recondition administrative barriers to SME growth and operations.

Understandably, this is a mammoth undertaking that will require means and vision of just as equal proportion. However, as this study has highlighted, many of the regulatory constraints faced by SMEs may require nothing more than simplifying a form (e.g. employee social insurance enrollment), or providing clarification (e.g. publishing accounting standards), or streamlining a procedure (e.g. industrial safety inspections), or automating a physical process (e.g. the commercial registry).

7.1.2 Private-Public dialog

The opportunity exists for initiation of formal GOI/Iraqi Private Sector-driven Private-Public dialogs featuring the following:

- Corruption
- Improvement of harvesting equipment capital stock (agribusinesses)
- Extended hours of public electricity to maintain pump systems (agribusinesses)
- Bank financing issues

Private-Public dialogues should also include transportation issues from the standpoint of "hard infrastructure." Such issues that have to be addressed at a systemic, legislative, governmental, or policy level are urgent to be sure, but not a good practical initial investment of time and money.

7.2 SECTOR-SPECIFIC

Across sectors, opportunities exist and are outlined as follows. Each opportunity requires a tailor approach made to fit the unique characteristic of the firms in that sector.

Creation and imposition of standards and transparency in administering them. This opportunity/intervention can be addressed "in the small," locally, to gain economic equity for underserved sectors. The goals should be to boost quality and predictability of supplies in all areas of Dhi Qar business.

Expansion of trade horizons to include the international arena. Product quality, production efficiency, and market analysis will have to be developed first, and this will take a detailed analysis in both a bottom-up and top-down fashion. Expansion should normally proceed in the pattern of a stone dropped into a pool that is expanding circles outward, first among Iraq's neighbors and then beyond.

Development of a more formalized system of vendor and purchaser advances and (ultimately) revolving loan funds to compensate for payment delays and seasonality in agriculture, and to address supply chain issues for SOEs for manufacturing and trade;

Diversification of agricultural products, to take advantage of natural climate and water flow changes, plus education by ministry on how to make the best use of new products, and for product lines related to sales of religious items and relics.

Diversification of other manufactured products by a similar process, to enhance Iraq's status as a trading partner whose products are competitive in price, delivery, and quality.

Including women in the process. Women entrepreneurship is almost non-existent in Iraq. Supporting the growth of women-owned business and addressing market failures that prevent their economic involvement will accelerate the overall SME development process in Dhi Qar and other provinces.

Although women and men business owners largely face many of the same SME issues in Iraq, the study highlights that women may face severer access to finance, information, and business development services constraints. Other differences included i) women operate small businesses based on number of employees and sales turnover, ii) women feel more constrained by the prevailing business environment, iii) women have less organization rates, iv) women tend to have less formal education, v) demand for BDS, especially training is higher amongst women business owners, and vi) women businesses sell only locally.

To overcome the inequalities mentioned above and mainstream women entrepreneurship BDS, targeted interventions should be designed to:

- Direct SBDC targeting of women business owners/ managers to increase their awareness of available BDS.

- Ensuring that women owned business are represented in all BDS subsidies by way of quotas and allocation.
- Encouraging businesswomen self-help groups either across generic or specific business sectors.
- Sensitize trainings and other events where women participation is encouraged to meet their specific needs (event timing, child care, transportation, etc.).

Taking similar steps regarding returning refugees. A large cohort of Iraq's best business talent now resides in Jordan, Syria, Egypt, Indonesia, and elsewhere. They cannot stay abroad forever and in fact will be "forced" back to Iraq if they do not volunteer. They can be a potentially economic disruptive force in a good or bad way, depending on how sectoral forces address their issues.

7.3 FIRM-LEVEL

Note that there is some repetition here, as several of the opportunities occur at both sectoral and firm levels.

- **Diversification of agricultural products** to take advantage of natural climate and water flow changes, plus education by ministry on how to make the best use of new products, and for product lines related to states of religious items and relics;
- **Diversification of other manufactured products by a similar process**, to enhance Iraq's status as a trading partner whose products are competitive in price, delivery, and quality.
- **Including women in the process.** Inclusion rates are low for one of the highest potential economic sectors in Iraq. In many ways, this is not a new idea, but the reversion to an old one, and it will let loose a level of pent-up talent and demand that can be transforming.
- **Better and expanded regional and local coursework** in all aspects of mid-level management, supply chain management, technology and skill based training, and entrepreneurship. Quantitative as well as qualitative measurement of the impact to such training to keep it specific and relevant.

7.4 TABLE OF INTERVENTIONS

The following interventions have been identified as potential roles for a BMO to play in disseminating information and technical knowledge, building bridges of communication, and direct technical assistance to SMEs. Each kind of intervention is listed below with information regarding the potential for cost-recovery (ability to charge and collect fees that out-weigh the cost to perform the intervention) as well as priority based upon ranks of importance from the SME input data gathered.

Constraint	Possible Intervention	Cost Recovery Potential	Priority
Output	• Proposal writing training	• Mid-Range	High

Markets	<ul style="list-style-type: none"> • Proposal writing assistance • Vendor registration assistance • Tender alert • Member profiling • Business matchmaking • Linkages with large companies 	<ul style="list-style-type: none"> • High • High • Low • Mid-Range • Mid-Range • Low 	
Supply Markets	<ul style="list-style-type: none"> • Supply market identification study • Sourcing support • Facilitate collective purchasing groups • Tender publication 	<ul style="list-style-type: none"> • Mid-Range • Mid-Range • Low • Low 	High
Industry specific	<ul style="list-style-type: none"> • Information on international standards • Short term expert consultations • Self-help group formation 	<ul style="list-style-type: none"> • Mid-Range • Mid-Range • Low 	High
Access to finance	<ul style="list-style-type: none"> • Customer referral agreement with banks • Loan application assistance • Financial literacy training • Sensitize banking officials on MSME lending • Updated database of loan rates, bank contact information, etc. • Bi-weekly presence of banking/ MFI loan officers 	<ul style="list-style-type: none"> • High • High • Mid-Range • Low • High • Mid-Range 	High
Registration	<ul style="list-style-type: none"> • Registration information packs. • Application processing assistance. • Cooperation with Dhi Qar Chamber of Commerce. 	<ul style="list-style-type: none"> • High • High • High 	High
Financial Management	<ul style="list-style-type: none"> • Accounting system development and training • Accounting standards handbook • Accounting and bookkeeping training 	<ul style="list-style-type: none"> • Mid-Range • Low • Mid-Range 	High
Knowledge and Technology Transfer	<ul style="list-style-type: none"> • Promote self-help groups. • National study tours and exchange visits. • Business management courses • Technology courses 	<ul style="list-style-type: none"> • Low • Mid-Range • Mid-Range • High 	High
Business Support Services (Demand aggregation only)	<ul style="list-style-type: none"> • Legal services • Accountant services • Auditing services • Valuation services • Advertising/ promotional material design/ business card etc. • Website development services • Translation/ interpretation • Events management • Meeting services • Recruitment services 	<ul style="list-style-type: none"> • High • High • Mid-Range • Mid-Range • Mid-Range • Mid-Range • Mid-Range • Mid-Range • High • Mid-Range • High 	Medium
Information Services	<ul style="list-style-type: none"> • Internet services • Legal templates 	<ul style="list-style-type: none"> • High • Low 	Low

	<ul style="list-style-type: none"> • Business library • Decision support unit (market studies, enquires, etc.) 	<ul style="list-style-type: none"> • Low • High 	
Public Advocacy	<ul style="list-style-type: none"> • Public-Private dialogue forum • Monitoring policy implementation • Industrial associations/ NGO collaboration • Donor coordination 	<ul style="list-style-type: none"> • Low • High • High • High 	Low

8. APPENDIX 1: FOCUS GROUP SUMMARY REPORTS

8.1 DHI QAR FOCUS GROUP REPORT #1

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Agricultural

Date: 7/9/2009

Table 8-1: Focus Group #1 Participants

Serial	Name ¹⁰
1	M.M.
2	H.S.
3	W.T.
4	M.K.
5	A.J.
6	R.K.
7	K.T.
8	K.K.
9	H.T.
10	B.N.

8.1.1 Business Enabling Environment Constraints

- There are no government subsidies for farmers, and loans that are available are subject to difficult conditions and extensive paperwork.
- Government agencies are corrupt and provide pesticides only to merchants and local markets, and not to farmers.
- Wholesale distributors are not regulated and control seed prices.
- There is no quality control on seeds and pesticides which are imported from abroad.

¹⁰ The names of the participants have been removed and replaced with only their initials. This has been done to protect the anonymity of the participants.

- There is not enough water, and farmers cannot afford to buy pumps to bring in water from other sources.
- Fuels such as gas and benzene are prohibitively expensive.
- Imported products, which are not subject to customs duties, are cheaper than local products.
- The government does not have a pest-control program for date orchards.
- Pesticides from local markets are expensive, and farmers cannot afford to buy them.
- There are no drainage systems to remove salt from farmlands.
- Current laws require farmers to sell wheat and barley to the state-owned company for grain that is trading below market price.
- The state does not subsidize tractor sales to farmers.
- Farmers who have been subjected to illness from exposure to pesticides are unable to get health insurance.
- There are no marketing companies, and the TV and print media are limited to publicizing imported products.

8.1.2 Firm-Level Constraints

- There is not enough skilled labor, as many people have emigrated abroad because of poor economic conditions and lack of social security.
- It is hard to find fertilizers and modern machinery.
- The energy shortage creates a hardship for farmers, who cannot afford to buy expensive generators.
- Farmers' organizations are not active or effective in solving the problems facing farmers.
- There are no courses in agriculture, horticulture and pest control for farmers.

8.2 DHI QAR FOCUS GROUP REPORT #2

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Agricultural

Date: 8/9/2009

Table 8-2: Focus Group #2 Participants

Serial	Name
1	M.W.
2	D.A.A.
3	A.N.
4	H.Y.J.
5	N.N.
6	H.M.
7	D.K.M.

8.2.1 Business Enabling Environment Constraints

- Farmers cannot get subsidized loans, and loans that are available to them require complex paperwork and have high interest rates.
- Lack of customs duties makes imported agriculture products cheaper, creating competition for locally produced goods.
- The water shortage and high salinity in farmlands make them dry and barren.
- There are no quality control on imported seeds and pesticides, and most seeds are unusable.
- The security situation in Baghdad and other provinces makes it difficult for farmers to sell their products in those areas.
- Seeds are expensive, and farmers cannot afford to buy seeds offered in the market.
- The high prices of energy and fuel lead to increased transportation costs.
- River pollution caused by sewage dumping leads to high salinity on farmlands.
- The state does not regulate water pollution or punish those who dispose of sewage in the river.
- There is no state regulation of wholesale merchants, who keep their prices to farmers artificially high.
- The state does not market agricultural products.
- Laws governing disputes over land ownership are inadequate.
- There is no health insurance or social security for farmers, who are subject to work-related injuries and illnesses from direct contact with pesticides and other chemicals.

- The price of fertilizers is too high.
- There are no transportation subsidies for farmers.

8.2.2 Firm-Level Constraints

- Wages for skilled agricultural workers are high, and farmers cannot afford to hire skilled workers.
- The electricity shortage forces farmers to depend on generators. As a result, the gas and benzene which fuel them add about 25-30% to the resale price of their products.
- There is not enough modern farm equipment, so farmers must use outdated methods to cultivate their lands, leading to lost time and effort.
- There is no spraying of date palm trees to control insects.
- Farmers' associations are not adequate to address the needs of farmers.
- There are no training courses for farmers to learn how to tend to their crops or how to apply pesticides.

8.3 DHI QAR FOCUS GROUP REPORT #3

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Agricultural

Date: 8/9/2009

Table 8-3: Focus Group #3 Participants

Serial	Name
1	L.J.
2	F.A.
3	A.K.
4	R.K.
5	A.S.
6	A.S.
7	R.K.
8	S.R.

8.3.1 Business Enabling Environment Constraints

- There are no government subsidies for the agricultural sector in Iraq, and no loans to farmers.
- There is no quality control for imported seeds and pesticides, and as a result most of them are sub-standard.
- There is not enough water, and salinity is a problem on farmlands.
- Unstable currency rates result in high prices for seeds and pesticides.
- There are no customs duties on imported materials, making those prices lower than those of locally produced goods.
- Racial conflicts and tribal disputes prevent farmlands from being cultivated for years at a time.
- The unpredictable security situation precludes farmers from selling their products in other provinces.
- Wholesalers control the prices of pesticides and seeds, keeping costs high.
- Administrative corruption and bribery in the agricultural sector affects the distribution of water and gas to farmers.

8.4 DHI QAR FOCUS GROUP REPORT #4

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Agricultural

Date: 8/9/2009

Table 8-4: Focus Group #4 Participants

Serial	Name
1	Z.A.
2	M.R.
3	S.M.
4	K.A.S.
5	L.A.S.
6	A.F.
7	A.H.S.
8	A.J.
9	A.M.
10	A.K.

8.4.1 Business Enabling Environment Constraints

- There are no government subsidies for the agricultural sector, and in particular animal husbandry. When loans are available, they require high monthly payments over a short period of time, which creates a hardship for farmers.
- There is no quality control on imported forage.
- Government employees require bribes before authorizing loans to farmers.
- There are no customs duties on imported meat, making it less costly than locally produced meat and causing competition for local farmers.
- Laws in Iraq do not permit the transport of animals between provinces.
- Veterinary medications are not regulated, and imported medicines are often past their expiration date.
- The unstable security situation in Baghdad and other regions makes it difficult to distribute frozen meat and chicken in these provinces.
- The fluctuations in foreign currency rate lead to higher prices for breeders.

8.4.2 Firm-Level Constraints

- The farm animal industry does not keep up with current equipment and technology, such as artificial vaccination, hatcheries, and refrigeration.
- There is no health care for workers who are at risk for diseases caused by close contact with farm animals.
- There is not enough electricity, and alternative energy and fuel are prohibitively expensive.
- Local products are not properly promoted or advertised.
- There are no farmers' networks that can adequately address the problems that farmers face.
- Veterinary medicines are too costly for breeders.
- Farmers and breeders don't have access to training courses in scientific methods for animal breeding.
- Many skilled laborers have left their farms to find more profitable employment in urban areas.
- Veterinary care in remote areas is inadequate, and breeders must pay to transport the entire medical staff in order to get veterinary service.

8.5 DHI QAR FOCUS GROUP REPORT #5

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Agricultural

Date: 9/9/2009

Table 8-5: Focus Group #5 Participants

Serial	Name
1	K.Y.
2	S.A.
3	F.H.S.
4	K.A.H.
5	M.S.
6	K.M.
7	S.A.
8	A.A.H.
9	M.N.

8.5.1 Business Enabling Environment Constraints

- The government does not subsidize loans to animal breeders, and the loans that are available are difficult to obtain.
- There is no quality control on veterinary supplies, and sometimes imported veterinary medicines have expired.
- Transporting animals to markets for sale or to veterinary clinics for treatment is expensive.
- There are no regulations governing merchants who import the veterinary medicines, and as a result, prices are constantly increasing.
- Breeders are not trained in current methods of breeding and artificial vaccination that could help increase production.
- Many farms have been exposed to radioactivity during recent wars.
- There are not enough markets for products like meat, dairy and wool.
- There is not enough forage for sheep and calves to breed.
- There are no customs duties on imported meat, creating extra competition for local breeders.

- Farmers are subject to extensive administrative procedures and forced to pay bribes at veterinary clinics.
- Transporting sheep and calves between provinces is considered smuggling, which is a crime punishable by law.
- There is not enough water or forage.

8.5.2 Firm-Level Constraints

- There is not enough skilled labor due to emigration abroad, forcing breeders to pay higher wages for the limited workers who are available.
- Modern technology is not available, and few people are skilled in artificial vaccination.
- There is no health insurance for breeders.
- Farmers' associations are ineffective in dealing with problems confronting breeders.
- Marketing meat and other animal products is difficult because most of the media publicize only imported products.
- Breeders cannot get specialized training in their field.
- There are not enough qualified farm animal veterinarians.

8.6 DHI QAR FOCUS GROUP REPORT #6

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Industrial

Date: 9/9/2009

Table 8-6: Focus Group #6 Participants

Serial	Name
1	M.K.
2	H.K.
3	T.A.A.
4	A.H.N.
5	M.S.D.
6	M.K.D.
7	A.A.K.
8	H.K.A.

8.6.1 Business Enabling Environment Constraints

- The government doesn't subsidize industrial loans, and private banks also restrict loans to industrial businesses.
- There is no quality control for imported raw materials such as iron and welding equipment.
- There are no custom duties on imported doors and windows, making them less expensive than locally produced ones.
- Fluctuations in foreign currency rates lead to higher prices for imported materials.
- The prices of imported raw materials are controlled by wholesalers.
- The state does not exempt industrial workers from taxes.
- Corruption in state offices prevents many industrialists from getting contracts unless they offer bribes.
- The unstable security situation precludes blacksmiths from travelling to other provinces to deal directly with merchants.
- Laws do not favor industrialists; for example, a factory or a workshop cannot be closed without the approval of the industrial development office.
- Deteriorating living standards in Iraq are bad for business, leading many blacksmiths to sell their products on credit, which in turn results in lost profits.
- There is not enough electricity and no alternative energy sources.

- There is no social security or health insurance for industrial workers, who are particularly susceptible to injury on the job.

8.6.2 Firm-Level Constraints

- There is no modern machinery, and blacksmiths continue to use outdated equipment.
- Blacksmiths are cannot afford the protective gear necessary for their work.
- Skilled labor is very costly.
- Trade unions are not effective in helping industrial workers.
- There are no courses to train laborers in modern design and iron working.
- There are no services to advertise and promote industrial businesses and products.

8.7 DHI QAR FOCUS GROUP REPORT #7

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Industrial

Date: 10/9/2009

Table 8-7: Focus Group #7 Participants

Serial	Name
1	A.K.
2	H.K.
3	A.Z.
4	H.H.
5	A.A.J.
6	M.M.
7	A.Y.
8	M.T.

8.7.1 Business Enabling Environment Constraints

- There is no regulation of imported wood and raw materials, and most are poor quality.
- There are no government loans for the furniture industry, and the ones that do exist are subject to high interest rates and difficult repayment conditions.
- Administrative corruption and complicated government requirements create impediments for business owners in the furniture industry.
- Tight security measures prevent transporting furniture between provinces without elaborate administrative procedures.
- Imported furniture is less expensive than locally produced furniture because it is not subject to customs duties.
- The volatile security issues in Baghdad and other provinces make it difficult for factory owners to travel in order to meet with wholesalers.
- Iraqi laws do not favor factory owners.
- There are no cooperatives for shop and factory owners to buy their products and resell them to state employees at a profit.
- Rents for factories and shops are prohibitive for factory owners.
- Wholesalers are unregulated and control the prices of raw materials in the wood industry.

- Foreign currency rates fluctuate frequently, affecting prices of the materials, which leads to increased costs for the retailer and consumer.
- There are no tax exemptions for shop and factory owners to support and encourage the national industry.
- The media do not publicize the local product, and are instead restricted to promoting only imported products.
- There is no health insurance or social security for workers in this field.

8.7.2 Firm-Level Constraints

- The shortage of electricity requires factory owners to purchase generators and spend money on fuel; these costs are then passed along to the consumer, who cannot afford the inflated prices of furniture and other household products.
- There is not enough skilled labor, as many workers change professions or have left Iraq altogether.
- Factory owners cannot afford modern machinery and must depend on old and outdated equipment.
- Factory owners cannot afford safety equipment for their workers.
- Trade unions do not effectively resolve problems faced by the factory workers.
- There is no training for woodworkers in furniture making or engraving.

8.8 DHI QAR FOCUS GROUP REPORT #8

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Industrial

Date: 12/9/2009

Table 8-8: Focus Group #8 Participants

Serial	Name
1	H.A.S.
2	H.J.
3	M.M.
4	A.S.J.
5	A.H.
6	M.M.
7	T.A.K.
8	M.W.
9	H.K.

8.8.1 Business Enabling Environment Constraints

- Owners of construction shops and factories are subject to taxes which drain profits.
- Industrial banks and the industrial development office ceased providing loans to factory owners.
- There is no quality control for imported cement and paints, which are mostly of poor quality.
- Imported raw materials and construction items like ready-made blocks and imported tiles are not subject to customs duties, which keeps their prices low and depletes the profits of local factory owners.
- Licensing procedures for the establishment and registration of factories are complex and often involve bribery.
- There are many similar products with different brands, adversely affecting supply and demand.
- The laws pertaining to industrial construction do not favor the factory owner.
- The fluctuation of foreign currency rates has negative repercussions for factory owners and customers.
- The low standard of living forces people to buy on credit, which in turn influences the profits of shop and factory owners.

- Wholesalers of construction materials exploit and control the prices of raw materials because they are not regulated by the state.
- There are tribal disputes over the lands belonging to factory owners, and the municipalities do not contribute to solving these disputes.
- There is not enough electricity or water.
- There is no health insurance or social security for workers in the construction industry, who have a greater risk of accidents on the job and are subjected to chemicals and other toxic materials.
- Local media rarely publicize locally produced goods and only promote imported products.

8.8.2 Firm-Level Constraints

- Factory owners are not able to import new machinery and must rely on old and outdated equipment.
- There is not enough skilled labor, partly because workers emigrate outside Iraq, and partly because they become civil servants due to worsening economic situations.
- Construction syndicates are not powerful enough to help workers in this field.
- There are no certification courses for skilled labor in the field of construction materials.

8.9 DHI QAR FOCUS GROUP REPORT #9

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Services

Date: 12/9/2009

Table 8-9: Focus Group #9 Participants

Serial	Name
1	R.S.
2	A.A.M.
3	A.A.
4	H.B.
5	T.F.A.
6	H.M.
7	A.T.
8	A.J.

8.9.1 Business Enabling Environment Constraints

- There are no government subsidies or banks that provide loans for barbers.
- There is no quality control for electric shavers, shaving aids, and cosmetics which are imported from abroad.
- State offices that issue licenses to salons and barbers often require bribes, and licenses are issued based on whom you know in the government.
- Laws and legislations regarding beauty salons and barber shops are not well defined and tend not to favor shop owners.
- Religious, social and cultural traditions require barbers and hairdressers to adhere to strict practices that many customers don't like, and as a result, these shop owners suffer losses in their businesses.
- Poor economic conditions, which affect the majority of customers, means lower profits for owners of barber shops and salons.
- Widespread unemployment, especially among recent graduates who cannot find jobs in their field, has resulted in the opening of many new barber shops and hair salons in residential areas, creating competition with professional barbers and hairdressers.
- There are no social security or health benefits for the workers in this field, yet they are especially susceptible to communicable diseases because of frequent and direct contact with customers.

- The municipal government imposes fines on the barbers who do not provide first-aid services.
- The imposition of taxes on small business owners makes it difficult for them to expand their businesses.

8.9.2 Firm-Level Constraints

- New and better quality shaving equipment is difficult to find, and most barbers and hairdressers must rely on old and worn out equipment.
- The lack of electricity forces most shop owners to use generators with expensive fuel, the cost of which must be passed along to the client, making it difficult for these businesses to attract customers.
- The associations for barbers and hairdressers do not adequately address the needs of their members.
- There are no courses to help barbers and hairdressers learn the latest technologies and fashions in their field.

8.10 DHI QAR FOCUS GROUP REPORT #10

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Industrial

Date: 13/9/2009

Table 8-10: Focus Group #10 Participants

Serial	Name
1	S.H.
2	T.S.
3	F.S.
4	A.A.G.
5	N.H.
6	A.M.
7	S.J.

8.10.1 Business Enabling Environment Constraints

- There is no quality control for imported flour and yeast, which is often past the expiration date.
- There are no loans or subsidies for owners of bakeries and pastry shops.
- It is difficult for owners of bakeries and bread stores to get licenses because of complicated administrative procedures and widespread corruption in government offices.
- Customs laws and regulations relating to flour and other imports are constantly changing, which has a negative impact on owners of bakeries.
- There is no regulation over wholesalers, who keep prices of raw materials artificially inflated.
- Unlicensed bakeries and bread makers compete with registered and legal businesses, leading to reduced profits for owners of the legitimate shops.
- The high costs of transportation and delivery trucks lead to lower profit margins for owners of bakeries and pastry shops.
- There is a shortage of kerosene, which is required for some ovens, and the monthly ration allocated by the municipality and the provincial council is not adequate.
- There are no health or social security benefits for workers in this field.

8.10.2 Firm-Level Constraints

- The electricity shortage directly affects bakers, who must rely on generators to power their ovens and other equipment.
- Modern electric ovens and flour mills have not yet been introduced in Iraq, so bakers must rely on old and outdated equipment.
- Associations of bakers do not sufficiently address the needs of their members.
- There is not enough safety or sanitation equipment for workers in bakeries and pastry shops, such as gloves, hair nets and fire extinguishers.
- There are no training courses in baking and pastry making.
- There should be training in bookkeeping and finance for business owners who need to keep accurate accounting records.

8.11 DHI QAR FOCUS GROUP REPORT #11

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Transportation

Date: 13/9/2009

Table 8-11: Focus Group #11 Participants

Serial	Name
1	A.S.D.
2	F.N.M.
3	N.D.O.
4	H.S.D.
5	B.M.
6	M.A.
7	L.K.

8.11.1 Business Enabling Environment Constraints

- There are not enough paved highways for trucks and passenger cars, making it difficult for workers in the transportation field to do their jobs.
- The government does not subsidize or offer loans to businesses engaged in transportation.
- There is no quality control for spare car parts and imported tires.
- Tight security measures in Baghdad and other provinces prevent trucks from delivering urgent orders on time.
- Security problems in a number of provinces prevent many transportation workers from traveling outside their provincial boundaries.
- There is no state regulation over wholesale importers, who control prices of car parts and other imported items.
- Traffic laws are not clearly defined, and procedures for registering commercial vehicles with the General Directorate of Traffic are complex and expensive.
- The General Directorate of Traffic issuing tests to grant driver's licenses for public transportation, leading to many unlicensed drivers and added competition with legitimate drivers.
- Gasoline is not good quality, causing problems for drivers and the need for frequent vehicle maintenance.
- There is no social security or health insurance for transportation workers.
- Roads should be paved, and special truck lanes should be added on highways, to help truck drivers deliver their orders on time.

- Public transportation companies should be exempt from taxes in order to encourage them to expand and grow their businesses.
- The government should provide more security to reduce incidents of violent crime and theft along the highways.

8.11.2 Firm-Level Constraints

- Drivers are rarely able to buy new vehicles and must rely on old, poorly functioning trucks and cars.
- There is not enough fuel or oil, so truck drivers and transportation companies often don't have what they need to do business.
- Trade unions for transport workers are not efficient or effective in addressing problems faced by truck drivers.
- There are no courses to train drivers in the guidelines and laws that pertain to public transport.

8.12 DHI QAR FOCUS GROUP REPORT #12

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Construction

Date: 14/9/2009

Table 8-12: Focus Group #12 Participants

Serial	Name
1	K.F.
2	S.A.R.
3	M.M.
4	M.R.
5	K.J.
6	A.S.A.L.

8.12.1 Business Enabling Environment Constraints

- The government does not subsidize loans to factory owners, and those loans that do exist are subject to high interest rates and short repayment periods.
- Owners of construction shops and factories must pay taxes which reduces their profits.
- There is no quality control for imported construction materials, which are mostly of poor quality.
- The laws pertaining to industrial construction do not favor the factory owner.
- Imported raw materials are not subject to customs duties, leading to lower prices and smaller profits for business owners.
- The fluctuation of foreign currency rates has negative repercussions for the factories owners and customers.
- Licensing procedures for the establishment and registration of factories are complex and often involve bribery.
- The media do not promote local products, advertising only imported goods.
- The low standard of living forces people to buy on credit, which in turn influences the profits of shop and factory owners.
- Wholesalers of construction materials exploit and control the prices of raw materials because they are not regulated by the state.
- There are tribal disputes over the lands belonging to factory owners, and the municipalities do not assist in solving these disputes.

- There is no health insurance or social security for workers in the construction industry, who have a greater risk of accidents on the job and are subjected to chemicals and other toxic materials.
- There is a shortage of water, so salt water is sometimes used for building; this results in poor quality construction and causes losses for business owners.

8.12.2 Firm-Level Constraints

- Factory owners are not able to import new machinery and must rely on old and outdated equipment.
- There is not enough electricity, forcing factory owners to buy generators and incur extra fuel costs.
- There is not enough skilled labor, partly because workers emigrate outside Iraq, and partly because they become civil servants due to worsening economic situations.
- Construction associations and trade unions do not help workers in this field.
- There are no certification courses for skilled labor in the field of construction materials.
- Garbage disposal services are expensive and not provided by the government, yet construction company owners must pay fines for rubble and debris that is not picked up from the street.

8.13 DHI QAR FOCUS GROUP REPORT #13

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Construction

Date: 14/9/2009

Table 8-13: Focus Group #13 Participants

Serial	Name
1	M.K.
2	N.R.
3	S.M.
4	H.R.
5	S.A.
6	Y.H.

8.13.1 Business Enabling Environment Constraints

- There are no government subsidies for contractors and owners of small construction businesses, and loans from government banks are subject to high interest rates and short repayment periods.
- Imported construction materials are mostly poor quality, as they are not regulated by customs.
- Racial conflicts and tribal disputes on lands slated for construction projects forces many construction companies to enter the mediation process, wasting valuable time and money, before they can begin work.
- Corruption and administrative “red tape” in government institutions are widespread, especially in the licensing of projects and registration of companies, which often require bribes.
- Tests conducted by government labs are not accurate and can lead to problems with construction projects.
- Transport costs for construction materials are high because of the difficulty of driving on unpaved roads.
- High salinity in the water used for building results in shoddy work and possible losses for construction business owners.
- Theft of construction materials in the work place leads to major losses for employers.
- The unstable security situation precludes some business owners from expanding their activities outside their provincial boundaries.
- There is no social security or health insurance for construction workers, and employers must take full responsibility in cases of accidents on the job.

- There are no tax exemptions for contracting companies or construction projects that would encourage expansion in this industry.
- There is no protection for local companies from foreign businesses that compete with them.

8.13.2 Firm-Level Constraints

- An inadequate supply of electricity leads most construction business owners to depend on expensive generators and costly fuel.
- Many skilled construction workers have emigrated to other countries, leaving a shortage of labor in this field.
- The businessmen's unions and Iraqi Chamber of Commerce do not provide adequate information for their members about importers, agents, and foreign companies.
- The government does not offer training or certification for construction laborers.
- Debris removal is difficult, as the municipality does not provide this service and the cost must be borne by construction company owners.

8.14 DHI QAR FOCUS GROUP REPORT #14

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Construction

Date: 15/9/2009

Table 8-14: Focus Group #14 Participants

Serial	Name
1	K.K.
2	A.K.M.
3	H.A.
4	K.R.
5	H.Y.
6	R.A.M.

8.14.1 Business Enabling Environment Constraints

- There are no government loans for contractors and owners of small companies.
- The prices of construction materials fluctuate because of constantly changing customs tariffs, ultimately leading to reduced profits for construction businesses.
- The raw materials used by contractors are often poor quality.
- There are no taxes on foreign construction companies, making it challenging for Iraqi companies to compete.
- Laws regulating the construction industry are not transparent, and administrative corruption forces contractors to resort to bribery in order to obtain project licenses to register their companies.
- It is difficult to transport construction materials because of security issues, which necessitate roadblocks and curfews; expensive fuel and unpaved roads also add to the costs of transport.
- Some businesses operate illegally and do not register with the proper government authorities, creating illegitimate competition with legally registered companies.
- The variation of foreign currency rates affects wholesale importers of construction materials, which in turn has a negative impact on business owners in this industry.
- Wholesalers are not regulated, they control the prices of construction materials.
- Tribal disputes adversely affect construction projects, and many business owners are subject to threats and bribes in order to proceed with their work.
- The water shortage leads to the use of high-salinity water, which results in poor quality construction and losses for business owners.

- There is no health insurance for construction workers, who are vulnerable to accidents on the job.

8.14.2 Firm-Level Constraints

- Construction business owners must use generators powered by expensive fuels because of the lack of adequate electricity.
- There is not enough skilled labor in the field of construction, as many workers have emigrated or sought other employment.
- Trade unions for construction laborers and contractors do not meet the needs of workers who belong to them.
- There is not enough training of skilled labor in the construction industry.
- There are no municipal sanitation services to remove debris and rubble, and business owners must bear the cost of this or face heavy fines.
- Construction business owners do not have access to the latest technology or equipment and must operate with outdated, malfunctioning machinery.

8.15 DHI QAR FOCUS GROUP REPORT #15

Province: Dhi Qar

Moderator: Ahmed Kamel Jaber

Sector: Construction

Date: 15/9/2009

Table 8-15: Focus Group #15 Participants

Serial	Name
1	M.N.
2	M.H.
3	A.K.
4	F.N.M.
5	A.R.K.
6	A.A.N.

8.15.1 Business Enabling Environment Constraints

- There are no government inspection sites at the borders to regulate the quality of imported construction materials.
- The state does not issue loans to workers in the construction field so they can expand their activities.
- The unstable security situation in Baghdad and some provinces prevents construction businesses from operating outside the boundaries of their provinces.
- Government institutions subject construction businesses to complex administrative procedures, and often bribes are required to obtain licenses and other necessary documents.
- Constantly changing customs regulations make it difficult for business owners to set prices, and therefore they incur losses.
- There are tribal disputes over lands which are used for construction projects, and Iraqi laws do not adequately mediate or resolve these disputes.
- Tight security measures prevent the free flow of delivery trucks, making it difficult for construction managers and businesses to get the materials they need in a timely fashion.
- As wholesalers are unregulated, they manipulate the prices of construction materials, leading to increased costs for the consumers.
- There is competition from foreign companies who are engaged in similar businesses.
- The cost of transporting materials is very high because of unpaved and dangerous roads.

- The water shortage leads to the use of high-salinity water, which results in poor quality construction and losses for business owners.
- There is no health insurance for construction workers, who are vulnerable to accidents on the job.
- There are no tax exemptions for contracting companies and construction companies that would encourage them to expand their work in this field.

8.15.2 Firm-Level Constraints

- There is not enough skilled labor in the field of construction, as many workers have emigrated or sought other employment.
- There is not enough training of skilled labor in the construction industry.
- There are no municipal sanitation services to remove debris and rubble, and business owners must bear the cost of this or face heavy fines.
- Construction business owners must use generators powered by expensive fuels because of the lack of adequate electricity.
- Trade unions for construction laborers and contractors do not meet the needs of workers who belong to them.
- Construction business owners do not have access to the latest technology or equipment and must operate with outdated, malfunctioning machinery.

