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USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

MARKET ASSESSMENT

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



November, 2009

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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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
HR	Human resources
MFI	Micro-finance institution
MSME	Micro-, Small, and Medium Enterprises
PRT	Provincial Reconstruction Team
SBDC	Small Business Development Center
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
USAID	United States Agency for International Development
VC	Value chain

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1. EXECUTIVE SUMMARY

1.1 OVERVIEW

With over 1.6 million residents, Babil is the most populous province in central Iraq (outside of Baghdad). More important, it is once again known for its positive qualities. Babil is Iraq's breadbasket. Influenced by both the Tigris and Euphrates Rivers, nearly one half its land mass is devoted to agriculture and about one-third of its population engages in it. The area grows carp (fish), staple crops like wheat and barley, other grains, and dates.

The Babil economy also depends on industry. Its factories produce textiles, farm machinery, and chemicals. As the province increasingly moves toward stability, the rebuilding of its ancient ruins is beginning to create a powerful attraction for tourists eager to visit the cradle of civilization. Hilla, Babil Province's main city, is on the best transportation artery running south of Baghdad, providing businesses with distribution advantages for their goods.

Babil's rural and urban productive capacity and geographical location have encouraged the growth of more medium sized small to medium enterprises (SME) than elsewhere in Iraq and made it easier for Babil businesses to sell to State Owned Enterprises (SOE). The Babil business culture is among the most sophisticated in the country, with higher sales turnover, a larger asset base, and more sophisticated relationships with training entities and sources of business support and advice. Babil's business registration rates are high and its businessmen see the future in more sanguine terms than elsewhere in Iraq.

Growth brings employment and a need for housing. Hence, a large percentage of Babil's labor force is involved in housing and commercial construction. At the same time, the increased demand for electricity and water in the cities and agricultural areas has kept both in short supply. Rapid growth also can bring corruption, and that is an issue with which Babil has been struggling. Babil's banking industry has not yet reached maturity and many businesses still are financed out of their own assets.

Business support services in Babil have featured private and public sponsorship for some years, and Hilla is the site of a small business development center. Iskandariyah has put together a vocational center focused on manufacturing training, especially for the automobile and trucking industry. Babil has not nearly overcome all the barriers to economic success, but it is a province on the move.

1.2 MAJOR SUBSECTORS

Major subsectors in the Babil SME makeup include:

- Agriculture: wheat, barley, fix, lesser grains, and dates;
- Light Manufacturing: metal-working, carpentry, auto repair;
- Textile manufacture;
- Commercial transportation and goods distribution;
- Construction: housing and commercial; and
- Wholesale and retail trade

Three main areas representing the highest concentration of SME business presence in Babil are agriculture, construction, and light manufacturing companies. Together, they represent 201 of the 738 "clean" interviews (27%) and the vast preponderance of the FG discussants.

The research team examined each interview with the goal of comparing answers of the representatives from the constituent firms with those of Babil businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Babil.

1.3 CONSTRAINTS

Financial constraints are one of the most significant issues facing Iraq SMEs. In that regard, Babil enterprises appear to be affected more by cash flow and access to finance constraints than their peers in the rest of Iraq. Babil based enterprises, asked to rank the most deliberating constraints to their business, placed cash flow and access to finance first and second consecutively.

SME business organization levels in Babil are very low. Only 14% of SMEs report membership in business associations and chambers of commerce, with the Babil Chamber of Commerce accounting for at least 80% of reported SME business organization. Figure 4-8 highlights membership levels, BMO outreach, and SME perception towards the benefit of business associations.

The standard in financial management amongst Babil based SMEs is very low starting with bookkeeping, capacity to process financial data, and institutional and professional support. As highlighted in Figure 4-12, less than 10% of Babil entrepreneurs have an accountant on staff (6% full-time, 2% part-time, and 1% on-demand), 49% claim to maintain their own records, and over 40% keep no records at all.

Computers, the internet and other forms of mass communication driven by the IT industry are extremely underutilized. The consideration that most Babil 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 savvy.

Similar to the rest of Iraq, the majority of SMEs in Babil operate in the shadow economy. In Babil, only 36% of enterprises claim to be registered with government agencies. This compares favorably with the broader set of survey provinces, which reported mean registration figures of 29%. The above average registration rate in Babil is mainly due to the proliferation of high registration agribusiness in Babil.

Business registration for Babil Wheat and Barley producers is more than double the Babil aggregate coming in at 81% which is incredibly high compared to the Babil aggregate of 33% and the Iraqi aggregate of 33% of businesses that are registered with the government. This is in stark contrast to only 18% of Babil construction businesses that are registered.

Security is less of an issue in Babil than it is in other provinces in Iraq. Security is ranked as the number two issue, riding closely behind electricity, for Iraqi SMEs as a whole. For Babil, Security is the 5th most important issue. This follows one infrastructure issue (electricity) and financing and other enabling environment issues.

Babil SME businesses are also constrained by the following, though it has made progress compared to the rest of Iraq in overcoming these constraints:

- A general lack of a sustaining physical and business “hard” and support infrastructure, plus a history of business practices that sometimes do not make the best use of the infrastructure in place;

- Corruption throughout the system that impedes supplies, complicates certification processes, injures agricultural production and distribution, and raises the cost of doing business all around;
- Restricted access to financing and capital, and a propensity to substitute informal means of financing for the kind of capitalization and financial support that make growth businesses prosper;
- A strong dependence on State Owned Enterprises on the one hand, a persistent difficulties in accessing and communicating with them, as well as with anchor companies, in order to increase their market presence;
- Inadequate use of supporting technologies and business technical support systems, not unlike the rest of Iraqi businesses, but perhaps more important given the focus on Babil's SMEs on large clients;
- Human resource and training shortcomings throughout the labor force system, offset to a small degree by the existence of business development services (BDS);
- Lack of product diversity and attractiveness caused by changes in agricultural production and consumption patterns; and
- Overdependence on informal channels for acquiring advice and support, and inadequate use of those that exist.

1.4 OPPORTUNITIES

Babil's SME community has unique opportunities as follows:

- Improvements in technologies related to the process of planting, caring for, harvesting, and transporting wheat and barley will create stronger farm outputs and perhaps an opportunity for export;
- Marketing support for its already well regarded but under-producing date culture, including investigations of possibilities for export;
- Skill-based and management training SME owners, managers, and employees, first at a relatively advanced level to take advantage of Babil's relatively sophisticated business culture, then at a more rudimentary one for start-ups and for employees at all levels;
- Training in supply chain management to expand good relations with anchor companies and SOEs for trade, construction, manufacturing, management and other sectors;
- Institutionalizing its alternate systems for acquiring loans and expansion capital, especially in agriculture and horticulture, in the face of a weak banking system, either as a alternative or as a supplementary system;
- Creating an active source of business advice and support to supplement the current resources which are underutilized; and
- Developing women's business training, counseling, and support services at all levels, focusing on entrepreneurship, and on micro-enterprise as a first step in stable business development.

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 province of Babil. 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 Babil
- Provide general categorization of Babil SMEs
- Assess firm-level operations to highlight:
 - Input constraints
 - Output constraints
 - Management constraints
- Describe business-enabling environment constraints as they pertain to Babil SMEs
- Make recommendations to improve the competitive standing of Babil 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 4 outlines key assignment activities and the dates during which they were undertaken.

2.2.1 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, Najaf, and Thi 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 Babil, “Iraq SMEs” refers to SMEs in Baghdad, Salahhadin, Anbar, Najaf, and Thi Qar.

2.2.2 FIELD SURVEYS

A major component of the research assignment was the surveying of 738 private businesses in Babil. 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. A copy of the survey is attached in Appendix 3.

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 Babil 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 Babil 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 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 Babil. 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 Babil (e.g. the Chamber dataset did not include unregistered companies and housed a disproportionate number of retail enterprises – 95%).

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 IDISC. 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 Babil 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 tweaked further by USAID- *Tijara* based on internal sources and further consultations with subject matter experts, and was then put forward for implementation.

Table 2-1 highlights the sample distribution for Babil.

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

Sector	Sample Distribution (%)	Number of Enterprises	Number of Employees					
			1-4		5-10		> 10 Employees	
			%	#	%	#	%	#
Agribusiness	15%	75	20%	15	70%	53	10%	8
Construction	13%	65	10%	7	10%	7	80%	52
Manufacturing	16%	80	42%	33	42%	33	17%	13

Sector	Sample Distribution (%)	Number of Enterprises	Number of Employees					
			1-4		5-10		> 10 Employees	
			%	#	%	#	%	#
Professional Services	10%	50	50%	25	50%	25	0%	0
Wholesale, Retail Trade	28%	140	50%	70	35%	49	15%	21
Transport, Storage	3%	15	80%	12	10%	2	10%	2
Hotels, Restaurants, Tourism	9%	45	29%	13	57%	26	14%	6
Communications	3%	15	80%	12	20%	3	0%	0
Electricity, Gas, Oil	2%	10	71%	7	29%	3	0%	0
Others	1%	5	0%	0	100%	5	0%	0
Total	100%	500		194		204		102

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 Hilla 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 Hilla 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 Babil

City/ Town	% of Completed Surveys
Abu-Gharaq	10%
Al-Hasswa	10%
Al-Mahawel	10%
Al-Musayyib	20%
Hilla	50%

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 Babil. 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 Babil-based researchers and supervisors were contracted on a full-time basis to conduct the survey. 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 5 outlines the field team organizational chart for Babil 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 *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 Baghdad 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 16% 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
881	143	738	16%

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 Babil, 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 Babil to validate survey data and the survey experience directly with the respondents. Approximately 10% of the required sample size was validated this way in Babil. 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 Baghdad, 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 Baghdad 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. In Babil, four Researchers were dismissed as a result of falsifying information. Subsequently a 100% audit of their completed survey work was conducted by the quality control call center.

2.3 FOCUS GROUP METHODOLOGY

A total of 15 focus groups were conducted in Babil, focusing on three major industries – agriculture, construction and trade, and light manufacturing. 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 7 to 11

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

#	Date	Industry	Moderator	Location	No. of Participants
1	29-Aug	Agriculture - Farmers	Dr. Hayder Al-Jibouri	Babil SBDC - Iskandiriya Branch	7
2	29-Aug	Agriculture - Farmers	Dr. Hayder Al-Jibouri	Agricultural Consulting Center	9
3	30-Aug	Agriculture Land Owners	Dr. Hayder Al-Jibouri	Agricultural Consulting Center	10
4	31-Aug	Agriculture - Farmers	Dr. Hayder Al-Jibouri	Agricultural Consulting Center	11
5	31-Aug	Agriculture - Farmers	Dr. Hayder Al-Jibouri	Agricultural Consulting Center	10
6	2-Sep	Agriculture - Poultry and Beef Producers	Dr. Hayder Al-Jibouri	Babil SBDC - Iskandiriya Branch	13
7	7-Sep	Agriculture - Farmers	Dr. Hayder Al-Jibouri	Babil SBDC	9
8	9-Sep	Construction - Contractors and Suppliers	Dr. Hayder Al-Jibouri	Babil SBDC	8
9	10-Sep	Construction Companies	Dr. Hayder Al-Jibouri	Babil SBDC	7
10	12-Sep	Construction - Contractors and Suppliers	Dr. Hayder Al-Jibouri	Economic Development Center	7
11	13-Sep	Light Manufacturing - Metal Working	Dr. Hayder Al-Jibouri	Economic Development Center	8
12	14-Sep	Light Manufacturing - Carpentry	Dr. Hayder Al-Jibouri	Economic Development Center	7
13	16-Sep	Mobile Maintenance	Dr. Hayder Al-Jibouri	Babil SBDC	9
14	16-Sep	Light Manufacturing - Metal Working	Dr. Hayder Al-Jibouri	Babil SBDC	7
15	17-Sep	Light Manufacturing - Carpentry	Dr. Hayder Al-Jibouri	Babil SBDC	7

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, 4points also conducted focus group simulations, 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 brought to Baghdad, subjected to the training, and provided with all the logistics instructions.

Similarly, session scribes were also invited to Baghdad to attend a scribe training. They were subjected to an outline of the program, as well minute-taking and scribe techniques. 4points also conducted an in-class simulation where scribes were tested on their ability to observe, listen, and take detailed notes of the session. Scribes that passed the test we hired, while those who failed had their contracts terminated.

2.3.2 MATERIALS

4points created a focus group toolkit 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 4points would use to compare with the moderator report submitted at the end of the session. 4points quality control personnel in Baghdad 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.

In Babil's case, one of the first focus group discussions on August 29th was repeated because it did not meet the minimum standards of quality for ensuring that information generated from the session was beneficial and accurate. Focus groups all across the country, including in Babil, 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.

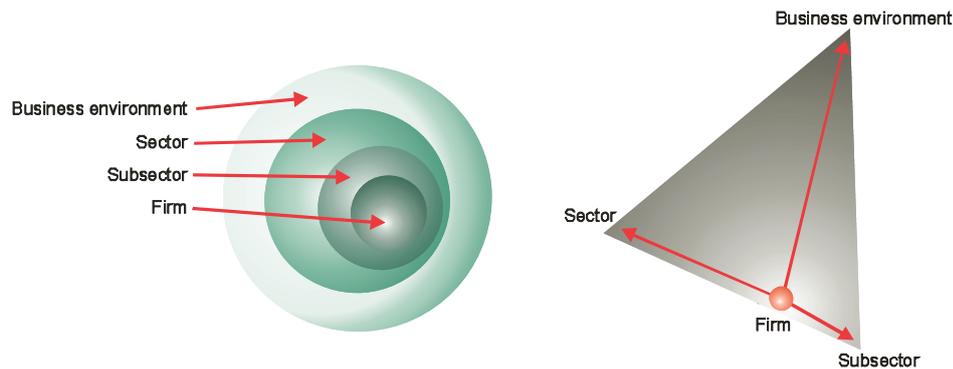
One of the ways of creating and maintaining competitive advantage is to identify the internal and external elements of business practice that add value to the final product, and hence to the business. Such enhancing activities link together into a value chain. Improvements to any link in the chain redound 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 BABIL

3.1 GENERAL HISTORICAL AND ECONOMIC CHARACTERISTICS OF THE BABIL AREA

Babil Province devotes a considerable part of its economic activity to agribusiness, at least 35% of the labor force. Babil businesses produce livestock and wheat, barley, other grains, and dates, for whose volume of output and quality Babil is well known. Babil features a significant manufacturing industry that includes textiles and farm machinery and a chemical manufacturing complex in Al-Mussyab that accounts for much of the employment there. Babil also has a number of potentially powerful tourist attractions due to its ancient importance as the cradle of

civilization, though it does not seem to have taken advantage of those attractions to date. Table 3-2 provides highlights to key SME industry makeup in Babil. Being near to and just south of Baghdad, its access roads put it on a transportation route, so goods movement in and out, to the middle and south of the country, is good.

Table 3-1: Babil Demographics

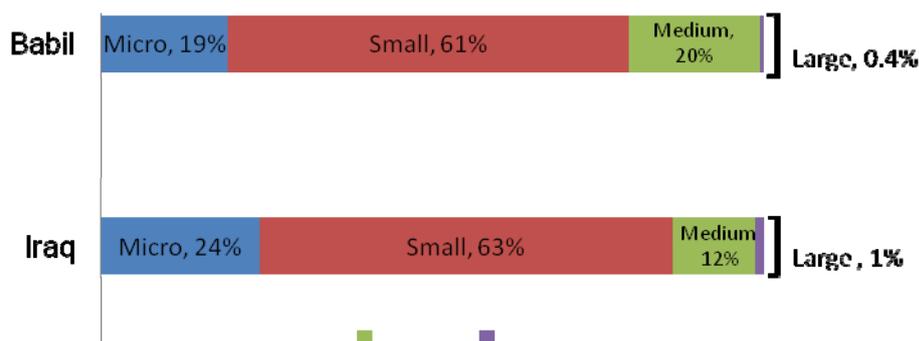
Capital:	Hilla
Area:	5,119sq km (1.2% of Iraq)
Population:	1,651,565 (6% of Iraq)
Gender Distribution:	Male: 50% Female: 50%
Geographical Distribution:	Rural: 53% Urban: 47%
Population by District:	
Al-Hilla	682,783
Al-Mahawil	256,811
Al-Hashimiya	375,947

Table 3-2: Approximate Makeup of SME Industries in Babil

Construction	%	Light Manufacturing	%	Transportation	%
Construction Contractors	31%	Aluminum Fabrication	33%	Goods Transportation	50%
Construction Equipment Retail	30%	Metal Works	28%	People Transportation	50%
Construction Material Retail	25%	Others	22%		
Construction Companies	13%	Carpentry	17%		
Agribusiness	%	Retail	%	Others	%
Wheat and Barley Farmers	52%	Food and Beverages	36%	Barber Shops	35%
Aquaculture	13%	Computers	14%	Electricity Generators	20%
Livestock Breeding	12%	Mobile Telephone	13%	Internet Services	11%
Horticulture	11%	Electrical Appliances	10%	Automobile Maintenance	8%
Date Farms	11%	Bakeries	4%	Tourism Services	7%
		Clothing Retailers	10%	Others	19%
		Butcher Shops	4%		
		Others	8%		

The Babil business culture is dominated by a greater percentage of medium size companies and a positive attitude toward doing business with larger companies. The relative entrepreneurial organization of its SMEs gives Babil a different and more sophisticated feel than is the norm in Iraq. Babil businessmen express more confidence in their future profits, and for good reason. Sales turnover across the board was well above the norm in 2003, and in the 10,000-100,000 Dinar range it grew dramatically in 2003-08.

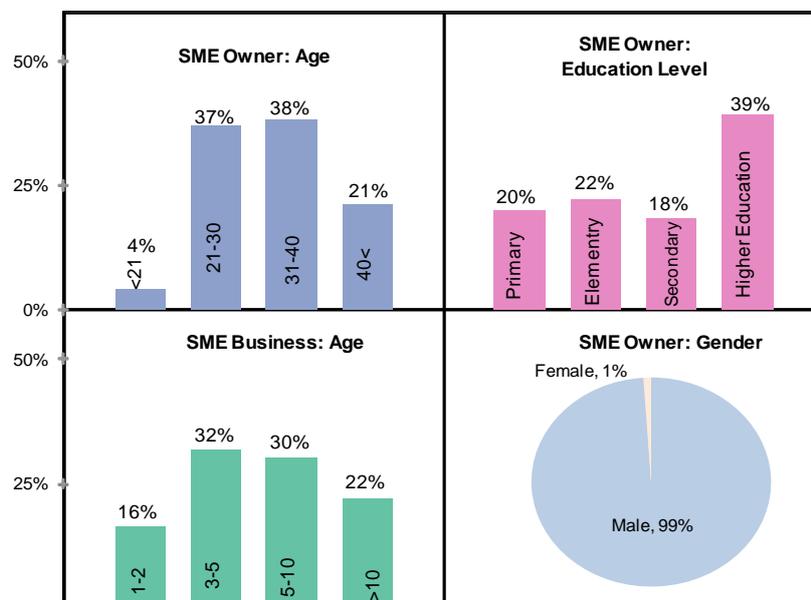
Figure 3-1: SME Composition by Size



3.2 BUSINESS OWNER DEMOGRAPHICS AND CULTURE

Babil experienced considerable violence in its northern areas until quite recently. However, unlike other areas with similar histories, the impact of business disruption has not shown up in the proliferation of new businesses. A smaller percentage of businesses are new than elsewhere (48% of businesses in Babil were established in the last 5 year, versus 53% in Iraq). While that may be taken as a sign of economic stasis, other data below show that it is not. Rather it indicates a greater maturity and stability of the business culture there. The same is true of the age of business owners. SME business owners also tend to be better educated, but not significantly. The rates for women's business ownership are low throughout Iraq, but in Babil they are lower than the norm. Women own businesses at rates well below the average in Iraq average. Business owners tend to be more mature in Babil than in other provinces. Figure 3-2 presents these key indicators.

Figure 3-2: Key SME Indicators

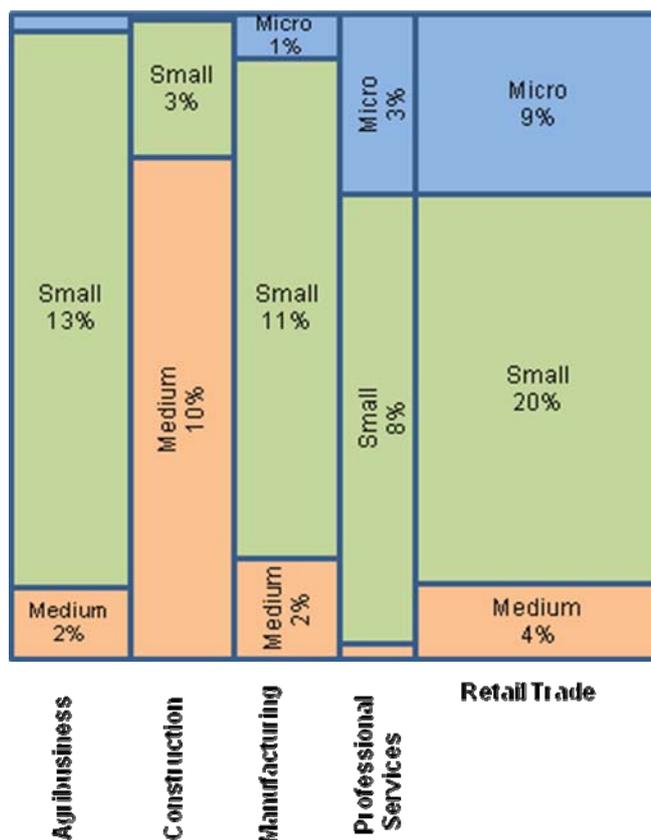


These facts will tie into others that together will show that focus on more advanced business services and contracting techniques will likely have a strong payoff. Because women are a particularly underutilized resource, Babil also is an area in which women business owners could be trained to advantage, both in the start-up and later stages of entrepreneurial development.

3.3 SIZE AND MAKEUP OF BABIL ENTERPRISES

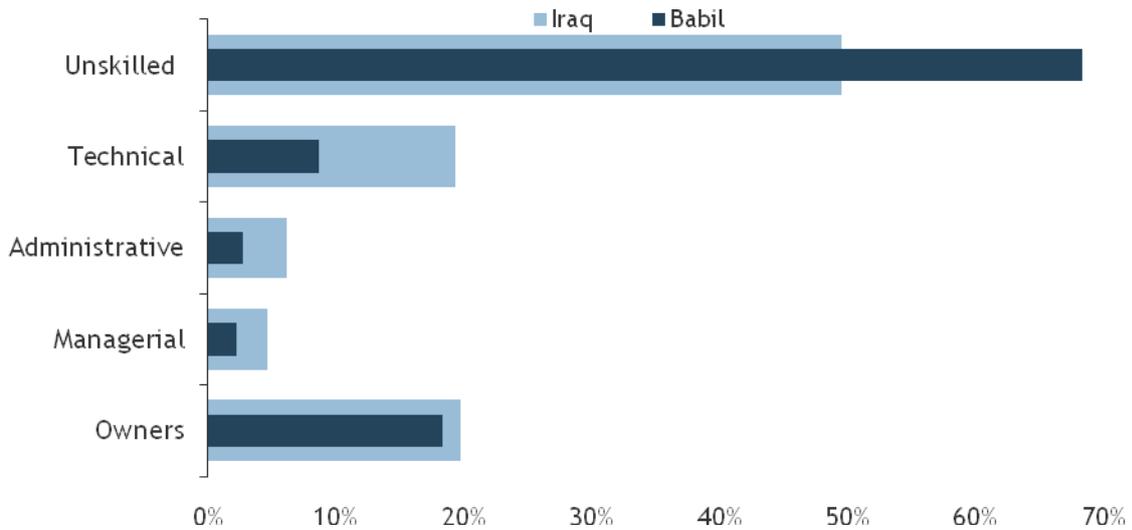
Babil's medium size business population is twice that of the rest of Iraq by percentage. And, as the most populous province south of Baghdad, the overall number is significant as well. The chart below shows that Babil's businesses engage far more than the average Iraqi SME in retail trade, sell far more to SOEs, government entities and large companies. In fact, they double the percentage of Iraqi business engaged in such trade as a whole. Perhaps that is why so many Babil businesses reside at the large end of the SME range. We would expect that given the size and sales orientation of Babil businesses, they would have one of the highest rates of registration, and this is true. Because Babil SMEs deal significantly in trade with large buyers, we also might expect that their foreign trade component also to be high, but that is not the case. This province is focused on internal trade, much of it to wholesalers or end-users, ultimately for consumers but not necessarily directly so. Refocusing to include an international component, especially of its unique agricultural products, may prove lucrative at the firm, sector, and regional levels.

Figure 3-3: The Babil SME Sector Makeup



Babil businesses are labor intensive. Babil SMEs engage in manufacturing supply at three times the rate of Iraqi businesses in general. This orientation, together with the average size of the businesses affects the character of the labor force. Most of that labor probably derives from its farming industry, which is labor intensive by nature, but notably also includes light manufacturing, which in the absence of machinery and technology is also relatively labor intense. Hence, Babil businesses employ almost 20% more unskilled labor than the average reported for Iraq. Figure 3-4 below highlights labor composition discrepancies between Babil and select Iraqi provinces.

Figure 3-4: SME Labor Composition



In addition to employment, size can be measured in receipts and assets, and Babil businesses exceed the average here, too. The average asset base of Babil's SMEs is higher than for the country. Babil almost mirrors the rest of Iraq on asset classification, although fixed assets average slightly higher in the rest of Iraq. This may seem surprising given the proliferation of agribusiness enterprises in Babil who as a general rule of thumb have higher fixed asset intensity. However, it appears that much of the agribusiness activity in Babil takes place on plots of long-lease lands, and farmers hardly have any functioning equipment to speak of.

Figure 3-6: Babil SME Asset Base

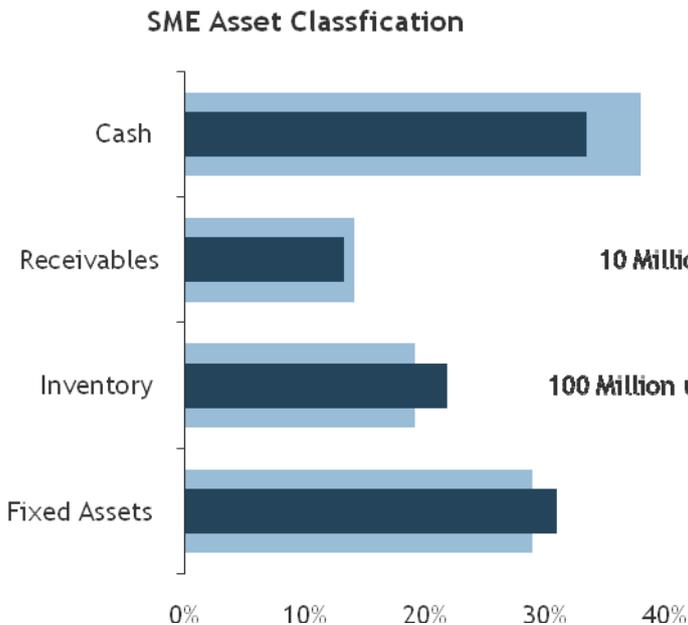
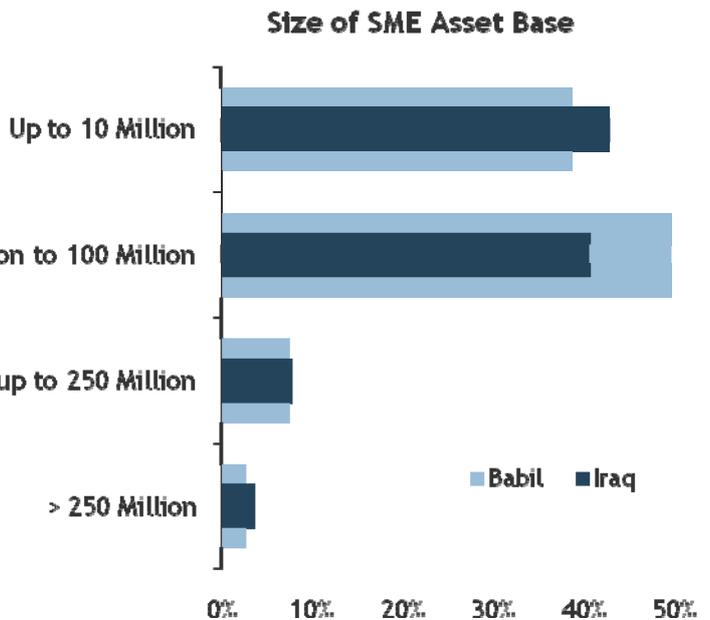


Figure 3-5: Size of SME Asset Base



Babil businesses are sustainable. The average Babil based SME has been in business for over 8 years, in fact close to 30% of enterprises have been operating for more than 10 years. Over 98% of surveyed entrepreneurs in Babil claim that their businesses are profitable which compares favorably to their peers in other Iraqi provinces.

Babil business have a positive outlook. 30% of Babil based businesses expect higher sales turnover by an average of 25% in 2009 as compared to 2008, while only 24% expect lowered business strategies for the immediate future. Over 85% of enterprises claim their strategy for next year will be to offer a new product or service, 66% will seek to expand their distribution network, and 13% of respondents are intent on exporting. However, 28% of enterprises indicated their strategy for next year would be to “just survive”.

Babil businesses are engaged in traditional entrepreneurship activities. The vast majority of Babil SMEs are concentrated in traditional resource-based, simple activities (almost 70% operate between agriculture, construction, and retail trade). Product and service diversification is very low, with an average of 1.2 product/service categories offered per enterprise. Innovation potential and increased value-add are constrained by weak technical and marketing skills and the limited emphasis placed on advertising, branding, technology transfer, and information and communication technology adoption.

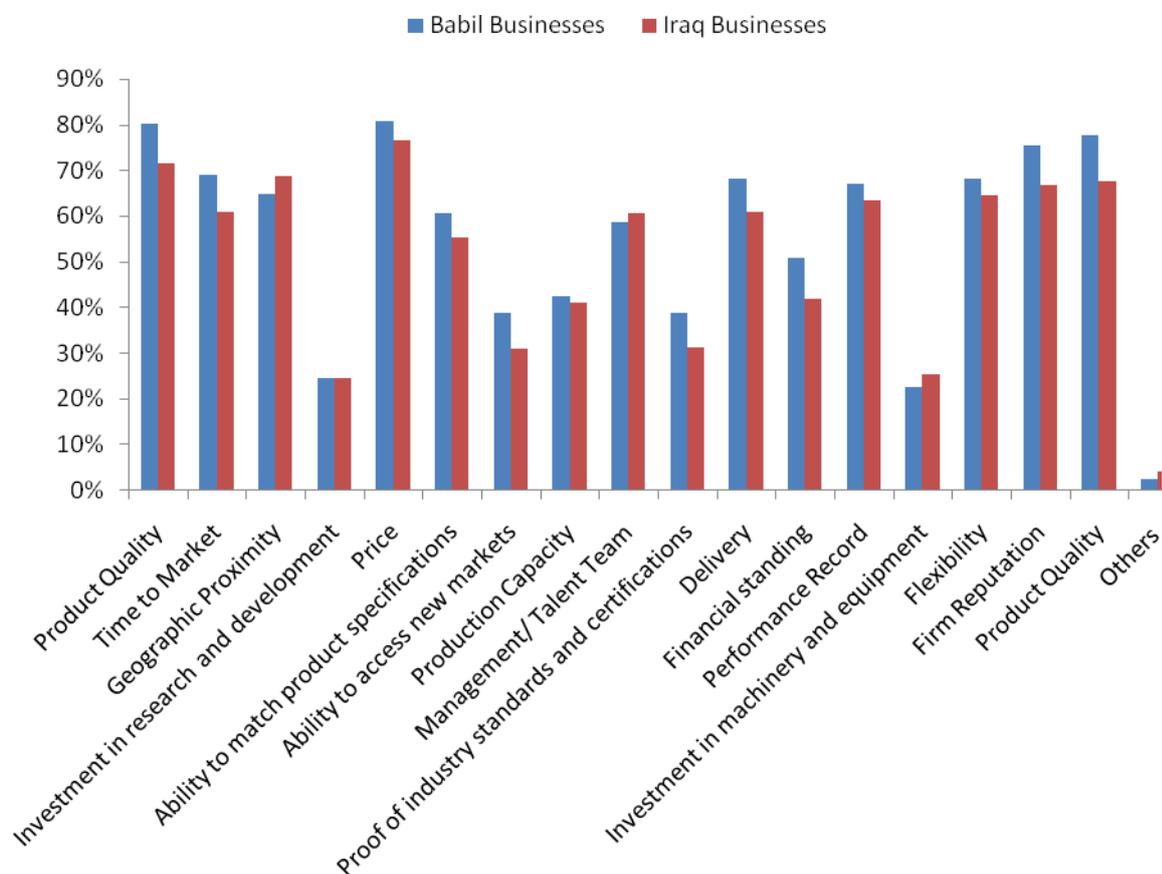
Babil businesses operate in highly a fragmented environment. The operational autonomy and competitive strategies of Babil based SMEs is adversely affected by the highly fragmented environment in which they operate. SMEs operating in virtually all industries complain of high degrees of third party dependence due to limited influence. This constrains the average SME’s ability to make independent, often time-critical operation decisions. The situation is further complicated by the traditional/ interpersonal relationships with trade partners. Competitively, over 57% of SMEs claim to use at least some element of competition based pricing.

Awareness on good business practice is lacking. There appears to be very little awareness or acknowledgment of weak business practices by SME owners themselves. Disparity between cited firm level constraints, easily overcome or reduced by owner incited action, and actual business owner action to reduce the impact of the constraints is alarmingly high. On average, 99% of Babil SME owners have never attended a management training course, yet skill limitations rank as low as eighth in hindrances to business growth. The same attitude comes across very clearly in focus group discussions and interviews, in one particular incident, a medium sized factory owner argued that he was being penalized by a bank refusing to extend him credit because he did not keep accounting records.

3.4 CLIENTS

Not only do Babil SMEs sell to governments, SOEs, and large firms in far greater percentages, but the degree of business income derived from such sales determines their attitudes and policies. They understand sales to large entities in a relatively refined way that reflects a more advanced understanding of the supply chain and their place in it. Babil businessmen are far more aware of the role of quality goods and services in serving large companies and the need to pay attention to and match purchaser requirements. They place greater value on the importance of time to market, investment in research and development, pricing, manufacturing and financial standards, and the importance of performance than the average Iraqi SME. They are less concerned about local purchasing and sales and more finely tuned to national needs. This, in turn, creates opportunity for further development of

Figure 3-7: What SMEs Think SOEs Are Most Concerned About When Doing Business



Babil businessmen do not appear to be especially concerned about protecting intellectual property, or enthusiastic about the role of management in selling to SOEs. These two attitudes do not seem to fit with their other advanced ideas about doing business with large purchasers. Although focus groups did not deal with this issue in detail, the apparent anomaly may be explained by the manufacturing bias and the fact that their manufactured products tend to favor commodity sales over than new product development.

In discussions Babil businessmen did understand that in conducting manufacturing and construction contracts the customary 10% holdback imposed on them by their customers was unlikely to be paid. While they favored better contract enforcement, they also reacted as businesspeople, and seemed to know how to compensate the almost inevitable loss in their pricing structure.

3.5 BANKING

Babil SMEs have one of the highest bank penetration rates as compared to other Iraqi provinces, however the vast majority of SMEs remain underbanked and financially underserved. Only 12% of SMEs have a bank account and less than 1% have ever borrowed from a banking institution.

Although a significant portion of SMEs indicate their desire for bank credit, most claim they are unable to access it, and prefer to use non-banking finance sources such as friends and family, personal savings, or money lenders. The situation is not helped by negative perceptions held by SMEs towards banks and bank practices in general.

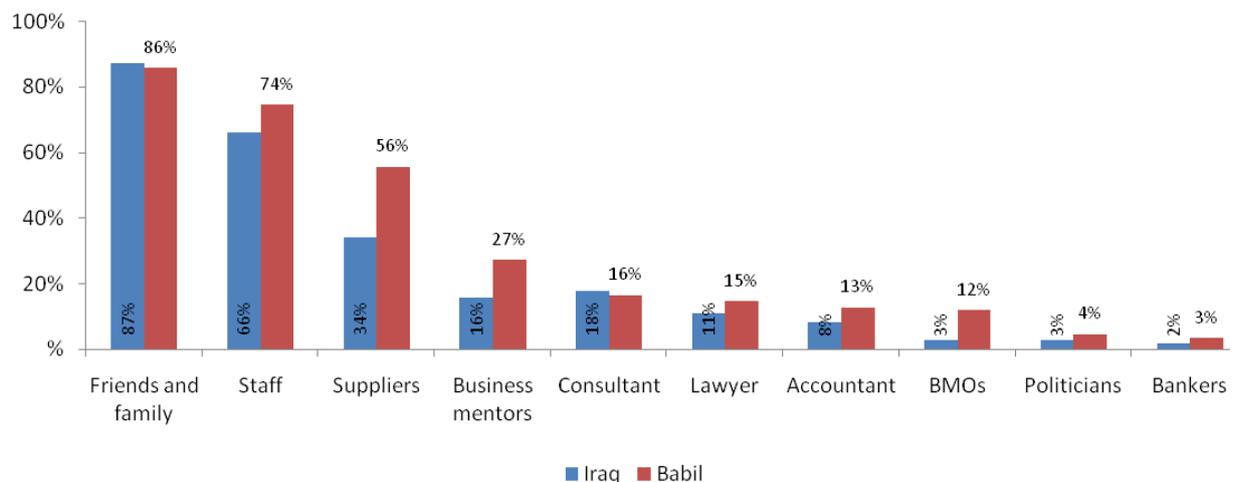
Other factors constraining Babil SME access to financial and banking services include limited financial literacy, poor accounting and bookkeeping practices, reported corruption at financial institutions, and inadequate geographical coverage by banks.