9. APPENDIX 2: TABULATIONS AND GRAPHS

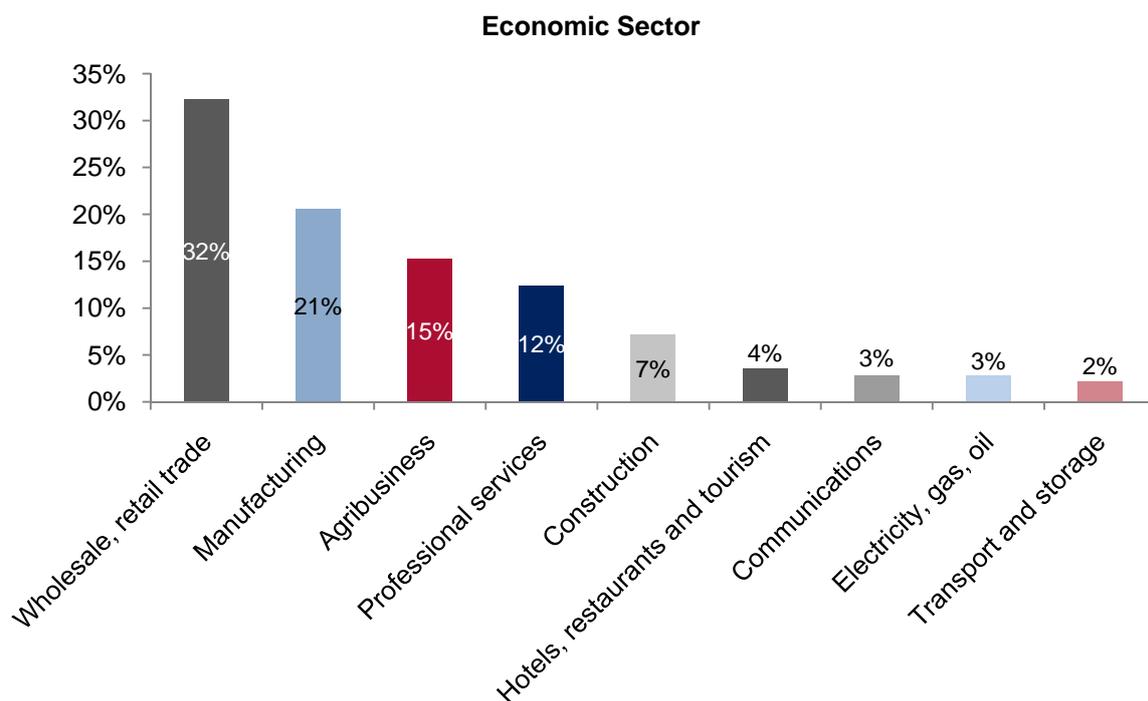
Provided here are the tabulations of the data resulting from the survey of 863 SMEs in Dhi Qar covering 76 questions with 547 variables. This enabled the analysts to develop 1,500 separate analysis scenarios. Please note that none of the tables in this appendix are included in the list of tables at the beginning of the report.

IMPORTANT NOTE ABOUT ROUNDING: Statistical figures are rarely whole numbers and often have decimal figures to the “n”th degree. Because this is the case, in order to present the data in a readable form, the non-whole numbers have been rounded. Provided for the reader in this section are statistical figures rounded to the last decimal place in some cases, and in some cases without any decimals. In all cases the numbers have been rounded and therefore, the sum total of the figures that are summed in any given table may not equal exactly 100.0%. Please allow for a margin of error that will be no more or no less than +/- 1% due to rounding.

9.1 MSME CHARACTERISTICS RESPONSES

1. In which economic sector does your business mainly operate?

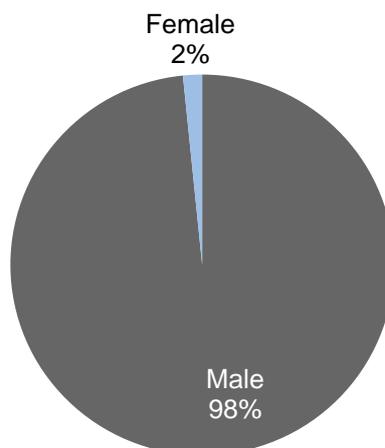
Economic Sector	Frequency	Percent
Wholesale, retail trade	279	32.3%
Manufacturing	178	20.6%
Agribusiness	132	15.3%
Professional services	107	12.4%
Construction	62	7.2%
Hotels, restaurants and tourism	31	3.6%
Communications	24	2.8%
Electricity, gas, oil	24	2.8%
Transport and storage	19	2.2%
Others	7	0.8%
Total	863	100%



2. What is the business owner's gender?

Gender	Frequency	Percent
Male	849	98.4%
Female	14	1.6%
Total	863	100%

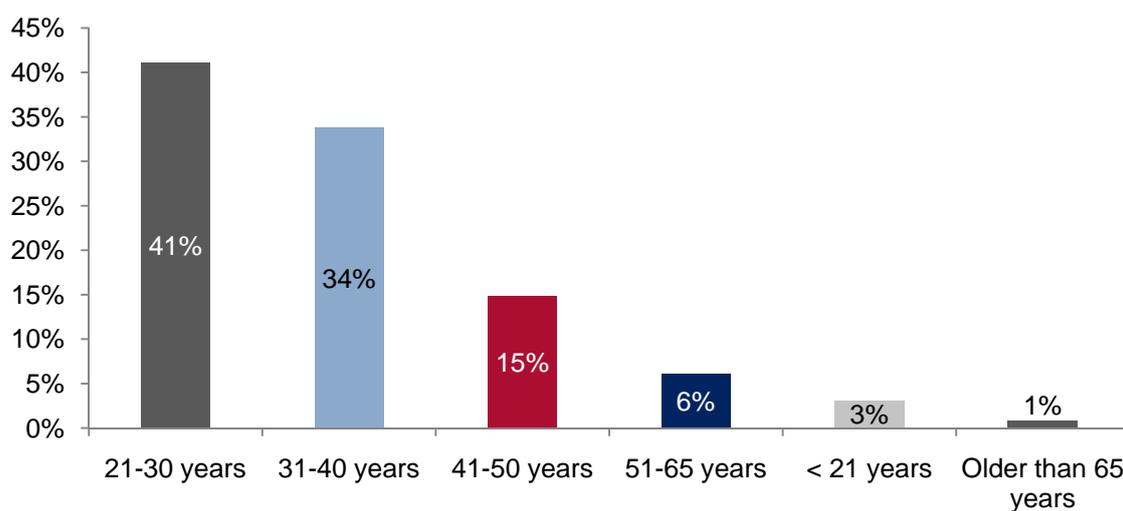
Business Owner Gender



3. How old is the business owner?

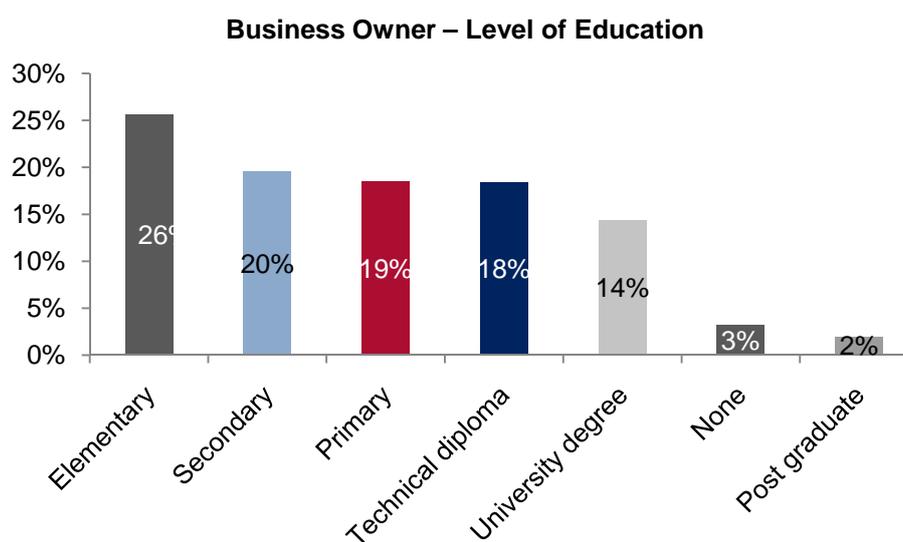
Age (Years)	Frequency	Percent
< 21 years	27	3.1%
21-30 years	355	41.1%
31-40 years	292	33.8%
41-50 years	129	14.9%
51-65 years	53	6.1%
Older than 65 years	7	0.8%
Total	863	100%

Age of the Business Owner



4. What is the education level of the business owner?

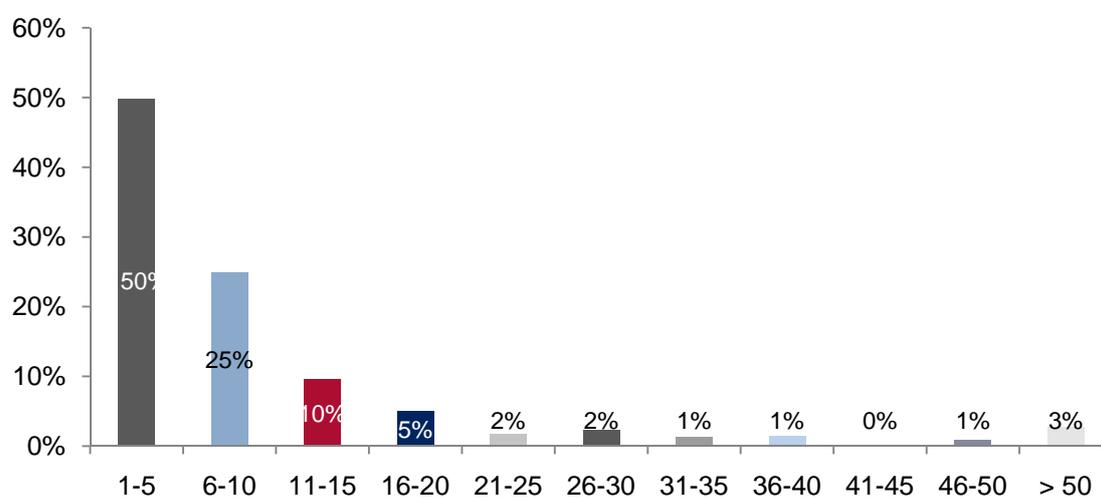
Education Level	Frequency	Percent
None	28	3.2%
Primary	160	18.5%
Elementary	221	25.6%
Secondary	169	19.6%
Technical diploma	159	18.4%
University degree	124	14.4%
Post graduate	2	0.2%
Total	863	100%



5. How old is your business enterprise?

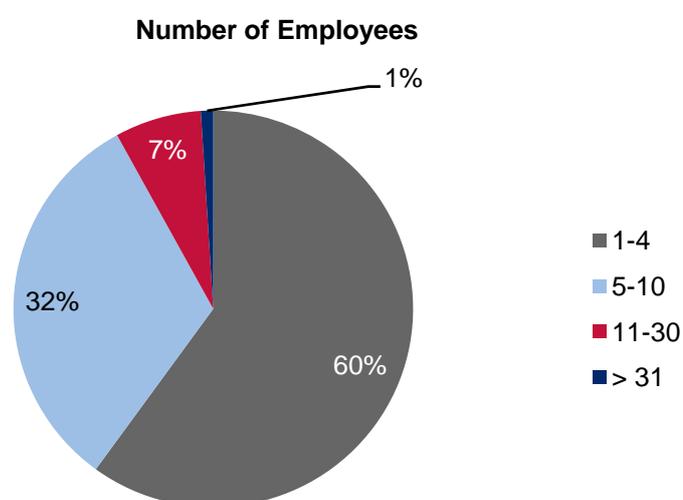
Age (Years)	Frequency	Percent
1 - 5	430	49.8%
6 - 10	215	24.9%
11 -15	83	9.6%
16 -20	44	5.1%
21 -25	15	1.7%
26 - 30	20	2.3%
31 - 35	11	1.3%
36 - 40	12	1.4%
41 - 45	2	0.2%
46 - 50	8	0.9%
> 50	23	2.7%
Total	863	100%

Age of Business



6. What is the total number of employees employed by your enterprise?

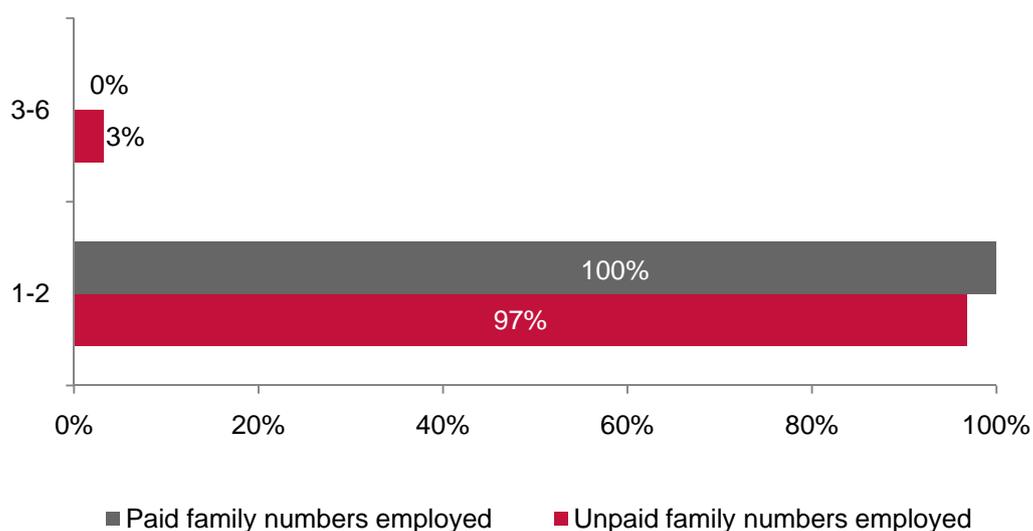
Number of Employees	Frequency	Percent
1-4	518	60.0%
5-10	276	32.0%
11-30	63	7.3%
> 31	6	0.7%
Total	863	100%



7. Family numbers employed

Family Numbers Employed		Numbers		Total	Missing	Total
		1-2	3-6			
Unpaid family numbers employed	Frequency	276	9	285	578	863
	% of Respondents	96.8%	3.2%	100%		
Paid family numbers employed	Frequency	238	625	863	625	863
	% of Respondents	100.0%	0%	100%		

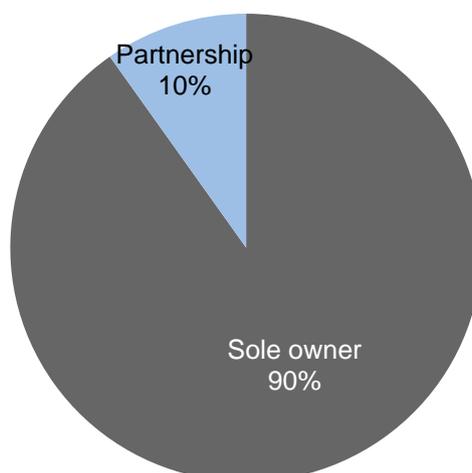
Enterprise Ownership



8. Who owns your business?

Type of Ownership	Frequency	Percent
Sole owner	777	90.2%
Partnership	84	9.8%
Total	861	100%
Missing	2	
Total	863	

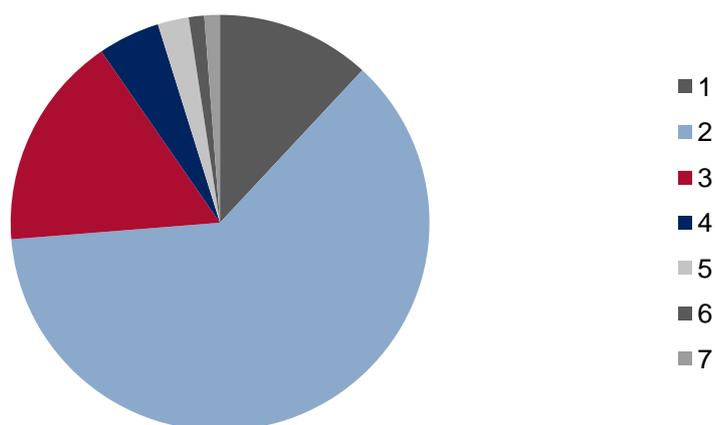
Type of Ownership



Number of partners

Number of Partners	Frequency	Percent
1	10	11.9%
2	52	61.9%
3	14	16.7%
4	4	4.8%
5	2	2.4%
6	1	1.2%
7	1	1.2%
Total	84	100%
Missing	779	
Total	863	

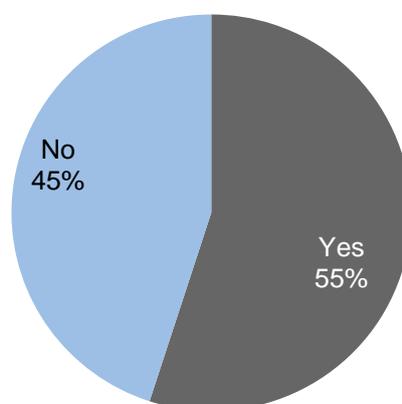
Number of Partners



9. Is your business family owned?

Family Owned	Frequency	Percent
Yes	474	55.3%
No	383	44.7%
Total	857	100%
Missing	6	
Total	863	

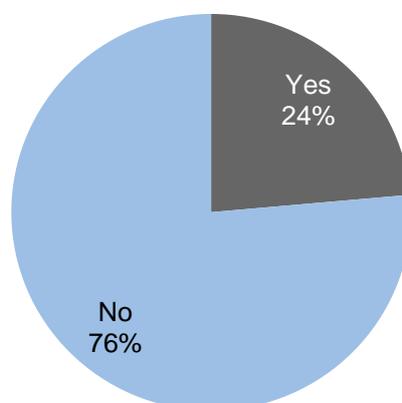
Family Owned



10. Is your business registered with a government agency?

Government Registration	Frequency	Percent
Yes	202	23.6%
No	655	76.4%
Total	857	100%
Missing responses	6	
Total	863	

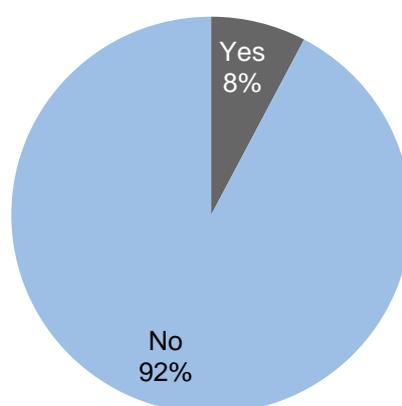
Government Registration



11. Do you belong to a Business Membership Organization (BMO)?

BMO Membership	Frequency	Percent
Yes	66	7.7%
No	795	92.3%
Total	861	100%
Missing responses	2	
Total	863	

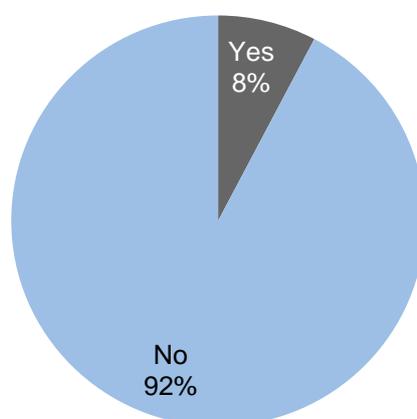
BMO Membership



12. Do You Belong to a Business Association?

Business Association	Frequency	Percent
Yes	66	7.7%
No	795	92.3%
Total	861	100%
Missing responses	2	
Total	863	

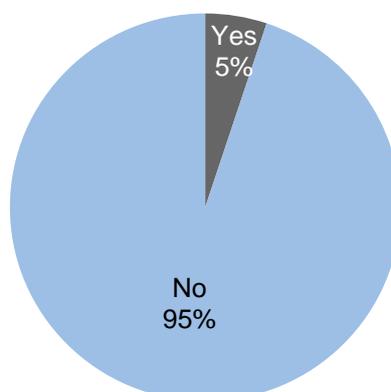
Business Association



13. Do you belong to a professional association?

Professional Association	Frequency	Percent
Yes	44	5.1%
No	811	94.9%
Total	855	100%
Missing	8	
Total	863	

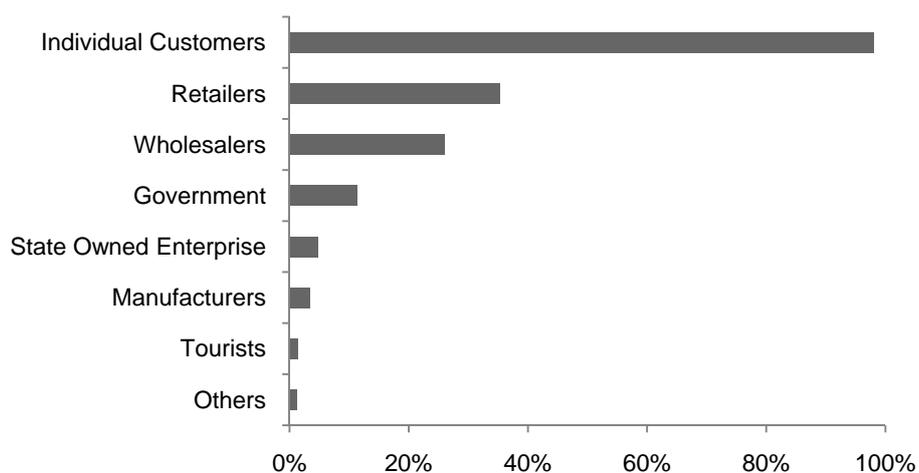
Professional Association



14. Who does your business primarily serve? (Multi-response question)

Enterprise Customers	Frequency	Percent
Individual Customers	841	98.0%
Government	97	11.4%
Retailers	303	35.4%
State Owned Enterprise	42	4.9%
Wholesalers	223	26.1%
Manufacturers	30	3.5%
Tourists	12	1.4%
Others	10	1.2%

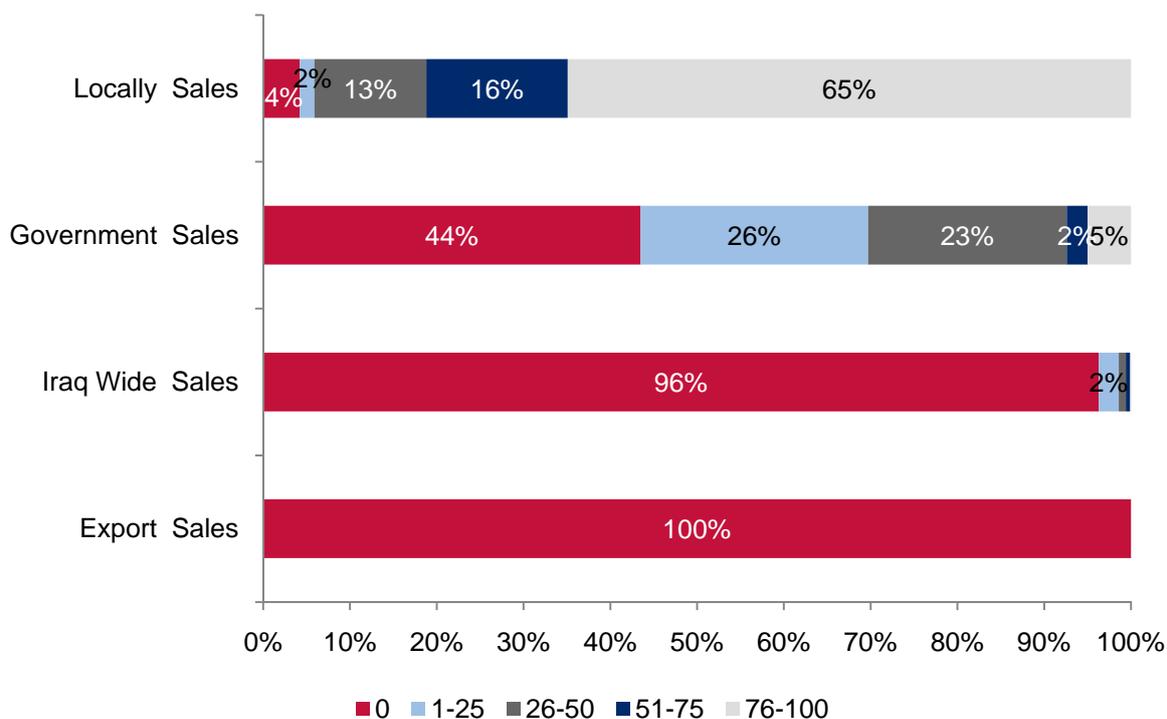
Main Customers



15. Where are your customers located?

Location		Percentages					Total
		0	1-25	26-50	51-75	76-100	
Locally Sales	Frequency	36	15	111	141	560	863
	% of Respondents	4.2%	1.7%	12.9%	16.3%	64.9%	100%
Government Sales	Frequency	375	226	198	21	43	863
	% of Respondents	43.5%	26.2%	22.9%	2.4%	5.0%	100%
Iraq Wide Sales	Frequency	831	20	7	4	1	863
	% of Respondents	96.3%	2.3%	0.8%	0.5%	0.1%	100%
Export Sales	Frequency	863	0	0	0	0	863
	% of Respondents	100.0%	0.0%	0.0%	0.0%	0.0%	100%

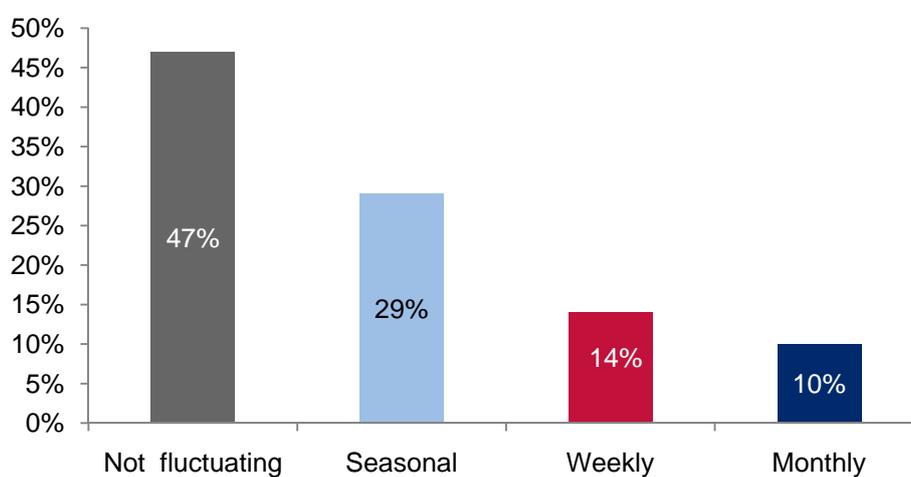
Business Activity Fluctuations



16. How does your level of business activity fluctuate / vary?

	Frequency	Percent
Weekly	117	13.6%
Monthly	84	9.7%
Seasonal	253	29.4%
Not fluctuating	408	47.3%
Total	862	100%
Missing responses	1	
Total	863	

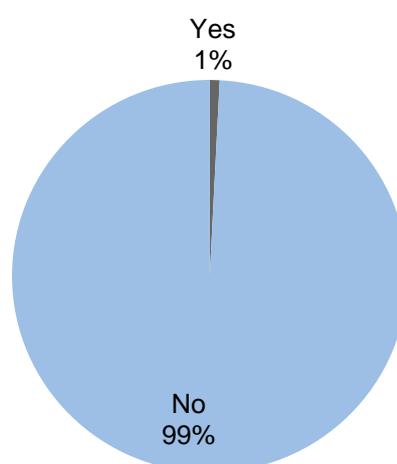
Fluctuation of Business Activity



17. Are there any large buyers for the products you make?

	Frequency	Percent
Yes	7	0.8%
No	850	99.2%
Total	857	100%
Missing responses	6	
Total	863	

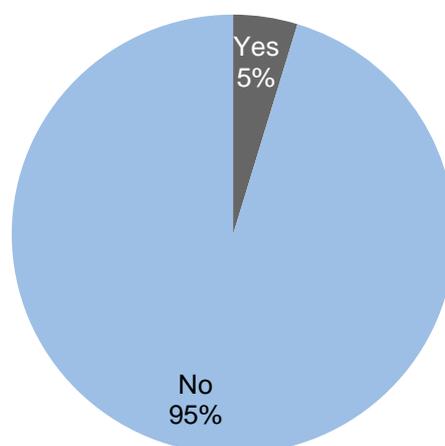
Large Buyers



18. Are there any relatively large buyers you have not been able to do business with?

	Frequency	Percent
Yes	40	4.7%
No	811	95.3%
Total	851	100%
Missing responses	12	
Total	863	

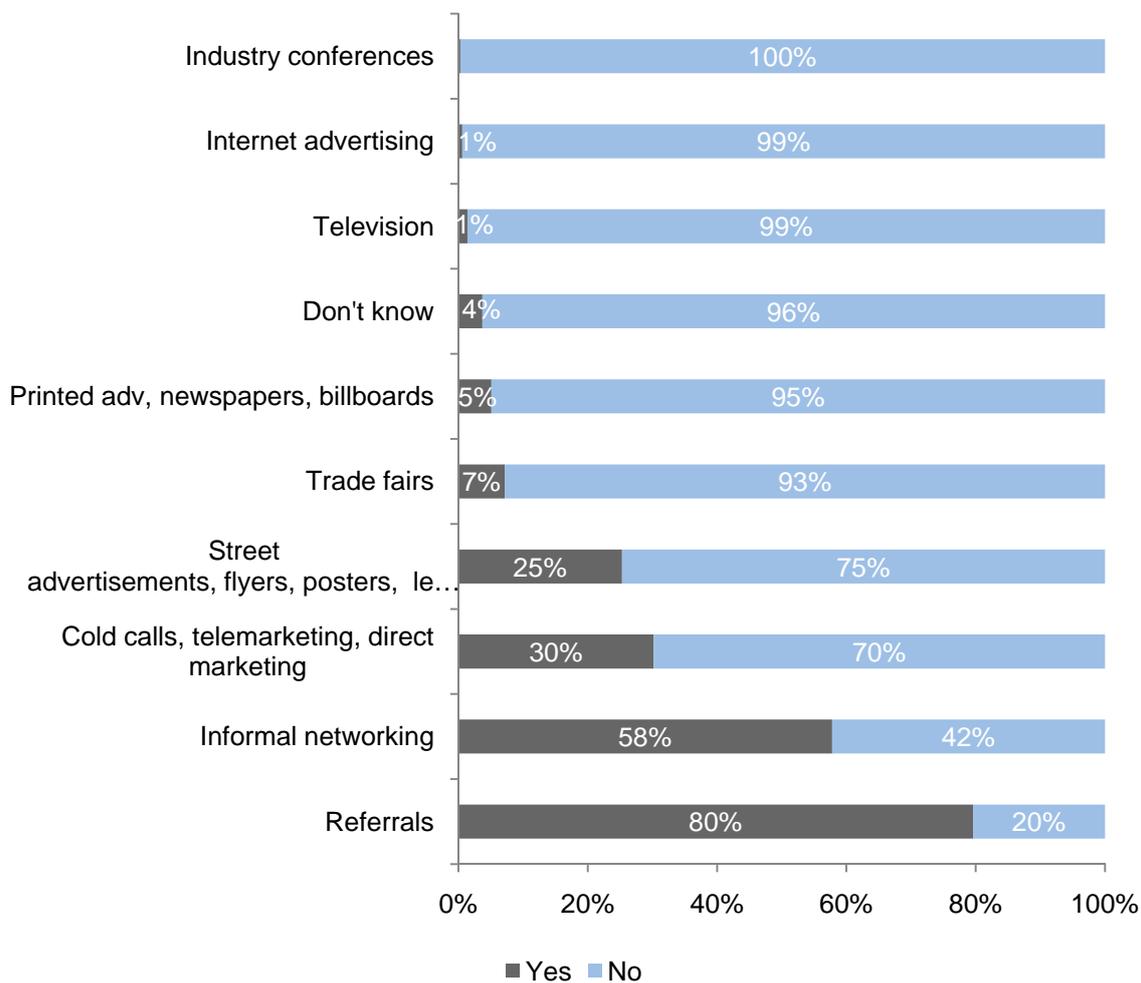
Large Buyers not Able to Do Business With



19. Which of the following techniques do you use to connect to your customers?

Technique		Utilization		Total
		Yes	No	
Cold calls, telemarketing, direct marketing	Frequency	261	602	863
	% of Respondents	30.2%	69.8%	100%
Informal networking	Frequency	499	364	863
	% of Respondents	57.8%	42.2%	100%
Trade fairs	Frequency	62	801	863
	% of Respondents	7.2%	92.8%	100%
Printed adv, newspapers, billboards	Frequency	44	819	863
	% of Respondents	5.1%	94.9%	100%
Street advertisements, flyers, posters, leaflets	Frequency	218	645	863
	% of Respondents	25.3%	74.7%	100%
Television	Frequency	12	851	863
	% of Respondents	1.4%	98.6%	100%
Industry conferences	Frequency	3	860	863
	% of Respondents	0.3%	99.7%	100%
Referrals	Frequency	687	176	863
	% of Respondents	79.6%	20.4%	100%
Internet advertising	Frequency	5	858	863
	% of Respondents	0.6%	99.4%	100%
Don't know	Frequency	32	831	863
	% of Respondents	3.7%	96.3%	100%

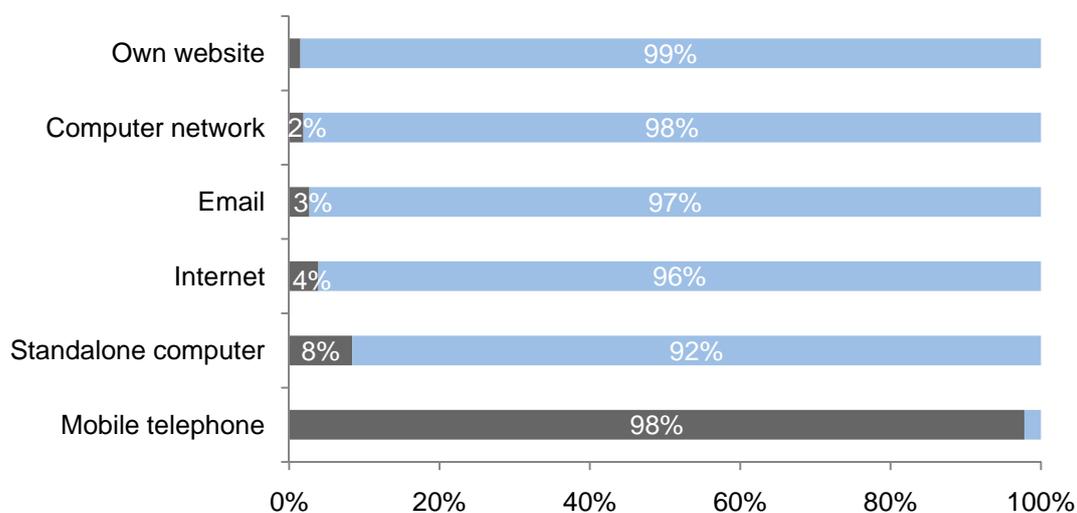
Marketing / Connecting to Customers



20. Indicate which of the following technologies you use to conduct business (multiple responses)

Technologies Used to Conduct Business		Utilization		Total
		Yes	No	
Mobile telephone	Frequency	840	19	859
	% of Respondents	97.8%	2.2%	100%
Standalone computer	Frequency	71	776	847
	% of Respondents	8.4%	91.6%	100%
Computer network	Frequency	16	826	842
	% of Respondents	1.9%	98.1%	100%
Email	Frequency	23	820	843
	% of Respondents	2.7%	97.3%	100%
Own website	Frequency	13	832	845
	% of Respondents	1.5%	98.5%	100%
Internet	Frequency	33	811	844
	% of Respondents	3.9%	96.1%	100%

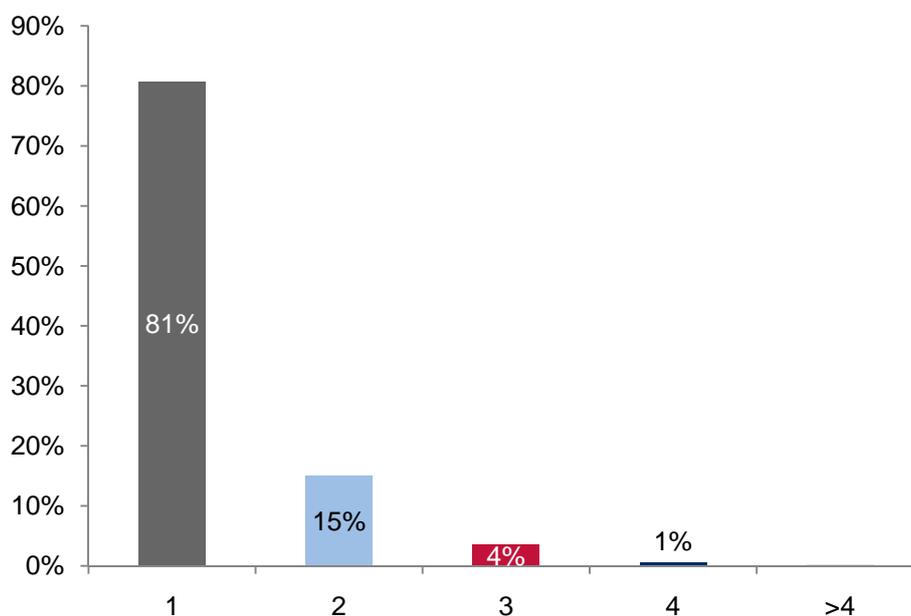
Technologies Used to Conduct Business



Mobile Phone Ownership

Number of Cell Phones Owned	Frequency	Percent
1	663	80.7%
2	124	15.1%
3	29	3.5%
4	4	0.5%
>4	2	0.2%
Total	822	100%
Missing responses	41	
Total	863	

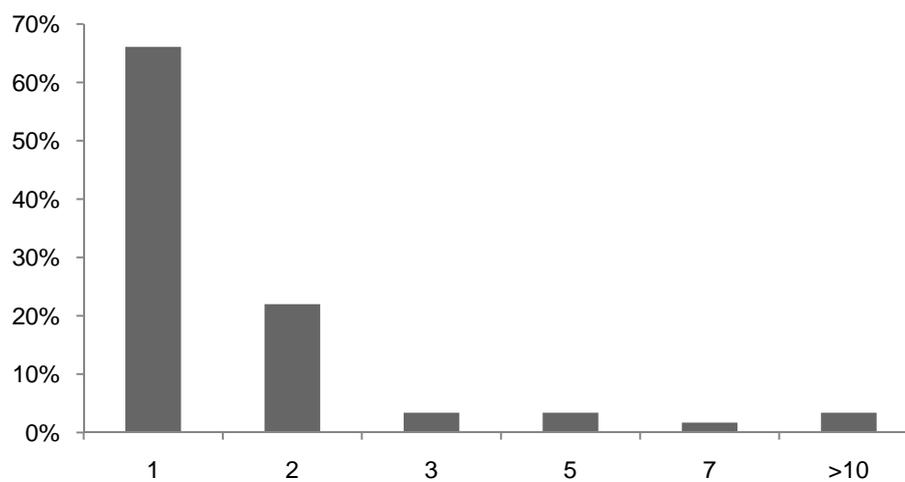
Mobile Phone Ownership



Standalone Computer Ownership

Number of Computers	Frequency	Percent
1	39	66.1%
2	13	22.0%
3	2	3.4%
5	2	3.4%
7	1	1.7%
>10	2	3.4%
Total	59	100%
Missing Responses	804	
Total	863	

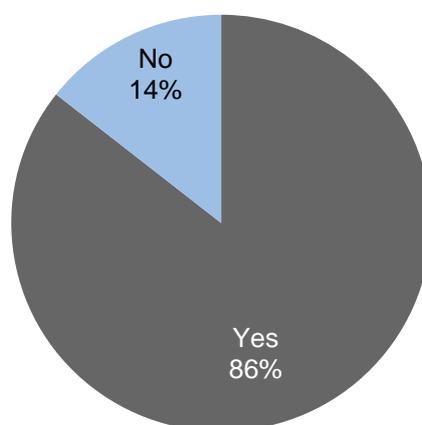
Number of Computers



21. Can you currently find enough unskilled workers for your business?

	Frequency	Percent
Yes	728	85.6%
No	122	14.4%
Total	850	100%
Missing	13	
Total	863	

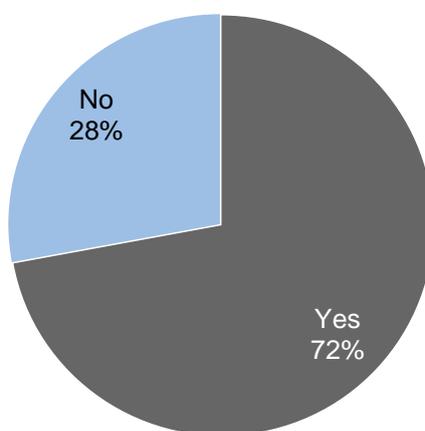
Unskilled Workers Availability



22. Can you currently find enough skilled workers for your business?

	Frequency	Percent
Yes	618	72.1%
No	239	27.9%
Total	857	100%
Missing	6	
Total	863	

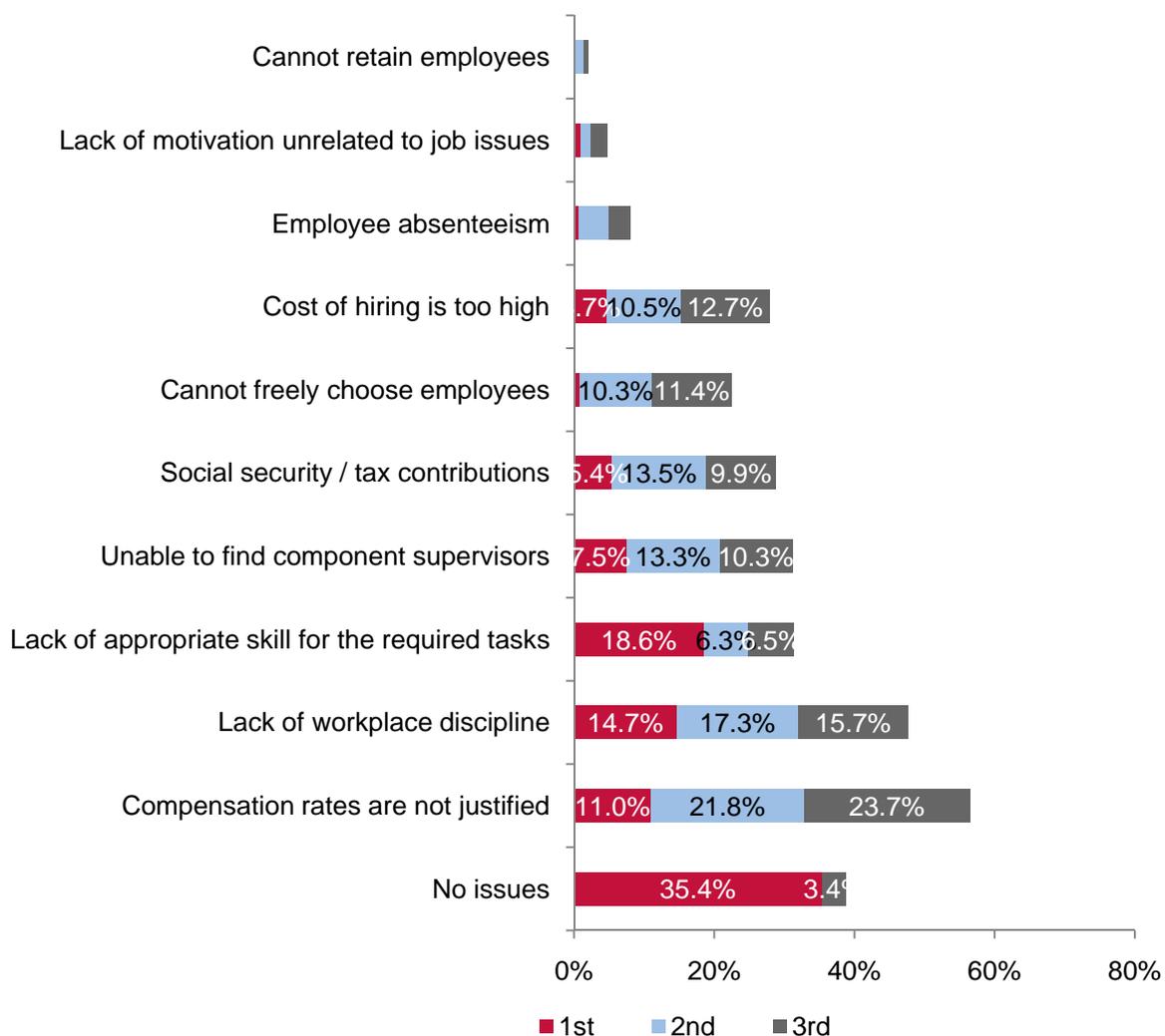
Skilled Workers Availability



23. Rank the three main sources of concern regarding your employees:

Employment Issue	1st		2nd		3rd		Overall Rank	
	Frequency	%	Frequency	%	Frequency	%	Rank	Weight
No issues	303	35.4%	0	0.0%	19	3.4%	1	1.304044
Compensation rates are not justified	94	11.0%	121	21.8%	131	23.7%	2	1.001981
Lack of workplace discipline	126	14.7%	96	17.3%	87	15.7%	3	0.944343
Lack of appropriate skill for the required tasks	159	18.6%	35	6.3%	36	6.5%	4	0.747818
Unable to find component supervisors	64	7.5%	74	13.3%	57	10.3%	5	0.593778
Social security / tax contributions	46	5.4%	75	13.5%	55	9.9%	6	0.530755
Cannot freely choose employees	7	0.8%	57	10.3%	63	11.4%	7	0.343834
Cost of hiring is too high	40	4.7%	58	10.5%	70	12.7%	8	0.266606
Employee absenteeism	6	0.7%	24	4.3%	17	3.1%	9	0.138231
Lack of motivation unrelated to job issues	8	0.9%	8	1.4%	13	2.4%	10	0.080342
Cannot retain employees	2	0.2%	6	1.1%	4	0.7%	11	0.035856
Others	2	0.2%	1	0.2%	1	0.2%	12	0.012413
Total	857	100%	555	100%	553	100%		
Missing response	6		308		310			
Total	863		863		863			

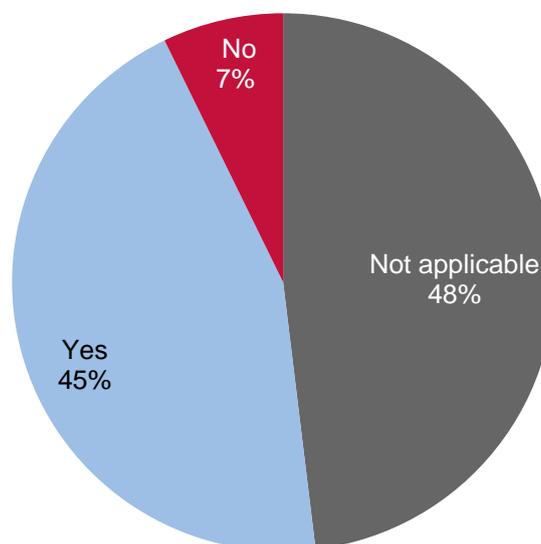
Employee Concerns, in Order of Weighted Rank



24. Are required skills learned on the job (in-house training)?

	Frequency	Percent
Yes	385	44.7%
No	62	7.2%
Not applicable	414	48.1%
Total	861	100%
Missing responses	2	
Total	863	

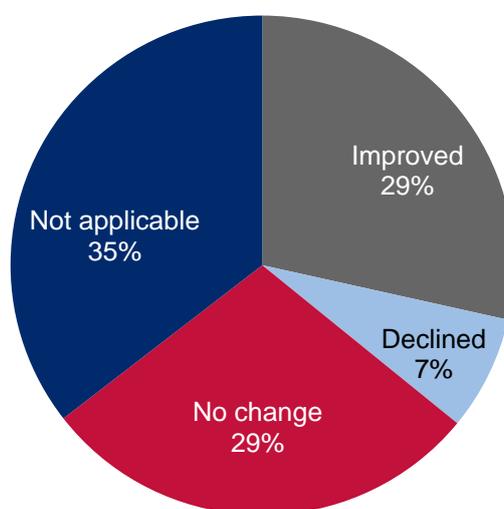
In-House Training



25. How has the availability of qualified labor changed over the past three years?

	Frequency	Percent
Improved	246	28.5%
Declined	64	7.4%
No change	247	28.6%
Not applicable	306	35.5%
Total	863	100%

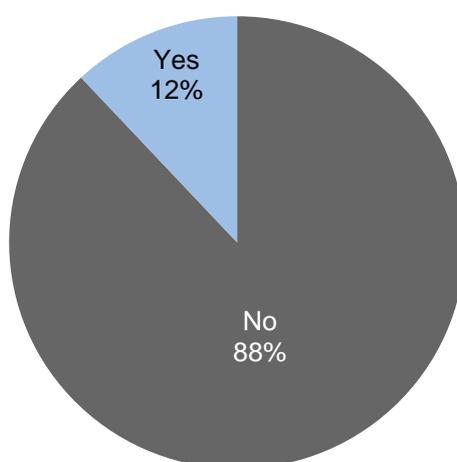
Availability of Qualified Labor Changes



26. Do you employ people seasonally?

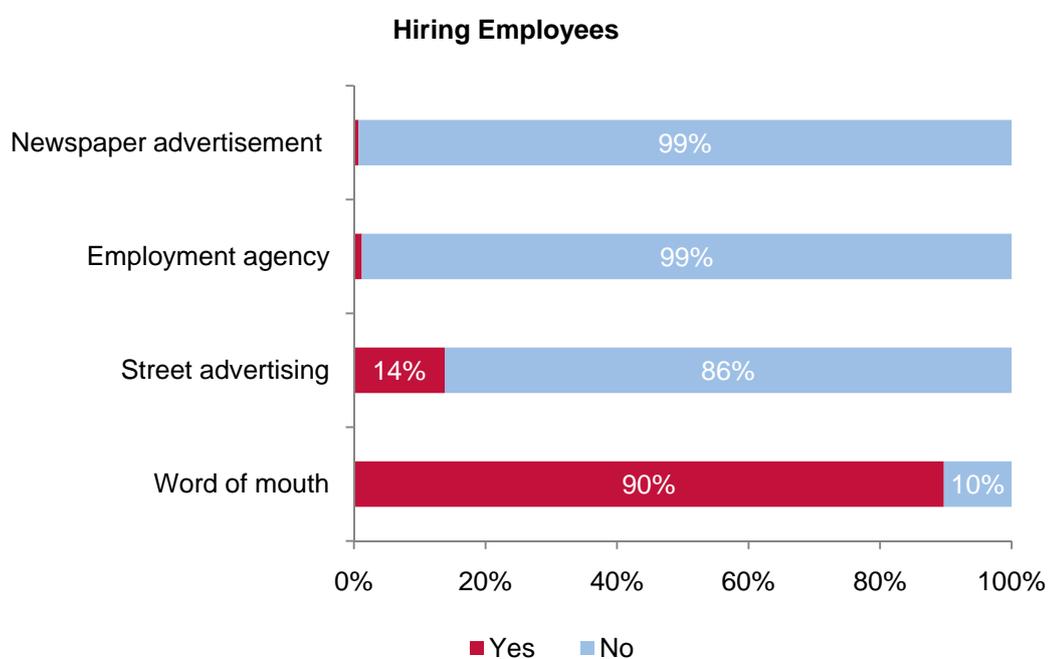
	Frequency	Percent
Yes	103	12.0%
No	757	88.0%
Total	860	100%
Missing responses	3	
Total	863	

Seasonal Employment



27. How do you go about hiring new employees?

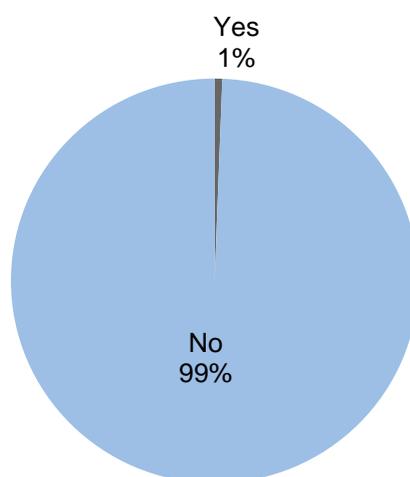
How do You go about Seeking New Employees?		Utilization		Total
		Yes	No	
Newspaper advertisement	Frequency	6	844	850
	% of Respondents	0.7%	99.3%	100%
Employment agency	Frequency	10	843	853
	% of Respondents	1.2%	98.8%	100%
Word of mouth	Frequency	768	88	856
	% of Respondents	89.7%	10.3%	100%
Street advertising	Frequency	118	735	853
	% of Respondents	13.8%	86.2%	100%



28. Are there companies in your area whose business it is to provide new employees (employment agencies)?

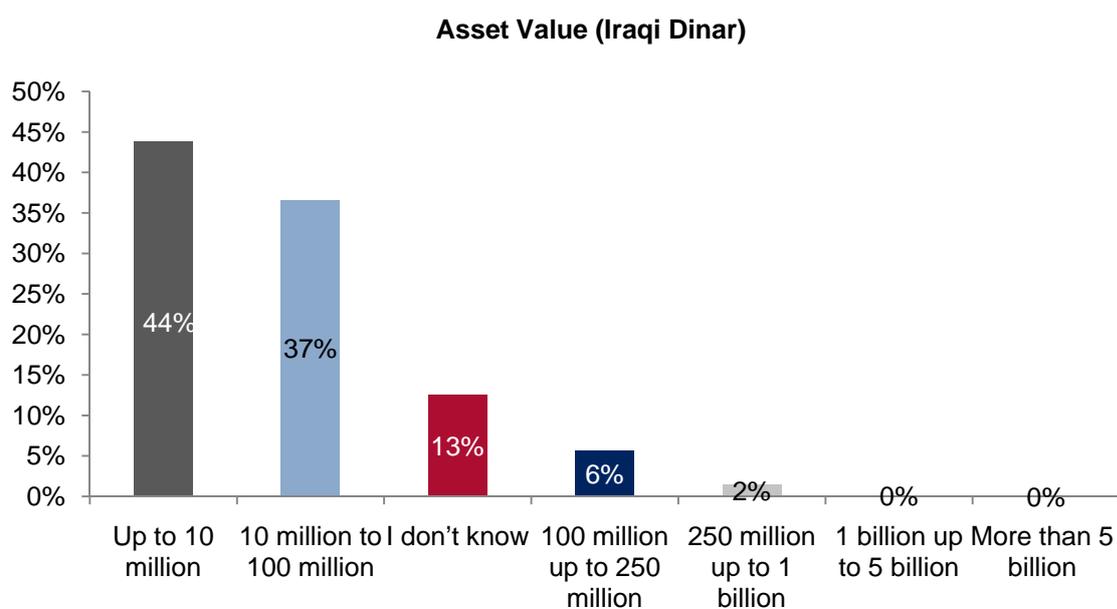
	Frequency	Percent
Yes	5	0.6%
No	852	99.4%
Total	857	100%
Missing responses	6	
Total	863	

Employment Agencies in Your Area



29. What is the approximate value of your current business assets (Iraqi Dinar)?

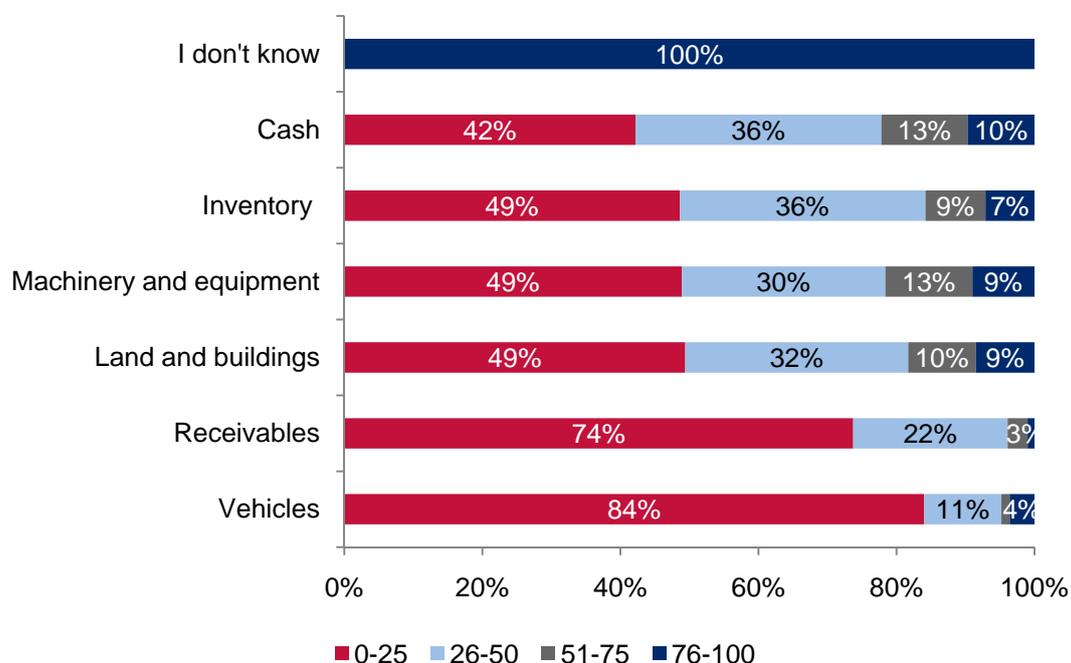
Asset Value (Iraqi Dinar)	Frequency	Percent
Up to 10 million	376	43.8%
10 million to 100 million	314	36.6%
100 million up to 250 million	48	5.6%
250 million up to 1 billion	13	1.5%
1 billion up to 5 billion	1	0.1%
More than 5 billion	0	0%
I don't know	107	12.5%
Total	859	100%
Missing responses	4	
Total	863	



30. Approximate Assets Holding by Type

Type		Percentage				Total
		0-25	26-50	51-75	76-100	
Cash	Frequency	293	247	87	67	694
	% of Respondents	42.2%	35.6%	12.5%	9.7%	100%
Receivables	Frequency	307	93	12	4	416
	% of Respondents	73.8%	22.4%	2.9%	1.0%	100%
Inventory	Frequency	240	176	43	35	494
	% of Respondents	48.6%	35.6%	8.7%	7.1%	100%
Machinery and equipment	Frequency	202	122	52	37	413
	% of Respondents	48.9%	29.5%	12.6%	9.00%	100%
Vehicles	Frequency	142	19	2	6	169
	% of Respondents	84.0%	11.2%	1.2%	3.6%	100%
Land and buildings	Frequency	81	53	16	14	164
	% of Respondents	49.4%	32.3%	9.8%	8.5%	100%
I don't know	Frequency	0	0	0	1	1
	% of Respondents	0.0%	0.0%	0.0%	100.0%	100%

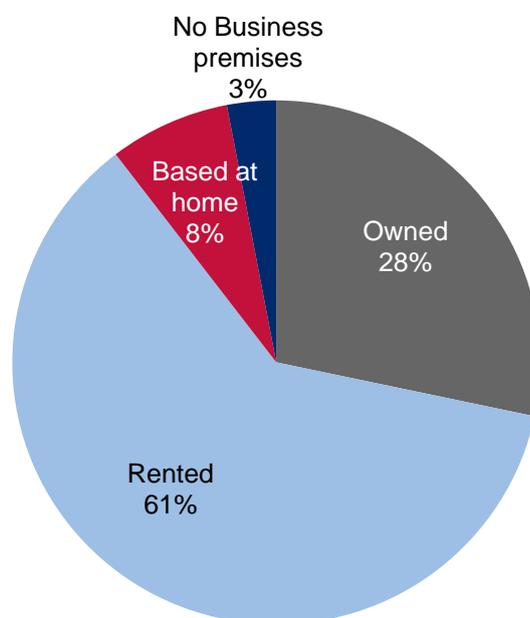
Approximate Assets Holding by Type



31. Where are your business premises located?

Location	Frequency	Percent
Owned	243	28.3%
Rented	527	61.3%
Based at home	64	7.4%
No business premises	26	3%
Total	860	100%
Missing responses	3	
Total	863	

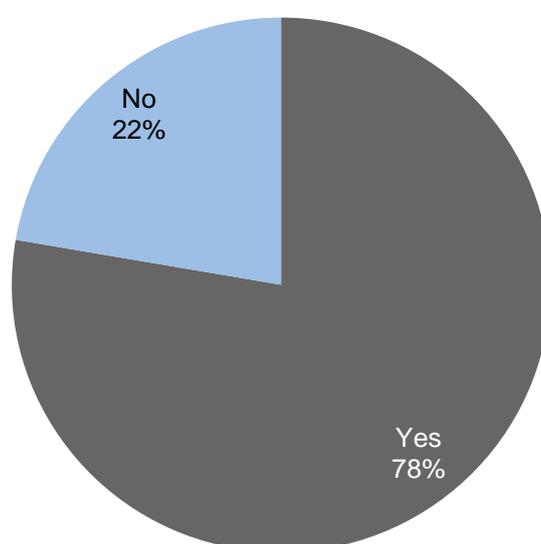
Business Premises Location



32. Does your business own or lease any vehicles?

	Frequency	Percent
Yes	667	77.7%
No	191	22.3%
Total	858	100%
Missing responses	5	
Total	863	

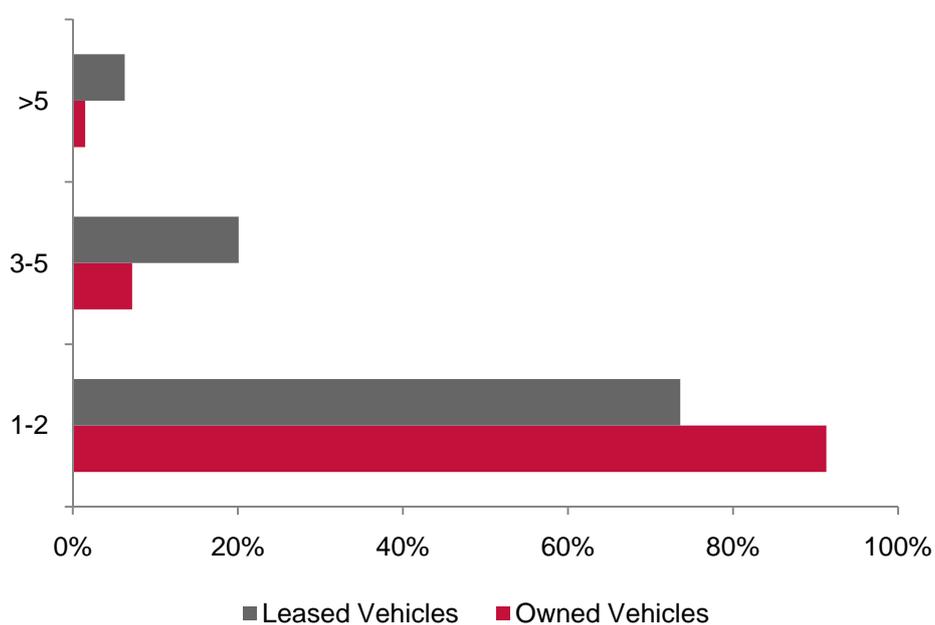
Business Vehicles



Number of vehicles owned / leased:

Number of Vehicles	Owned Vehicles		Leased Vehicles	
	Frequency	Percent	Frequency	Percent
1-2	178	91.3%	420	73.6%
3-5	14	7.2%	115	20.1%
>5	3	1.5%	36	6.3%
Total	195	100%	571	100%
Missing responses	668		292	
Total	863		863	

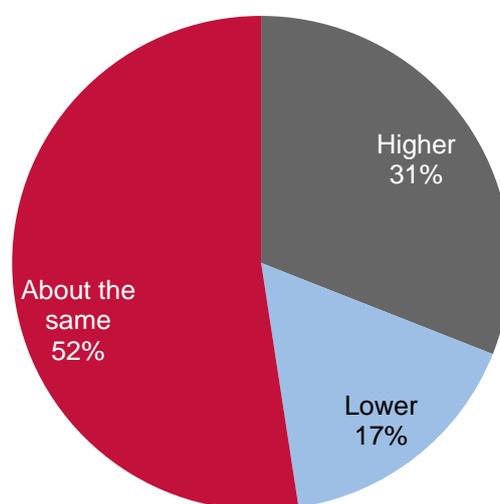
Number of Vehicles



33. Is your sales turnover likely to be higher, or lower than it was in the last financial year?

Sales	Frequency	Percent
Higher	267	31%
Lower	143	16.6%
About the same	452	52.4%
Total	862	100%
Missing responses	1	
Total	863	

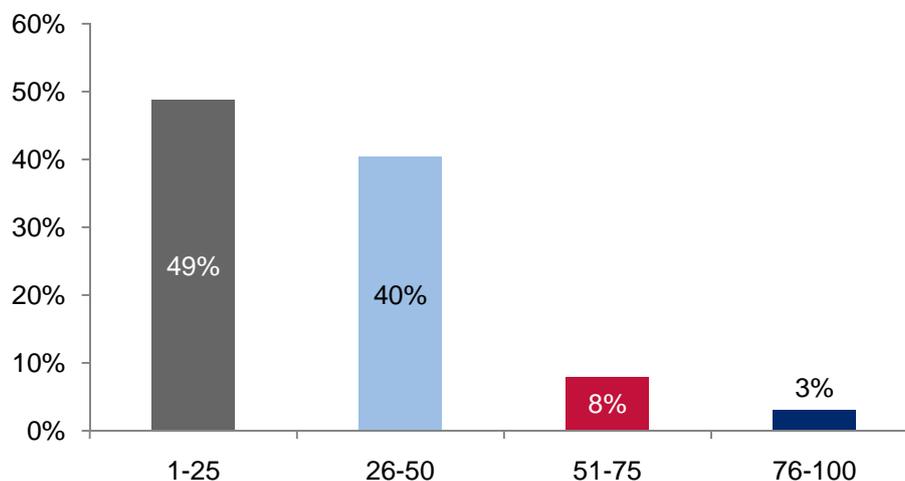
Sales Turnover Fluctuations



Estimated Percentage Change

	Frequency	Percent
1-25	197	48.8%
26-50	163	40.3%
51-75	32	7.9%
76-100	12	3.0%
Total	404	100%
Missing responses	459	
Total	863	

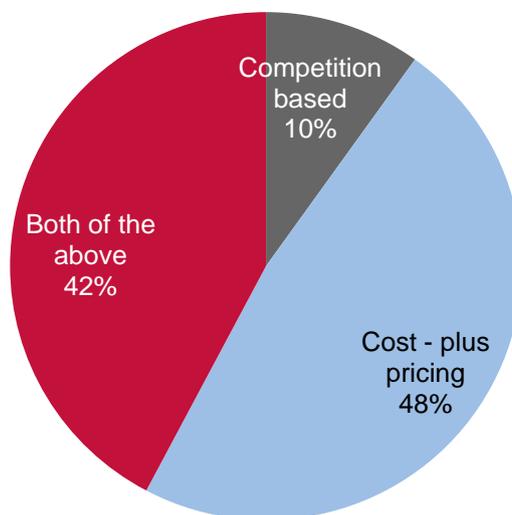
Estimated Percentage Change



34. What pricing strategy do you use for your products / services?

Pricing Strategy	Frequency	Percent
Competition based	85	9.9%
Cost - plus pricing	412	47.9%
Both of the above	364	42.3%
Total	861	100%
Missing responses	2	
Total	863	

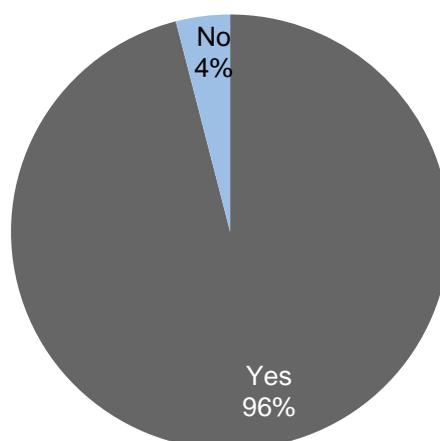
Pricing Strategy



35. Is your business profitable?

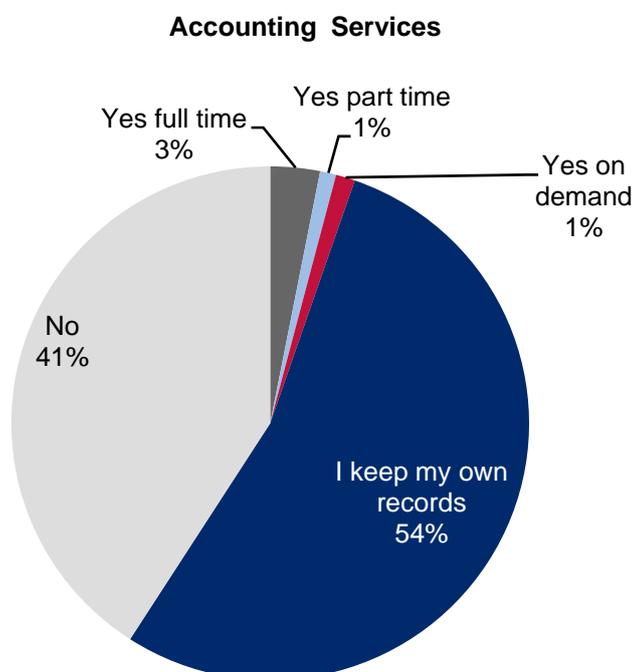
	Frequency	Percent
Yes	818	96.0%
No	34	4.0%
Total	852	100%
Missing responses	11	
Total	863	

Business Profitability



36. Do you employ the services of an accountant?

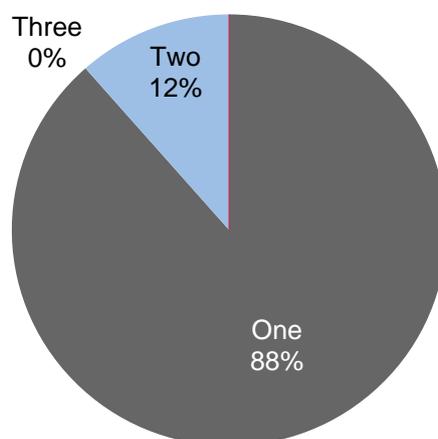
	Frequency	Percent
Yes full time	27	3.1%
Yes part time	9	1.0%
Yes on demand	10	1.2%
I keep my own records	464	53.8%
No	353	40.9%
Total	863	100%
Missing	0	
Total	863	



36a. How many Accountants do you employ?