The potential to increase bank penetration rates among SMEs is very significant conditional to demonstrated commitment by banking institutions to increase SME service provisioning, raising SME awareness about banking, and building the financial literacy capacity of SMEs.

3.6 SEEKING ADVICE, SUPPORT, AND OUTSIDE AID

Not unlike other Iraqi provinces, the main sources of SME business advice in Babil remains to be informal networks e.g. family and friends (86%). However, the comparative advancement of the SME cohort in Babil shows in where else they seek business advice and the use they make of it. Compared to other Iraqi SME owners, they are four times as likely to seek help from associations and twice as likely to talk to business mentors. They also seek accountant advice 25% more than other Iraqi SMEs.

Figure 3-8: SME Sources of Business Advice



Babil businessmen are likely to make better use of associations to provide support, develop customers and make contact suppliers and try in other ways to build their capacity and advance their businesses. Though they make more sophisticated use of associations and member associations, there is no evidence that they join them in numbers equivalent to the interests expressed by other elements of the business culture.

Finally, Babil SME businessmen are likelier to look outside for employee recruitment, credit assessment, and other services most Iraqi businesses tend to avoid.

The bottom line for Babil business is that it is less traditional than Iraqi business in general. That does not mean that it is innovative or that it accepts technological change or improvement as the norm. The ownership and use of computers, the Internet, and television and Web based advertising—in fact any form of advertising—by Babil SME owners fall well within expected norms for the country.

4. BABIL 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
- Financial Literacy
- Information and Technology
- Managerial Constraints
- Labor Market Constraints
- Supply Constraints

All are discussed here in great detail.

4.2 ACCESS TO FINANCE CONSTRAINTS

Financial constraints are one of the most significant issues facing Iraq SMEs. In that regard, Babil enterprises appear to be affected more by cash flow and access to finance constraints than their peers in the rest of Iraq. Babil based enterprises, asked to rank the most deliberating constraints to their business, placed cash flow and access to finance first and second consecutively. Table 4-1 below highlights constraints as ranked by Babil and Iraqi businesses.

Table 4-1: Ranked Constraints for Iraq and Babil SMEs

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

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 Babil, 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 (97%), followed by personal savings (79%), and family and friends (53%).

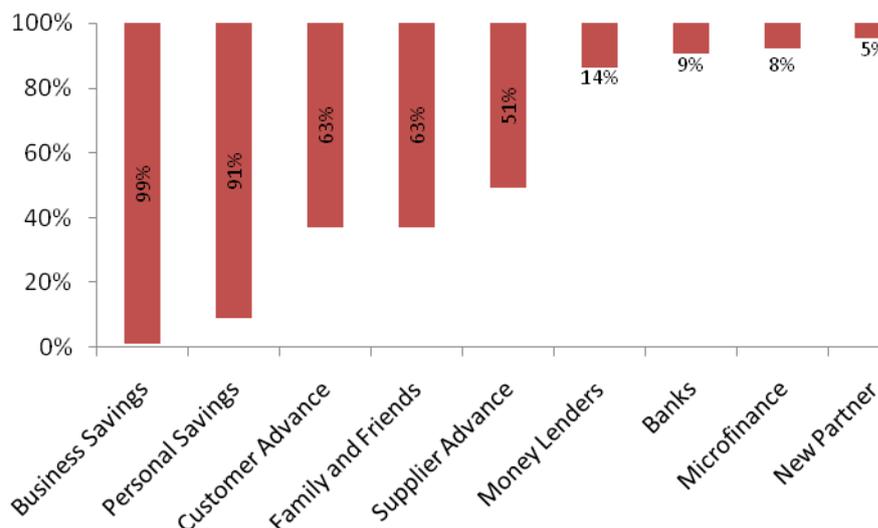
Trade credit is also a major source of finance with over 63% of enterprises reporting customer advances as a source of credit, and 51% reporting supplier credit as at least an occasional source of finance.

The percentage of Babil SMEs using formal credit market institutions to finance their business is more than double the Iraq average. Banking sources are used by 9% of SMEs in Babil compared to an Iraq wide average of only 4.5%. Microfinance borrowing is also higher in Babil, 8% of enterprises claim to use MFI funds at least on occasion, while the Iraq average is approximately 2.7%.

Money lenders as a source of credit are also more common in Babil than they are elsewhere in Iraq. 14% of SMEs in Babil use money lenders at least on occasion, where as the rate for other Iraqi provinces averages 10.4%.

The concept of money lenders is very broad scoped in Iraq and in the mind of SMEs included in this study, it included everything from interest free loans provided by charitable organizations and tribal leaders to moderate interest charging money dealers to individual loan sharks who in the words of one SME owner “...can be found in every community in Iraq”. Figure 4-1 outlines key sources of business finance for Baghdad based SMEs.

Figure 4-1: Sources of SME Finance in Babil



Several reasons appear to be driving Baghdad SMEs towards informal borrowing:

Credit needs as indicated by survey results and discussions with SMEs are primarily working capital and inventory financing requirements. Demand for medium term financing as a means to fund capital assets, especially amongst agribusiness and light manufacturing enterprises also exists, but we infer demand for working capital finance is stronger based on:

- Over 90% of Babil SMEs holding debt, claim to hold less than \$9,000, in fact 51% hold less than \$900 in debt (see Figure 4-2)
- More than 50% of SMEs claim to need no more than \$10,000 to finance their expansion (see Figure 4-3).
- The intensity of trade credit utilization by SMEs, which is working capital credit by definition (over 80% of SMEs use either supplier or customer financing at least on occasion).
- Borrowing from family and friends (the third most popular source of finance for Babil SMEs) is most likely to be short-term, small amount lending, which implies that loans go towards working capital requirements.
- Money lenders, who outperform banks and MFIs as a source of SME finance are also generally short-term, small amount lenders, highly unlikely to finance capital assets.

Whilst it appears at least some banks are able to fulfill credit needs of this nature they remain relatively expensive credit 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.

The above findings have significant implications for commercial banks, but perhaps more so for microfinance institutions, especially MFIs looking to upscale their client base from cottage industry clients. The requested loan amounts highlighted above are only slightly above loan ranges for MFIs in Iraq, and are likely to fall well within once ‘synthesized’ for the reality of SME repayment capacity and potential growth. Similarly, MFIs are often better placed to tailor loan products to match individual SME business cycles as opposed to the one-size fits all strategy of commercial banks.

Figure 4-2: Average Debt Held by Babil and Iraqi SMEs

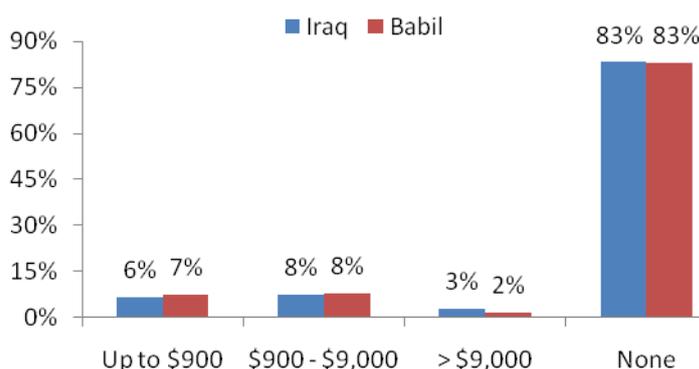
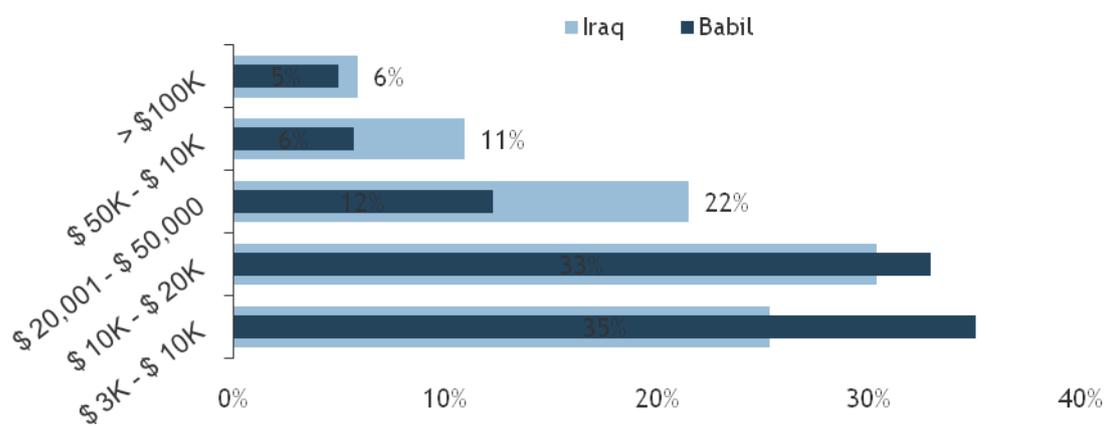


Figure 4-3: SME Immediate Finance Needs



SMEs remain reluctant to approach banks and are not aware of microfinance. When asked to state the reason why they did not approach banks for financing, SMEs cited cumbersome procedures, administrative barriers, and corruption (see Table 4-2 below).

It also appears that many enterprises, especially micro and some small businesses have little understanding of microfinance, in fact many appeared not to make the distinction between MFI loans and 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 Babil based SMEs when asked why they have never applied for financing.

Table 4-2: Reason Why Babil SMEs are not Applying for Loans

Reason	% of Respondents
Never applied for a loan/ Don't need a loan	30%
High Interest/ Other interest related issues	18%
No one has ever contacted me about loans / I have never been nominated	17%
No institution to give me a loan.	12%
Collateral and guarantor related issues	9%
Banks are corrupt	8%
Cumbersome loan procedures	6%

Fully secured lending is still the most predominant form of lending by Iraqi banks. Enterprise owners with prior bank credit experience or who attempted to secure bank credit cited were sometimes required to provide collateral as high as 250% of loan value.

This undermines the ability of many enterprise owners to approach banks for credit facilities, especially in light of lender preference for real estate collateral, which appears to be in short supply amongst SMEs.

Only 23.5% of Babil SMEs operate from business premises that they own (the vast majority of which are farmers), over 63% operate from leased premises which is obviously ineffectual as collateral. It's unclear if SMEs operating from owned premises would be willing to collateralise their assets, but discussions indicate that they wouldn't.

The World Bank's Doing Business Report highlights that Iraqi financial institutions readily accept moveable asset collateral, however the research found no evidence of this. In fact several SMEs claimed the exact opposite, and in the absence of a movable asset registry and accompanying laws, it's difficult to understand how banks collateralise movable assets.

The religious beliefs and practices of SME owners appear to also adversely affect demand for credit market financing. A large 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. Notably, the highest interest rate reported by a Babil based SME borrower is 16%, while the average is closer to 10%.

Corrupt practices of banking officials and loan officers is another reason claimed by SME owners for shunning bank credit. Stories of credit officers requesting up to 30% of the principal 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 10% of SMEs in Babil 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 borrower and offer incentives that regulated financial institutions such as banks and MFIs will have to compete hard against.

Access to finance is one of the more complicated constraints facing Babil SMEs, but is undoubtedly key to unlocking their potential. In the experience of other emerging markets, working to eliminate supply constraints such as building banking sector capacity to develop SME lending products, or creating information symmetries between lenders and borrowers is at best a medium-term process that requires unwavering commitment on many stakeholder levels. While the supply-side community heads in that direction, the capacity of SMEs should be geared towards better financial planning and acquiring the necessary skills to scale-up from mostly informal borrowing to mainstream credit markets.

Babil SMEs have one of the highest bank penetration rates in Iraq (See Table 4-3 below). However, at 12%, its 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, 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	Babil	Baghdad	Salah Addin	Thiqaar	Anbar
26%	12%	8%	8%	6%	4%

Table 4-4: Banking Constraints

Reason	% of respondents
Don't need/ Don't Want	30%
Liquidity Constraints/ No savings	15%
Cumbersome procedures	8%
I don't trust banks	2%

Unlike most other provinces in Iraq, Babil SME bank customers are almost equally split between private and public banks (45% to 55% consecutively). An acknowledged distrust of private banks, and the extensive branch network of public banks generally encourages public banking with the two largest state banks; namely Al-Rasheed or Al-Rafdayn.

In Babil however, Bank of Baghdad, the oldest private bank in Iraq, appears to have the lion's share of the SME market. Neither the survey nor focus group discussions provide indication as to why this is the case in Babil. However in subsequent telephone interviews with Babil entrepreneurs, a light manufacturing factory owner explained that like himself, many business owners prefer private banks when it came to deposits and trade related transactions due to ease of procedures, better service, and protection from government scrutiny, especially tax related enquires. With regards to credit facilities he indicated that the general preference was for public banks because he felt securer pledging collateral with a public bank than he was with a private bank, although admittedly transaction costs at state banks are higher.

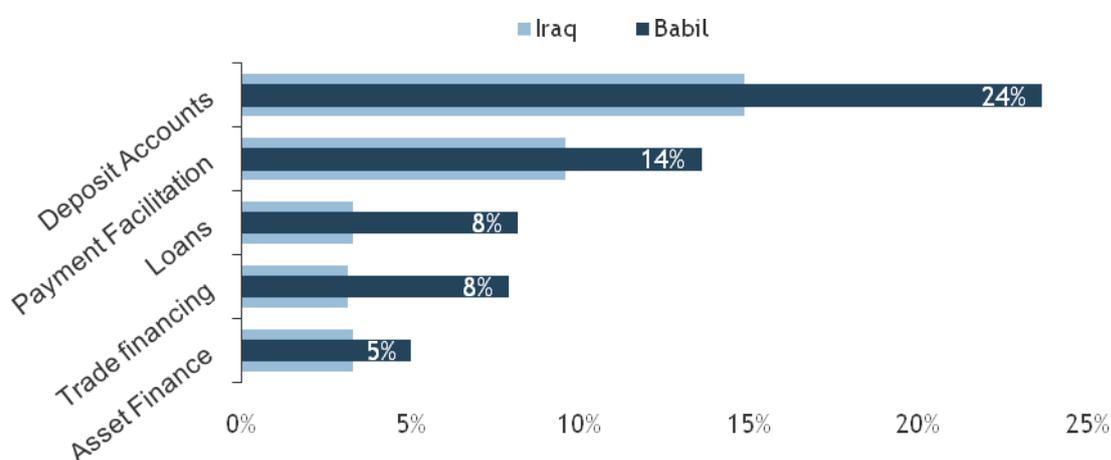
Of the 12% banked enterprises, approximately 23% manage more than one bank account. In most instances SMEs have more than one bank account to make up for limited networking between banks and limited branch networks at the same bank. Another determining factor of multiple bank accounts appear to be trade links; the more trade links with suppliers and customers an enterprise maintains, the more likely they are to manage more than one bank account.

Babil SMEs outperform the average for other Iraqi provinces on all indicators of banking service utilization including credit facilities. Figure 4-4 below highlights that on average, Babil

Deposit and savings service have the highest usage rates amongst SME banking customers in Babil, with an average of 23% of SMEs utilizing this service. This ratio is higher than the 12% account holders highlighted above, however the 8% pertains to business accounts, whilst the 23% is a combination of both personal and business accounts. For a Varsity of reasons, many entrepreneurs do 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 14% of SMEs use utilize bank fund transfer (including cheque collection) services for trade related purposes. Over 29% of surveyed enterprises use one form or a combination of the following bank credit products: loans (8%), trade finance (8%), overdrafts (4%), asset financing (5%), real estate finance (4%), asset financing (5%), real estate finance (4%).

Figure 4-4: SME Banking Services Utilization

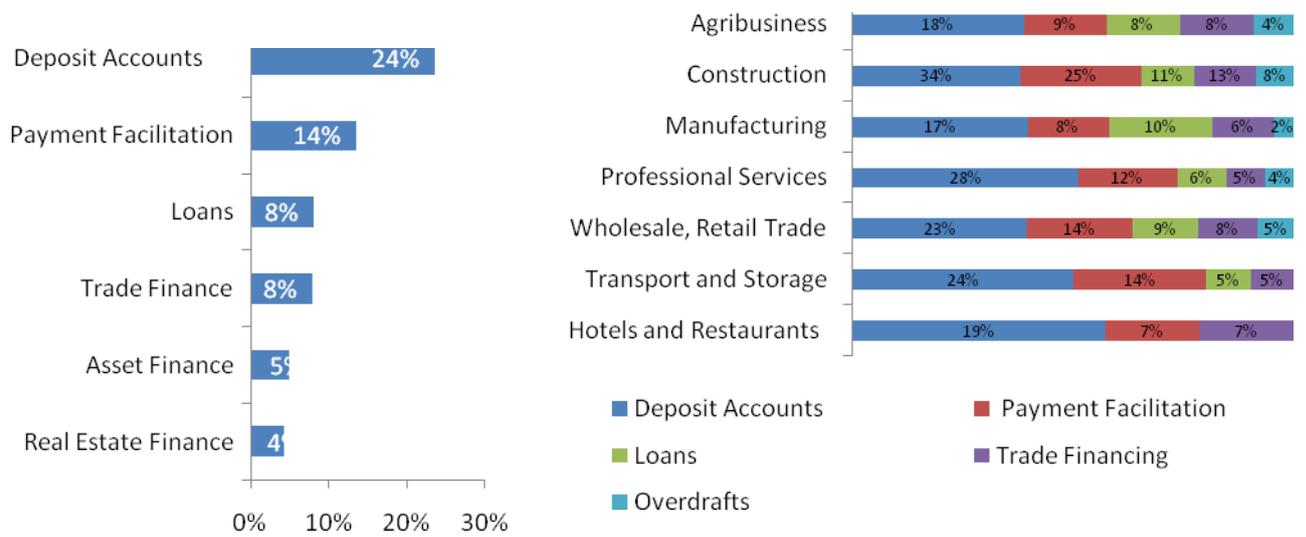


4.2.1 ANALYSIS BY SECTOR

As expected, service utilization rates vary across industries and closely correspond to the financial services needs of each economic sector. The construction sector has the highest utilization rates across all bank products by virtue of being the highest banked sector. Money transfer services, overdrafts, trade finance, asset finance, and loan services are high in the wholesale and retail trade sectors driven their need to constantly move funds around and finance trade deals.