Accountant	Frequency	Percent
One	23	88.5%
Two	3	11.5%
Three	0	0%
Total	26	100%
Missing responses	837	
Total	863	

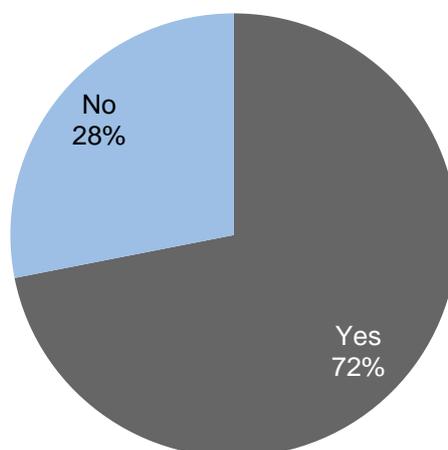
Accountant



37. Do you keep your business accounts separate from family accounts?

	Frequency	Percent
Yes	613	71.9%
No	239	28.1%
Total	852	100%
Missing	11	
Total	863	

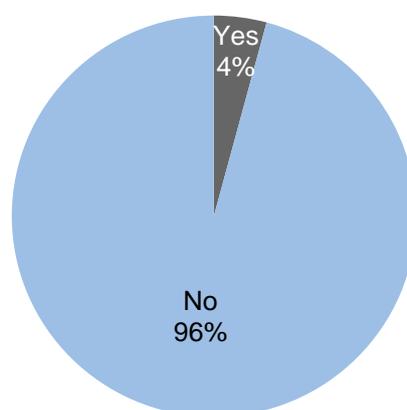
Business Accounts Separate from Family Accounts



38. Do you utilize the services of an external auditor?

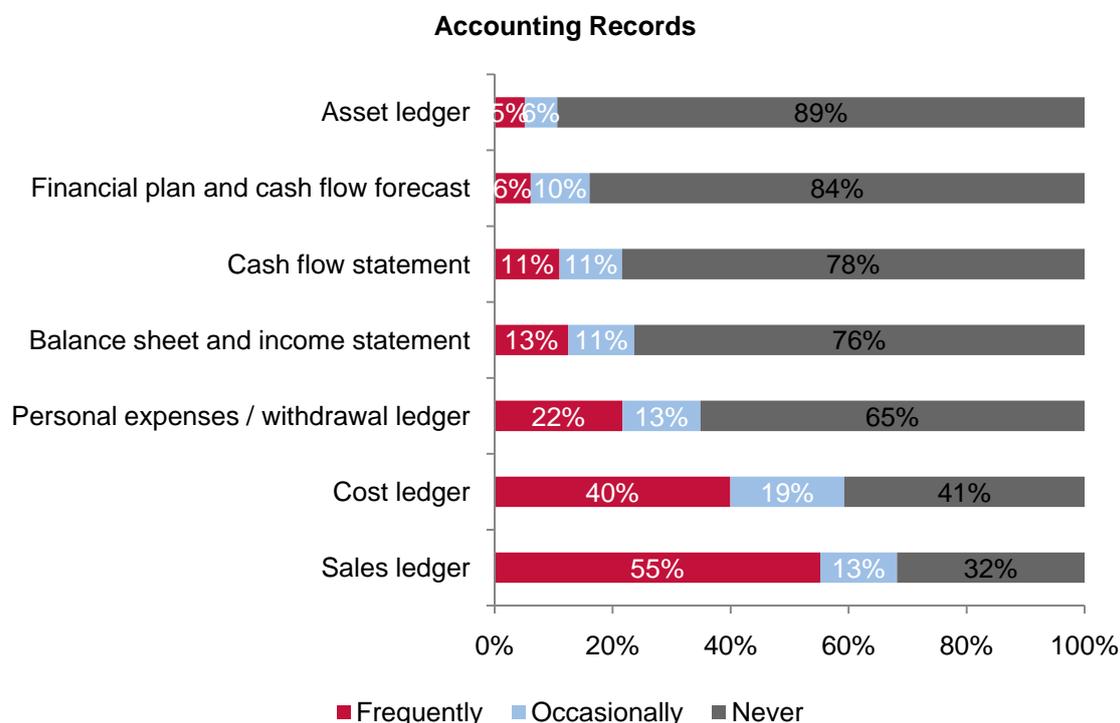
	Frequency	Percent
Yes	36	4.2%
No	814	95.8%
Total	850	100%
Missing responses	13	
Total	863	

External Auditor



39. Which of the following accounting records do you keep?

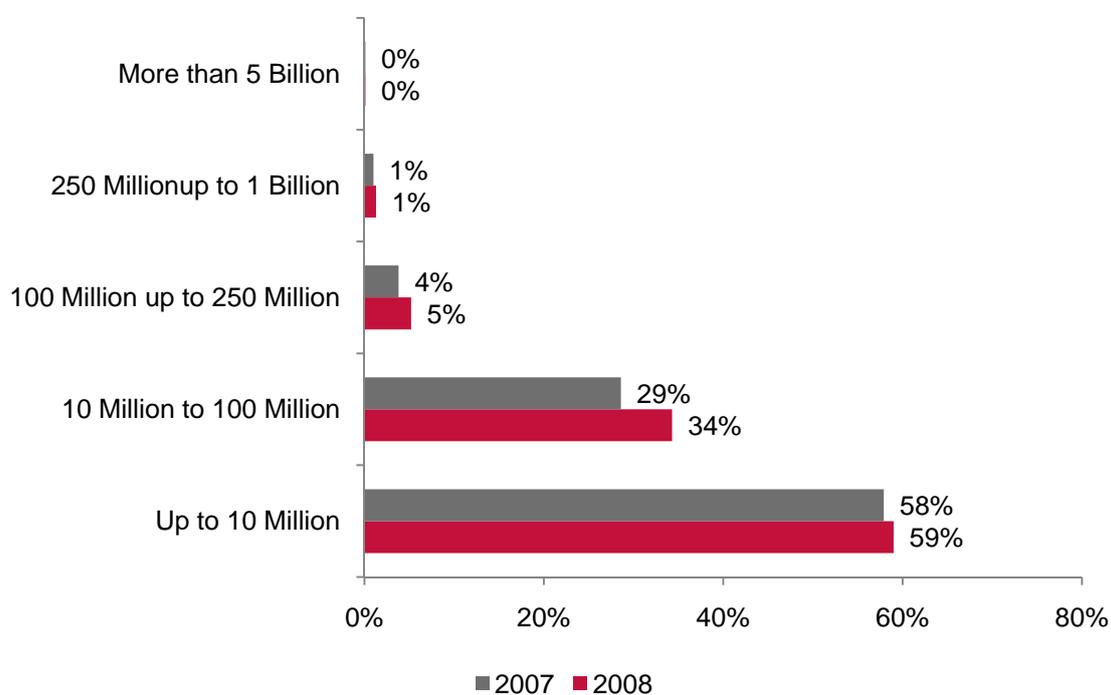
Accounting Records		Utilization			Total
		Frequently	Occasionally	Never	
Sales ledger	Frequency	474	112	273	859
	% of Respondents	55.2%	13.0%	31.8%	100 %
Cost ledger	Frequency	343	166	350	859
	% of Respondents	39.9%	19.3%	40.7%	100%
Asset ledger	Frequency	44	47	767	858
	% of Respondents	5.1%	5.5%	89.4%	100%
Balance sheet and income statement	Frequency	107	96	656	859
	% of Respondents	12.5%	11.2%	76.4%	100%
Financial plan and cash flow forecast	Frequency	52	86	720	858
	% of Respondents	6.1%	10.0%	83.9%	100%
Cash flow statement	Frequency	94	91	673	858
	% of Respondents	11.0%	10.6%	78.4%	100%
Personal expenses / withdrawal ledger	Frequency	186	113	560	859
	% of Respondents	21.7%	13.2%	65.2%	100%



40. What has been your annual sales turnover for the past two years (Iraqi Dinar)?

Fiscal Year		Annual Sales Turnover – Iraqi Dinar					Total
		Up to 10 Million	10 Million to 100 Million	100 Million up to 250 Million	250 Million up to 1 Billion	More than 5 Billion	
2007	Frequency	500	247	33	9	1	790
	% of Respondents	57.90%	28.60%	3.80%	1.00%	0.10%	100%
2008	Frequency	485	282	43	11	1	822
	% of Respondents	59.00%	34.30%	5.20%	1.30%	0.10%	100%

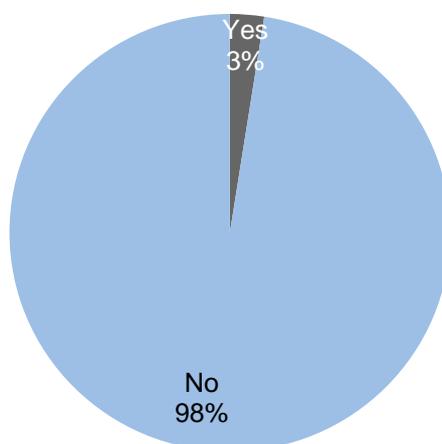
Sales Turnover



41. Do you know any state owned enterprise which buys products of the type you make?

	Frequency	Percent
Yes	21	2.5%
No	836	97.5%
Total	857	100%
Missing responses	6	
Total	863	

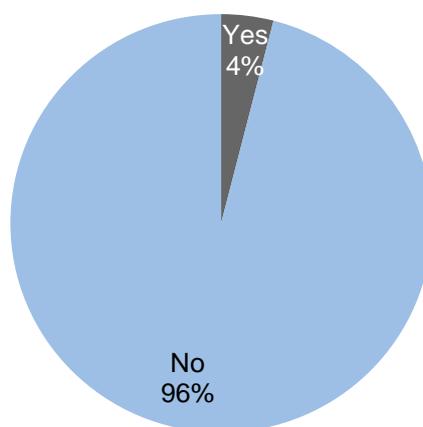
Business with State Owned Enterprises (SOEs)



42. Have you been able to sell your products / services to a state owned enterprise?

	Frequency	Percent
Yes	34	4.0%
No	824	96.0%
Total	858	100%
Missing responses	5	
Total	863	

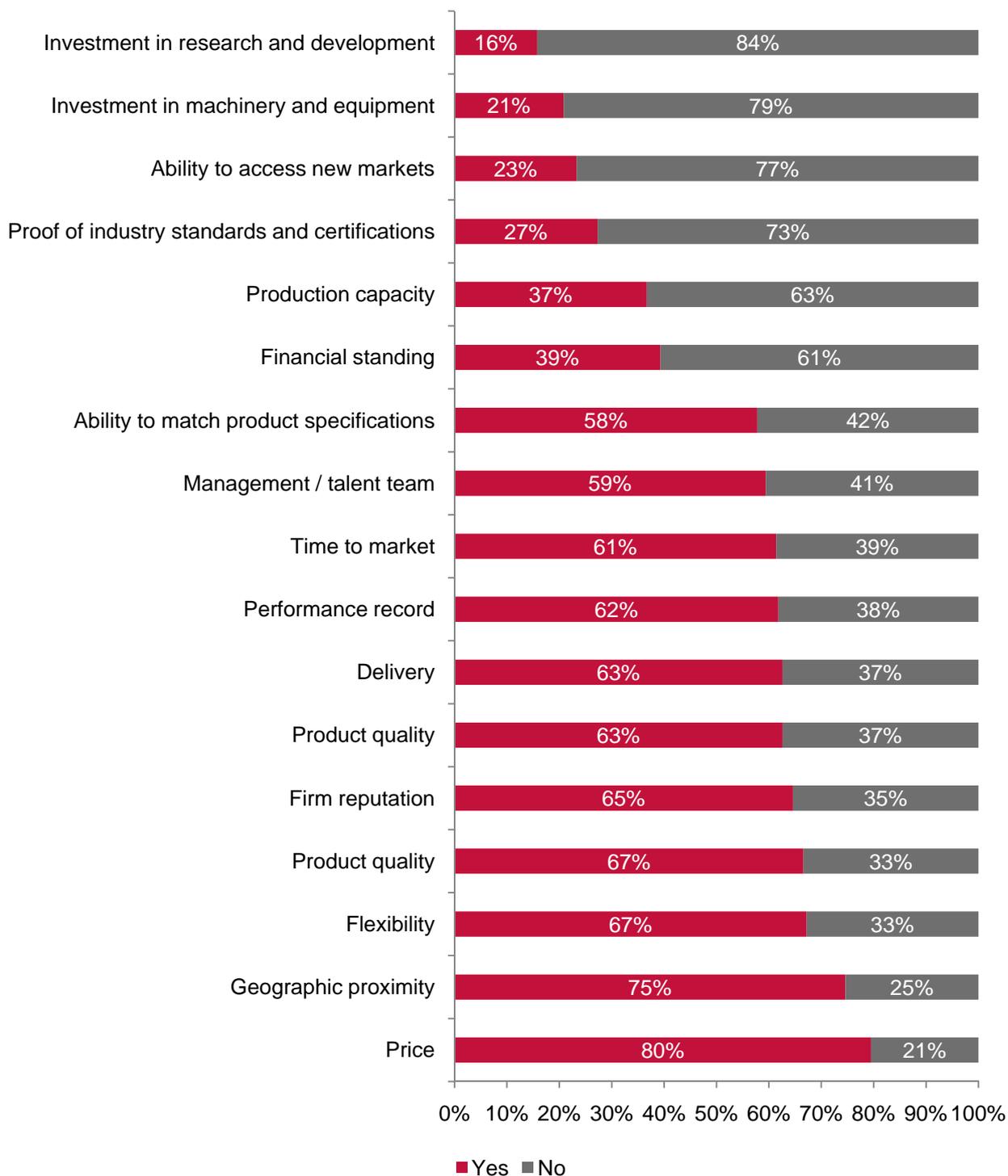
Able to Sell Products / Services to SOE



43. What do you think are the main criteria that large customers and SOEs use in deciding whether to do business with your company?

Large Customer and SOE Criteria		Response		Total
		Yes	No	
Price	Frequency	680	175	855
	% of Respondents	79.5%	20.5%	100%
Geographic proximity	Frequency	636	216	852
	% of Respondents	74.6%	25.4%	100%
Flexibility	Frequency	574	280	854
	% of Respondents	67.2%	32.8%	100%
Product quality	Frequency	567	284	851
	% of Respondents	66.6%	33.4%	100%
Firm reputation	Frequency	552	302	854
	% of Respondents	64.6%	35.4%	100%
Product quality	Frequency	535	320	855
	% of Respondents	62.6%	37.4%	100%
Delivery	Frequency	534	319	853
	% of Respondents	62.6%	37.4%	100%
Performance record	Frequency	527	326	853
	% of Respondents	61.8%	38.2%	100%
Time to market	Frequency	524	330	854
	% of Respondents	61.4%	38.6%	100%
Management / talent team	Frequency	507	346	853
	% of Respondents	59.4%	40.6%	100%
Ability to match product specifications	Frequency	499	364	863
	% of Respondents	57.8%	42.2%	100%
Financial standing	Frequency	336	518	854
	% of Respondents	39.3%	60.7%	100%
Production capacity	Frequency	313	541	854
	% of Respondents	36.7%	63.3%	100%
Proof of industry standards and certifications	Frequency	233	619	852
	% of Respondents	27.3%	72.7%	100%
Ability to access new markets	Frequency	199	654	853
	% of Respondents	23.3%	76.7%	100%
Investment in research and development	Frequency	135	719	854
	% of Respondents	15.8%	84.2%	100%
Investment in machinery and equipment	Frequency	177	676	853
	% of Respondents	20.8%	79.2%	100%

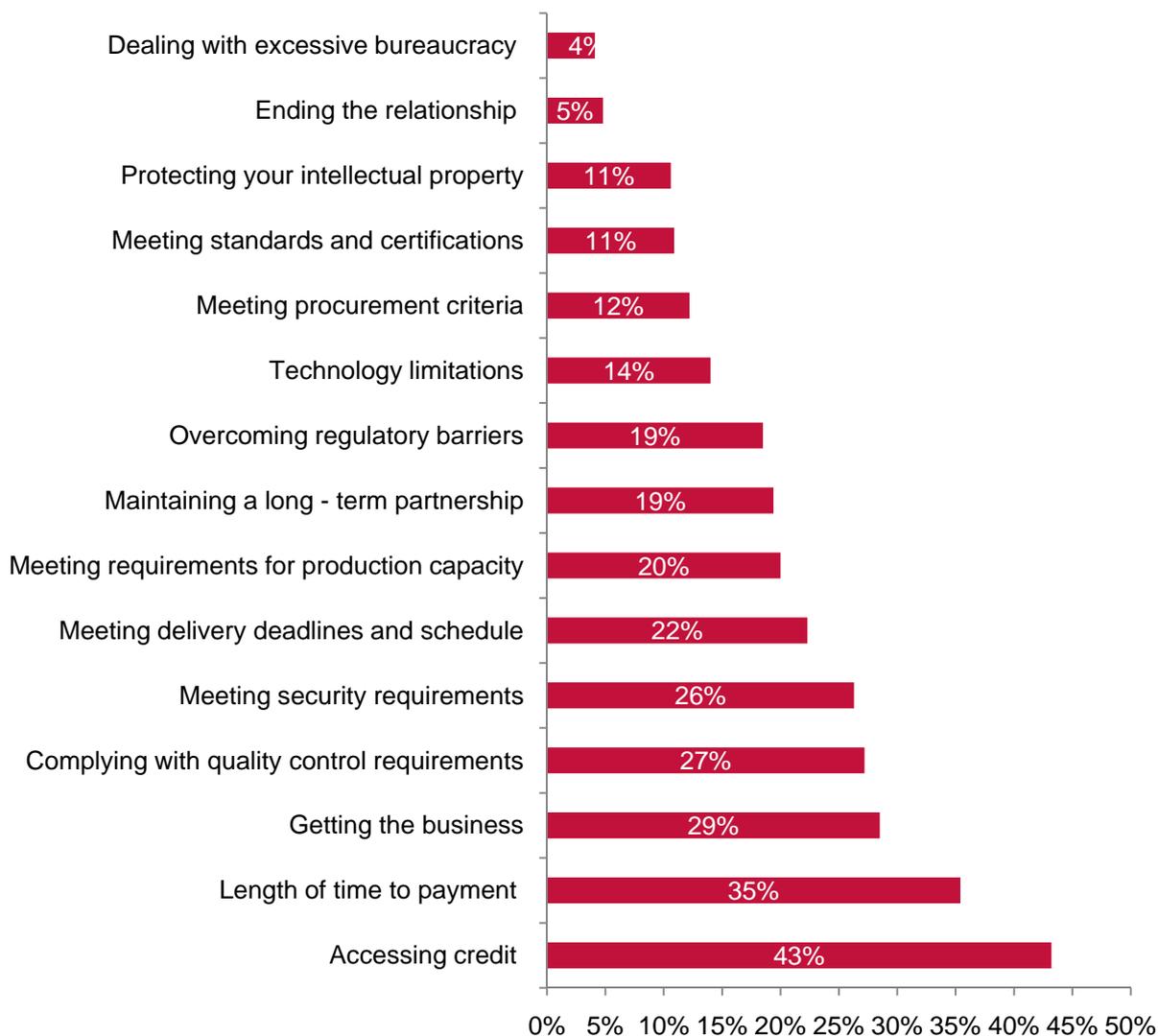
Main Criteria for SOEs



44. What are the main challenges your company has faced in being a supplier to a state owned enterprise / large buyers, if applicable?

Challenges to Supplying Large Customer and SOE Criteria		Response		Total
		Yes	No	
Getting the business	Frequency	243	610	853
	%of Respondents	28.5%	71.5%	100%
Meeting standards and certifications	Frequency	93	759	852
	%of Respondents	10.9%	89.1%	100%
Protecting your intellectual property	Frequency	90	760	850
	%of Respondents	10.6%	89.4%	100%
Maintaining a long - term partnership	Frequency	165	686	851
	%of Respondents	19.4%	80.6%	100%
Accessing credit	Frequency	368	483	851
	%of Respondents	43.2%	56.8%	100%
Complying with quality control requirements	Frequency	231	618	849
	%of Respondents	27.2%	72.8%	100%
Meeting security requirements	Frequency	224	627	851
	%of Respondents	26.3%	73.7%	100%
Ending the relationship	Frequency	41	810	851
	%of Respondents	4.8%	95.2%	100%
Dealing with excessive bureaucracy	Frequency	35	817	852
	%of Respondents	4.1%	95.9%	100%
Meeting delivery deadlines and schedule	Frequency	190	661	851
	%of Respondents	22.3%	77.7%	100%
Overcoming regulatory barriers	Frequency	158	694	852
	%of Respondents	18.5%	81.5%	100%
Meeting requirements for production capacity	Frequency	170	681	851
	%of Respondents	20.0%	80.0%	100%
Length of time to payment	Frequency	302	550	852
	%of Respondents	35.4%	64.6%	100%
Technology limitations	Frequency	119	732	851
	%of Respondents	14.0%	86.0%	100%
Meeting procurement criteria	Frequency	104	747	851
	%of Respondents	12.2%	87.8%	100%

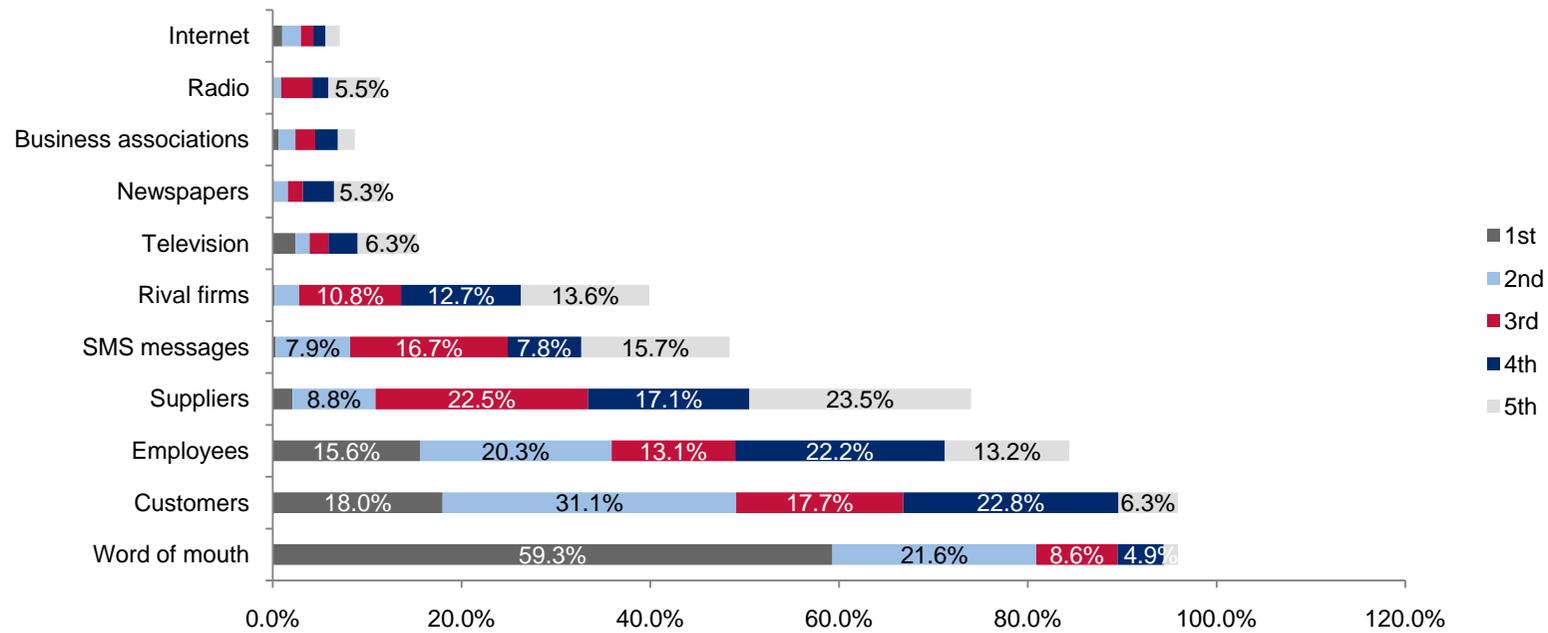
Challenges to Supplying Large Customers and SOEs



45. Rank (in order of importance) the top 5 main sources of news / information about business / customers?

Source	1 st		2 nd		3 rd		4 th		5 th		Overall Rank	
	Frequency	%	Rank	Weight								
Word of mouth	511	59.3%	185	21.6%	73	8.6%	41	4.9%	12	1.5%	1	4.201217
Customers	155	18.0%	266	31.1%	151	17.7%	192	22.8%	51	6.3%	2	3.193896
Employees	134	15.6%	174	20.3%	112	13.1%	187	22.2%	108	13.2%	3	2.562677
Suppliers	18	2.1%	75	8.8%	192	22.5%	144	17.1%	192	23.5%	4	1.708797
SMS messages	3	0.3%	68	7.9%	142	16.7%	66	7.8%	128	15.7%	5	1.148997
Rival firms	2	0.2%	22	2.6%	92	10.8%	107	12.7%	111	13.6%	6	0.82885
Television	21	2.4%	13	1.5%	17	2.0%	26	3.1%	51	6.3%	7	0.366889
Newspapers	1	0.1%	13	1.5%	14	1.6%	28	3.3%	43	5.3%	8	0.235134
Business associations	5	0.6%	15	1.8%	18	2.1%	20	2.4%	15	1.8%	9	0.228455
Radio	1	0.1%	7	0.8%	28	3.3%	14	1.7%	45	5.5%	10	0.22555
Internet	9	1.0%	17	2.0%	11	1.3%	11	1.3%	12	1.5%	11	0.211302
Others	1	0.1%	1	0.1%	2	0.2%	5	0.6%	48	5.9%	12	0.088236
Total	861	100%	856	100%	852	100%	841	100%	816	100%		
Missing responses	2		7		11		22		47			
Total	863											

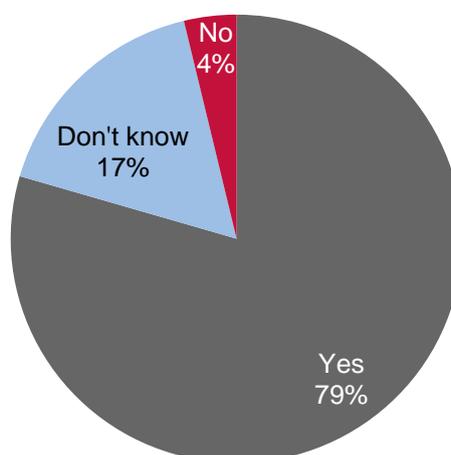
Main Sources of News about Customers



46. Do you plan to invest additional capital in your business in the next 24 months?

	Frequency	Percent
Yes	679	79.5%
No	32	3.7%
Don't know	143	16.7%
Total	854	100%
Missing responses	9	
Total	863	

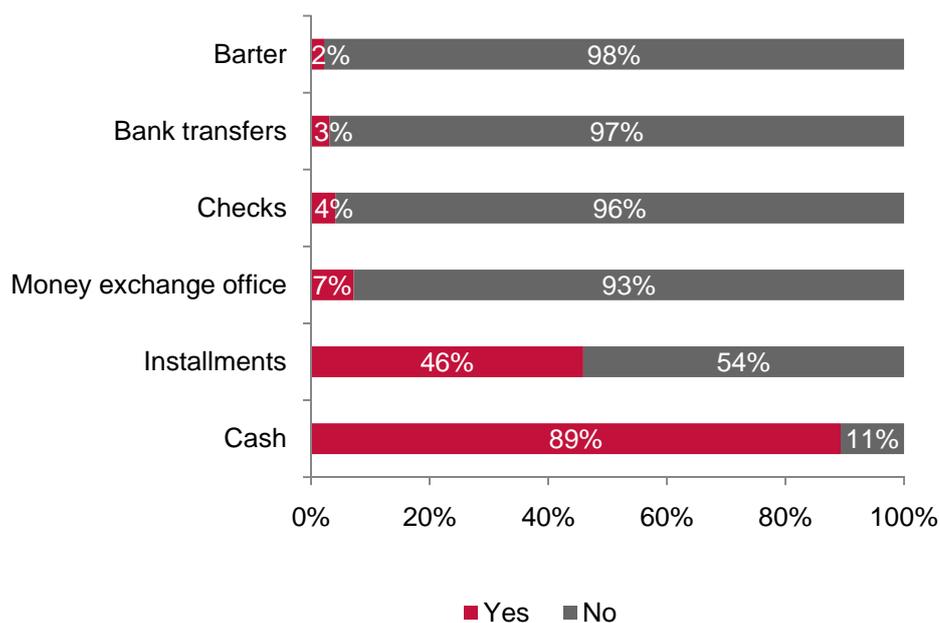
Planned Capital Investments



47. How do you settle your enterprise related bills?

How do you pay your bills?		Response		
		Yes	No	Total
Cash	Frequency	769	92	861
	% of Respondents	89.3%	10.7%	100%
Money exchange office	Frequency	62	797	859
	% of Respondents	7.2%	92.8%	100%
Checks	Frequency	35	824	859
	% of Respondents	4.1%	95.9%	100%
Barter	Frequency	19	839	858
	% of Respondents	2.2%	97.8%	100%
Bank transfers	Frequency	27	832	859
	% of Respondents	3.1%	96.9%	100%
Installments	Frequency	394	465	859
	% of Respondents	45.9%	54.1%	100%

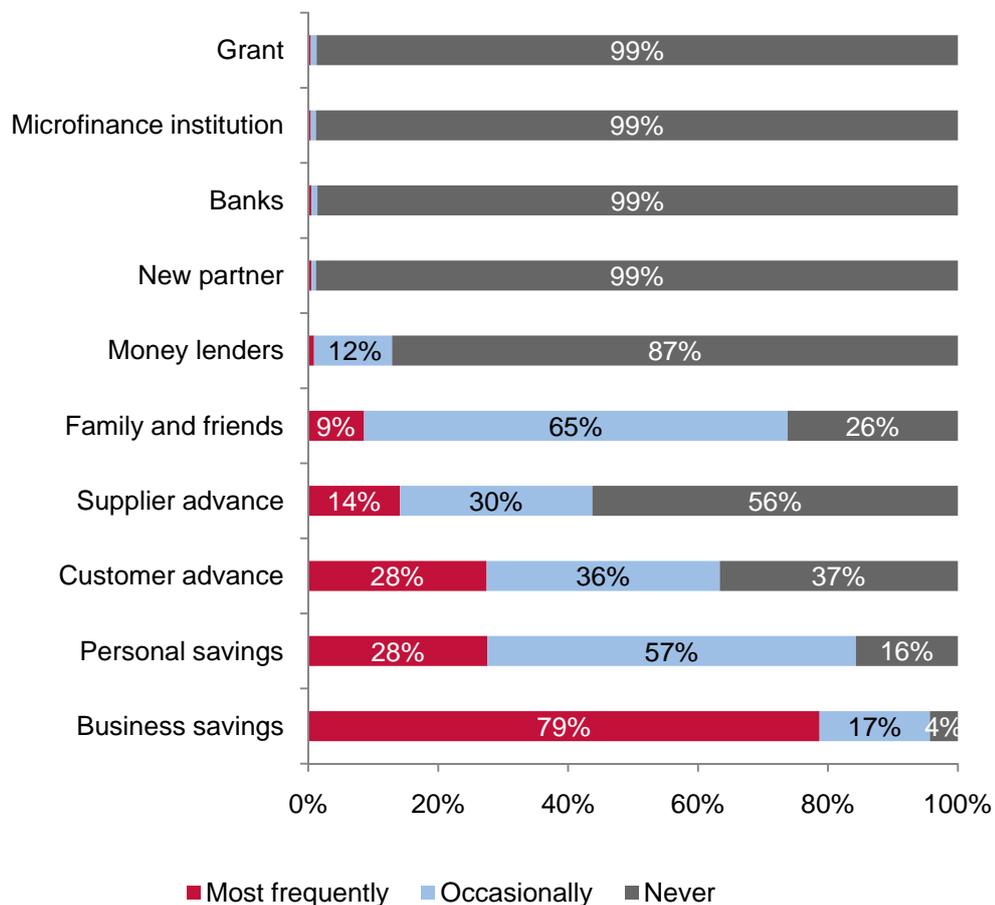
Bill Payment



48. Which of the following sources do you use to fund your business?

Funding Source		Utilization			Total
		Most Frequently	Occasionally	Never	
Business savings	Frequency	675	146	37	858
	% of Respondents	78.7%	17.0%	4.3%	100%
Personal savings	Frequency	237	488	135	860
	% of Respondents	27.6%	56.7%	15.7%	100%
Banks	Frequency	4	8	841	853
	% of Respondents	0.5%	0.9%	98.6%	100%
Money lenders	Frequency	8	102	741	851
	% of Respondents	0.9%	12.0%	87.1%	100%
Family and friends	Frequency	74	561	225	860
	% of Respondents	8.6%	65.2%	26.2%	100%
Customer advance	Frequency	236	308	315	859
	% of Respondents	27.5%	35.9%	36.7%	100%
Supplier advance	Frequency	121	254	482	857
	% of Respondents	14.1%	29.6%	56.2%	100%
Microfinance institution	Frequency	3	7	846	856
	% of Respondents	0.4%	0.8%	98.8%	100%
New partner	Frequency	4	6	847	857
	% of Respondents	0.5%	0.7%	98.8%	100%
Grant	Frequency	3	8	846	857
	% of Respondents	0.4%	0.9%	98.7%	100%

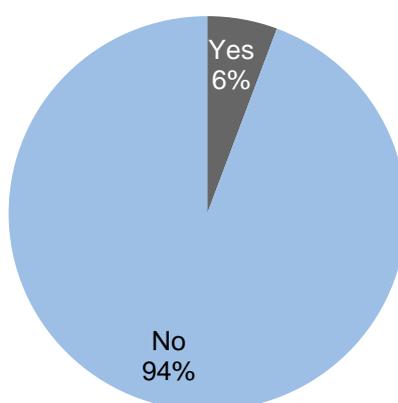
Funding Sources



49. Do you hold a business bank account?

	Frequency	Percent
Yes	49	5.7%
No	804	94.3%
Total	853	100%
Missing responses	10	
Total	863	

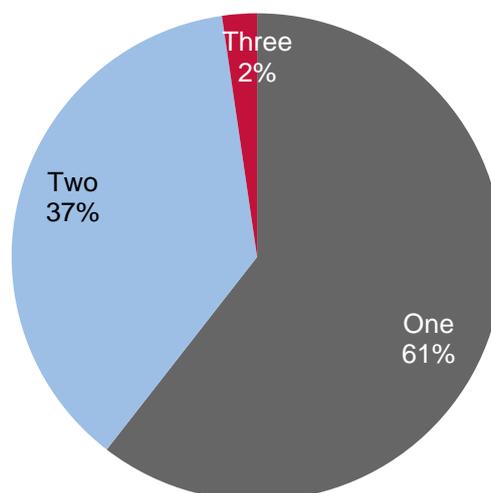
Banking



How many bank accounts does your business have?

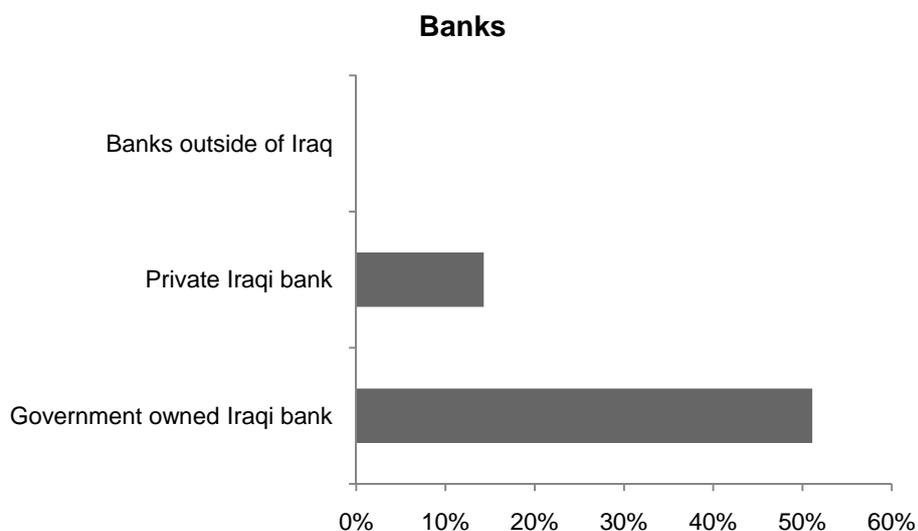
Bank Accounts	Frequency	Percent
One	26	60.5%
Two	16	37.2%
Three	1	2.3%
Total	43	100%
Missing responses	820	
Total	863	

Bank Accounts



What type of bank does your business maintain its accounts with?

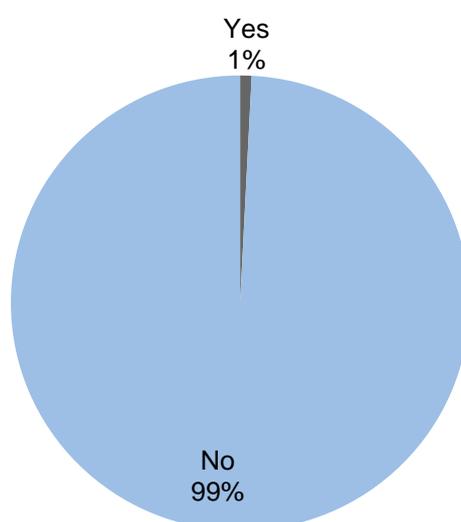
Type of Bank		Yes	No	Total	Missing	Total
Government owned Iraqi bank	Count	45	43	88	775	863
	% of Respondents	51.1%	48.9%	100%		
Private Iraqi bank	Count	12	72	84	779	863
	% of Respondents	14.3%	85.7%	100%		
Banks outside of Iraq	Count	0	80	80	783	863
	% of Respondents	.0%	100.0%	100%		



50. Have you ever borrowed from a bank or microfinance institution?

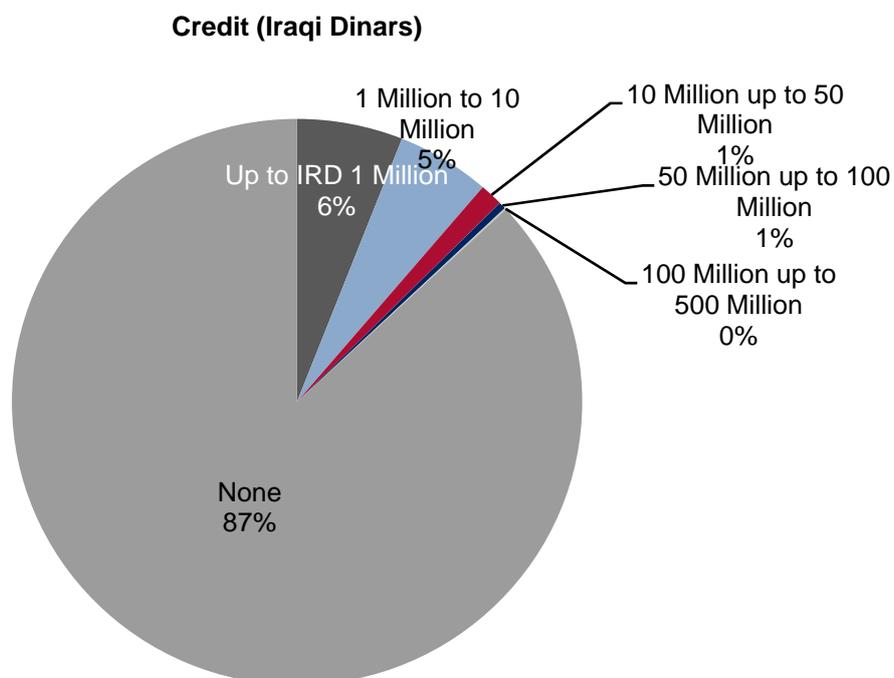
	Frequency	Percent
Yes	7	0.8%
No	844	99.2%
Total	851	100%
Missing responses	12	
Total	863	

Borrowed from a Bank or MFI



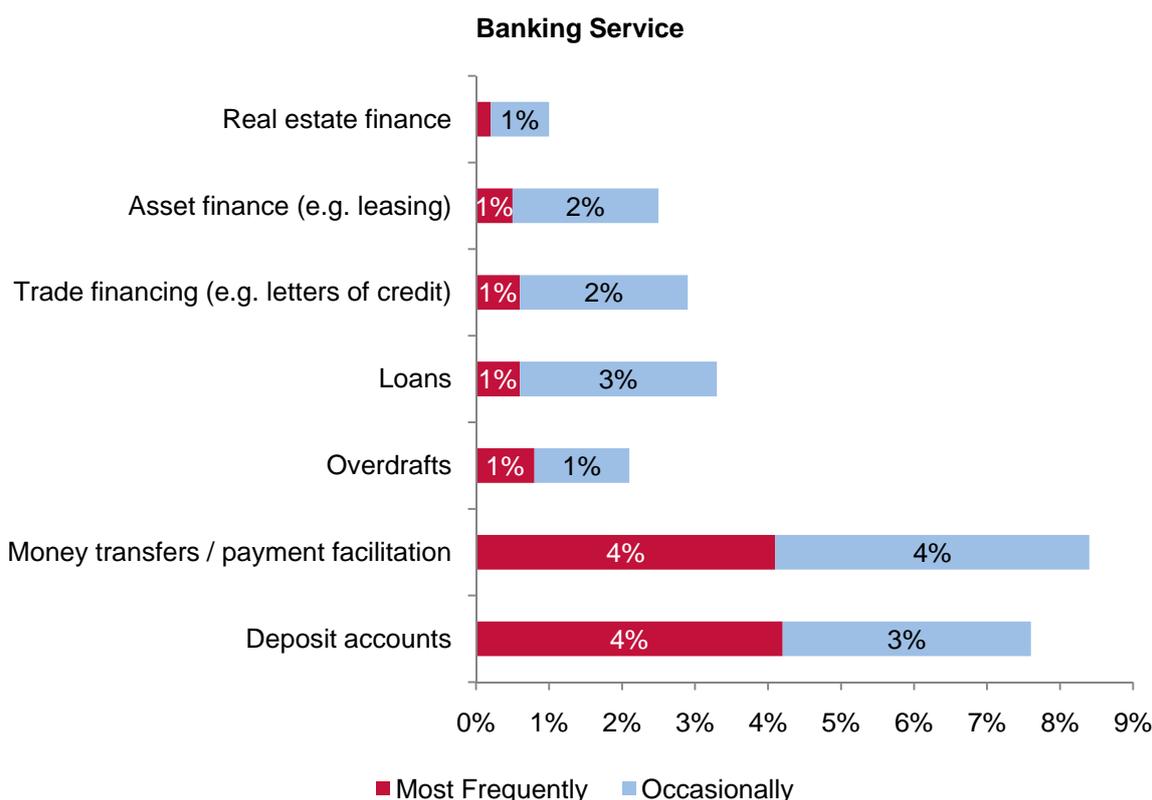
51. What is the total amount of credit owed by your business to others?

Credit (Iraqi Dinars)	Frequency	Percent
Up to IRD 1 Million	51	6.0%
1 Million to 10 Million	45	5.3%
10 Million up to 50 Million	11	1.3%
50 Million up to 100 Million	3	0.4%
100 Million up to 500 Million	1	0.1%
More than 500 Million	0	0
None	741	87.0%
Total	852	100
Missing	11	
Total	863	



52. Which of the following banking services do you use for business purposes?

Banking Service		Utilization			Total
		Most Frequently	Occasionally	Never	
Deposit accounts	Frequency	36	29	790	855
	% of Respondents	4.2%	3.4%	92.4%	100%
Money transfers / payment facilitation	Frequency	35	37	784	856
	% of Respondents	4.1%	4.3%	91.6%	100%
Loans	Frequency	5	23	828	856
	% of Respondents	0.6%	2.7%	96.7%	100%
Trade financing (e.g. letters of credit)	Frequency	5	20	830	855
	% of Respondents	0.6%	2.3%	97.1%	100%
Overdrafts	Frequency	7	11	837	855
	% of Respondents	0.8%	1.3%	97.9%	100%
Asset finance (e.g. leasing)	Frequency	4	17	833	854
	% of Respondents	0.5%	2.0%	97.5%	100%
Real estate finance	Frequency	2	7	845	854
	% of Respondents	0.2%	0.8%	98.9%	100%

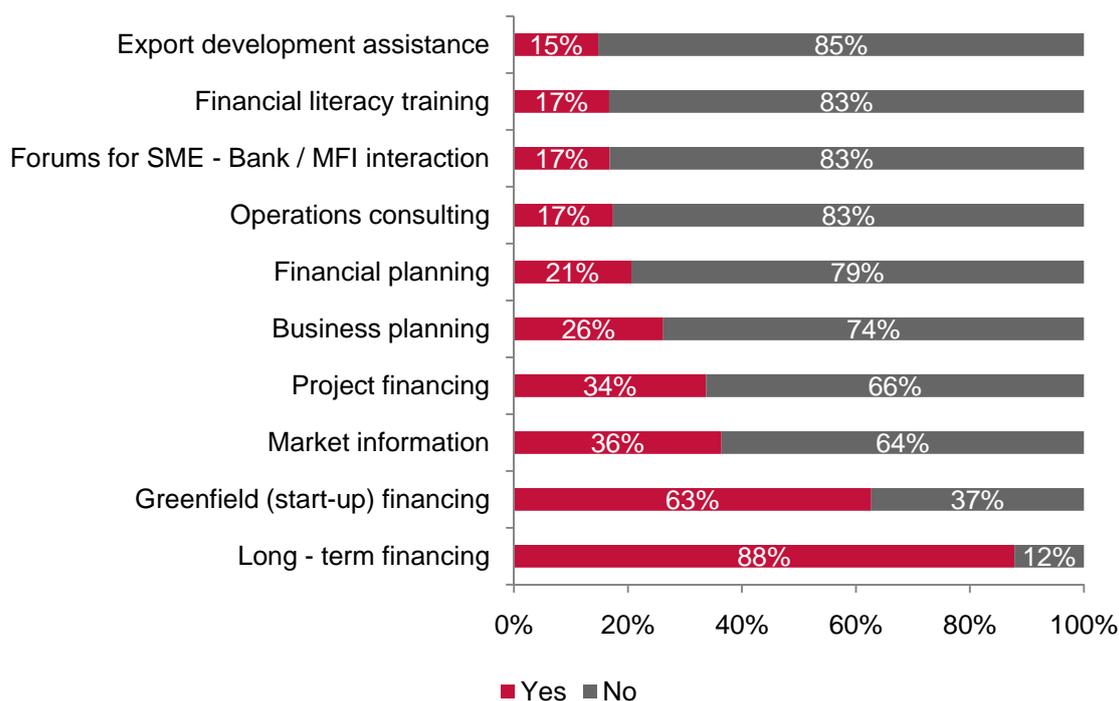


53. What additional services would you like banks to provide?

Additional Banking Services		Yes	No	Total
Long - term financing	Frequency	753	105	858
	% of Respondents	87.8%	12.2%	100%

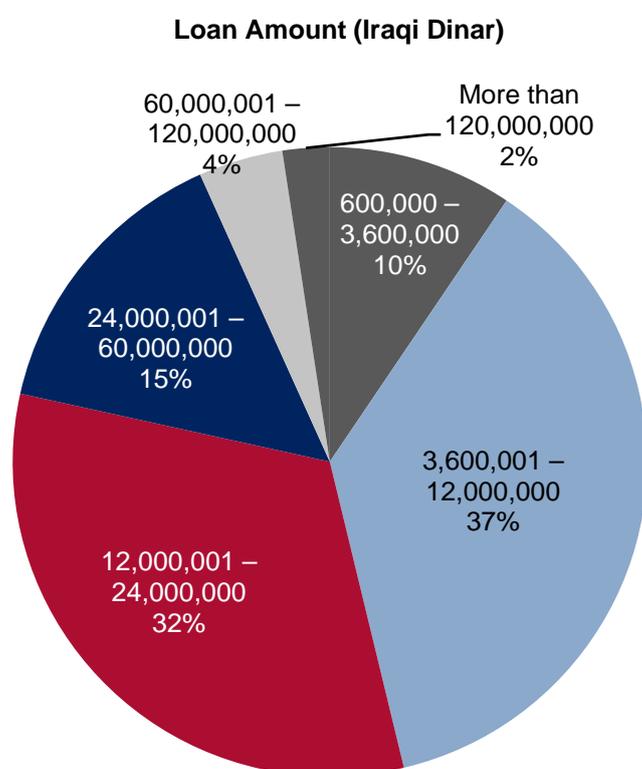
Business planning	Frequency	224	632	856
	% of Respondents	26.2%	73.8%	100%
Operations consulting	Frequency	149	707	856
	% of Respondents	17.4%	82.6%	100%
Forums for SME - Bank / MFI interaction	Frequency	144	711	855
	% of Respondents	16.8%	83.2%	100%
Greenfield (start-up) financing	Frequency	537	319	856
	% of Respondents	62.7%	37.3%	100%
Financial planning	Frequency	176	679	855
	% of Respondents	20.6%	79.4%	100%
Export development assistance	Frequency	127	729	856
	% of Respondents	14.8%	85.2%	100%
Market information	Frequency	312	544	856
	% of Respondents	36.4%	63.6%	100%
Project financing	Frequency	288	566	854
	% of Respondents	33.7%	66.3%	100%
Financial literacy training	Frequency	143	714	857
	% of Respondents	16.7%	83.3%	100%

Additional Banking Services



54. If you needed a loan from a bank or microfinance institution to expand your business, how much would you need?

Loan Amount (Iraqi Dinar)	Frequency	Percent
600,000 – 3,600,000	81	9.4%
3,600,001 – 12,000,000	316	36.8%
12,000,001 – 24,000,000	276	32.2%
24,000,001 – 60,000,000	127	14.8%
60,000,001 – 120,000,000	37	4.3%
More than 120,000,000	21	2.4%
Total	858	100
Missing responses	5	
Total	863	

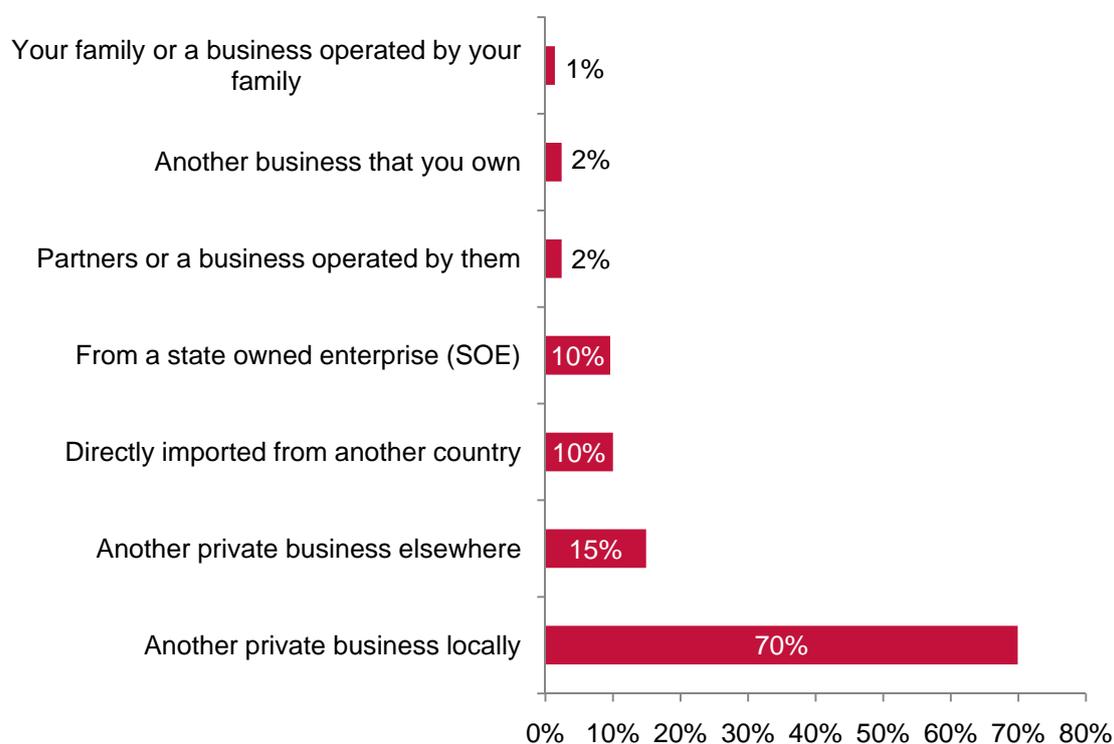


55 .QUALITATIVE

56. From where do you usually source your raw material?

Source of Raw Material		Response		Total
		Yes	No	
Your family or a business operated by your family	Frequency	3	207	210
	% of Respondents	1.4%	98.6%	100%
Partners or a business operated by them	Frequency	5	204	209
	% of Respondents	2.4%	97.6%	100%
Another business that you own	Frequency	5	204	209
	% of Respondents	2.4%	97.6%	100%
Another private business locally	Frequency	146	63	209
	% of Respondents	69.9%	30.1%	100%
Another private business elsewhere	Frequency	31	177	208
	% of Respondents	14.9%	85.1%	100%
From a state owned enterprise (SOE)	Frequency	20	188	208
	% of Respondents	9.6%	90.4%	100%
Directly imported from another country	Frequency	21	188	209
	% of Respondents	10.0%	90.0%	100%

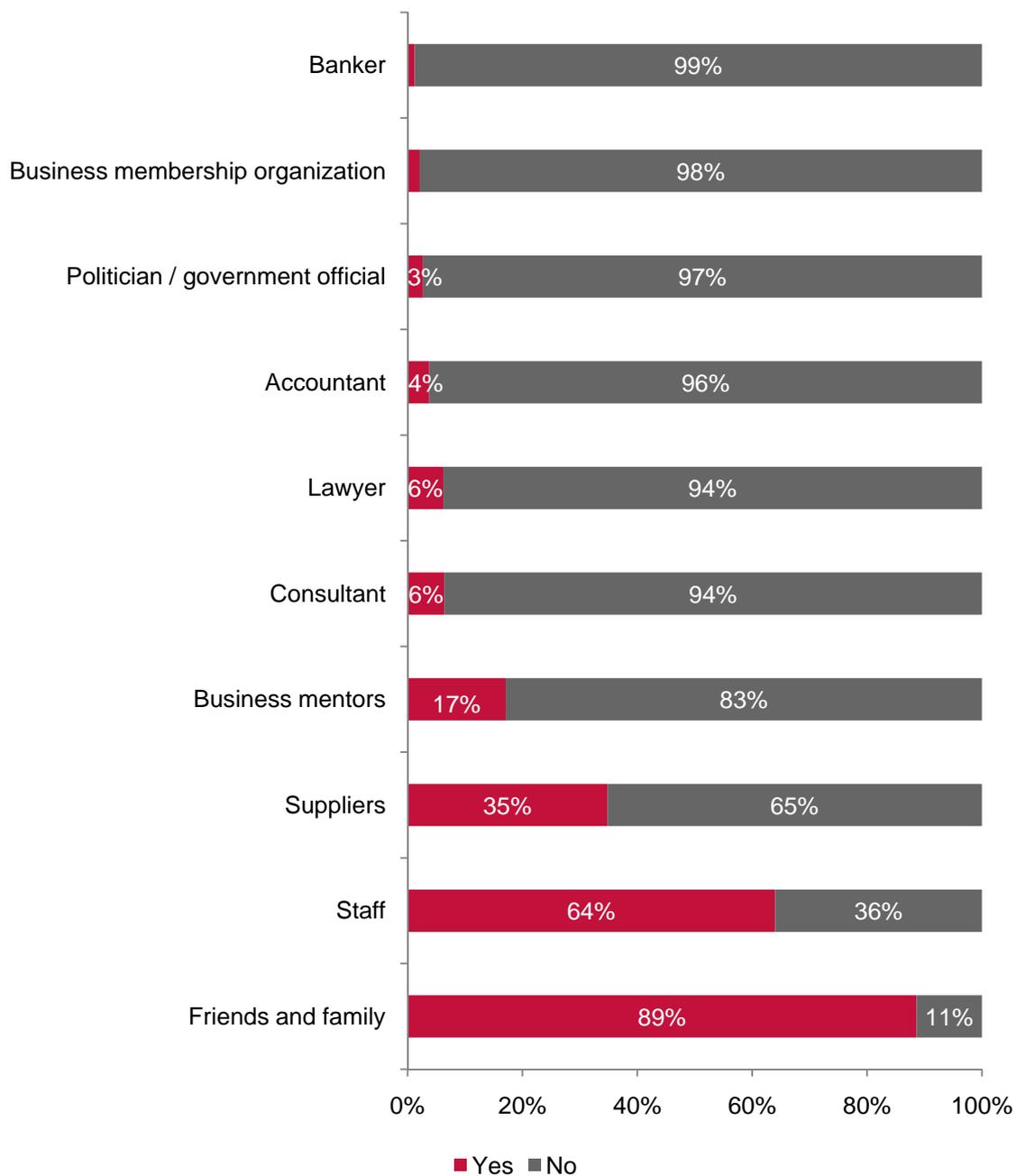
Source of Raw Material



57. Whom do you approach to discuss a business idea or issue?

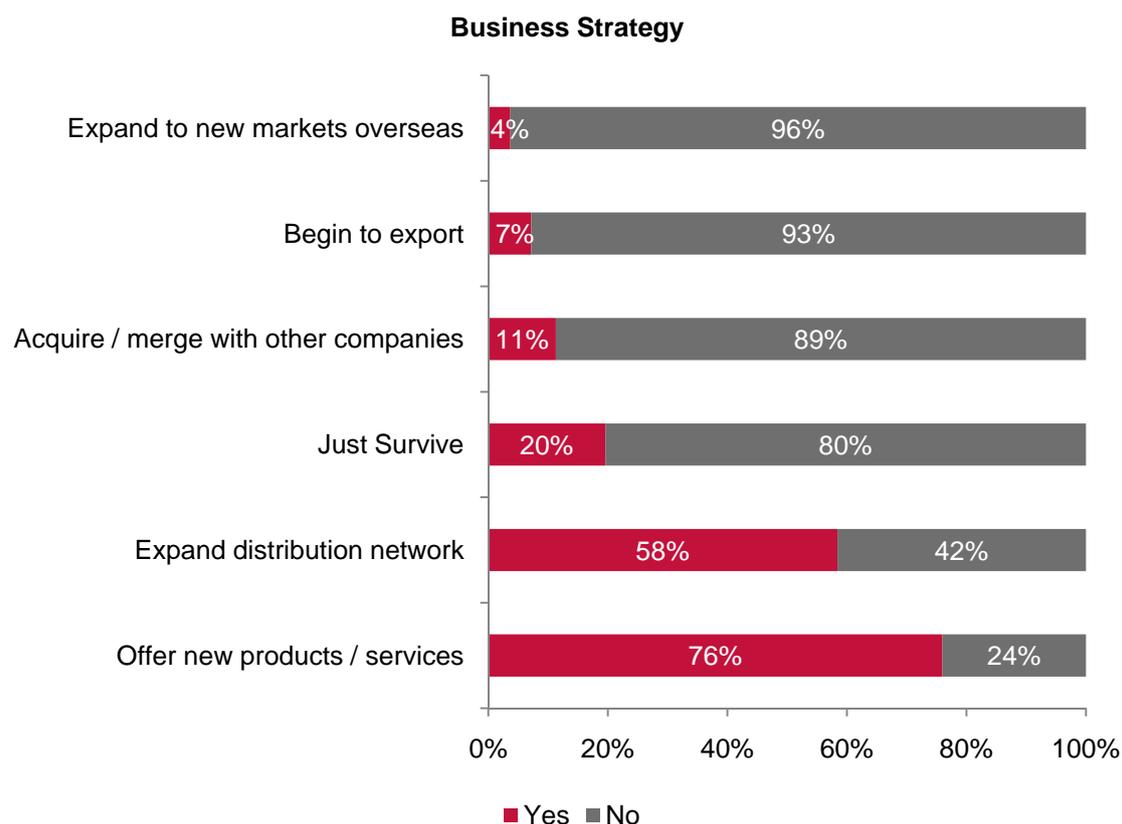
Source of Business Advice		Response		Total
		Yes	No	
Accountant	Frequency	33	827	860
	% of Respondents	3.8%	96.2%	100%
Banker	Frequency	10	851	861
	% of Respondents	1.2%	98.8%	100%
Business membership organization	Frequency	18	843	861
	% of Respondents	2.1%	97.9%	100%
Consultant	Frequency	55	806	861
	% of Respondents	6.4%	93.6%	100%
Lawyer	Frequency	53	808	861
	% of Respondents	6.2%	93.8%	100%
Friends and family	Frequency	764	98	862
	% of Respondents	88.6%	11.4%	100%
Business mentors	Frequency	147	713	860
	% of Respondents	17.1%	82.9%	100%
Suppliers	Frequency	300	561	861
	% of Respondents	34.8%	65.2%	100%
Staff	Frequency	551	310	861
	% of Respondents	64.0%	36.0%	100%
Politician / government official	Frequency	23	837	860
	% of Respondents	2.7%	97.3%	100%

Source of Business Advice



58. What is your key business strategy for the next two years?

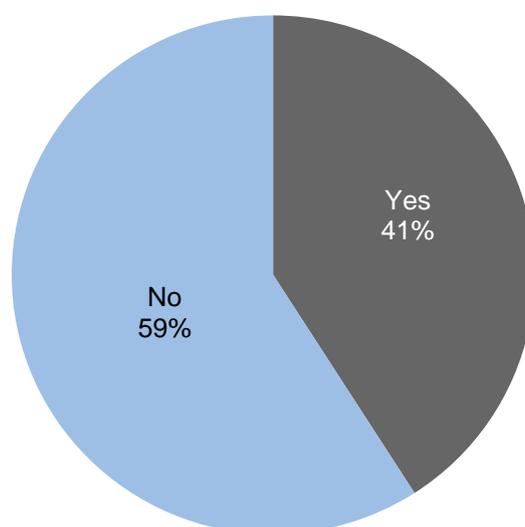
Business Strategy		Response		Total
		Yes	No	
Offer new products / services	Frequency	654	206	860
	% of Respondents	76.0%	24.0%	100%
Expand distribution network	Frequency	501	357	858
	% of Respondents	58.4%	41.6%	100%
Acquire / merge with other companies	Frequency	97	762	859
	% of Respondents	11.3%	88.7%	100%
Begin to export	Frequency	62	797	859
	% of Respondents	7.2%	92.8%	100%
Expand to new markets overseas	Frequency	32	826	858
	% of Respondents	3.7%	96.3%	100%
Just Survive	Frequency	169	692	861
	% of Respondents	19.6%	80.4%	100%



59. Do you believe business associations play a useful role to support small businesses?

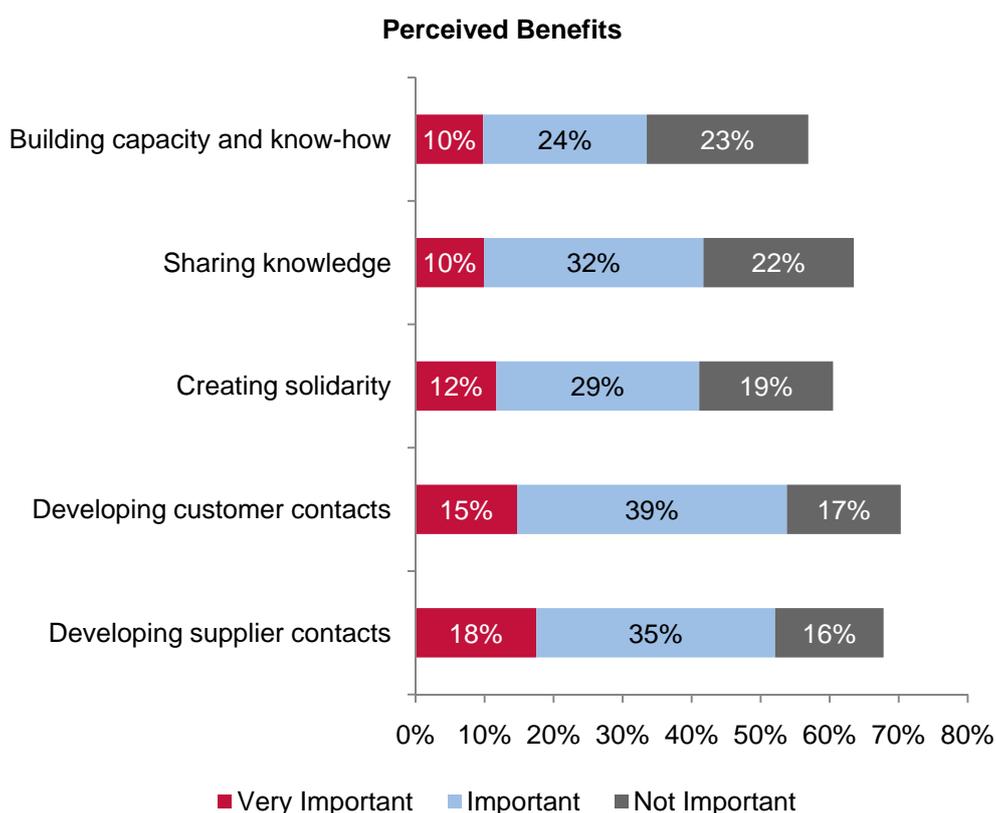
	Frequency	Percent
Yes	351	40.9%
No	507	59.1%
Total	858	100
Missing responses	5	
Total	863	

Business Membership Organizations Useful



60. How important do you believe business association membership is for the following?

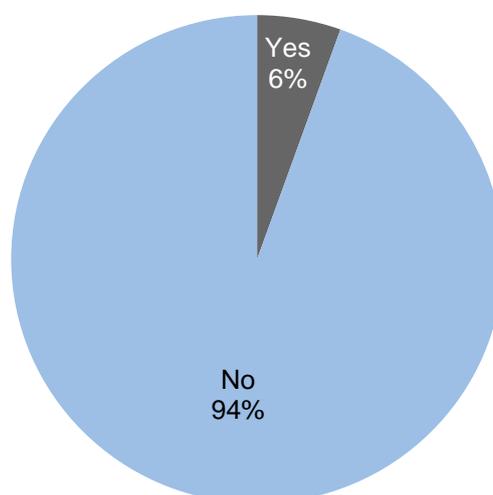
Perceived Benefits		Response				Total
		Very Important	Important	Not Important	N/A	
Developing customer contacts	Frequency	126	335	141	254	856
	% of Respondents	14.7%	39.1%	16.5%	29.7%	100%
Developing supplier contacts	Frequency	150	296	134	275	855
	% of Respondents	17.5%	34.6%	15.7%	32.2%	100%
Sharing knowledge	Frequency	85	272	186	312	855
	% of Respondents	9.9%	31.8%	21.8%	36.5%	100%
Building capacity and know-how	Frequency	84	202	200	368	854
	% of Respondents	9.8%	23.7%	23.4%	43.1%	100%
Creating solidarity	Frequency	100	251	166	338	855
	% of Respondents	11.7%	29.4%	19.4%	39.5%	100%