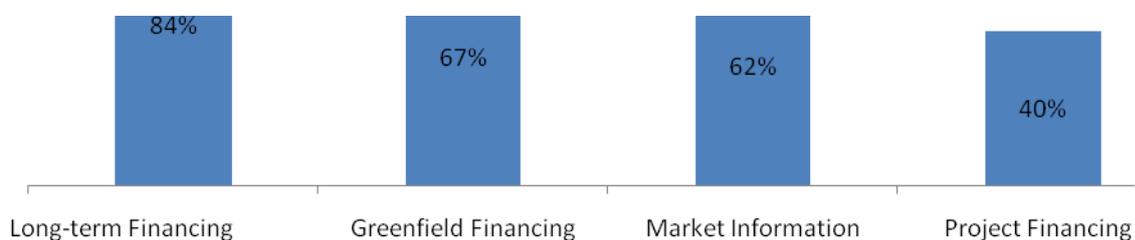
Agribusinesses and construction are the only users of asset financing and real estate financing products to purchase land, and farming equipment. Figure 4-5 highlights service usage by key product and economic sector.

Figure 4-5: Banking Service Utilization by Product and 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 85% of SMEs stressed the need for increased long-term finance offerings by banks to finance capital assets and business expansion. Similarly, 67% 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 40% of SMEs.

Figure 4-6: 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 only 3.3% of SMEs have ever referred to their bank for business advice. However, there appears to be considerable 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 4-7: 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.

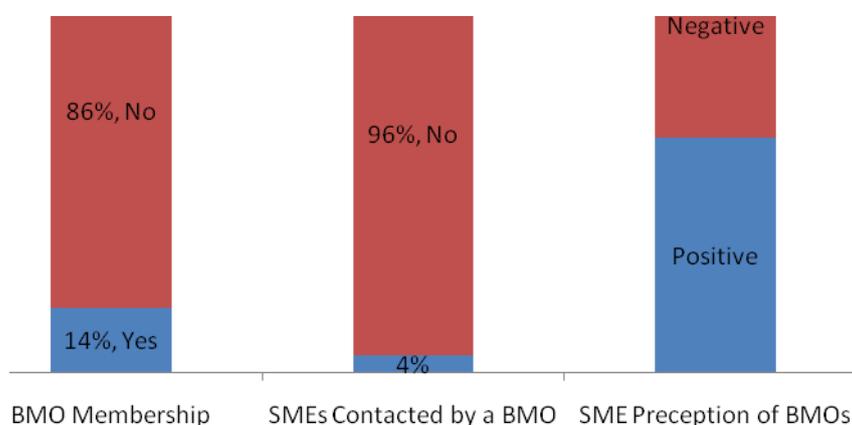
In its current stage of development, SME value-added services may not top the list of banking industry priorities in Iraq, however, the opportunity presented in extending even very basic information and outreach services may have significant impact towards increasing banking penetration rates for non-banked SMEs and provide platforms 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 SBDCs and other business membership organizations by way of co-sponsorship and alliances.

4.3 SME ORGANIZATION

SME business organization levels in Babil are very low. Only 14% of SMEs report membership in business associations and chambers of commerce, with the Babil Chamber of Commerce accounting for at least 80% of reported SME business organization. Figure 4-8 below highlights membership levels, BMO outreach, and SME perception towards the benefit of business associations in Baghdad.

Figure 4-8: SME – BMO Relations



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-hand tactics, which partially explains the highly publicized figure of 250,000 Baghdad Chamber of Commerce membership base alone.

Whilst 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 Gol must hold valid Chamber of Commerce membership.

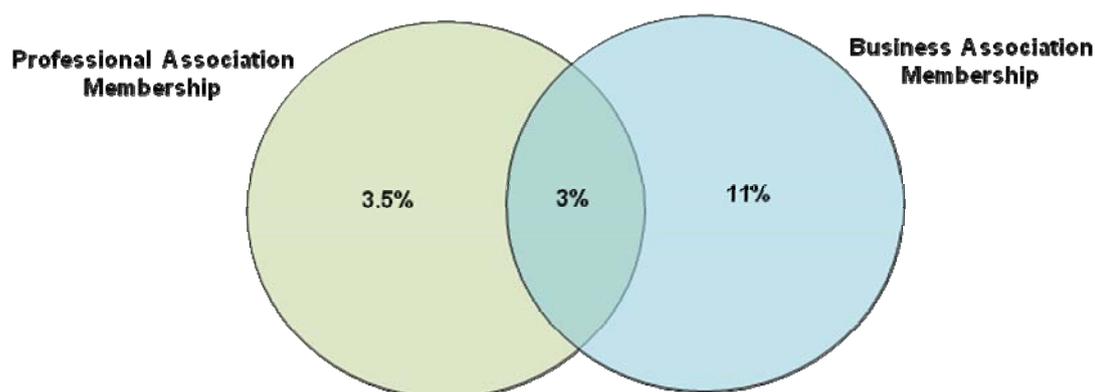
However, it must be noted that in the opinion of many, these Chambers of Commerce played a pivotal role in post-conflict Iraq. Enterprise owners state that with the failing of many state services with the start of the conflict, they come to depend on the Chambers for commercial services including import 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 from Baghdad “...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”.

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

- Limited outreach by business membership organizations. Only 4% 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 3% of enterprises hold membership in both professional syndicates and business associations. Figure 4-9 highlights the dynamics between the two types of organizations.

Figure 4-9: BMO vs. Professional Association Membership



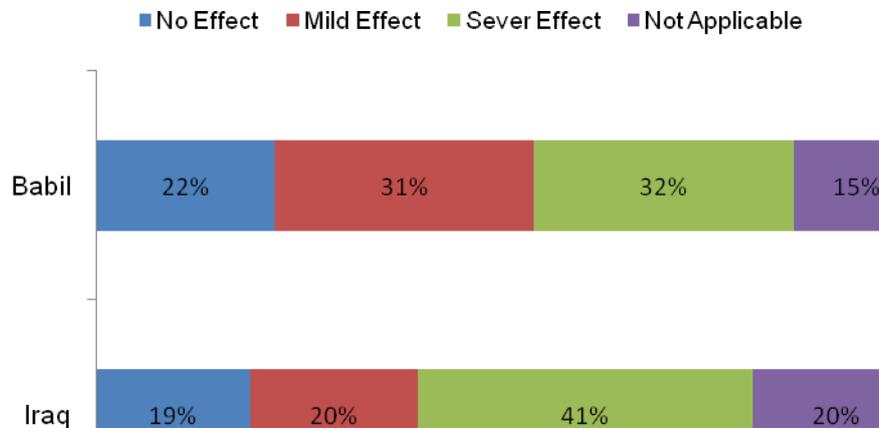
Even with low levels of SME organization highlighted above, 49% of SMEs believe business membership organizations benefit small business. However of the 51% of SMEs that did not believe so and are aware of the concept of BMOs, there was some very harsh criticism. Comments such as “business associations are useless”, “business associations only service the needs of large companies”, “chambers don’t care about farmers” and “chambers of commerce only exist to maintain status quo” were not at all uncommon from SME enterprise owners quizzed about their lack of BMO membership. Table 4-5 below highlights some of these responses and their approximate frequency.

Table 4-5: Some SME Perceptions of Why BMOs are Not Supportive

Why do you not think that business association support SMEs ?	% of respondents
They have no role to play	35%
They provide no financial or moral support	15%
These associations don’t support small businesses	10%
I don’t know what these associations do	5%
Associations don’t have the financial capacity to support small business	8%

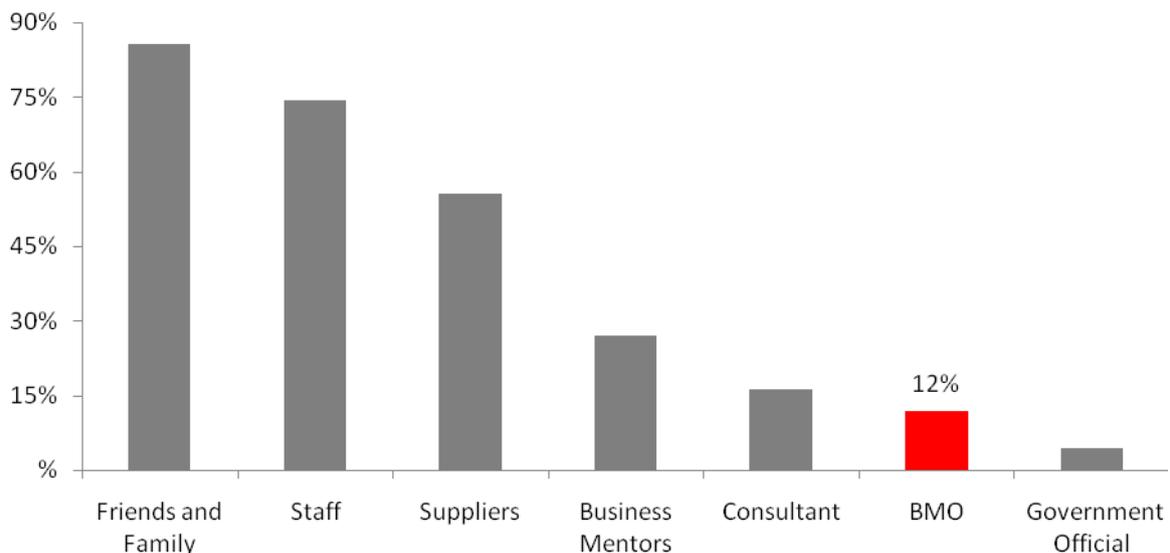
Similar attitudes towards BMOs are reflected by enterprise owners when asked about constraints pertaining to sales and marketing efforts. The majority of SMEs (63%) perceived “lack of business association support” to have negative impact on their sales and marketing ability, with almost 32% of enterprises claiming to be ‘severely’ effected by lack of BMO support. While these results may seem better than Iraq wide averages, they are actually identical when response frequencies are weighted to the different constraints categories.

Figure 4-10: 'Lack of Business Association Support' Effect on SME Sales and Marketing Efforts



Babil SMEs approach BMOs for advice and problem solving at three times the rate of other Iraqi peers. Approximately 12% of SMEs claim to turn to a BMO for consultation versus only 3% Iraq wide. In fact more SMEs in Babil turn to BMOs than they do to their bankers.

Figure 4-11: SMEs: Sources of Advice and Problem Solving



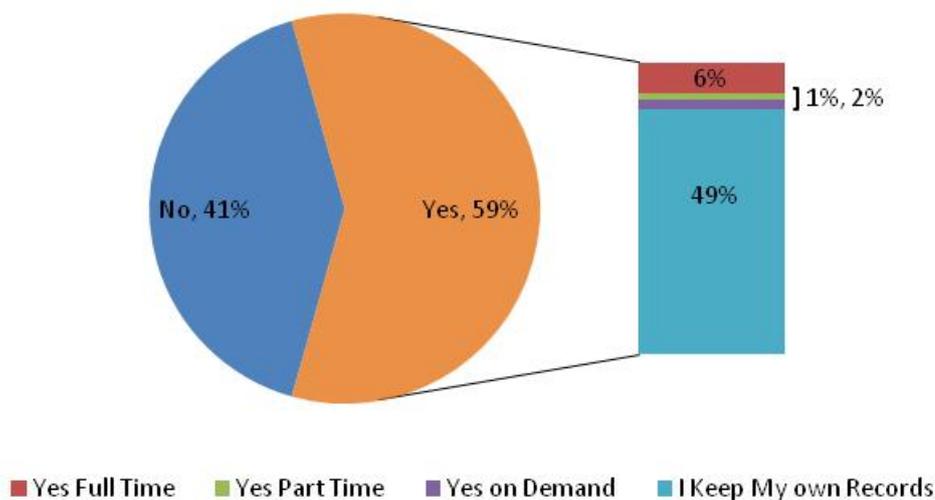
Despite the low membership rates and criticism towards BMOs, Babil SME organization culture is more developed than in the rest of Iraq. SMEs in Babil appear to understand the benefits of organization, demand more of their business associations, and have come to use more of their services. This presents an opportunity for business membership organizations to increase outreach and expand their platform base by enhancing current offerings and developing new value added services for the benefit of Babil SMEs.

4.4 FINANCIAL LITERACY AND ACCOUNTING

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 Babil based SMEs is very low starting with bookkeeping, capacity to process financial data, and institutional and professional support. As highlighted in Figure 4-12 below, less than 10% of Babil entrepreneurs have an accountant on staff (6% full-time, 2% part-time, and 1% on-demand), 49% claim to maintain their own records, and over 40% keep no records at all.

Figure 4-12: SME % Keeping Accounting Records



Notably, a larger percentage of Babil SMEs keeps accounting records than do their peers in the rest of Iraq. As mentioned above, on average, 59% of Babil SMEs keep at least informal accounting records, that figure is 47% across other Iraqi provinces.

It is evident that many enterprise owners whilst comprehending the importance of even simple bookkeeping may not know how. An electrical generator assembler from Baghdad, operating in a similar environment to that of Babil 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 (also Baghdad based) 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-Shariq [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*

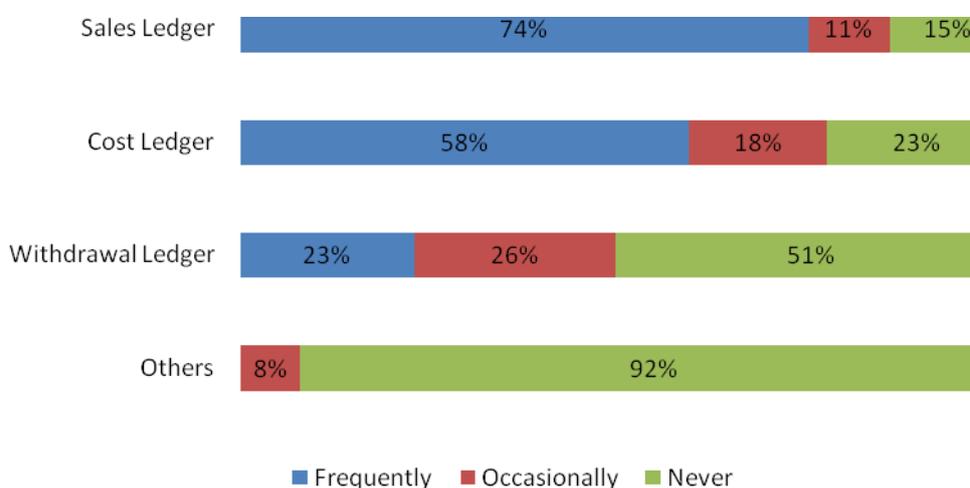
assistance are certain we incurred a loss. Although it might mean losing some customers, I have decided not to do this again [stock spare parts] just in case we did lose money”.

It is not uncommon to hear Iraqi 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. An Iraqi female hairdresser and beautician 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.

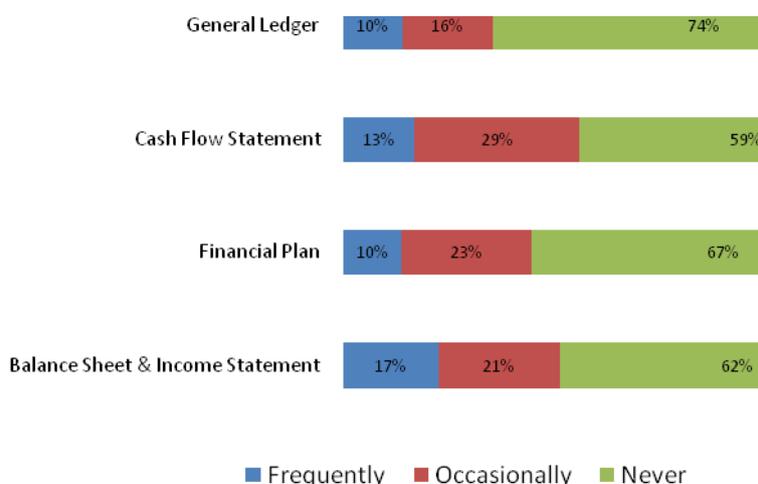
For SMEs that do keep financial records, single entry journals appear to be the most popular. Sales ledgers are propagated by 85% of SMEs, cost ledgers by 76% and only 54% keep a personal/ expense withdrawal ledger. Almost 8% of enterprises keep ‘other’ types of accounting records which are almost exclusively receivables journals. The reason single entry journals appear to be popular is most likely due to their intuitiveness, simplicity, and reduced error probability.

Figure 4-13: Percent of SMEs Maintaining Single Entry Accounting Records



On more sophisticated bookkeeping and financial reporting, 26% of SMEs keep a general ledger of accounts. This is surprising considering that 39% of enterprises claim to prepare balance sheet and income statements, and a further 32% claim to prepare cash flow statements at least on occasion (see Figure 4-14 below). In general accounting norms, the general ledger of accounts is used towards preparation of the aforementioned statements.

Figure 4-14: % 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 where a certified account is in full time employment with an SME, but also uses his/her credentials as a certified accountant to ‘stamp’ his employers financial statements.

It therefore comes as no surprise that only 15% of SMEs have their statements audited (in an audit, preparation of financial statements is the responsibility of the enterprise). However, a significant percentage (90%) of enterprises that hire auditors also depend on them to discuss business ideas and related business issues. Figure 4-16 and Figure 4-17 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 4-15: Audited Financial Statements: % of SMEs

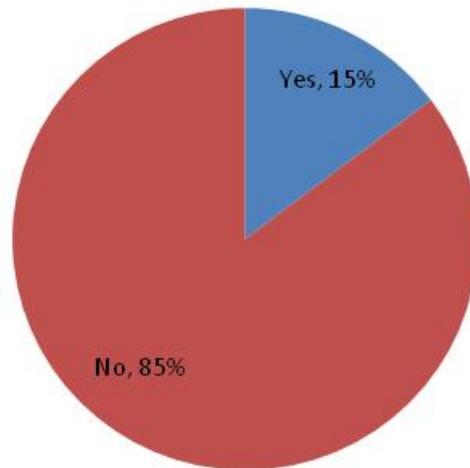
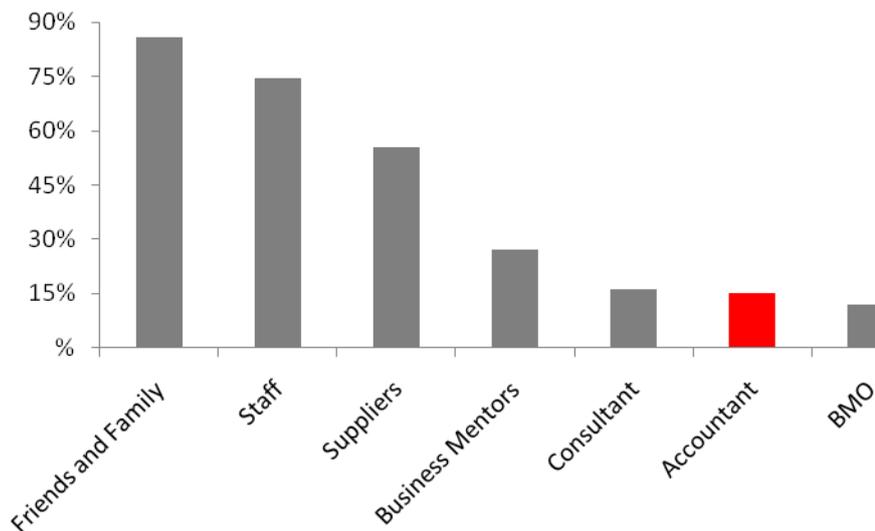


Figure 4-16: SMEs- Sources of Advice and Problem Solving



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 26% of enterprises perceive the provisioning of accounting services through business associations as important.