61. Have you ever been contacted by a business association offering membership services or other business services?

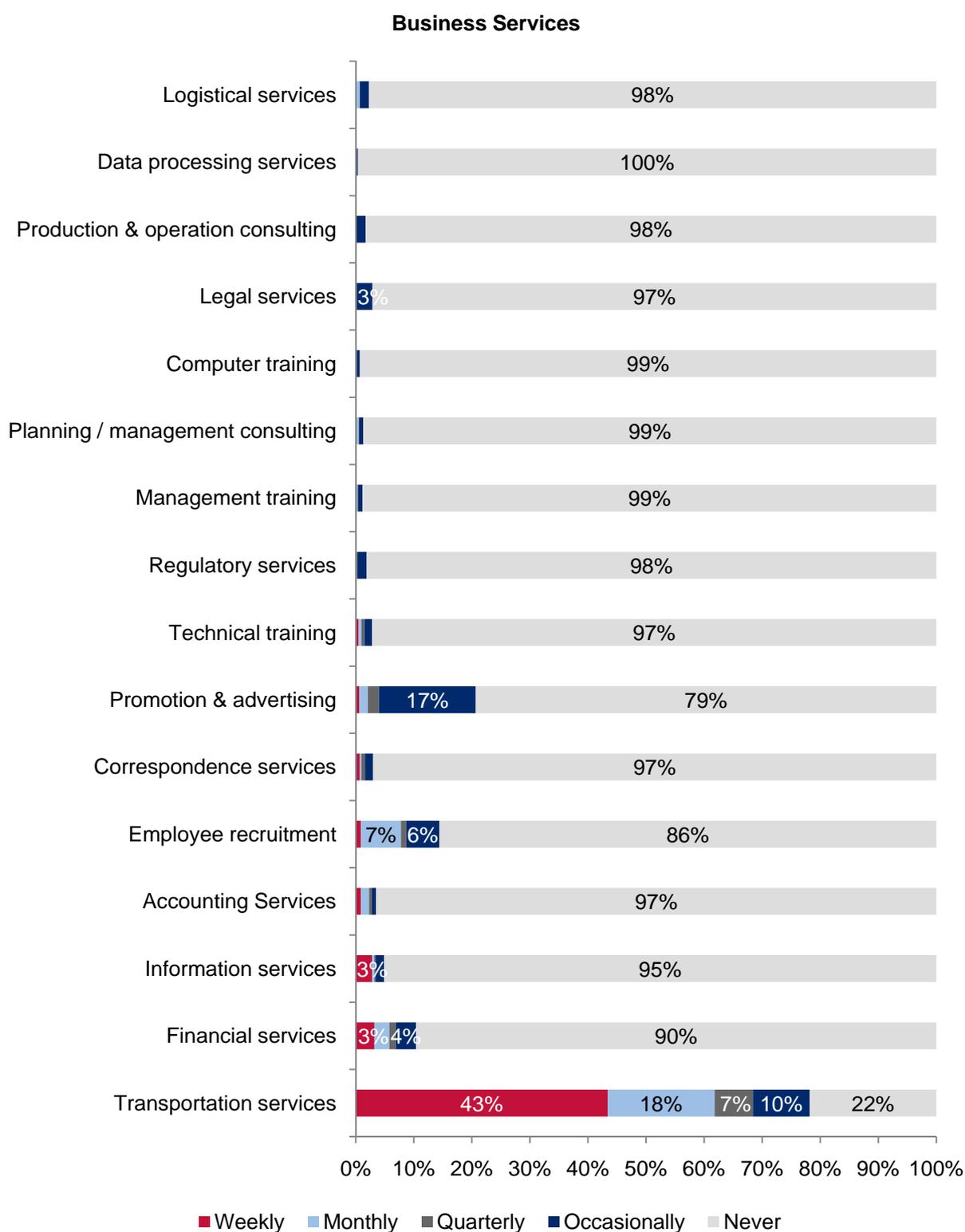
	Frequency	Percent
Yes	47	5.5%
No	805	94.5%
Total	852	100%
Missing responses	11	
Total	863	

Contacted by BMO



62. How often do you use the following business services?

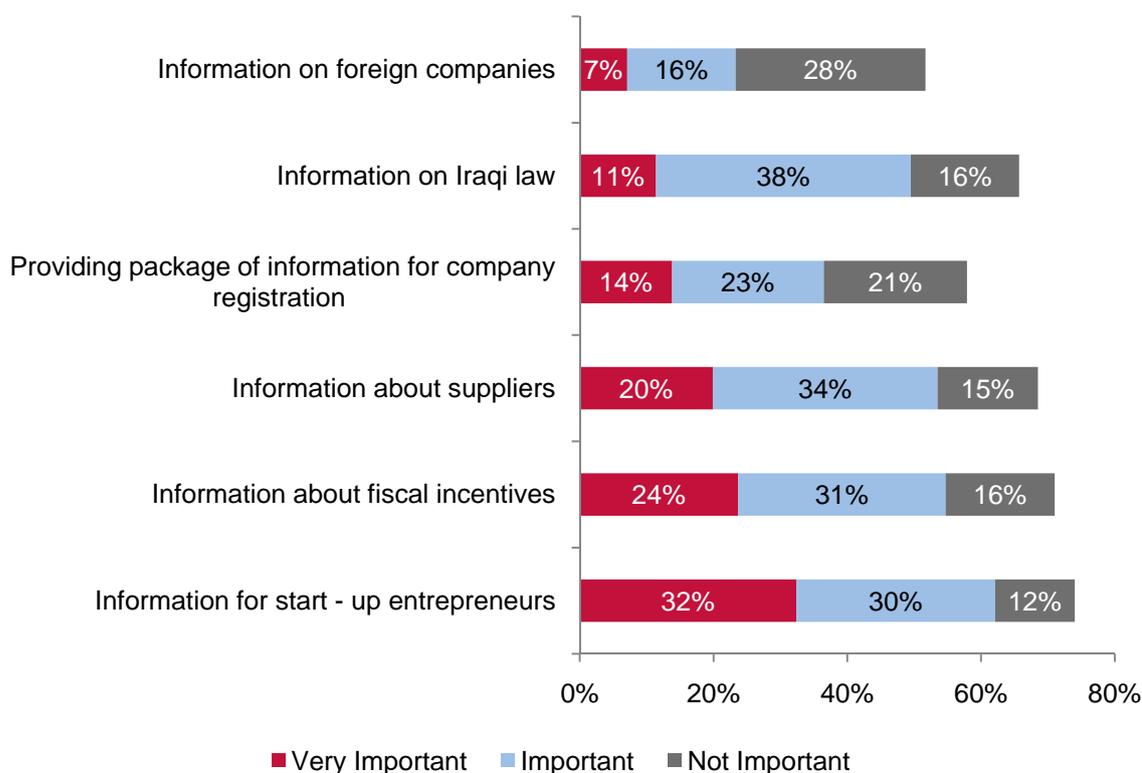
Business Services		Response					Total
		Weekly	Monthly	Quarterly	Occasionally	Never	
Promotion & advertising	Frequency	5	13	16	143	681	858
	% of Respondents	0.6%	1.5%	1.9%	16.7%	79.4%	100%
Financial services	Frequency	27	22	9	30	769	857
	% of Respondents	3.2%	2.6%	1.1%	3.5%	89.7%	100%
Accounting Services	Frequency	8	12	4	6	827	857
	% of Respondents	0.9%	1.4%	0.5%	0.7%	96.5%	100%
Information services	Frequency	24	3	2	13	814	856
	% of Respondents	2.8%	0.4%	0.2%	1.5%	95.1%	100%
Transportation services	Frequency	374	158	57	84	188	861
	% of Respondents	43.4%	18.4%	6.6%	9.8%	21.8%	100%
Regulatory services	Frequency	1	1	1	14	840	857
	% of Respondents	0.1%	0.1%	0.1%	1.6%	98.0%	100%
Planning / management consulting	Frequency	0	4	1	6	847	858
	% of Respondents	0%	0.5%	0.1%	0.7%	98.7%	100%
Technical training	Frequency	4	4	4	11	835	858
	% of Respondents	0.5%	0.5%	0.5%	1.3%	97.3%	100%
Management training	Frequency	1	2	1	7	847	858
	% of Respondents	0.1%	0.2%	0.1%	0.8%	98.7%	100%
Computer training	Frequency	0	1	1	4	852	858
	% of Respondents	0%	0.1%	0.1%	0.5%	99.3%	100%
Legal services	Frequency	0	1	1	23	833	858
	% of Respondents	0%	0.1%	0.1%	2.7%	97.1%	100%
Production & operation consulting	Frequency	0	1	0	14	842	857
	% of Respondents	0%	0.1%	0%	1.6%	98.2%	100%
Data processing services	Frequency	0	0	2	2	854	858
	% of Respondents	0%	0%	0.2%	0.2%	99.5%	100%
Correspondence services	Frequency	6	3	5	12	832	858
	% of Respondents	0.7%	0.3%	0.6%	1.4%	97.0%	100%
Logistical services	Frequency	0	6	0	14	838	858
	% of Respondents	0%	0.7%	0%	1.6%	97.7%	100%
Employee recruitment	Frequency	8	59	8	49	733	857
	% of Respondents	0.9%	6.9%	0.9%	5.7%	85.5%	100%



63A. Information Services - List useful services from the following that you would like a business association to provide.

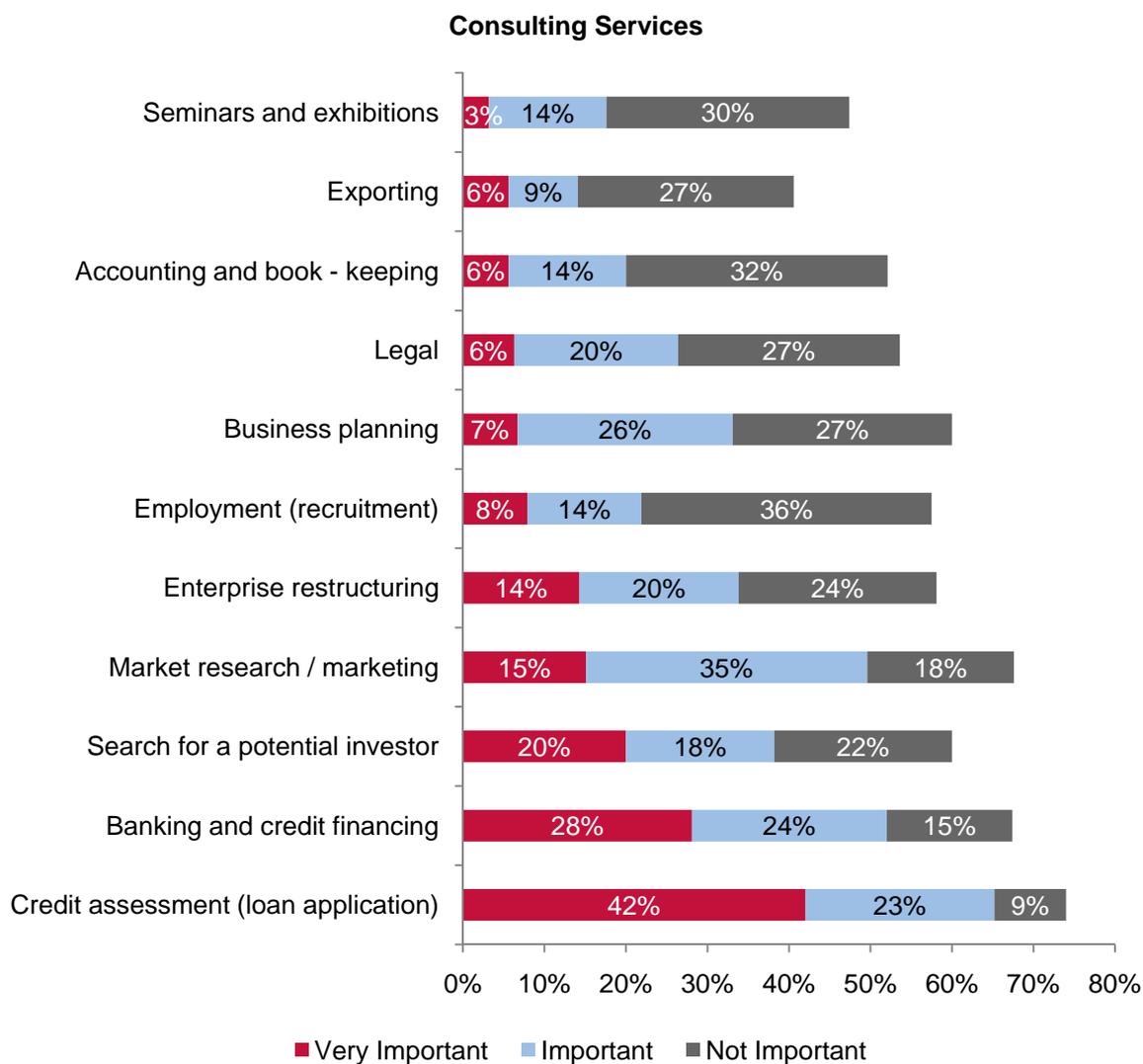
Information Services		Response				Total
		Very Important	Important	Not Important	N/A	
Information on foreign companies	Frequency	61	139	244	414	858
	% of Respondents	7.1%	16.2%	28.4%	48.3%	100%
Information about suppliers	Frequency	171	288	129	270	858
	% of Respondents	19.9%	33.6%	15.0%	31.5%	100%
Information on Iraqi law	Frequency	98	327	139	294	858
	% of Respondents	11.4%	38.1%	16.2%	34.3%	100%
Information about fiscal incentives	Frequency	204	267	140	249	860
	% of Respondents	23.7%	31.0%	16.3%	29.0%	100%
Information for start - up entrepreneurs	Frequency	278	255	102	224	859
	% of Respondents	32.4%	29.7%	11.9%	26.1%	100%
Providing package of information for company registration	Frequency	118	194	183	361	856
	% of Respondents	13.8%	22.7%	21.4%	42.2%	100%

Information Services



63B. Consulting Services - List useful services from the following that you would like a business association to provide.

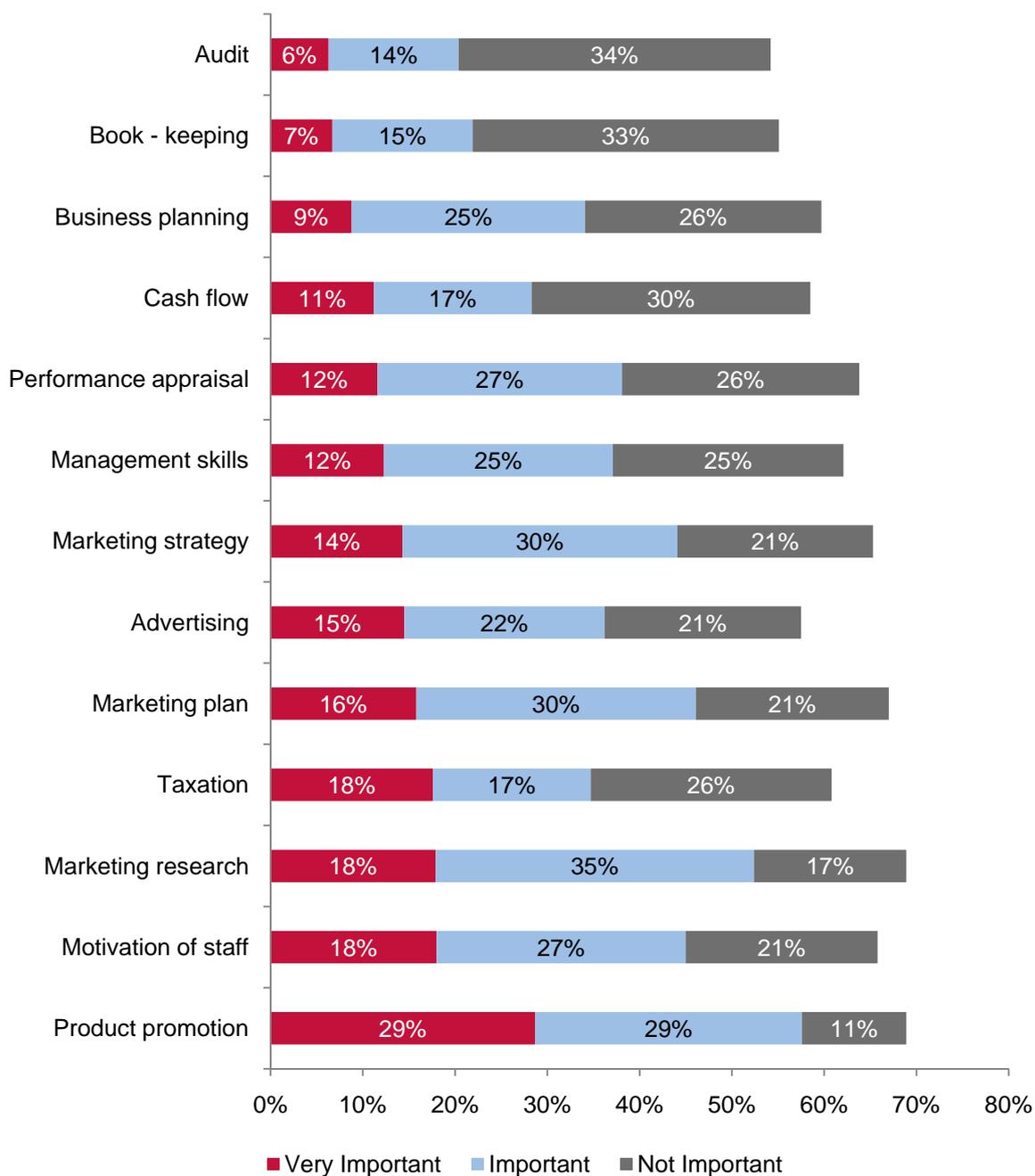
Consulting Services		Response				Total
		Very Important	Important	Not Important	N/A	
Business planning	Frequency	58	228	232	345	863
	% of Respondents	6.7%	26.4%	26.9%	40.0%	100%
Search for a potential investor	Frequency	172	157	188	344	861
	% of Respondents	20.0%	18.2%	21.8%	40.0%	100%
Market research / marketing	Frequency	130	297	155	278	860
	% of Respondents	15.1%	34.5%	18.0%	32.3%	100%
Banking and credit financing	Frequency	242	206	133	281	862
	% of Respondents	28.1%	23.9%	15.4%	32.6%	100%
Seminars and exhibitions	Frequency	28	124	257	453	862
	% of Respondents	3.2%	14.4%	29.8%	52.6%	100%
Accounting and book - keeping	Frequency	48	123	275	411	857
	% of Respondents	5.6%	14.4%	32.1%	48.0%	100%
Credit assessment (loan application)	Frequency	362	200	76	223	861
	% of Respondents	42.0%	23.2%	8.8%	25.9%	100%
Employment (recruitment)	Frequency	68	120	306	366	860
	% of Respondents	7.9%	14.0%	35.6%	42.6%	100%
Legal	Frequency	54	173	234	399	860
	% of Respondents	6.3%	20.1%	27.2%	46.4%	100%
Enterprise restructuring	Frequency	123	168	209	360	860
	% of Respondents	14.3%	19.5%	24.3%	41.9%	100%
Exporting	Frequency	48	73	228	512	861
	% of Respondents	5.6%	8.5%	26.5%	59.5%	100%



63C. Training Services - List useful services from the following that you would like a business association to provide.

Training Services		Response				Total
		Very Important	Important	Not Important	N/A	
Marketing plan	Frequency	136	261	180	285	862
	% of Respondents	15.8%	30.3%	20.9%	33.1%	100%
Marketing research	Frequency	154	297	142	269	862
	% of Respondents	17.9%	34.5%	16.5%	31.2%	100%
Product promotion	Frequency	247	249	97	269	862
	% of Respondents	28.7%	28.9%	11.3%	31.2%	100%
Marketing strategy	Frequency	123	256	182	298	859
	% of Respondents	14.3%	29.8%	21.2%	34.7%	100%
Advertising	Frequency	125	187	184	367	863
	% of Respondents	14.5%	21.7%	21.3%	42.5%	100%
Cash flow	Frequency	96	147	260	357	860
	% of Respondents	11.2%	17.1%	30.2%	41.5%	100%
Book - keeping	Frequency	58	131	286	386	861
	% of Respondents	6.7%	15.2%	33.2%	44.8%	100%
Audit	Frequency	54	121	291	395	861
	% of Respondents	6.3%	14.1%	33.8%	45.9%	100%
Taxation	Frequency	152	148	225	338	863
	% of Respondents	17.6%	17.1%	26.1%	39.2%	100%
Business planning	Frequency	76	218	221	348	863
	% of Respondents	8.8%	25.3%	25.6%	40.3%	100%
Management skills	Frequency	106	213	215	326	860
	% of Respondents	12.3%	24.8%	25.0%	37.9%	100%
Motivation of staff	Frequency	155	232	179	293	859
	% of Respondents	18.0%	27.0%	20.8%	34.1%	100%
Performance appraisal	Frequency	100	228	221	311	860
	% of Respondents	11.6%	26.5%	25.7%	36.2%	100%

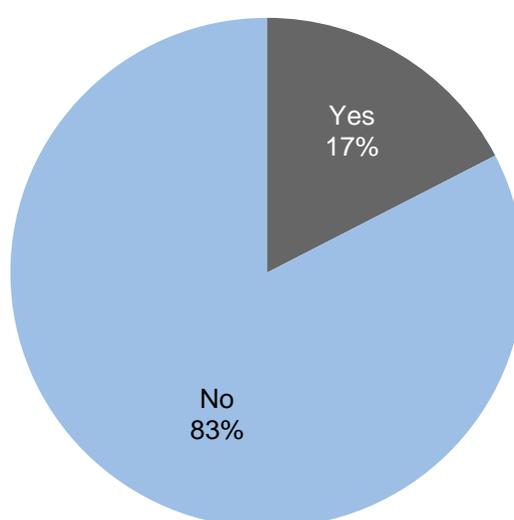
Training Services



64. Does / would an employment agency provide useful service to your business?

	Frequency	Percent
Yes	148	17.4%
No	704	82.6%
Total	852	100%
Missing responses	11	
Total	863	

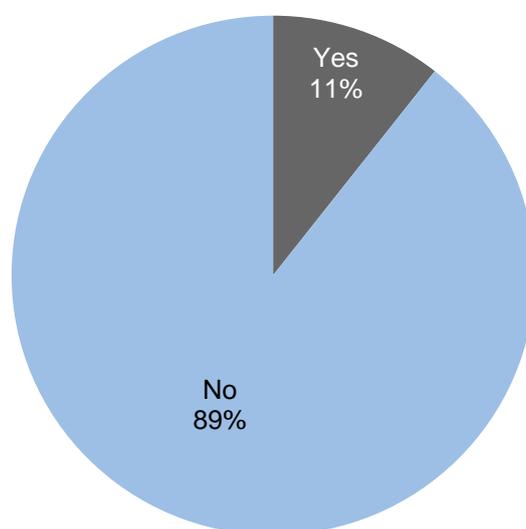
Employment Agency Useful



65. Do you pay / are you willing to pay for employment agency services?

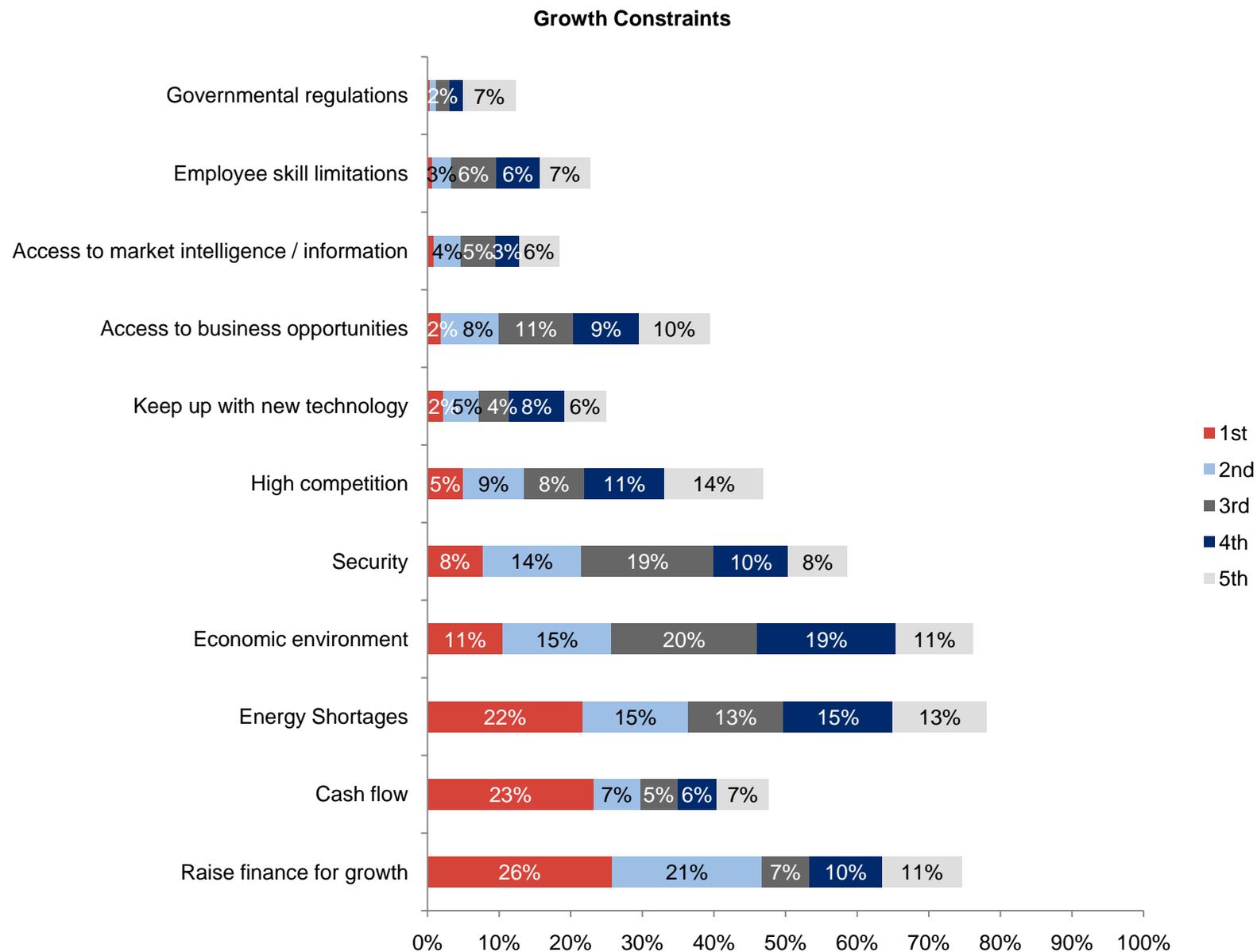
	Frequency	Percent
Yes	90	10.6%
No	760	89.4%
Total	850	100%
Missing responses	13	
Total	863	

Willing to Pay for Employment Agency Services



66. Rank (in order of importance) the top 5 hindrances to your business growth.

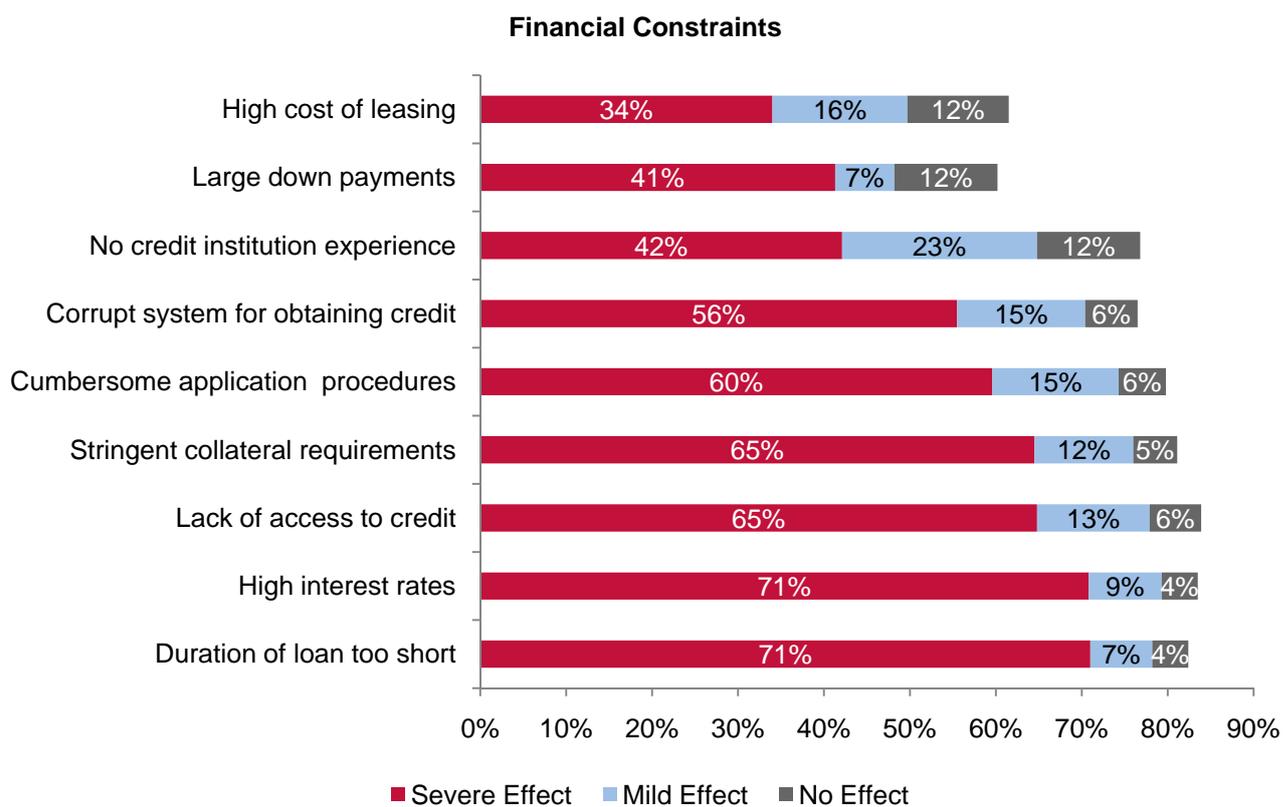
	1 st		2 nd		3rd		4 th		5 th		Overall Rank	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Rank	Weight
Raise finance for growth	222	25.8%	180	20.9%	57	6.6%	87	10.2%	95	11.1%	1	2.63939
Energy shortages	187	21.7%	126	14.7%	114	13.3%	131	15.3%	112	13.1%	2	2.506379
Economic environment	90	10.5%	131	15.2%	175	20.3%	166	19.4%	92	10.8%	3	2.237416
Security	66	7.7%	119	13.8%	159	18.5%	89	10.4%	70	8.2%	4	1.780987
Cash flow	200	23.2%	56	6.5%	45	5.2%	47	5.5%	62	7.3%	5	1.761082
High competition	43	5.0%	73	8.5%	72	8.4%	96	11.2%	118	13.8%	6	1.202456
Access to business opportunities	16	1.9%	69	8.0%	90	10.5%	78	9.1%	85	9.9%	7	1.009244
Keep up with new technology	19	2.2%	43	5.0%	36	4.2%	66	7.7%	50	5.8%	8	0.648423
Employee skill limitations	6	0.7%	22	2.6%	54	6.3%	52	6.1%	60	7.0%	9	0.51707
Access to market intelligence / information	8	0.9%	33	3.8%	41	4.8%	28	3.3%	48	5.6%	10	0.464454
Governmental regulations	3	0.3%	8	0.9%	16	1.9%	16	1.9%	62	7.3%	11	0.220299
Others	1	0.1%	0	0.0%	1	0.1%	1	0.1%	1	0.1%	12	0.012799
Total	861	100%	860	100%	860	100%	857	100%	855	100%		
Missing responses	2		3		3		6		8			
Total	863		863		863		863		863			



9.2 FIRM LEVEL CONSTRAINTS RESPONSES

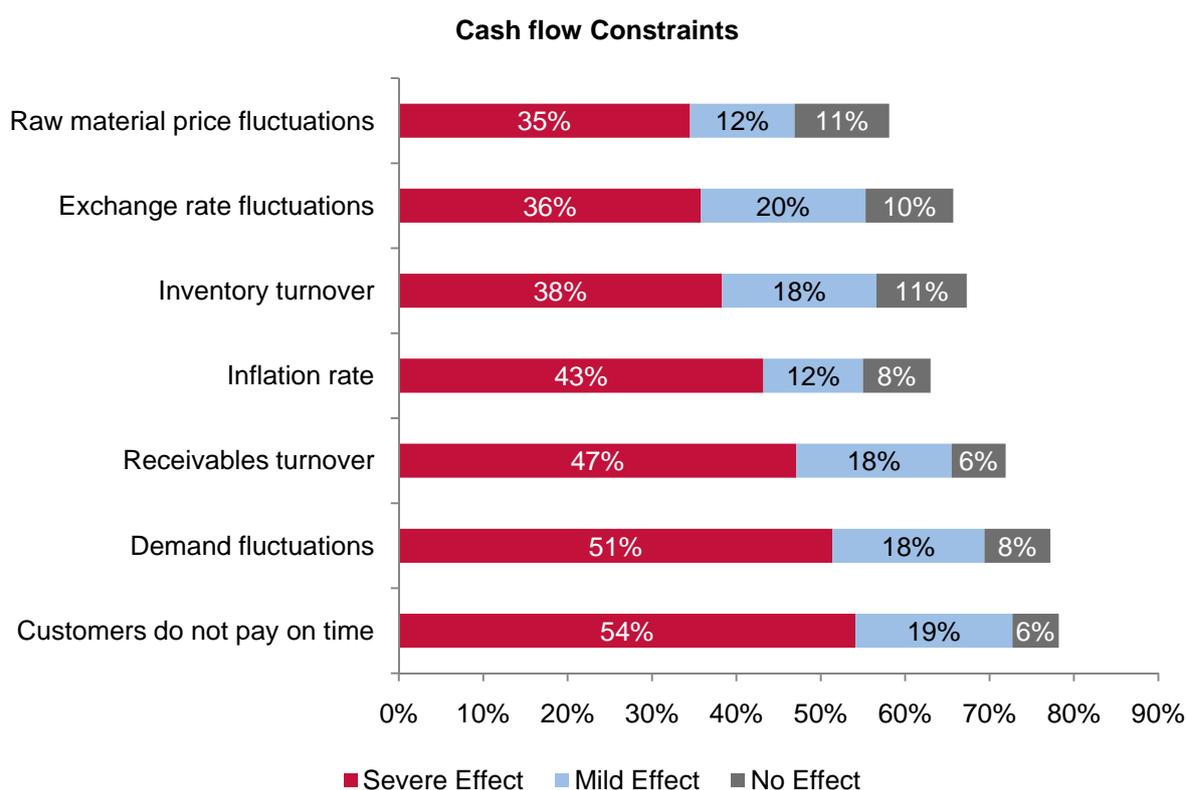
67A. Financial and HR constraints: Financial Constraints