4.5 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 Babil 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 savvy. Computers, mobiles, the internet and other forms of mass communication driven by the IT industry are underutilized.

Table 4-6: Ranking of the Top Sources for News / Information About Business / Customers for SMEs in Babil

Source	Weighted Rating ¹	Rank
Word of mouth	4.035330013	1
Customers	2.93008229	2
Employees	2.640721192	3
Suppliers	1.90617957	4
Rival firms	1.254883998	5
SMS messages	0.709107826	6
Business Associations	0.663538049	7
Internet	0.261649356	8
Newspapers	0.254842974	9
Radio	0.156211876	10
Television	0.13904677	11
Others	0.059410215	12

The above chart demonstrates the low dependency on IT related mediums for doing business, as SMS messaging, Internet, Radio and Television are all outside of the top five ranked sources of business information in Babil. This same trend is reflected in the Iraq data as a whole.

4.5.1 INTERNET AND EMAIL USAGE

Very few of the SMEs in Babil use the internet to conduct their business. Only 7% reported using the internet to conduct business, and only 6% use email, which is mainly due to the fact that their customer base is all local or Iraq-based (only 0.4% of businesses in Babil reported even the most minimal amounts of exporting activity), and Iraqi customers' usage of the internet to conduct business is equally as low. This is again reflected in the national aggregate to a minimal degree of variance.

¹ 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.

Figure 4-17: Percentage of SMEs in Babil that use the Internet Advertising to Connect with Customers

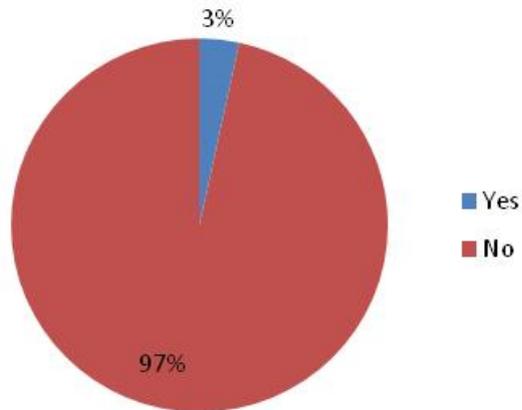


Figure 4-18: Percentage of Businesses that Own a Website

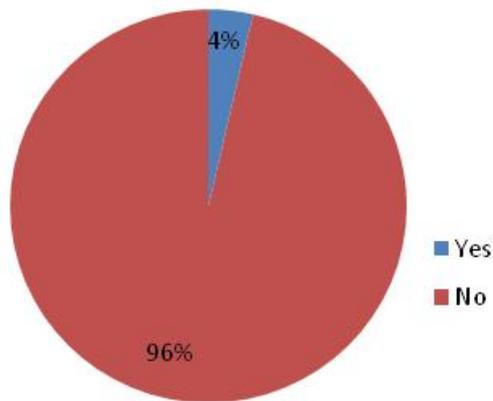


Figure 4-19: Percentage of Businesses that Use Email to Conduct Business

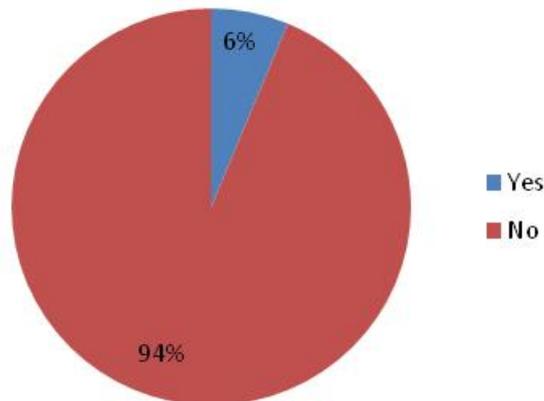
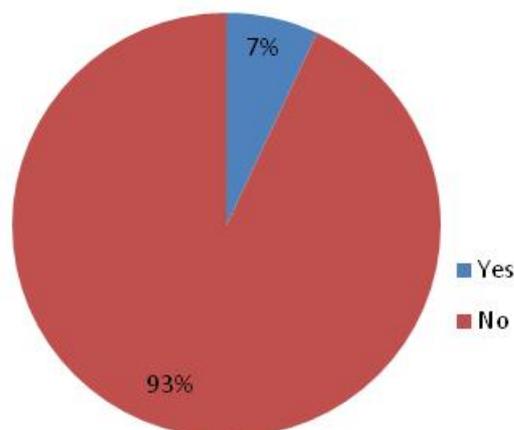


Figure 4-20: Percentage of Businesses that Use Internet to Conduct Businesses



Lack of internet and email utilization may seem like it is not a constraint, due to the fact that customers are also not using internet. However, the overall underutilization of the internet on all sides makes the business transaction process that much more costly. Customers and SMEs alike have much to learn and benefit from streamlining the process of interaction through internet usage that will make doing business less costly and more efficient. On the supply side, SMEs that are importing goods and services are underutilizing the internet as a research tool to obtain the most competitive prices by connecting with the greatest number of supplier options possible. Many SME owners feel uneasy about the internet, remarking that due to lack of trust issues, they prefer face to face exchanges in the end any way, which are much more costly and cannot be substituted with the internet at the outset of a business relationship, but as the relationship is established and progresses can be maintained.

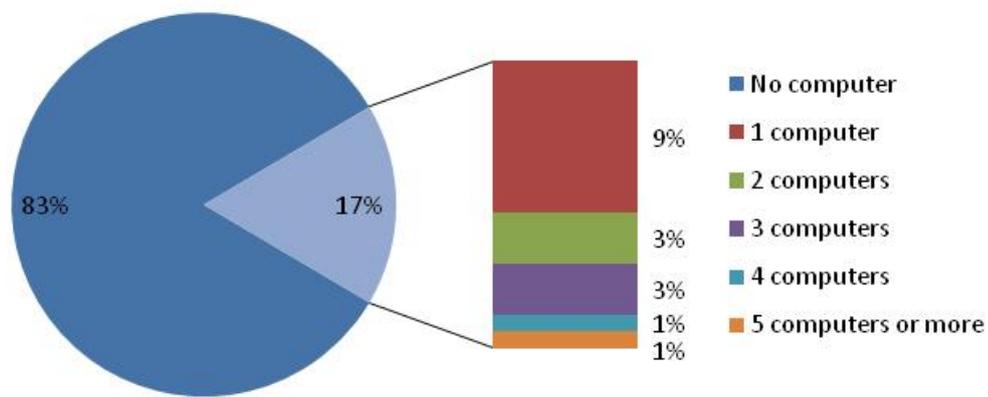
4.5.2 COMPUTER USAGE

A prerequisite to usage of internet is knowledge and possession of computers that are utilized for business. Only 17% of businesses in Babil use computers (equal exactly to the

Iraqi aggregate), and 9% of those use only one computer. The majority of the remaining 8% do not use networks, as only 3% have reported using networking between their computers. That leaves 5% of SMEs with multiple computers that are not networked.

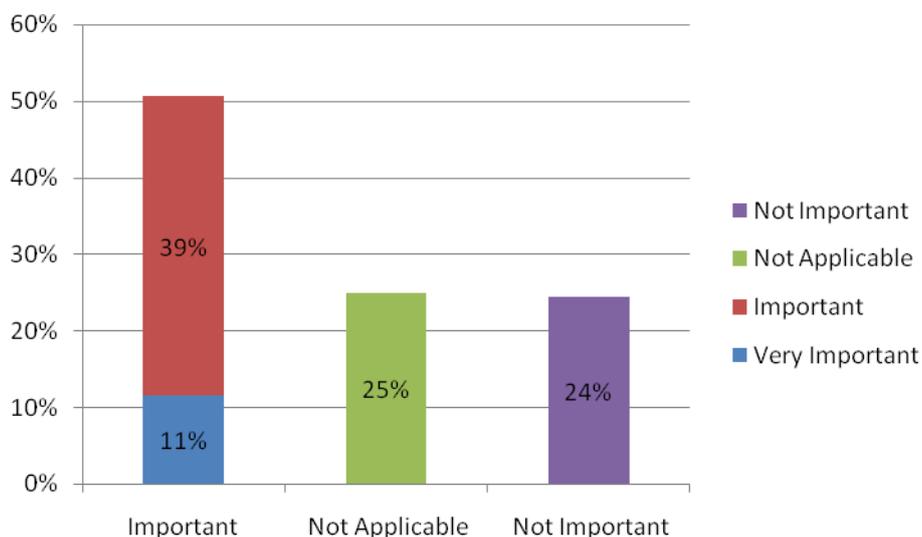
The majority of the 17% of computer users do not use their computers to access the internet, as we saw above that only 7% of SMEs use the internet to conduct business. The remaining 10% of those SMEs that do have computers (equaling approximately 74 businesses) surely could benefit from training in how to use their computers more effectively, considering they have already made the purchase and acquired a computer and have some knowledge as to how it works and how to operate it, but not sufficient knowledge or resources to use it effectively.

Figure 4-21: Percent of Babil Businesses that Use Computers and How Many



Less than 2% of all SMEs have ever utilized computer training to increase their knowledge and abilities on computers. More effective use of computers is something that SMEs have not traditionally sought from BMOs, but the groundwork has been laid, with approximately 50% of all SMEs reporting that they see BMOs as important for developing capacity and know-how in general, not the least of which could be computer training.

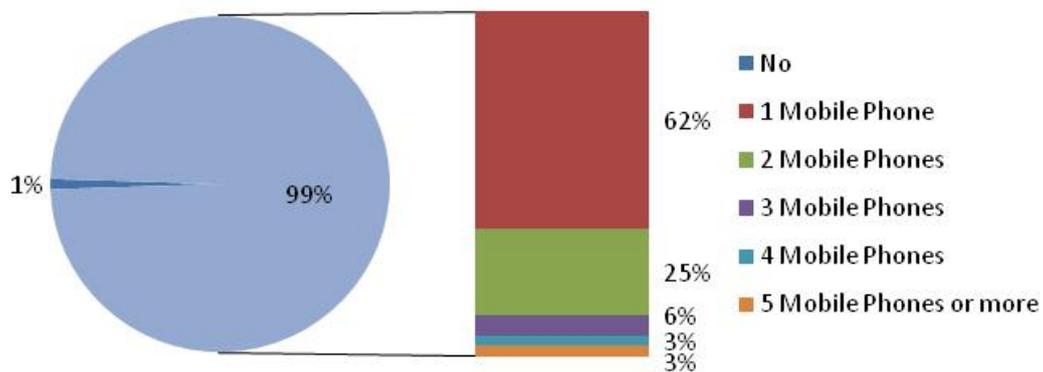
Figure 4-22: Importance of BMOs in Building Capacity and Know-How in Babil



4.5.3 MOBILE TELEPHONE COMMUNICATIONS

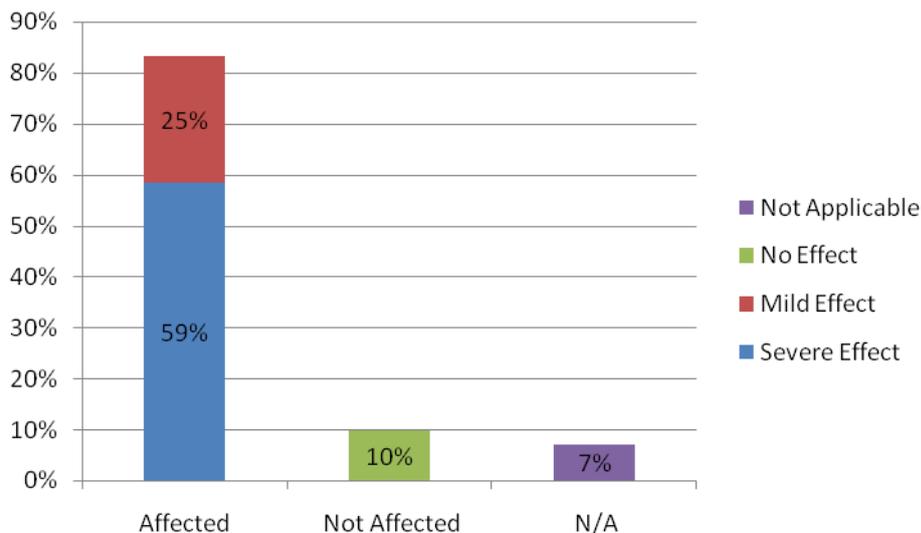
99% of all businesses in Babil use cell phones. This is not surprising given the importance of communication and the lack of any other options that provide sufficient means. Telephone land lines often do not work or are not available and do not provide the same mobility. This is reflected all across Iraq to the same degree, only numbers of cell phones differ. The average number of cell phones per person in Babil is about 5% higher than the Iraq aggregate.

Figure 4-23: Percent of Babil Businesses that Use Mobile Telephones and How Many



Issues with mobile/cell phone communications are going to be further discussed in the BEE constraints having to do with infrastructure, however, inadequate cell phone coverage is an issue that SMEs in Babil have cited as a business inhibitor. As lighted upon in the discussion of on infrastructure constraints, over 80% of SMEs are affected by poor mobile telephone service, almost 60% of which are *severely* affected.

Figure 4-24: Percent of SMEs in Babil Affected by Inadequate Mobile Phone Coverage



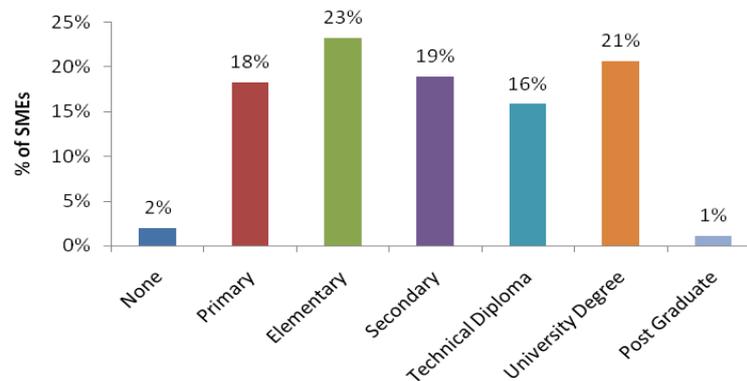
4.6 MANAGERIAL CONSTRAINTS

Managerial constraints comprise those historical or situational shortcomings that limit business growth. In a sense, most managerial constraints are relatively straightforward to overcome, because they can be addressed through training, counseling, and coaching once they have been recognized and accepted.

4.6.1 EDUCATIONAL CONSTRAINTS

In many countries, educational constraints result from excluding qualified and even highly educated individuals from the economic or social system. To some extent that has been the case with women in Iraq, who used to comprise a high percentage of the university education system. In this sample women comprise so small a percentage of the population studied, it is not possible to make valid conclusions about education. In general, however, the chart below makes clear that overall SME owners are very well educated. Over 60% hold at least a secondary school degree, and 21% more have gone on to graduate from a university, garnering skills important in running a successful business.

Figure 4-25: SME Owners are Well Educated



4.6.2 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 don't 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 necessarily 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 4-26: Age by Sector

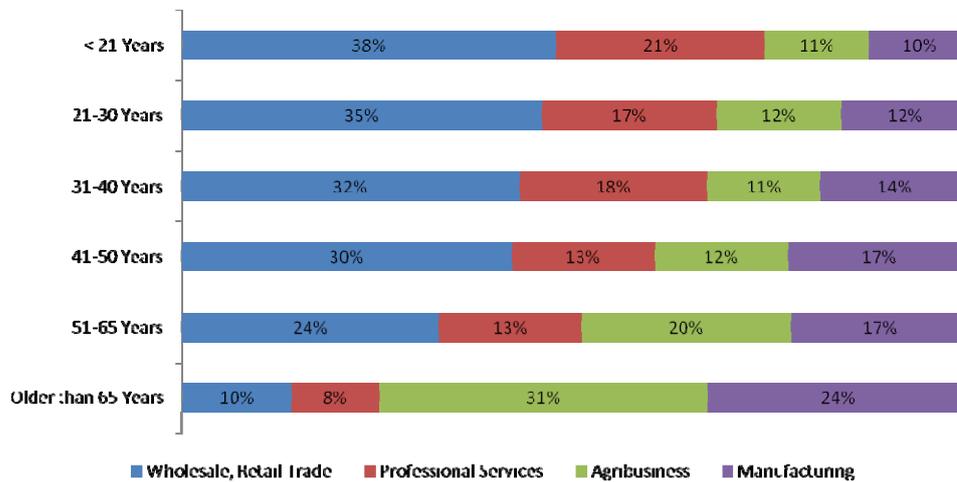
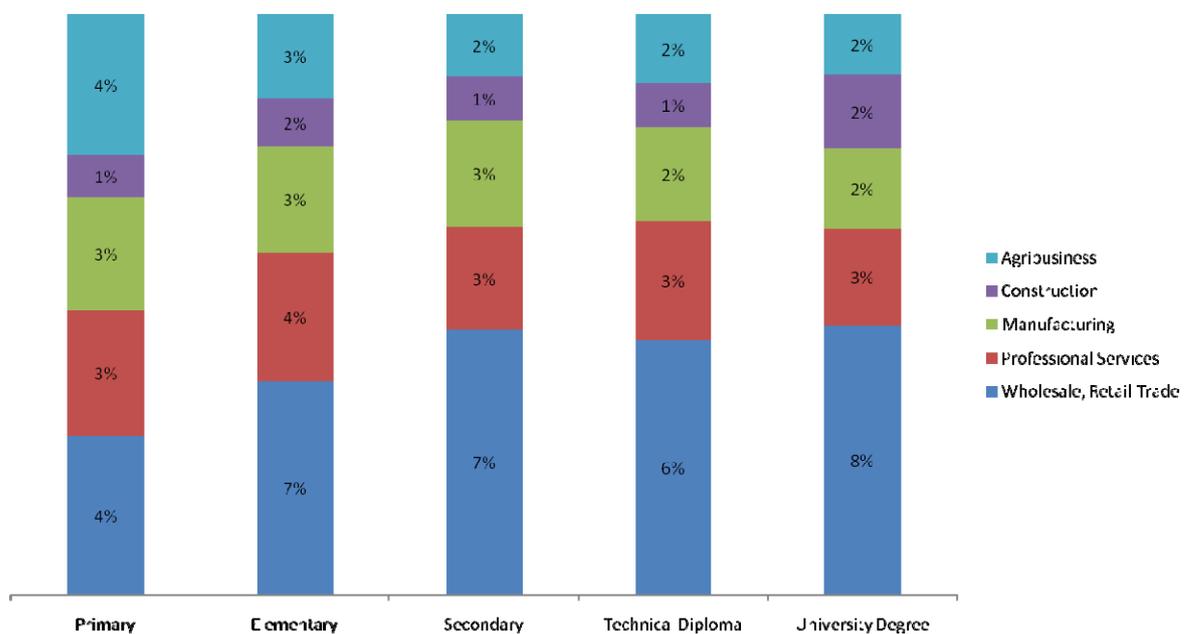
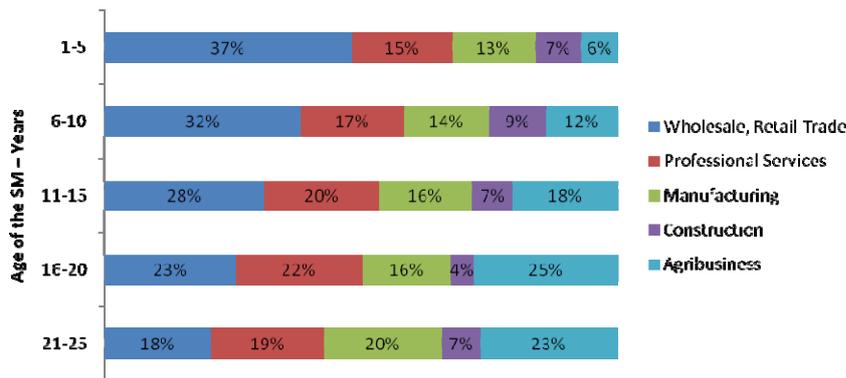


Figure 4-27: Cognitive Competence and Education by Sector



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 4-28: Measures of Cognitive Competence and the Age of the Business



4.6.3 TRAINING

Lack of training is a serious SME business constraint throughout Iraq, not just in Babil. 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.

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

Figure 4-29: Importance of Marketing Training

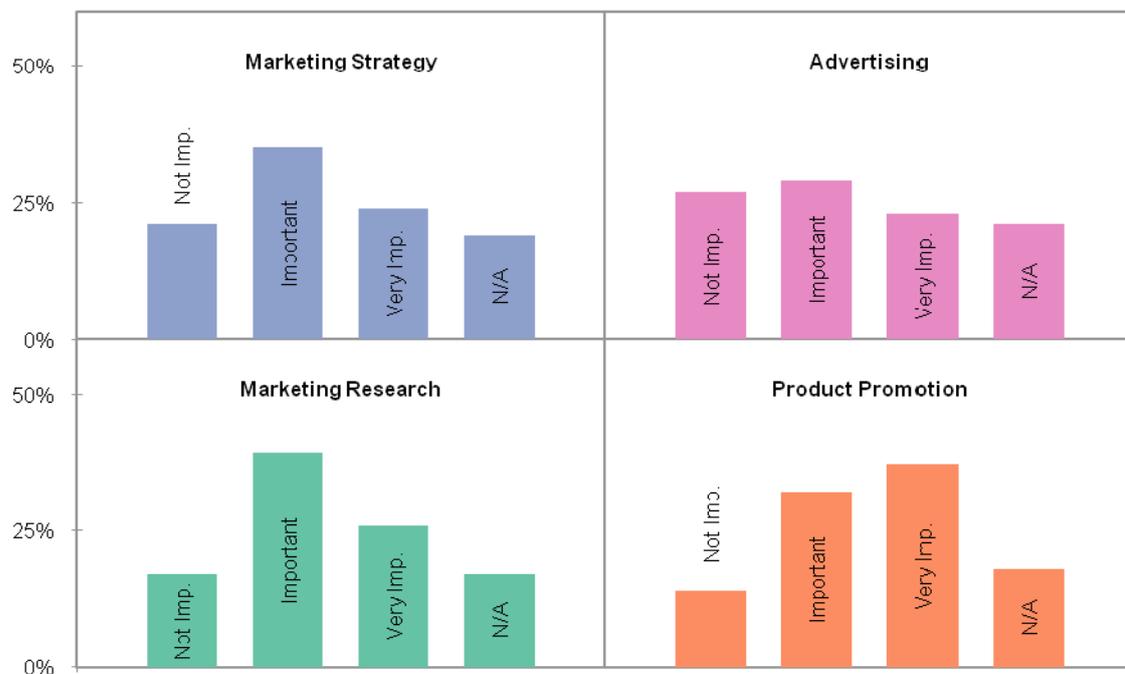
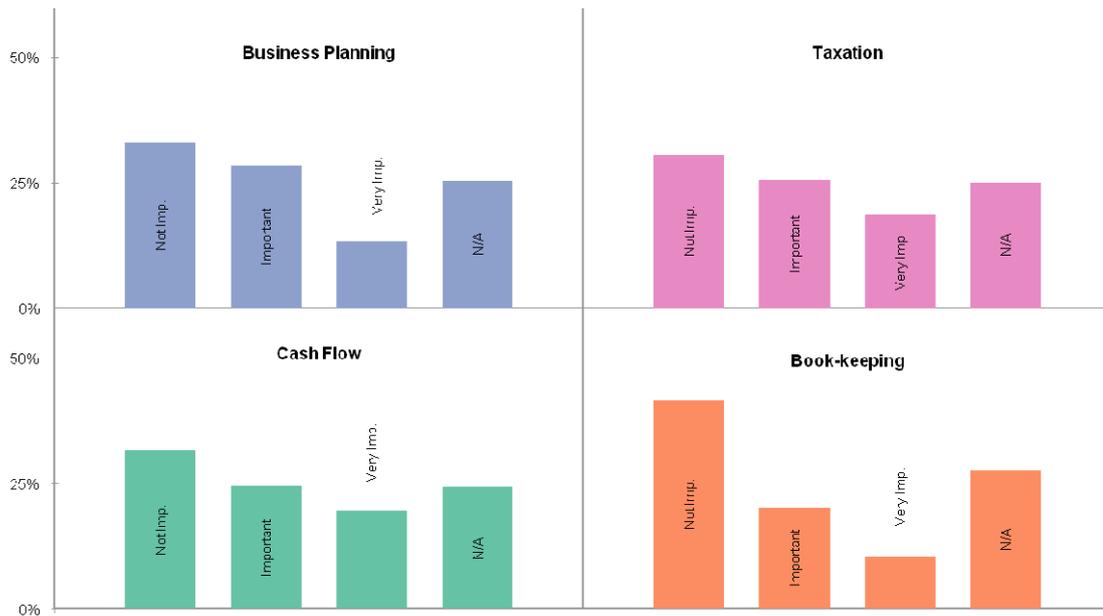
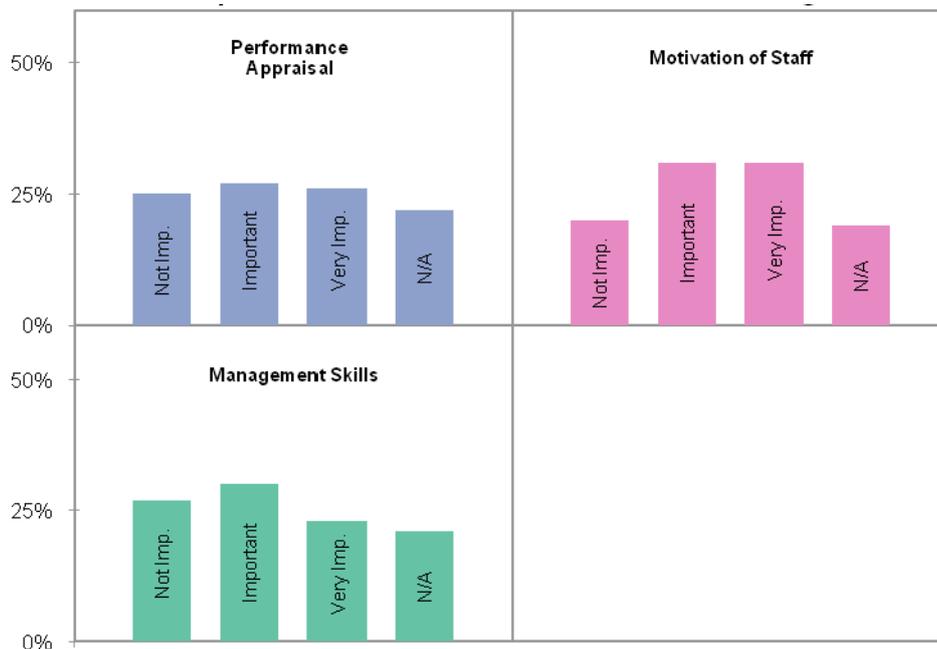


Figure 4-30: Importance of Finance Training



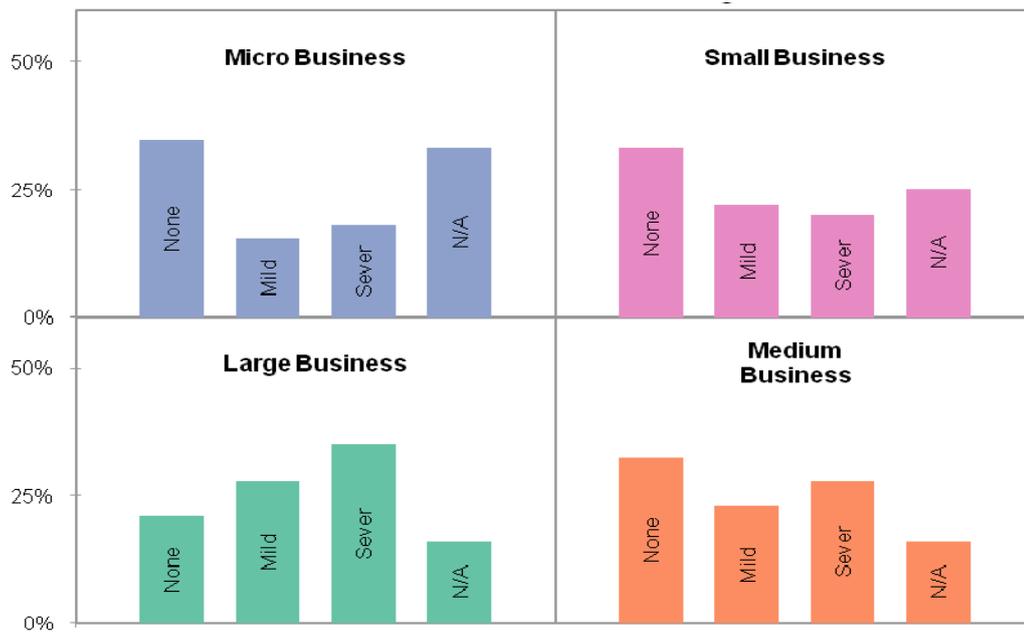
Human resource training fares better in the view of respondents.

Figure 4-31: 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 4-32: 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 4-33: Effect of “Lack of Trained Middle Management”

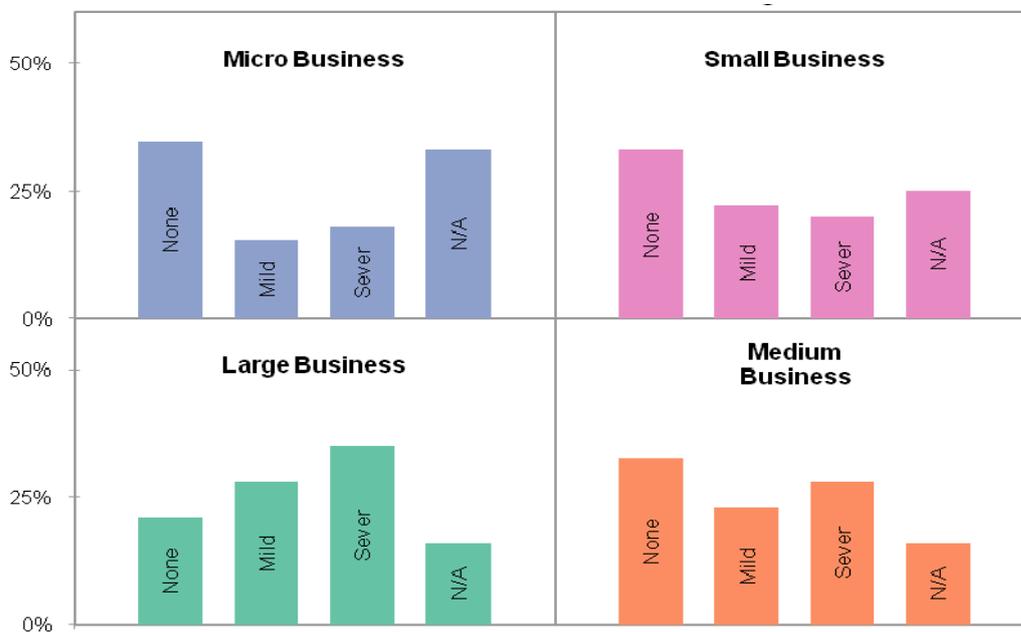
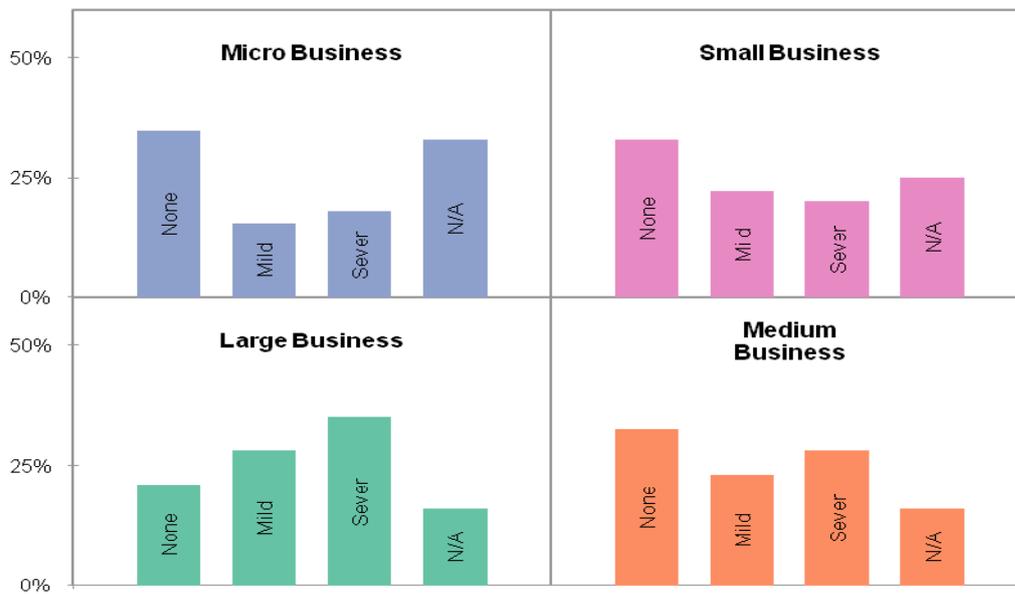


Figure 4-34: Effect of “Lack of Trained Higher Management”



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 4-35: Frequency of Technical Training