Financial Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Lack of access to credit	Frequency	559	113	52	139	863
	% of Respondents	64.8%	13.1%	6.0%	16.1%	100%
Stringent collateral requirements	Frequency	557	99	44	163	863
	% of Respondents	64.5%	11.5%	5.1%	18.9%	100%
No credit institution experience	Frequency	362	195	103	200	860
	% of Respondents	42.1%	22.7%	12.0%	23.3%	100%
Cumbersome application procedures	Frequency	514	127	47	174	862
	% of Respondents	59.6%	14.7%	5.5%	20.2%	100%
High interest rates	Frequency	610	73	36	142	861
	% of Respondents	70.8%	8.5%	4.2%	16.5%	100%
Duration of loan too short	Frequency	613	62	36	152	863
	% of Respondents	71.0%	7.2%	4.2%	17.6%	100%
Corrupt system for obtaining credit	Frequency	479	129	53	202	863
	% of Respondents	55.5%	14.9%	6.1%	23.4%	100%
High cost of leasing	Frequency	292	135	101	331	859
	% of Respondents	34.0%	15.7%	11.8%	38.5%	100%
Large down payments	Frequency	355	59	103	342	859
	% of Respondents	41.3%	6.9%	12.0%	39.8%	100%



67B. Financial and HR constraints: Cash Flow Constraints

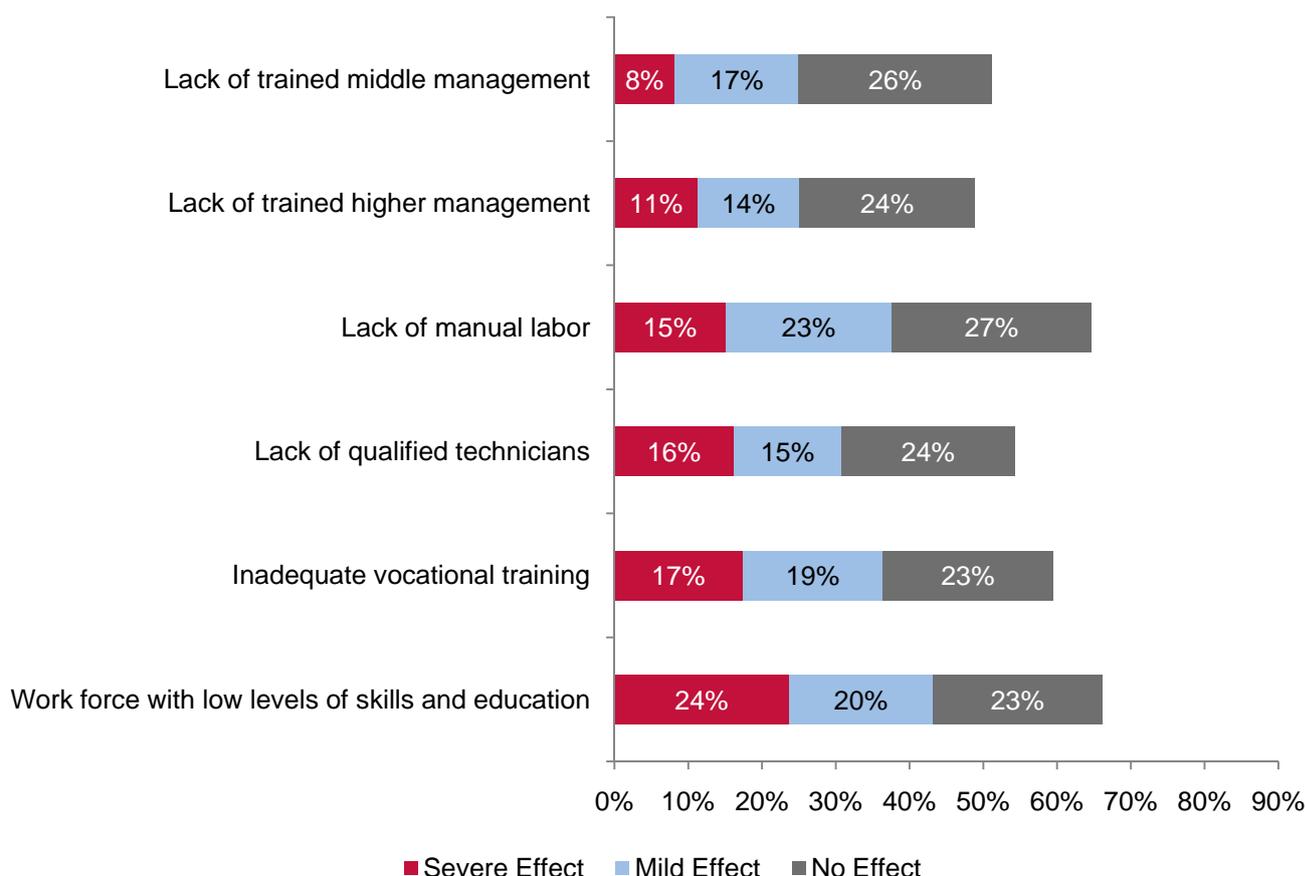
Cash Flow Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Demand fluctuations	Frequency	443	155	67	197	862
	% of Respondents	51.4%	18.0%	7.8%	22.9%	100%
Raw material price fluctuations	Frequency	298	107	97	361	863
	% of Respondents	34.5%	12.4%	11.2%	41.8%	100%
Customers do not pay on time	Frequency	466	160	47	189	862
	% of Respondents	54.1%	18.6%	5.5%	21.9%	100%
Receivables turnover	Frequency	406	159	55	242	862
	% of Respondents	47.1%	18.4%	6.4%	28.1%	100%
Inventory turnover	Frequency	329	157	92	280	858
	% of Respondents	38.3%	18.3%	10.7%	32.6%	100%
Exchange rate fluctuations	Frequency	309	168	90	296	863
	% of Respondents	35.8%	19.5%	10.4%	34.3%	100%
Inflation rate	Frequency	372	102	69	319	862
	% of Respondents	43.2%	11.8%	8.0%	37.0%	100%



67C. Financial and HR constraints: HR Constraints

Human Resource Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Work force with low levels of skills and education	Frequency	204	168	197	292	861
	% of Respondents	23.7%	19.5%	22.9%	33.9%	100%
Inadequate vocational training	Frequency	150	164	199	349	862
	% of Respondents	17.4%	19.0%	23.1%	40.5%	100%
Lack of manual labor	Frequency	130	194	234	304	862
	% of Respondents	15.1%	22.5%	27.1%	35.3%	100%
Lack of trained middle management	Frequency	71	145	226	419	861
	% of Respondents	8.2%	16.8%	26.2%	48.7%	100%
Lack of trained higher management	Frequency	97	119	205	439	860
	% of Respondents	11.3%	13.8%	23.8%	51.0%	100%
Lack of qualified technicians	Frequency	139	125	202	393	859
	% of Respondents	16.2%	14.6%	23.5%	45.8%	100%

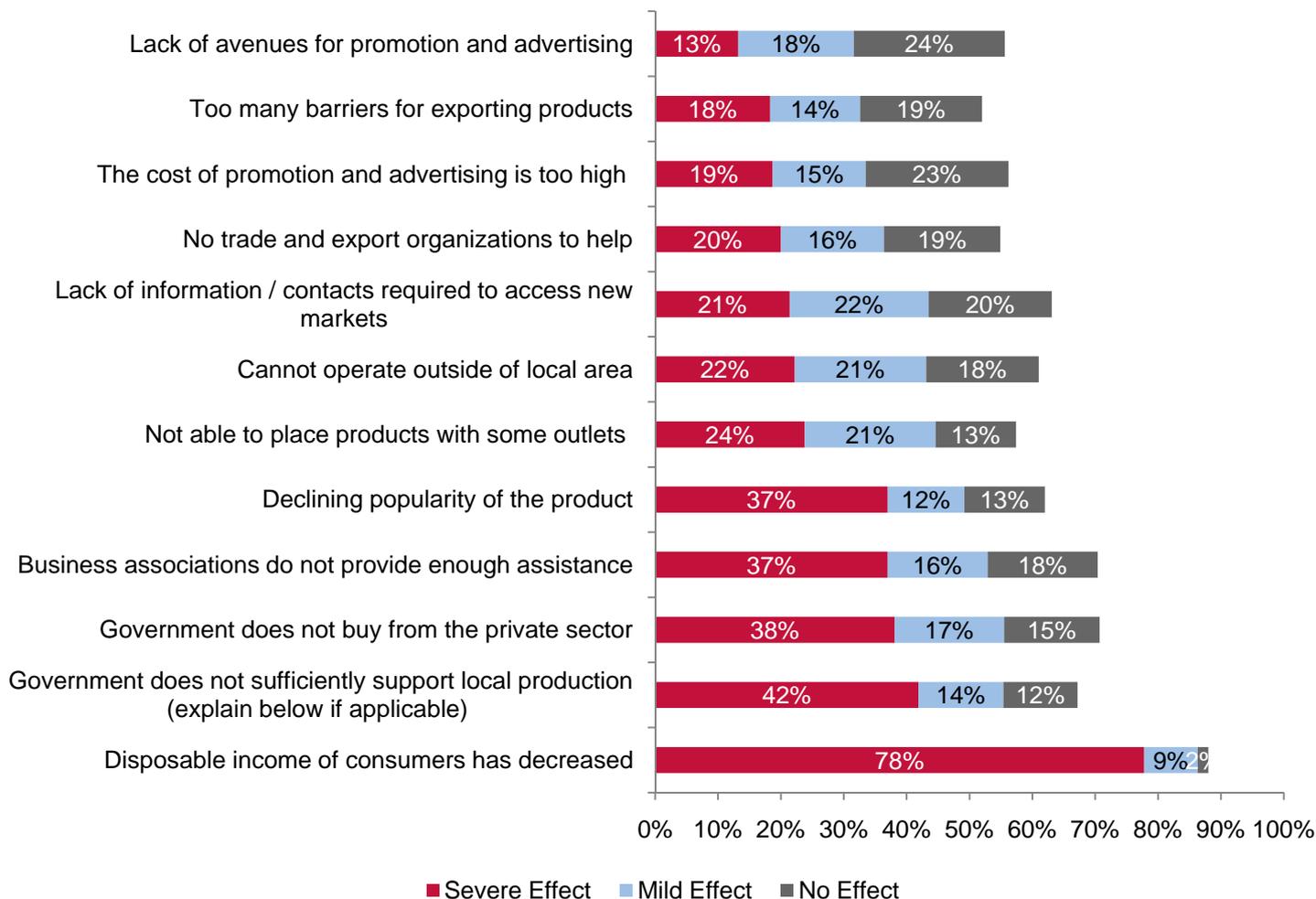
Human Resource Constraints



68. Marketing and Sales Constraints

Marketing and Sales Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Disposable income of consumers has decreased	Frequency	670	73	15	103	861
	% of Respondents	77.8%	8.5%	1.7%	12.0%	100%
Government does not buy from the private sector	Frequency	328	150	131	251	860
	% of Respondents	38.1%	17.4%	15.2%	29.2%	100%
No trade and export organizations to help	Frequency	172	141	159	388	860
	% of Respondents	20.0%	16.4%	18.5%	45.1%	100%
Lack of information / contacts required to access new markets	Frequency	184	190	168	317	859
	% of Respondents	21.4%	22.1%	19.6%	36.9%	100%
Business associations do not provide enough assistance	Frequency	319	137	151	254	861
	% of Respondents	37.0%	15.9%	17.5%	29.5%	100%
Too many barriers for exporting products	Frequency	157	123	167	412	859
	% of Respondents	18.3%	14.3%	19.4%	48.0%	100%
Government does not sufficiently support local production	Frequency	361	116	102	282	861
	% of Respondents	41.9%	13.5%	11.8%	32.8%	100%
Cannot operate outside of local area	Frequency	191	180	154	335	860
	% of Respondents	22.2%	20.9%	17.9%	39.0%	100%
The cost of promotion and advertising is too high	Frequency	161	127	195	376	859
	% of Respondents	18.7%	14.8%	22.7%	43.8%	100%
Lack of avenues for promotion and advertising	Frequency	113	158	206	381	858
	% of Respondents	13.2%	18.4%	24.0%	44.4%	100%
Declining popularity of the product	Frequency	318	105	110	327	860
	% of Respondents	37.0%	12.2%	12.8%	38.0%	100%
Not able to place products with some outlets	Frequency	205	179	110	367	861
	% of Respondents	23.8%	20.8%	12.8%	42.6%	100%

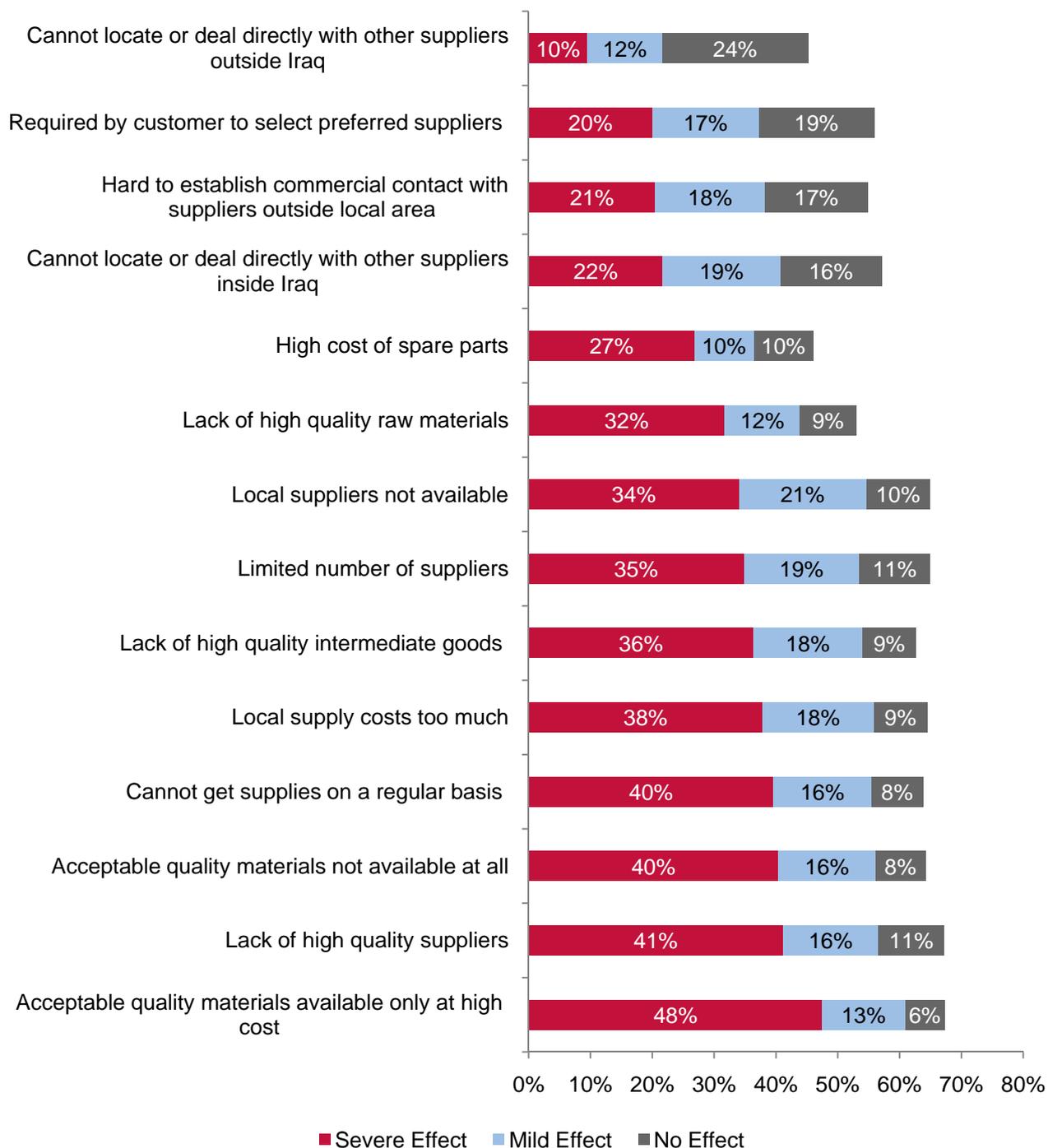
Marketing and Sales



69. Supply Constraints:

Supply Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Lack of high quality suppliers	Frequency	354	134	91	283	862
	% of Respondents	41.1%	15.5%	10.6%	32.8%	100%
Lack of high quality raw materials	Frequency	273	105	78	404	860
	% of Respondents	31.7%	12.2%	9.1%	47.0%	100%
Lack of high quality intermediate goods	Frequency	313	153	75	321	862
	% of Respondents	36.3%	17.7%	8.7%	37.2%	100%
Acceptable quality materials available only at high cost	Frequency	409	115	55	282	861
	% of Respondents	47.5%	13.4%	6.4%	32.8%	100%
Acceptable quality materials not available at all	Frequency	348	135	70	308	861
	% of Respondents	40.4%	15.7%	8.1%	35.8%	100%
Cannot get supplies on a regular basis	Frequency	340	136	72	311	859
	% of Respondents	39.6%	15.8%	8.4%	36.2%	100%
High cost of spare parts	Frequency	231	83	83	464	861
	% of Respondents	26.8%	9.6%	9.6%	53.9%	100%
Limited number of suppliers	Frequency	299	161	98	302	860
	% of Respondents	34.8%	18.7%	11.4%	35.1%	100%
Local suppliers not available	Frequency	293	177	89	302	861
	% of Respondents	34.0%	20.6%	10.3%	35.1%	100%
Local supply costs too much	Frequency	325	155	75	305	860
	% of Respondents	37.8%	18.0%	8.7%	35.5%	100%
Cannot locate or deal directly with other suppliers inside Iraq	Frequency	187	164	141	370	862
	% of Respondents	21.7%	19.0%	16.4%	42.9%	100%
Cannot locate or deal directly with other suppliers outside Iraq	Frequency	82	104	203	472	861
	% of Respondents	9.5%	12.1%	23.6%	54.8%	100%
Required by customer to select preferred suppliers	Frequency	171	147	160	379	857
	% of Respondents	20.0%	17.2%	18.7%	44.2%	100%
Hard to establish commercial contact with suppliers outside local area	Frequency	177	153	144	388	862
	% of Respondents	20.5%	17.7%	16.7%	45.0%	100%

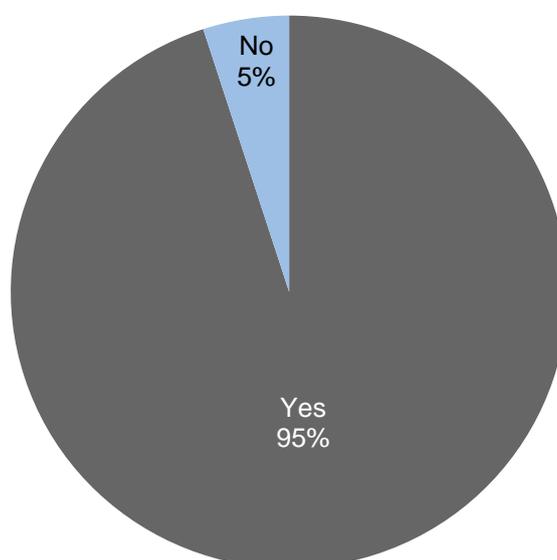
Supplier Constraints



70. Are you free to choose any supplier you wish?

	Frequency	Percent
Yes	778	95.0%
No	41	5.0%
Total	819	100%
Missing responses	44	
Total	863	

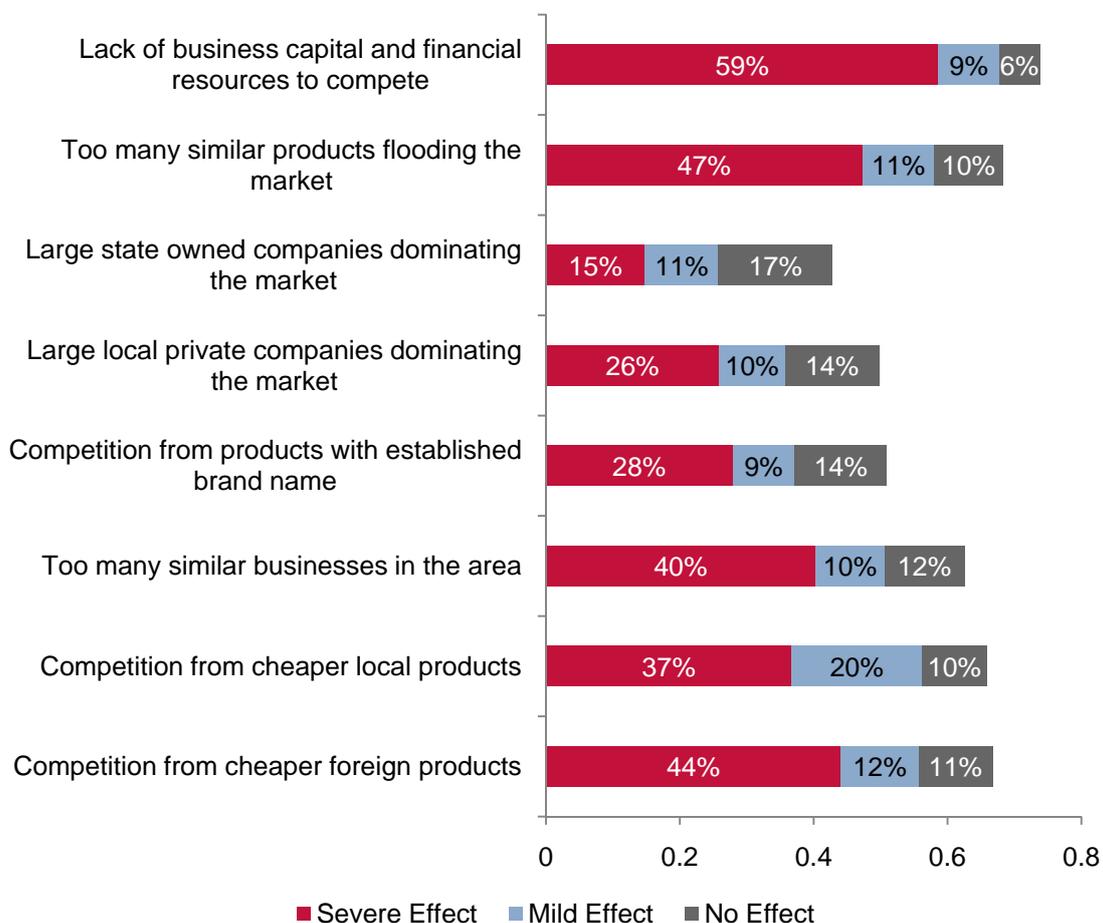
Free to Choose Supplier



71. Competition Constraints

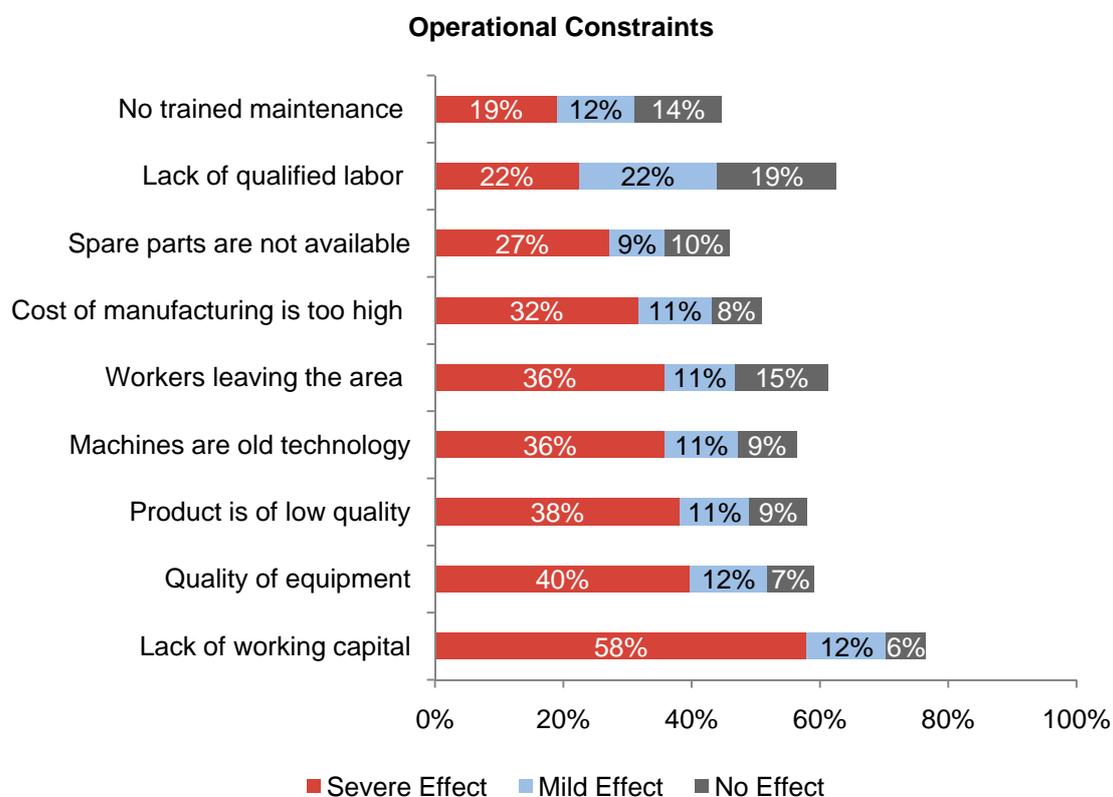
Competition Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Competition from cheaper foreign products	Frequency	380	100	95	287	862
	% of Respondents	44.1%	11.6%	11.0%	33.3%	100%
Competition from cheaper local products	Frequency	316	168	83	293	860
	% of Respondents	36.7%	19.5%	9.7%	34.1%	100%
Too many similar businesses in the area	Frequency	346	88	102	322	858
	% of Respondents	40.3%	10.3%	11.9%	37.5%	100%
Competition from products with established brand name	Frequency	240	80	118	423	861
	% of Respondents	27.9%	9.3%	13.7%	49.1%	100%
Large local private companies dominating the market	Frequency	223	84	121	433	861
	% of Respondents	25.9%	9.8%	14.1%	50.3%	100%
Large state owned companies dominating the market	Frequency	127	95	146	492	860
	% of Respondents	14.8%	11.0%	17.0%	57.2%	100%
Too many similar products flooding the market	Frequency	408	92	89	273	862
	% of Respondents	47.3%	10.7%	10.3%	31.7%	100%
Lack of business capital and financial resources to compete	Frequency	506	78	53	225	862
	% of Respondents	58.7%	9.0%	6.1%	26.1%	100%

Competition Constraints



72. Operational Constraints

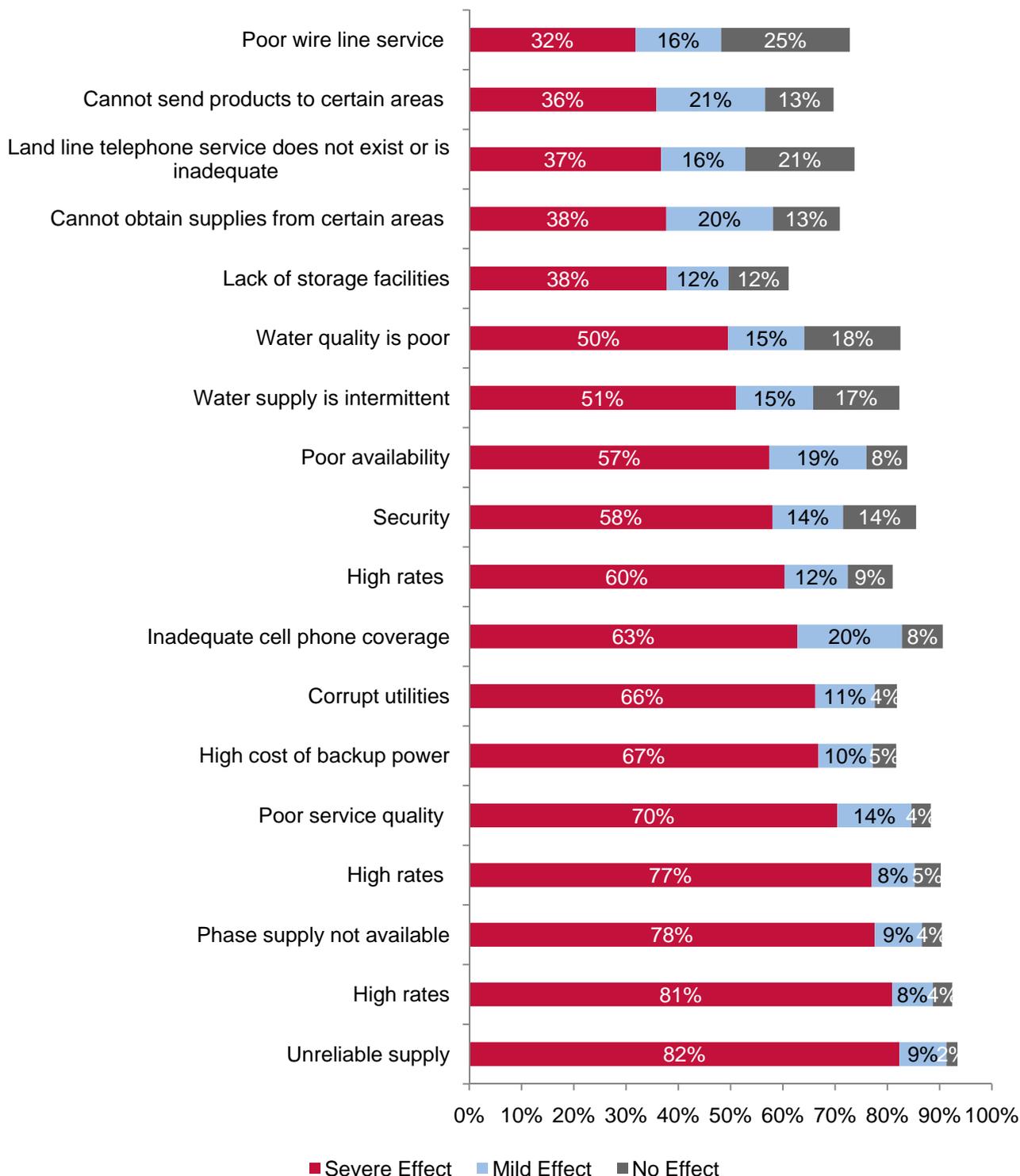
Operational Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Quality of equipment	Frequency	343	104	63	353	863
	% of Respondents	39.7%	12.1%	7.3%	40.9%	100%
Cost of manufacturing is too high	Frequency	274	98	67	424	863
	% of Respondents	31.7%	11.4%	7.8%	49.1%	100%
Product is of low quality	Frequency	328	93	77	361	859
	% of Respondents	38.2%	10.8%	9.0%	42.0%	100%
Lack of working capita	Frequency	500	107	53	202	862
	% of Respondents	58.0%	12.4%	6.1%	23.4%	100%
Lack of qualified labor	Frequency	193	186	160	321	860
	% of Respondents	22.4%	21.6%	18.6%	37.3%	100%
Workers leaving the area due to security or economic reasons	Frequency	308	95	125	332	860
	% of Respondents	35.8%	11.0%	14.5%	38.6%	100%
Machines are old technology	Frequency	309	97	79	376	861
	% of Respondents	35.9%	11.3%	9.2%	43.7%	100%
Spare parts are not available	Frequency	234	74	87	465	860
	% of Respondents	27.2%	8.6%	10.1%	54.1%	100%
No trained maintenance	Frequency	164	104	117	476	861
	% of Respondents	19.0%	12.1%	13.6%	55.3%	100%



73. Infrastructure and Logistics Constraints

Infrastructure and Logistics Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
High rates	Frequency	696	67	32	65	860
	% of Respondents	80.9%	7.8%	3.7%	7.6%	100%
Poor service quality	Frequency	603	122	32	100	857
	% of Respondents	70.4%	14.2%	3.7%	11.7%	100%
Unreliable supply	Frequency	708	77	18	57	860
	% of Respondents	82.3%	9.0%	2.1%	6.6%	100%
Phase supply not available	Frequency	667	77	33	82	859
	% of Respondents	77.6%	9.0%	3.8%	9.5%	100%
Corrupt utilities	Frequency	569	98	36	156	859
	% of Respondents	66.2%	11.4%	4.2%	18.2%	100%
High cost of backup power	Frequency	574	89	39	157	859
	% of Respondents	66.8%	10.4%	4.5%	18.3%	100%
Water supply is intermittent	Frequency	439	127	142	153	861
	% of Respondents	51.0%	14.8%	16.5%	17.8%	100%
Water quality is poor	Frequency	426	126	158	151	861
	% of Respondents	49.5%	14.6%	18.4%	17.5%	100%
High rates	Frequency	664	71	43	84	862
	% of Respondents	77.0%	8.2%	5.0%	9.7%	100%
Poor availability	Frequency	494	160	67	140	861
	% of Respondents	57.4%	18.6%	7.8%	16.3%	100%
Security	Frequency	500	116	121	125	862
	% of Respondents	58.0%	13.5%	14.0%	14.5%	100%
Cannot send products to certain areas	Frequency	308	179	113	260	860
	% of Respondents	35.8%	20.8%	13.1%	30.2%	100%
Cannot obtain supplies from certain areas	Frequency	323	175	110	249	857
	% of Respondents	37.7%	20.4%	12.8%	29.1%	100%
Lack of storage facilities	Frequency	324	101	99	334	858
	% of Respondents	37.8%	11.8%	11.5%	38.9%	100%
Land line telephone service does not exist or is inadequate	Frequency	316	139	180	226	861
	% of Respondents	36.7%	16.1%	20.9%	26.2%	100%
High rates	Frequency	518	104	74	163	859
	% of Respondents	60.3%	12.1%	8.6%	19.0%	100%
Inadequate cell phone coverage	Frequency	541	172	67	81	861
	% of Respondents	62.8%	20.0%	7.8%	9.4%	100%
Poor wire line service	Frequency	273	141	211	234	859
	% of Respondents	31.8%	16.4%	24.6%	27.2%	100%

Infrastructure and Logistics

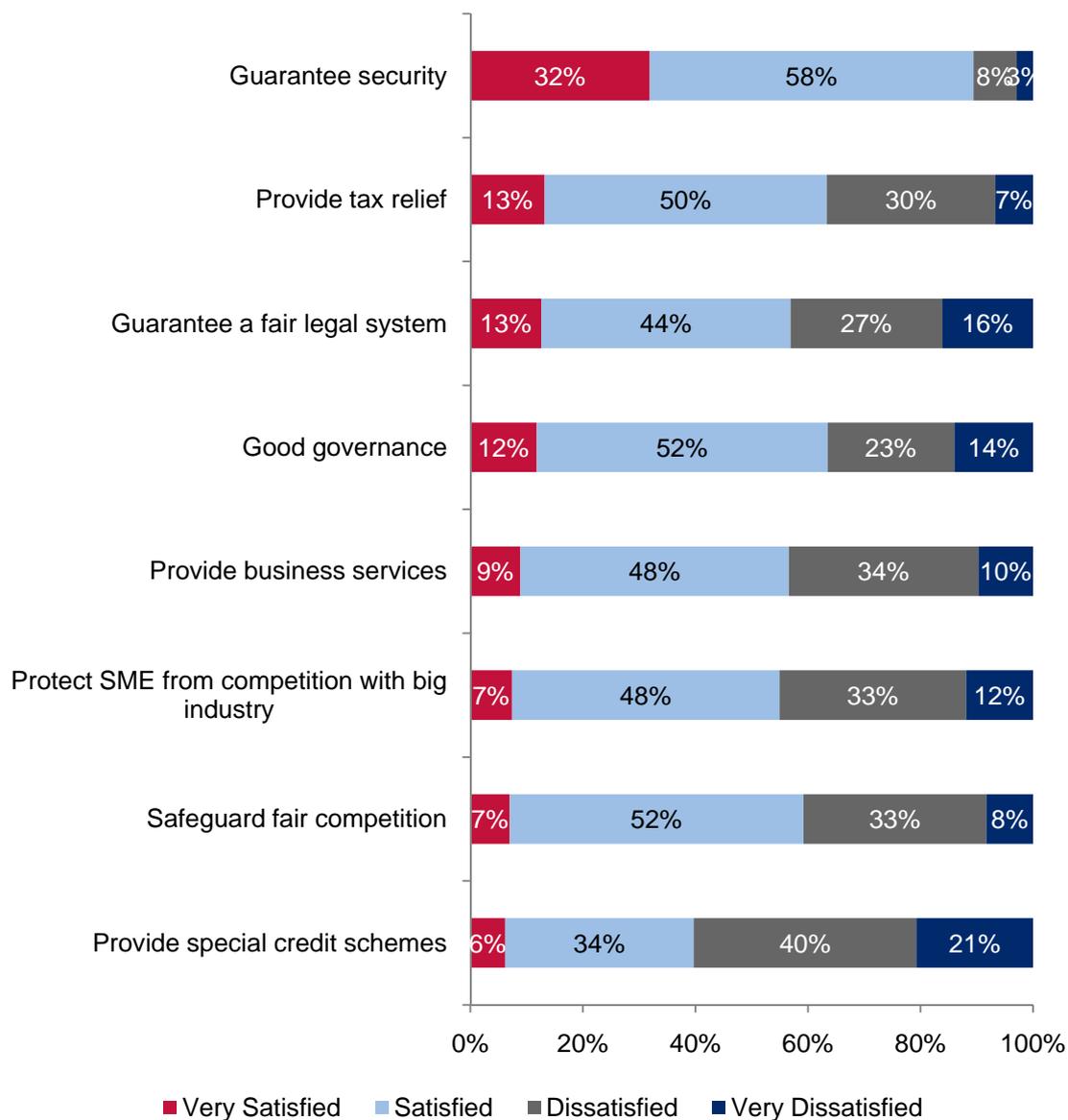


9.3 BUSINESS AND POLICY LEVEL CONSTRAINTS RESPONSES

74. Within the context of your business, rate your satisfaction with government performance in the following areas:

Areas		Satisfaction				Total
		Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	
Guarantee security	Frequency	274	495	66	25	860
	% of Respondents	31.9%	57.6%	7.7%	2.9%	100%
Provide tax relief	Frequency	113	430	257	57	857
	% of Respondents	13.2%	50.2%	30.0%	6.7%	100%
Provide special credit schemes	Frequency	53	286	339	177	855
	% of Respondents	6.2%	33.5%	39.6%	20.7%	100%
Safeguard fair competition	Frequency	60	447	278	71	856
	% of Respondents	7.0%	52.2%	32.5%	8.3%	100%
Protect SME from competition with big industry	Frequency	63	406	283	102	854
	% of Respondents	7.4%	47.5%	33.1%	11.9%	100%
Guarantee a fair legal system	Frequency	108	380	232	138	858
	% of Respondents	12.6%	44.3%	27.0%	16.1%	100%
Good governance	Frequency	101	444	193	120	858
	% of Respondents	11.8%	51.7%	22.5%	14.0%	100%
Provide business services	Frequency	76	408	288	83	855
	% of Respondents	8.9%	47.7%	33.7%	9.7%	100%

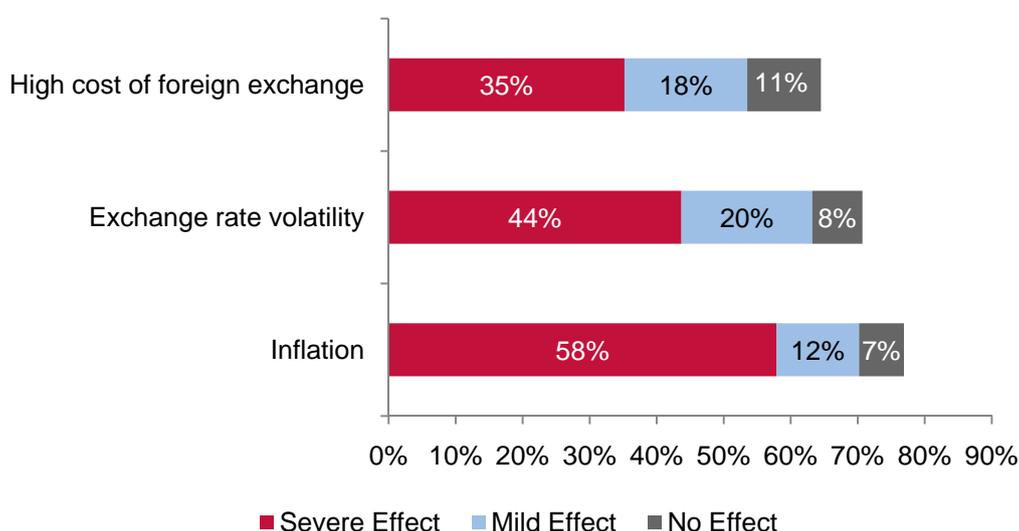
Satisfaction with Government Performance



75A. Macro and Monterey Constraints

Macro and Monetary Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
High cost of foreign exchange	Frequency	301	157	94	304	856
	% of Respondents	35.2%	18.3%	11.0%	35.5%	100%
Exchange rate volatility	Frequency	375	167	64	252	858
	% of Respondents	43.7%	19.5%	7.5%	29.4%	100%
Inflation	Frequency	496	105	57	199	857
	% of Respondents	57.9%	12.3%	6.7%	23.2%	100%

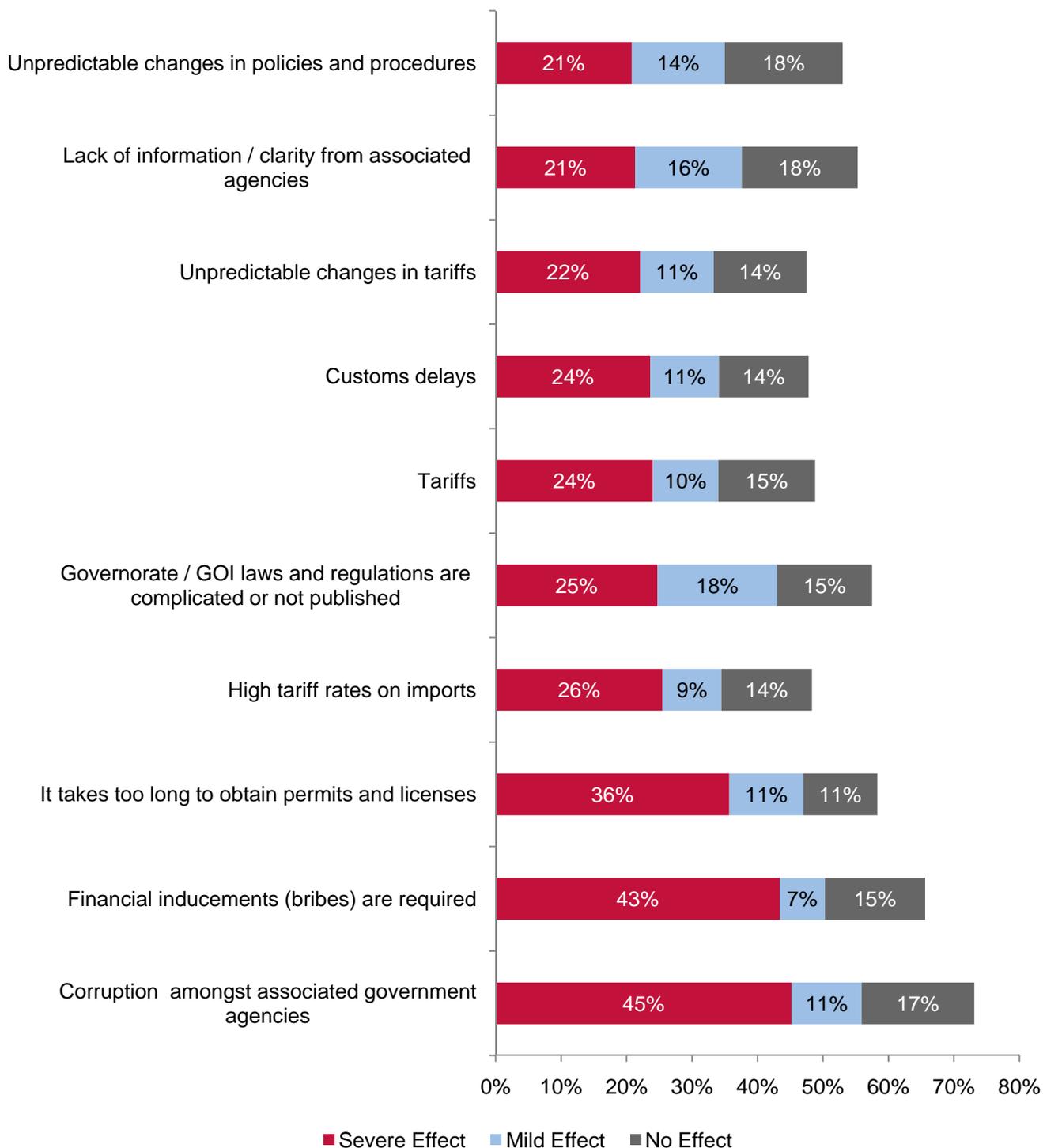
Macro and Monterey Constraints



75B. Regulation and Business Enabling Environment Constraints

Regulation and Business Enabling Environment Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Corruption amongst associated government agencies	Frequency	389	92	148	232	861
	% of Respondents	45.2%	10.7%	17.2%	26.9%	100%
Tariffs	Frequency	206	86	127	441	860
	% of Respondents	24.0%	10.0%	14.8%	51.3%	100%
High tariff rates on imports	Frequency	219	77	119	445	860
	% of Respondents	25.5%	9.0%	13.8%	51.7%	100%
Unpredictable changes in tariffs	Frequency	190	96	122	452	860
	% of Respondents	22.1%	11.2%	14.2%	52.6%	100%
Unpredictable changes in policies and procedures	Frequency	179	122	155	403	859
	% of Respondents	20.8%	14.2%	18.0%	46.9%	100%
Lack of information / clarity from associated agencies	Frequency	183	140	152	385	860
	% of Respondents	21.3%	16.3%	17.7%	44.8%	100%
Financial inducements (bribes) are required	Frequency	373	59	132	296	860
	% of Respondents	43.4%	6.9%	15.3%	34.4%	100%
Customs delays	Frequency	203	90	118	449	860
	% of Respondents	23.6%	10.5%	13.7%	52.2%	100%
It takes too long to obtain permits and licenses	Frequency	307	97	97	359	860
	% of Respondents	35.7%	11.3%	11.3%	41.7%	100%
Governorate / GOI laws and regulations are complicated or not published	Frequency	212	157	125	366	860
	% of Respondents	24.7%	18.3%	14.5%	42.6%	100%

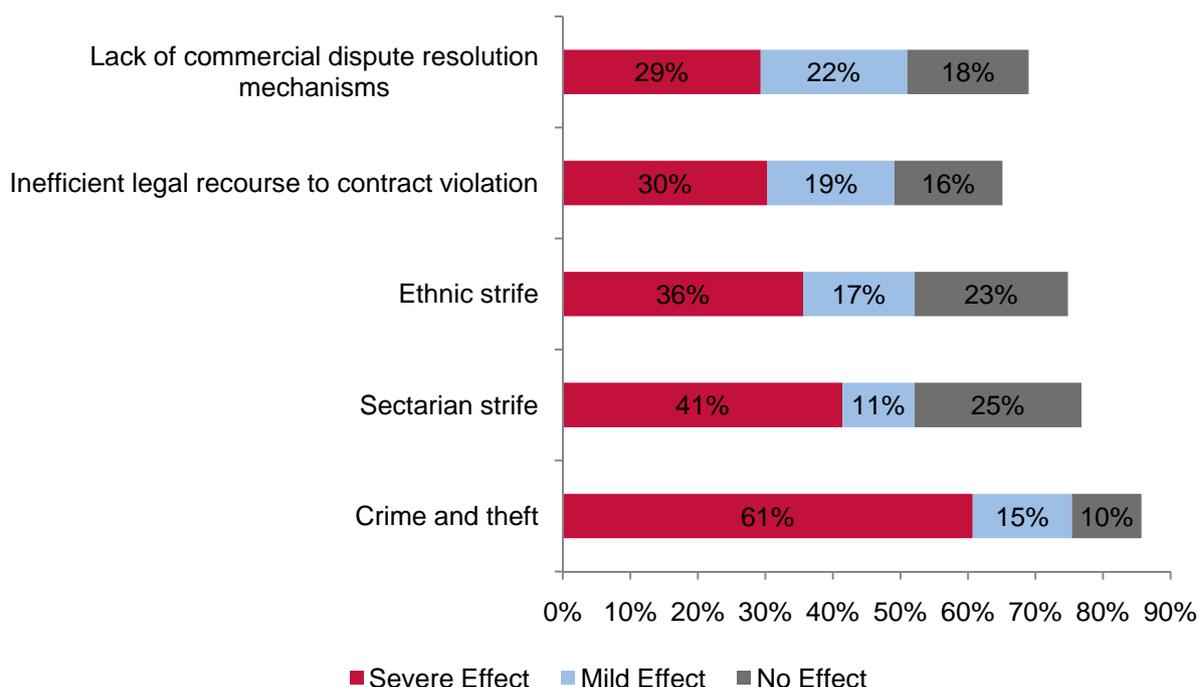
Regulation and Business Enabling Environment Constraints



75C. Security and Law Constraints

Security and Law Constraints		Effect				Total
		Severe Effect	Mild Effect	No Effect	N/A	
Ethnic strife	Frequency	306	142	195	217	860
	% of Respondents	35.6%	16.5%	22.7%	25.2%	100%
Crime and theft	Frequency	522	126	89	123	860
	% of Respondents	60.7%	14.7%	10.3%	14.3%	100%
Sectarian strife	Frequency	356	92	212	199	859
	% of Respondents	41.4%	10.7%	24.7%	23.2%	100%
Lack of commercial dispute resolution mechanisms	Frequency	252	186	155	266	859
	% of Respondents	29.3%	21.7%	18.0%	31.0%	100%
Inefficient legal recourse to contract violation	Frequency	260	161	137	299	857
	% of Respondents	30.3%	18.8%	16.0%	34.9%	100%

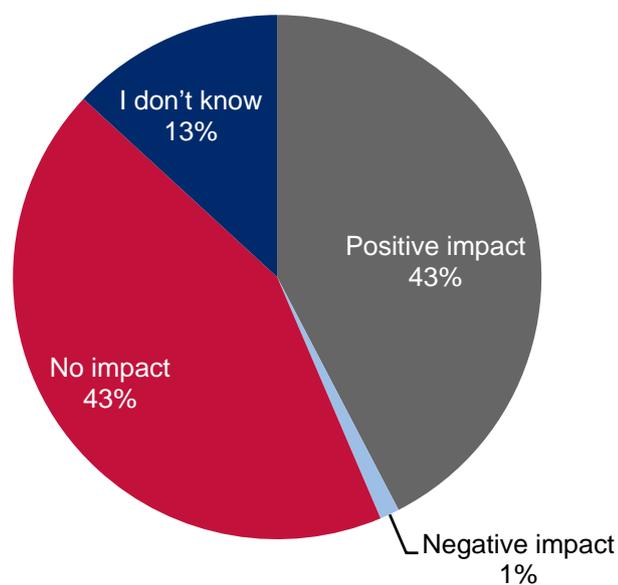
Security and Law Constraints



76. After the security handover on June 30th, 2009, describe the impact on your business?

	Frequency	Percent
Positive impact	365	42.4%
Negative impact	10	1.2%
No impact	373	43.3%
I don't know	113	13.1%
Total	861	100%
Missing	2	
Total	863	

Impact on Business After Security Handover on June 30th, 2009



10. APPENDIX 3: PROJECT TIMELINE

The following is a timeline of project implementation broken out according to month. The original project timeline ends in September.

Description of Task	Responsible	Expected Date	JUNE				
			Week 1	Week 2	Week 3	Week 4	Week 5
			1-Jun	8-Jun	15-Jun	22-Jun	29-Jun
1 Proposals Received	LBG	30-May					
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun					
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun					
4 Questionnaire designed and prepared by LBG & LBG		17-Jun					
5 Two day workshop with Subcontractor to disc	LBG/Subcontractor	17-Jun					
6 List of businesses randomly selected from the	Subcontractor	21-Jun					
7 Pre-testing the questionnaire for 30 businesse	Subcontractor	27-Jun					
8 Questionnaire revisions completed in conjunct	LBG/Subcontractor	2-Jul					
9 Survey Training		13-Jul					
10 Start Survey	Subcontractor	21-Jul					
11 Tabulation and Analysis of collected data	Subcontractor	8-Aug					
12 Focus Group Discussions	Subcontractor	22 August – 5 September					
13 Draft Final Report	Subcontractor	20-Sep					
14 Final Report	Subcontractor	30-Sep					

Description of Task	Responsible	Expected Date	JULY			
			Week 1	Week 2	Week 3	Week 4
			6-Jul	13-Jul	20-Jul	27-Jul
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun				
4 Questionnaire designed and prepared by LBG & LBG		17-Jun				
5 Two day workshop with Subcontractor to disc	LBG/Subcontractor	17-Jun				
6 List of businesses randomly selected from the	Subcontractor	21-Jun				
7 Pre-testing the questionnaire for 30 businesse	Subcontractor	27-Jun				
8 Questionnaire revisions completed in conjunct	LBG/Subcontractor	2-Jul				
9 Survey Training		13-Jul				
10 Start Survey	Subcontractor	21-Jul				
11 Tabulation and Analysis of collected data	Subcontractor	8-Aug				
12 Focus Group Discussions	Subcontractor	22 August – 5 September				
13 Draft Final Report	Subcontractor	20-Sep				
14 Final Report	Subcontractor	30-Sep				

Description of Task	Responsible	Expected Date	AUGUST				
			Week 1	Week 2	Week 3	Week 4	Week 5
			3-Aug	10-Aug	17-Aug	24-Aug	31-Aug
1 Proposals Received	LBG	30-May					
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun					
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun					
4 Questionnaire designed and prepared by LBG & LBG		17-Jun					
5 Two day workshop with Subcontractor to disc	LBG/Subcontractor	17-Jun					
6 List of businesses randomly selected from the	Subcontractor	21-Jun					
7 Pre-testing the questionnaire for 30 businesse	Subcontractor	27-Jun					
8 Questionnaire revisions completed in conjunct	LBG/Subcontractor	2-Jul					
9 Survey Training		13-Jul					
10 Start Survey	Subcontractor	21-Jul					
11 Tabulation and Analysis of collected data	Subcontractor	8-Aug					
12 Focus Group Discussions	Subcontractor	22 August – 5 September					
13 Draft Final Report	Subcontractor	20-Sep					
14 Final Report	Subcontractor	30-Sep					

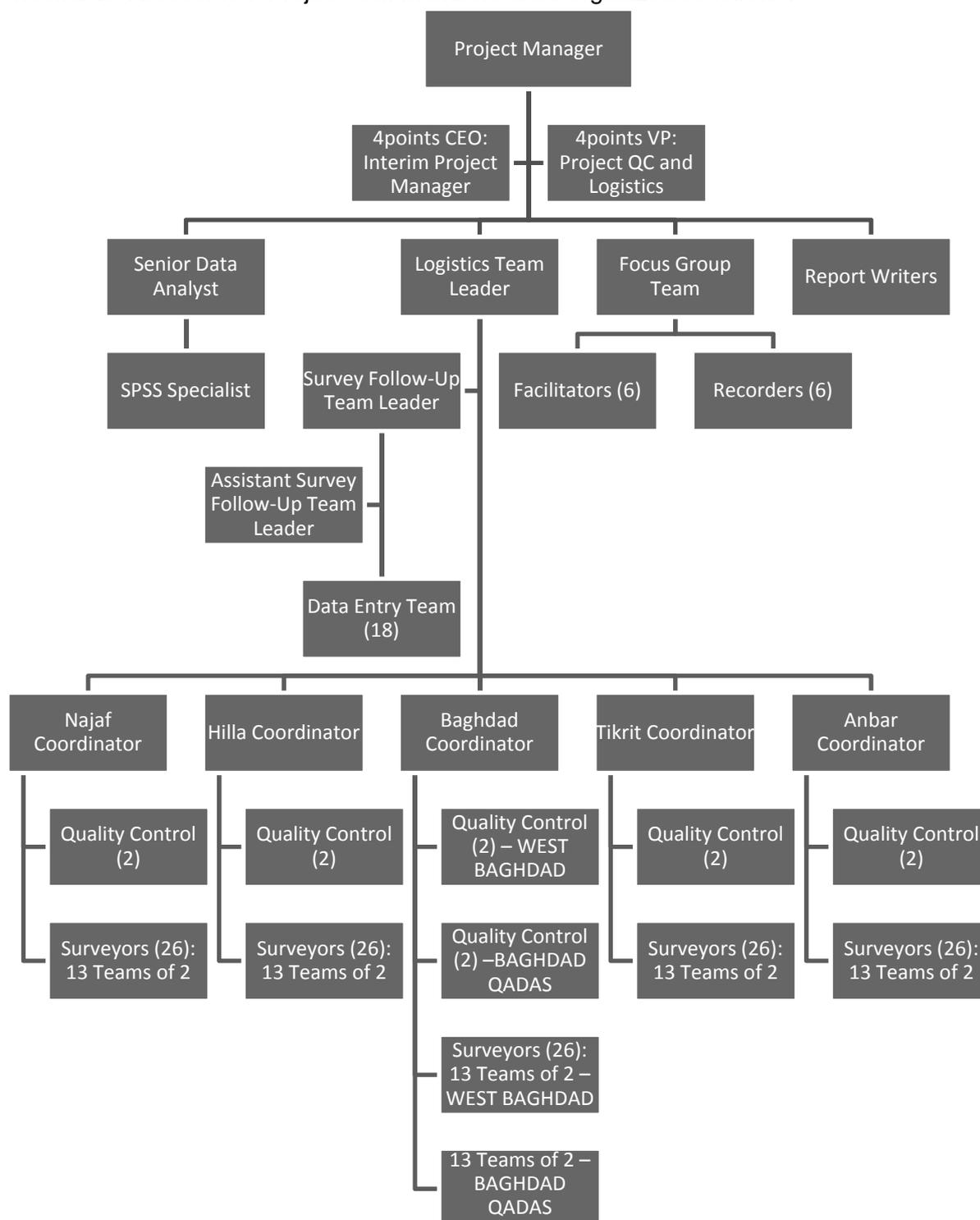
Description of Task	Responsible	Expected Date	SEPTEMBER			
			Week 1	Week 2	Week 3	Week 4
			7-Sep	14-Sep	21-Sep	28-Sep
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun				
4 Questionnaire designed and prepared by LBG : LBG		17-Jun				
5 Two day workshop with Subcontractor to disci	LBG/Subcontractor	17-Jun				
6 List of businesses randomly selected from the	Subcontractor	21-Jun				
7 Pre-testing the questionnaire for 30 businesse	Subcontractor	27-Jun				
8 Questionnaire revisions completed in conjunct	LBG/Subcontractor	2-Jul				
9 Survey Training		13-Jul				
10 Start Survey	Subcontractor	21-Jul				
11 Tabulation and Analysis of collected data	Subcontractor	8-Aug				
12 Focus Group Discussions	Subcontractor	22 August – 5 September				
13 Draft Final Report	Subcontractor	20-Sep				
14 Final Report	Subcontractor	30-Sep				

Description of Task	Responsible	Expected Date	OCTOBER			
			Week 1	Week 2	Week 3	Week 4
			5-Oct	12-Oct	19-Oct	26-Oct
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun				
4 Questionnaire designed and prepared by LBG : LBG		17-Jun				
5 Two day workshop with Subcontractor to disci	LBG/Subcontractor	17-Jun				
6 List of businesses randomly selected from the	Subcontractor	21-Jun				
7 Pre-testing the questionnaire for 30 businesse	Subcontractor	27-Jun				
8 Questionnaire revisions completed in conjunct	LBG/Subcontractor	2-Jul				
9 Survey Training		13-Jul				
10 Start Survey	Subcontractor	21-Jul				
11 Tabulation and Analysis of collected data	Subcontractor	8-Aug				
12 Focus Group Discussions	Subcontractor	22 August – 5 September				
13 Draft Final Report	Subcontractor	15-Oct				
14 Final Report	Subcontractor	30-Oct				

11. APPENDIX 4: DHI QAR RESEARCH TEAM

11.1 PROJECT ORGANIZATION

The Market Assessment Project staff members were organized as follows:



11.2 PROJECT MANAGEMENT

The Market Assessment Project for Dhi Qar included a total of 85 personnel serving functions in various roles. The project was led by Mohammad Shohaieb, with oversight and implementation assistance provided by Tania Khaled, Eric Nigh, Ahmed Abbas, and Mohannad Abdulhay, the 4points principals.

11.2.1 USAID-TIJARA Project Management Team

1	Baljith Vohra	USA	Leader Project Manager and Senior Technical Advisor	M
2	Donal Cotter	IRL	Chief of Party	M
3	Husam Habibeh	USA	BDS Component Director, Market Assessment Team Leader	M
4	Vladimir Halama	USA	Director, Research and Economic Conditions	M
5	Sarwa Al-Dulaimi	IRQ	BDS Deputy Director	F
6	Stephen Fordham	IRL	BDS Advisor	M
7	Raymond Mendenilla	USA	BDS Advisor	M
8	Mohammad Sami	IRQ	BDS Field Coordinator	M
9	Ameen Ahmed	IRQ	BDS Field Coordinator	M
10	Firas Al-Karam	IRQ	BDS Field Coordinator	M

11.2.2 Project Management Team

1	Mohammad Shohaieb	EGY	4points Project Manager	M
2	Tania Khaled	IRQ	4points President	F
3	Eric Nigh	USA	4points CEO – Project Oversight and Analysis Assistance	M
4	Muhanad Abdul Hay	IRQ	4points VP – Project Support Services	M
5	Ahmed Abbas	IRQ	4points VP – Project Operations	M
6	Yousif Al.Hardan	IRQ	Project Senior Operation Manager	M
7	Khawla Fadhel Jasseim	IRQ	Senior QC Officer	F
8	Dr. Sabah Munfi Redha	IRQ	SPSS Expert and Data Analyst	M
9	Dr. Haithem Taha Mohammed	IRQ	Project Senior Technical Assistant	M
10	Dr. Philip Borden	USA	Consultant Data Analyst and Report Writer	M
11	Mohammed Kadhum	IRQ	Assistant Operation Manager	M
12	Safa Nimat Hussein	IRQ	HR Manager – Project Personnel Manager	M
13	Allegra Klein	USA	Report Editor and Formatting	F

11.3 FIELD TEAM, SUPPORT, AND DATA ENTRY

11.3.1 The Dhi Qar Survey Field Research Team

1	Saif Majeed Taha	IRQ	Supervisor	M
2	Mohammed Naji Faisal	IRQ	Coordinator	M
3	Akeel Abdul Hussein	IRQ	QC Officer	M
4	Ossama Saad Naji	IRQ	QC Officer	M
5	Ali Sabar Mutar	IRQ	Researcher	M
6	Muhammed Jabar Muhammed	IRQ	Researcher	M
7	Haider Abdul Rahman	IRQ	Researcher	M
8	Ali Lafta Shlaka	IRQ	Researcher	M
9	Ali Kareem Al.Fatlawi	IRQ	Researcher	M
10	Hanaa Sabir Mutar	IRQ	Researcher	M
11	Ahmed Hussein Katiaa	IRQ	Researcher	M
12	Itab Khir Allah	IRQ	Researcher	M
13	Ahmed Najim Maarof	IRQ	Researcher	M
14	Wissam Abdul Zahra	IRQ	Researcher	M
15	Wiaam Naji Faisal	IRQ	Researcher	M
16	Haider Kadhum	IRQ	Researcher	M
17	Hadia Jassim Aliwi	IRQ	Researcher	M
18	Zainab Hameed Auda	IRQ	Researcher	M
19	Suzan Naji Faisal	IRQ	Researcher	M
20	Mahmod Hussein Nasir	IRQ	Researcher	M
21	Ghafar Jabbar Muhammed	IRQ	Researcher	M
22	Rasha Abass Jumaa	IRQ	Researcher	M
23	Aida Abdul Ameer	IRQ	Researcher	M
24	Muhammed Kareem	IRQ	Researcher	M
25	Kareem Shaheed Fadhih	IRQ	Researcher	M
26	Loy Qais Fakhri	IRQ	Researcher	M
27	Ali Salim	IRQ	Researcher	M
28	Ramla Atab	IRQ	Researcher	M
29	Fraq Hassan Aty	IRQ	Researcher	M
30	Raheem Hussein Jabir	IRQ	Researcher	M

11.3.2 Baghdad-Based Data Entry Team

1	Hussam Thabit Al-Qaisy	IRQ	Data Entry	M
2	Kahtan Adnan Gwad	IRQ	Data Entry	M
3	Anmar Sami Hassan	IRQ	Data Entry	M
4	Ahmed Durid Jamil	IRQ	Data Entry	M
5	Ahmed Tha'ar Muhamad	IRQ	Data Entry	M

6	Ali Ahmed Saleem	IRQ	Data Entry	M
7	Ahmed Abed Mshali	IRQ	Data Entry	M
8	Fityan Kamil Al.Qayim	IRQ	Data Entry	M
9	Ahmed Salah Al.Deen	IRQ	Data Entry	M
10	Duray Manal Adeb	IRQ	Data Entry	M
11	Laith Haitham Abdul Khaliq	IRQ	Data Entry	M
12	Ahmed Salam Karim	IRQ	Data Entry	M
13	Zaid Muhammed Ridha	IRQ	Data Entry	M
14	Yasir Wael Rasheed	IRQ	Data Entry	M
15	Hussein Ali Hassan	IRQ	Data Entry	M
16	Gayth Lazim Al.Taqy	IRQ	Data Entry	M

11.3.3 Supporting Staff

1	Wael Mohammed Saeed Nayef	IRQ	Report Writing Assistant	M
2	Anmar Sami Hassan	IRQ	Report Writing Assistant	M
3	Ahmad Talb Jaber	IRQ	Report Writing Assistant	M
4	Mohammed Jomird Haqee	IRQ	Report Writing Assistant	M
5	Mustafa Muhammed Ridha	IRQ	IT Tech.	M
6	Mariam Khaled Abdulkareem	IRQ	Graphic Designer	F
7	Ayad Abed Alhay	IRQ	Driver	M
8	Mohammad Ibraheem Mizel	IRQ	Maintenance Assistant	M
9	Noor Khaled Mohamad	IRQ	HR Officer	F
10	Thamer Mahdi Salih	IRQ	Accountant	M
11	Ahmed Sabri Alwan	IRQ	PR Officer	M
12	Saif Riyadh Noori	IRQ	PR Officer	M
13	Mahmoud Rajab Ahmad	IRQ	PR Officer	M
14	Yousif Sabah Abdul Hadi	IRQ	PR Officer	M
15	Zaid Bassim Muhammed	IRQ	PR Officer	M
16	Hussain aboody Joody	IRQ	PR Officer	M

12. APPENDIX 5: FOCUS GROUP GUIDELINES

Focus groups were led by a Moderator and assisted by a Scribe who took notes. A Logistics Coordinator was hired to ensure that all necessary space and arrangements were taken care of. All FG discussions were video and voice recorded.

FG participants were at a minimum of 6 and maximum of 11. FG groups were arranged according to sector. The following steps were implemented in the holding of the FG discussions:

1. Establish and map out the value chain for the focus industry
2. Analyzing the value chain, identify gaps or constraints at particular key points in the value chain that inhibit the economic “flow” at the Enabling Environment level
3. Identify constraints along the value chain at the Firm level
4. Identify specific areas of regulation that need attention and reform

The last point was added midway through the implementation of the FG discussion portion of the research project.

Discussion was steered by the moderator, who used inquiry as a technique to ensure the maximum amount of discussion as possible. The participants were given the maximum time available to establish their views and opinions on the topics above regarding their indust