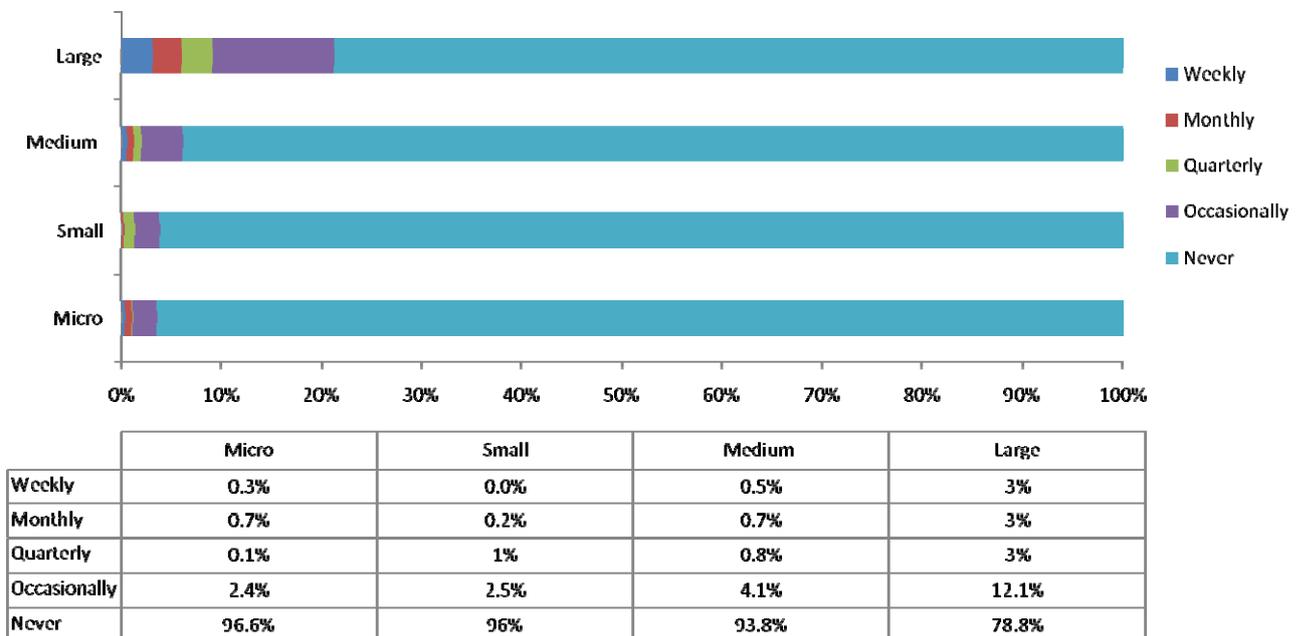
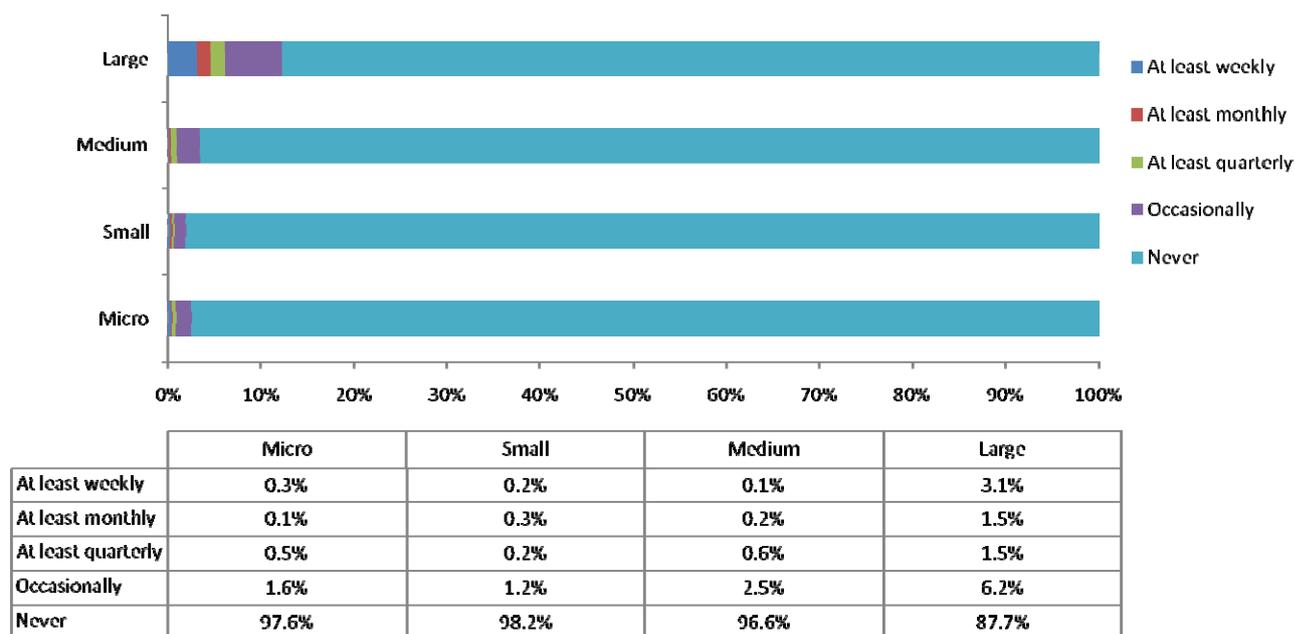
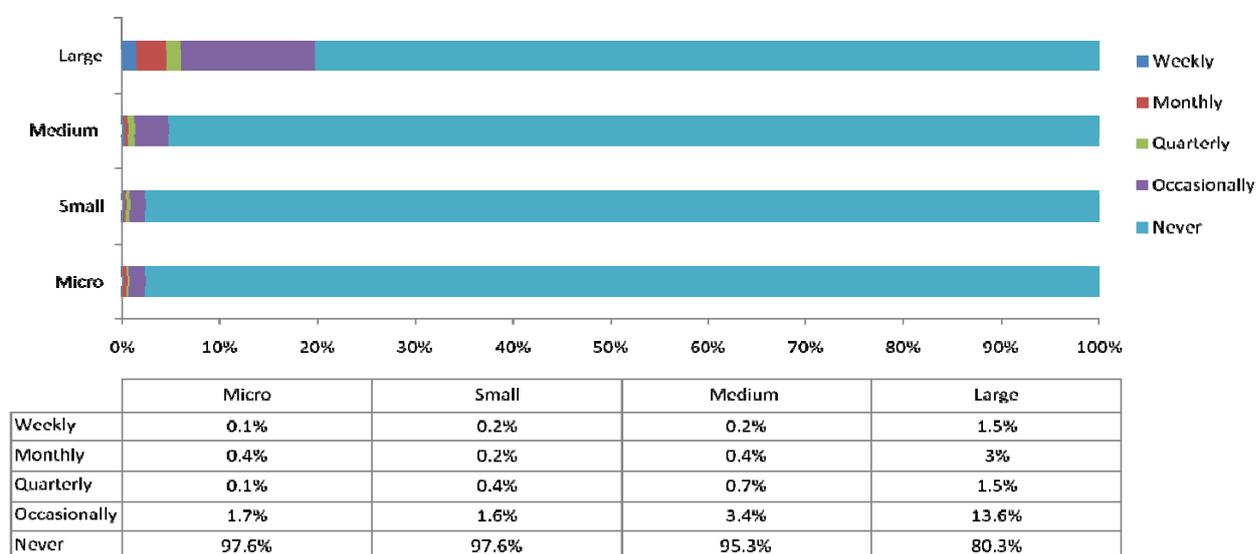


Figure 4-36: Frequency of Computer Training



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 4-37: Frequency of Management Training



4.6.4 EXPOSURE AND ATTITUDES

Trade is a critical element of Babil business. It has a long history of small business in trade-related areas and, of course, agriculture. It has a strong history in advanced education and a relatively educated workforce. Given those cultural and social attributes, one would think Iraqi businessmen would be quick to adopt new ideas and techniques. By and large, that is

not the case. 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.

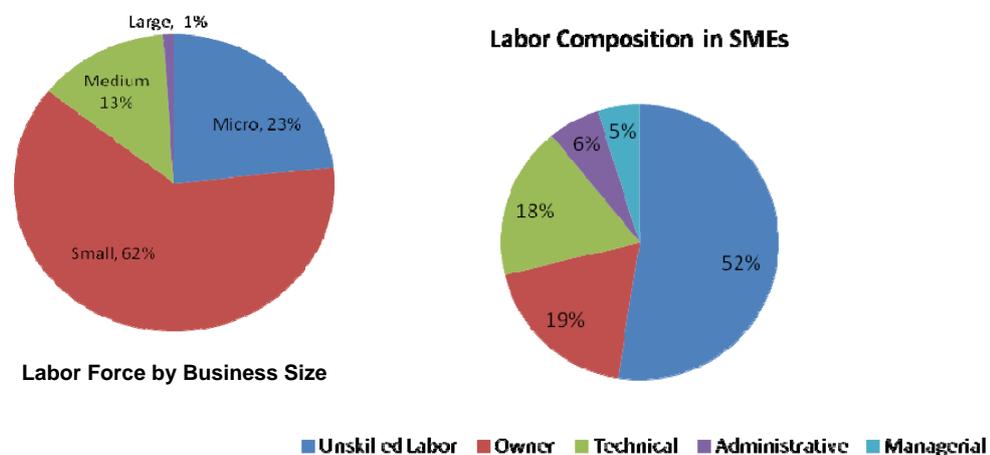
We discuss attitudinal issues in the regional sections. However, general attitudes toward entrepreneurship itself have an impact, as indicated in focus group discussions. At least one entrepreneur interviewed was preparing to leave a more lucrative position for government employment. When times are uncertain, 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 the 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 impacts. 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.

4.7 LABOR MARKET CONSTRAINTS

The labor market does not seem to be constrained in any meaningful way. Looking at MSMEs (including micro-businesses), the average business employs over six employees. Not many respondents argued that it was difficult to find unskilled—or even skilled—labor. Clearly, most of Iraq is in a labor surplus situation that favors such results. At the same time, only a relatively small percentage of Babil's businesses have need for managerial, administrative, or technical staff.

Figure 4-38: Labor Composition by Business Size and Sector



Where does the labor force in Iraq come from? Hiring is predictably informal, typically through friends, family, and other social-networks. This seems to hold even for larger medium sized enterprises with human resource (HR) departments. Overall over 9/10 depend on informal networking and word of mouth for employee recruitment. SMEs cited an array of subjective criteria such as “family and tribal affiliation”, “religious sect”, ‘honesty’, “proximity of residence to work place”, and “network” as often being more important than qualifications. 2/5 of Iraqi enterprise owners claim to be willing to use employment agencies and 1/3 said they would pay for the service, but there is little evidence that they in fact would do so.

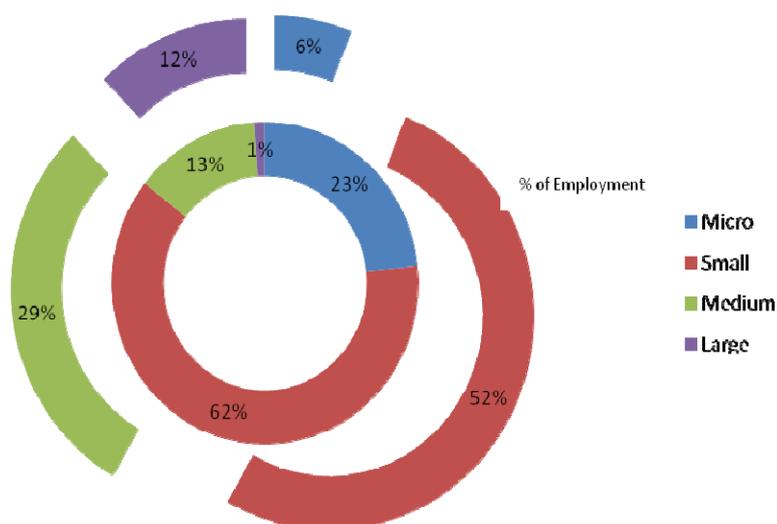
SME firms using employment agencies are mostly referring to GOI vocational training and placement centers and apprenticeship schemes, especially when the government contributes to the salary of the trainee. Despite that, SME owners claim that program graduates do not always acquire the necessary skills, so that their tenure at a firm does not tend to outlast the duration of the subsidy. Iraqi business owners prefer to hire older employees, especially former military officers and retired senior government clerks. They arrive pre-trained in management styles, networks, skill sets, and a reputation for getting things done.

Recruiting through informal networks becomes problematic when specialized employment requires skills, especially in medium and large companies. When that occurs, their primary mode of hiring tends to be trying to attract employees from competitors. Newspaper, Internet recruitment, and advertising on their Website seems to be a less used option.

The chart and graphic below stratify the labor force by relating business size to the percentage of total employment in that stratum. In this graphic, we add large company data to the MSME mix. Significant over sampling allowed for this comparison, which we believe approaches "reality" more closely. The data suggest that if we were to calculate the cost per job per business size (the labor return on investment), we would find that it is marginally least expensive for large businesses. Of course small businesses create the most jobs in Iraq as they do everywhere else in the region and in developing countries.

Business Size	% of All Enterprises	% of Total Employment
Micro	23	6
Small	62	52
Medium	13	29
Large	1	12

Figure 4-39: Labor Force by SME Size



Detail on the range of labor inputs per size of business follow. In 33% of micro businesses the owner is the only employee.

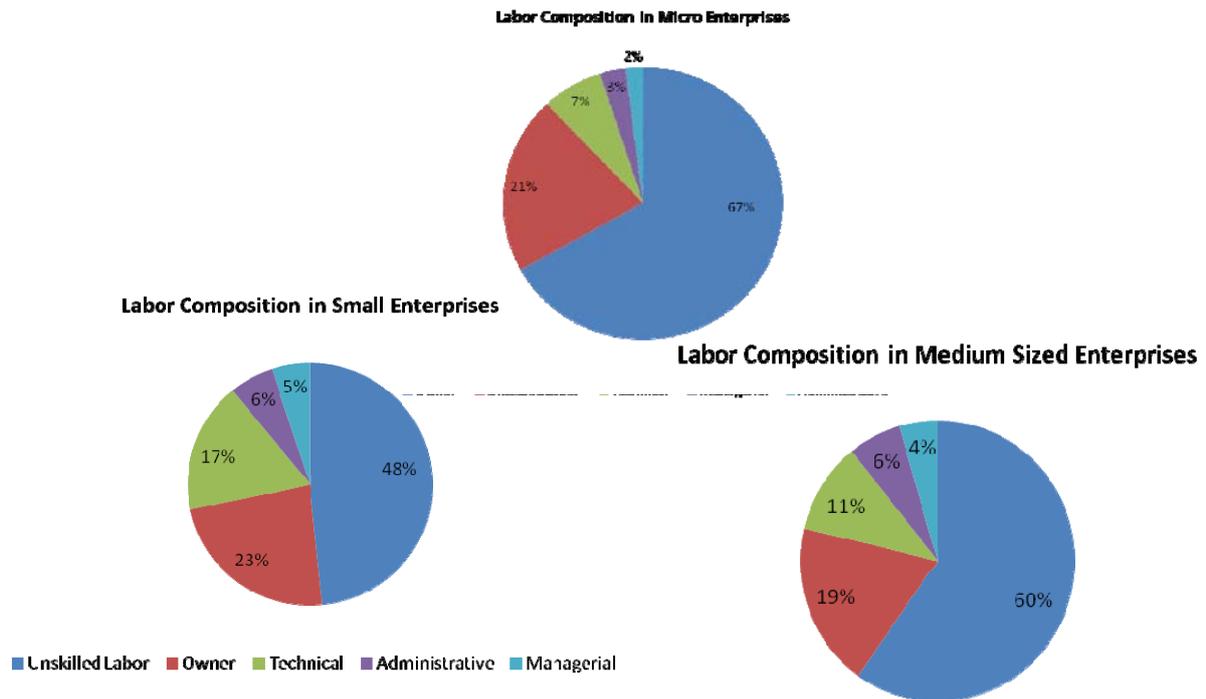
Table 4-7: Business Size, Average Number of Employees, Labor Makeup

Business Size	Av. # of Employees	Only Owner/Unskilled
Micro	1.5	33.0%
Small	5.0	41.3%
Medium	13.5	2.0%

Interestingly, technology use does not grow with business size. Small enterprises show a significantly higher percentage of technology based workers than medium size businesses. Perhaps that is because of the smaller total employment across which the category is spread. More likely it suggests that business do not grow by innovating in the technology sphere. The overall low technical workforce also suggests the traditional nature of Iraq's SME population.

When it comes to the time and capacity to attend trainings and conferences, to keep up with new ideas in the field, and to implement changes, the low percentage of managerial and administrative staff in micro-enterprises makes that a risky proposition. In fact, as the chart on the page following shows, both the demand for and the utilization of training and training related services is small not only for SMEs, but for micro-enterprises as well.

Figure 4-40: Labor Composition in SMEs of Different Sizes



4.8 PRODUCTION CONSTRAINTS

Production constraints on the input side largely pertain to supply. Issues like embargos hit smaller businesses hardest and have lingering effects. For SMEs, and for larger businesses whose supplies are deemed capable of dual civilian-military use (as in pharmaceuticals from petroleum) there is small evidence of import activity. Trade is largely in finished goods and largely for retail and/or end-user markets. For both agribusiness and manufacturing supplier constraints often determine the viability of the business. Financial issues overlap significantly with the supply economics. As seen above credit extended by suppliers through informal means is a necessity in the absence of more formal and established supply chain financing channels.

5. BABIL ENABLING ENVIRONMENT CONSTRAINTS

5.1 INTRODUCTION

Contained in this section is a discussion of the following:

- Informality (Regulatory Issues)
- Infrastructure Constraints
- Security Constraints

All topics are covered below in detail.

5.2 INFORMALITY

Similar to the rest of Iraq, the majority of SMEs in Babil 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.

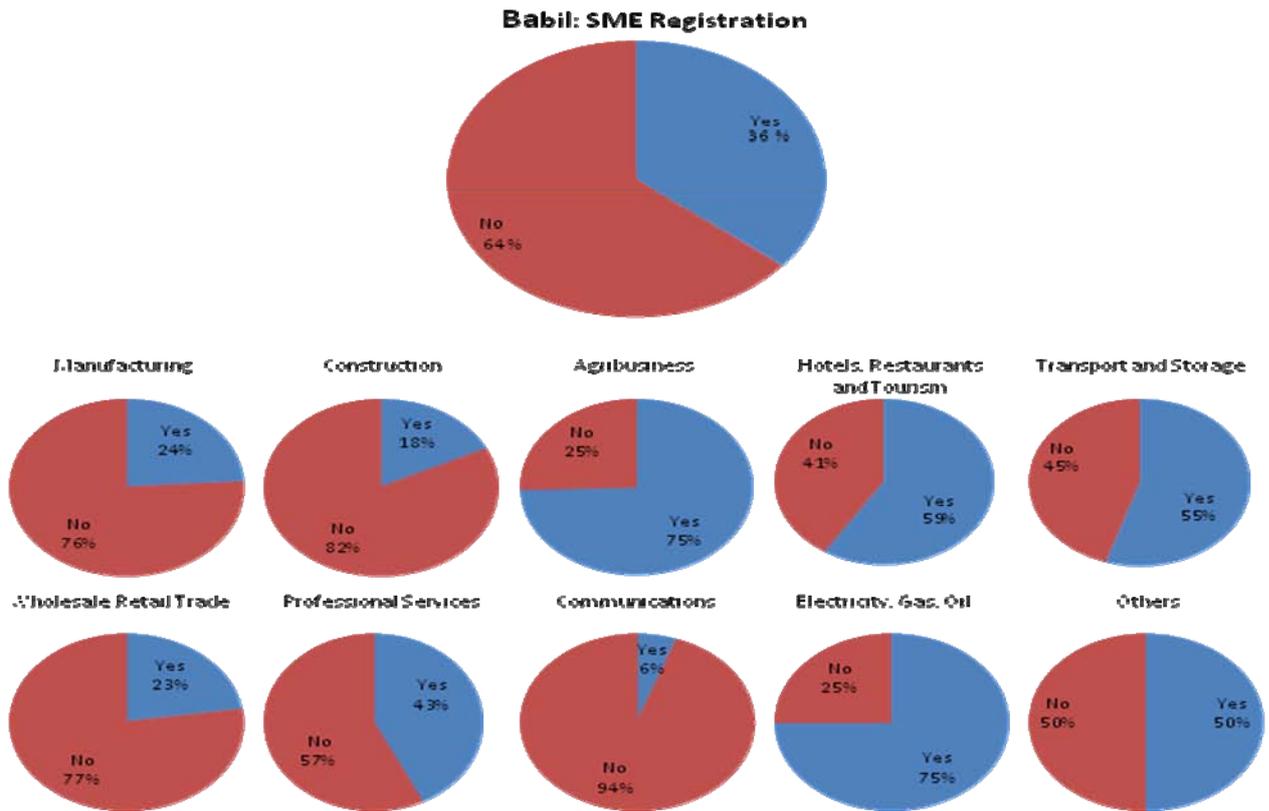
5.2.1 COMPANY REGISTRATION

In Babil, only 36% of enterprises claim to be registered with government agencies. This compares favorably with the broader set of survey provinces, which reported mean registration figures of 29%. The above average registration rate in Babil is mainly due to the proliferation of high registration agribusiness in Babil.

Agribusiness enterprises, specifically farmers have the highest registration rate amongst Babil businesses (75%). 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 Babil predate the current disorder and would have been compelled to formalize or face dire legal consequences, and iv) much of the farmland in Babil was titled to farmers through the government through a process that undoubtedly included registration to complete.

Other industries with high registration rates include energy (75%), which is mostly comprised of fuel stations and private electricity generation. Like farms, petrol station are older business much more likely to have registered before 2003. Fuel stations need also register to receive government rationed petrol and fuel products. Figure 5-1 below highlights survey industries and respective registration rates.

Figure 5-1: 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 Babil appear to have smaller asset bases than their formal peers. Figure 5-2 below indicates that the concentration of informal enterprises is more in the asset base category of IRD 10 million to IRD 100 million, formal enterprises outdo shadow economy companies in all higher asset base categories.

Figure 5-2: Asset Base Registered vs. Informal Firms

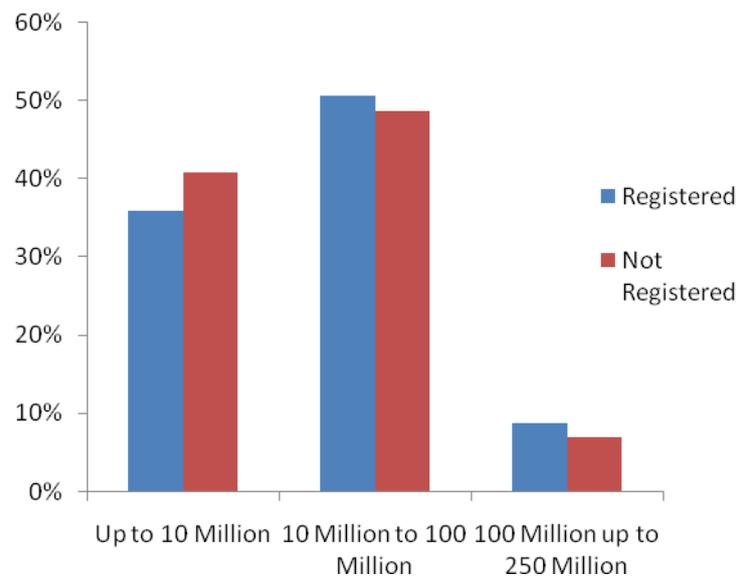


Table 5-1: Registered and Informal Averages According to Traits

	Registered Firms Mean	Unregistered Firms Mean
Number of Skilled Labor Employees	1.33 Employees	0.89 Employees
Number of Unskilled Employees	5 Employees	5.21 Employees
Total Number of all Employees	7 Employees	6 Employees
Number of Partners	2.4	1.5
Cash as % of Asset Base	36%	39%
Receivables as % of Asset Base	14%	16%
Fixed Assets as % of Asset Base	12%	9%

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 business aggravate the situation.

The research team has no specific Babil 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 explains *“... 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”*

Except for firms with obvious justification to formalize such as those highlighted above in the agribusiness or the professional services, the majority of Babil SMEs do not seem to understand the long-term consequences of their informal status. The single most frequently cited reason for lack of registration is “I don’t need registration” .

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”. Interviews and focus group discussions eluded to similar reasoning.

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

Administrative burden: The World Bank's Doing Business Report shows an average of 11 procedures which are more than the average 7.9 for the rest of MENA, and 77 days for Iraq versus 35 days in other MENA countries. One 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 registration or not is all the same, or at worst lack of registration is more beneficial has created a sense of apathy towards formalization by some business owners.

5.2.2 REGULATORY ISSUES

Perhaps one of the reasons that registration is not high on a number of SMEs' list of priorities has to do with issues of unfair competition that registered businesses complain about, in addition to tax issues and other things that would sufficiently cut into profits for most.

During the 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 rental of property, quality control issues, security-related regulations, and imposed government taxes and fees.

Table 5-2 below represents common issues that were mentioned across the agriculture, construction, retail, and light industry focus groups that were held in Babil.

Table 5-2: Cross-Sector Suggestions for Legal Reform

	General	Detailed Description	Frequency
1	Property Rights	More rights given to SMEs that rent space from landowners to prevent exploitation and price gouging when the land owner sees that the business is successful.	Mentioned 6 times
2	Industry Specific Quality Control	Needed regulations governing quality and fair production for construction, light manufacturing, retail, etc. to prevent unfair competition at the cost of compromised quality standards	Mentioned 6 times
3	Security Procedures – Concrete Barriers	Removal of security barriers that prevent movement of goods and service-oriented traffic throughout the city and other areas.	Mentioned 6 times
4	Company Income Tax	General reform of the way income tax law affects companies – unrealistic and unfair cuts out of profits as well as arbitrary enforcement not consistent	Mentioned 5 times
5	Security Procedures – Curfew Restrictions	The cancellation of curfew laws that prevent the movement of commercial vehicles before 4 AM.	Mentioned 3 times

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

Table 5-3: Retail and Professional Services Suggestions for Legal Reform

	General	Detailed Description
1	Zoning	The lack of procedures taken against street vendors and trade control to limit unfair competition
2	Streamlining Bureaucratic Procedures	Preventing the practice of tributes (<i>JIBAYA</i>) collection

Table 5-4: Light Manufacturing Suggestions for Legal Reform

	General	Detailed Description
1	Zoning	Establishing industrial zones within the basic design of cities away from residential areas
2	Streamlining Bureaucratic Procedures	Combating red tape and corruption
3	Government Imposed Taxes and Fees	Decreasing the rates paid for electricity and other services

Table 5-5: Construction Suggestions for Legal Reform

	General	Detailed Description
1	Government Imposed Taxes and Fees	Amending the regulations related to fees levied on profession and others.
2	Zoning	Amending the law of basic design of the governorate to provide a space for

	General	Detailed Description
		contractors and stores of construction materials
3	Streamlining Bureaucratic Procedures	Amending the law of companies registration, cutting down registration fees and limiting routine procedures taken for registration
4	Access to Finance	Amending regulations related to loans and their interest rates as well as providing easy loans
5	Contract Dispute Resolution	Lack of dispute resolution laws to govern contractual disputes

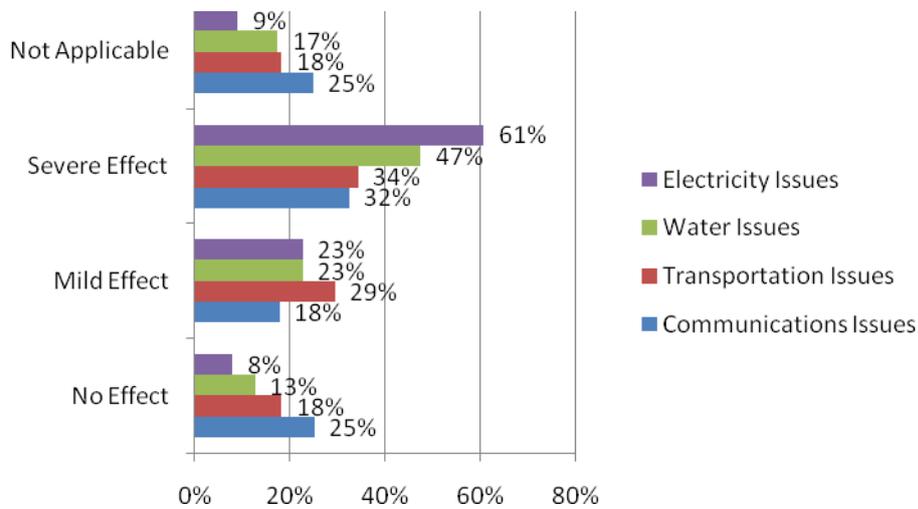
Table 5-6: Agriculture Suggestions for Legal Reform

	General	Detailed Description
1	Property Rights	Revoking the Law of Delineating and Separating Land Plots, since it stipulates against separating a land of less than 2.5 acres
2	Property Rights	Cancelling the demarked roads within agricultural lands
3	Import Restrictions	Cancelling the law of importing domestically available products.
4	Marketing Restrictions	Granting the farmer freedom in the process of marketing.
5	Streamlining Bureaucratic Procedures	Cancelling red tape procedures. Most silos deal with the farmer in a time consuming manner.
6	Industry Specific Quality Control	Prohibiting dealing with fertilizers by merchants, and putting this process exclusively in the hands of the government. Supervision should be imposed on the process of importing products.
7	Property Rights	Canceling the process of leasing farms and transferring their ownership to the farmer. Most farm lands are leased by farmers, which means that the land owner shares the farmer's profits.

5.3 INFRASTRUCTURE CONSTRAINTS

While the issues surrounding infrastructure in Iraq are constantly repeated to the point of boring development audiences and politicians alike, 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 5-3: Comparison of Aggregate Effect of Main Infrastructure Issues on SMEs in Babil



The above chart demonstrates the issues regarding infrastructure that most severely impact SMEs in Babil. As is depicted, the impact of electricity shortages, rates, availability, etc is much greater than other issues, although for every area, over 30% of all businesses are severely affected. The figures in the chart above represent the means of the frequencies of the different areas of infrastructure impact in the questionnaire.

Figure 5-4: Effect of Infrastructure Issues on SMEs: Iraq Aggregate

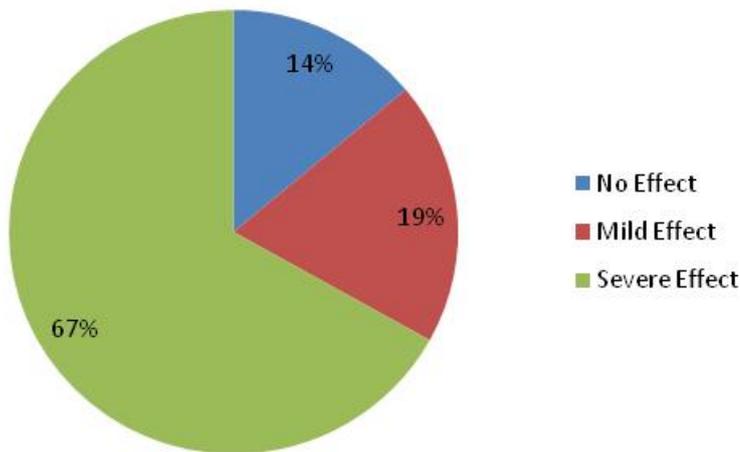
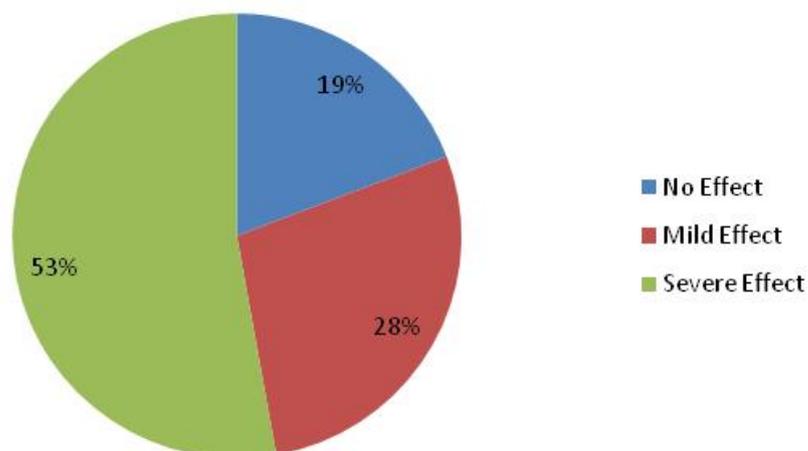


Figure 5-5: Effect of Infrastructure Issues on SMEs: Babil



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, 14% less businesses in Babil are severely impacted by the same issues that businesses in Iraq in general are, and 5% more are not impacted at all by infrastructure issues.

Table 5-7: Ranking of Infrastructure Issues Affecting Businesses in Babil

Sector	Issue	Rating ²	Babil Rank	Iraq Rank
Electricity	Unreliable supply	2.6754	1	1
Electricity	Phase supply not available	2.633284	2	2
Water	High rates	2.585401	3	5
Electricity	Poor service quality	2.583582	4	4
Electricity	Energy - High rates	2.565847	5	3
Electricity	High cost of backup power	2.535885	6	6
Communications	Inadequate cell phone coverage	2.524158	7	8
Electricity	Corrupt utilities	2.474097	8	7
Water	Poor availability	2.4377	9	9

² 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.

Sector	Issue	Rating2	Babil Rank	Iraq Rank
Water	Water supply is intermittent	2.332162	10	11
Water	Water quality is poor	2.306738	11	13
Transport	Cannot obtain supplies from certain areas	2.20684	12	14
Transport	Cannot send products to certain areas	2.192691	13	12
Transport	Lack of storage facilities	2.192042	14	15
Communications	Others	2.115385	15	18
Communications	High rates	2.097242	16	10
Communications	Land line telephone service does not exist or is inadequate	1.868339	17	16
Communications	Poor wire line service	1.861685	18	17

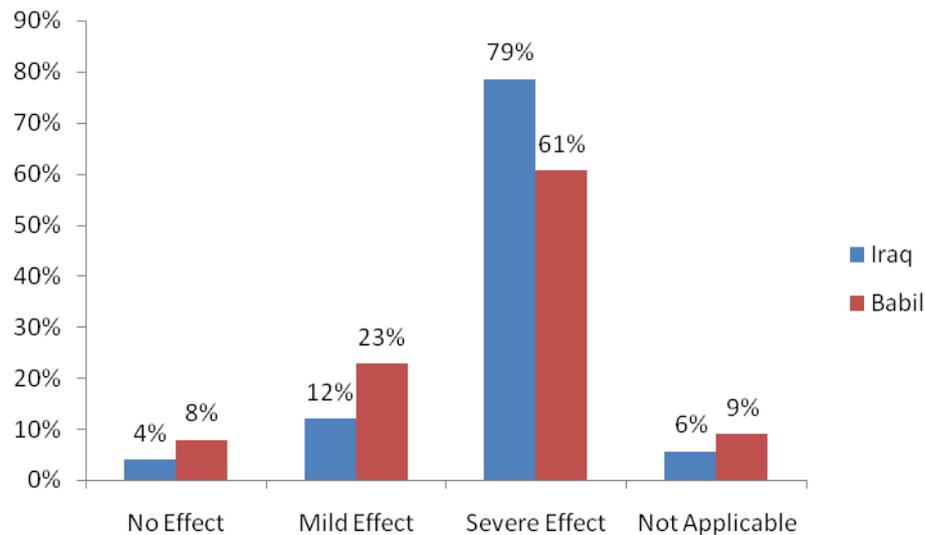
The infrastructure issues that affect businesses in Babil are broken out in the table above and ranked according to degree of importance of “weighted effect.” The top two issues as well as six of the top ten issues that businesses face deal with electricity.

Provided here is a brief description of infrastructure constraints that have been cited by surveyed SMEs in Babil in the form of electricity, water, transportation, and communication issues. The chart above demonstrates the importance of these four factors and their severe effect on SME operations in Babil as cited by the SMEs.

5.3.1 ELECTRICITY

The affect of unreliable electricity supply in Babil is approximately 18% less severe than the rest of Iraq. This is across the board in areas of unreliable supply, high rates, high cost of backup power, corrupt utilities, phase supply not available, and poor service quality. The below graph provides a comparison of Babil with the rest of Iraq. Taken on its own, it is still the case that 61% of Babil businesses are severely affected by the unreliable power supply, and this is particularly felt in the agribusiness and light manufacturing SME base. The light (and heavy) manufacturers need the constant high current electricity in order to run production lines and equipment, and the agribusinesses suffer from the high cost of fuel to power generators that run pumps to supply water to crops.

Figure 5-6: Effect of Electricity Issues on Businesses - Iraq and Babil Comparison

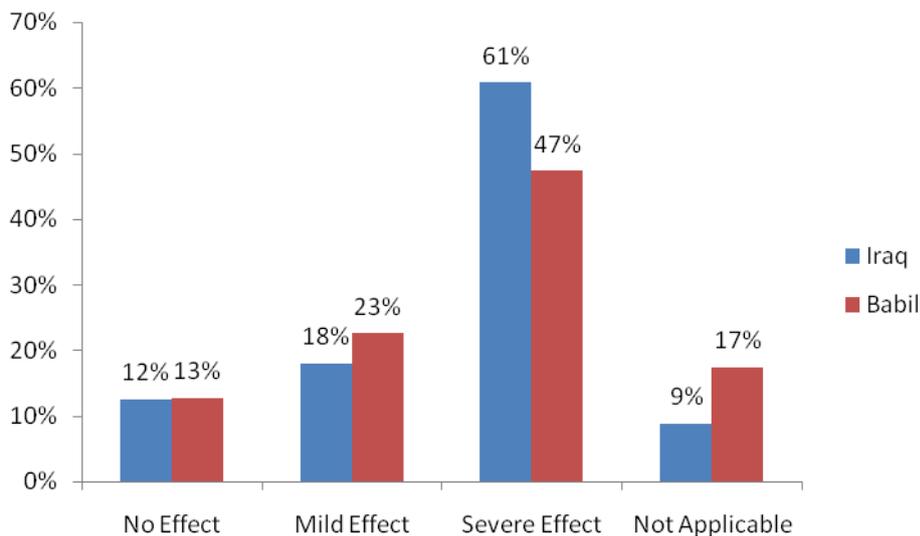


Energy shortages rank 4th on the list of all constraints affecting SMEs in Babil, whereas they rank first on the aggregate list of all constraints that affect Iraq SMEs in general.

5.3.2 WATER

Water issues are the second most important infrastructure concern behind electricity that affects SMEs. The overall impact of this issue is around 14% less than the aggregate Iraq impact.

Figure 5-7: Effect of Water Issues on Businesses - Iraq and Babil Comparison

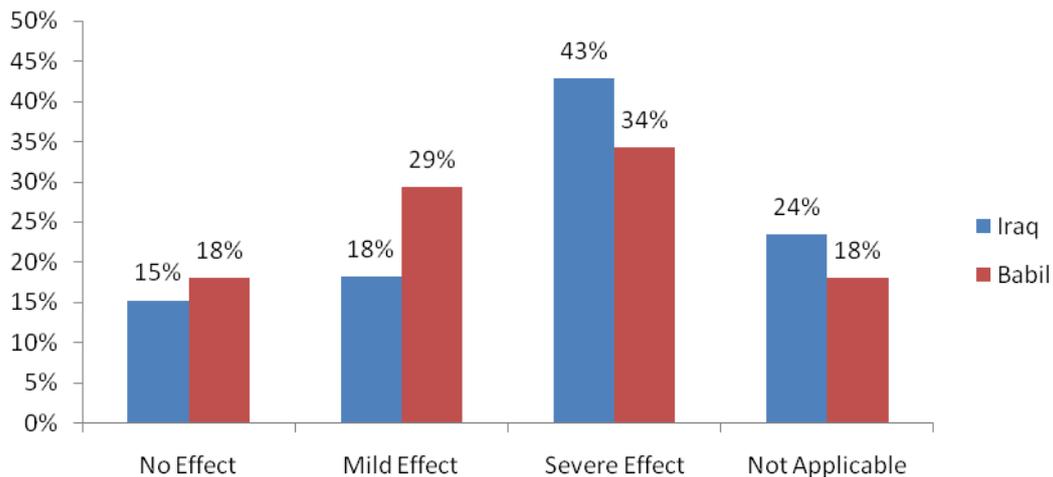


Approximately half (47%) of SMEs in Babil state that lack of water availability severely impacts their business. An additional 23% cite that they are mildly impacted, for a total of approximately 70% of all SMEs feeling the effects of water issues.

5.3.3 TRANSPORTATION

Transportation is the third severely impacting of all infrastructure issues. A total of only 34% of SMEs are severely impacted by transportation deficiencies, while 29% are mildly impacted. The total percentage of SMEs impacted by inadequate transportation availability is 63%. This total is almost identical to the percentage of impacted SMEs on the national scale, however the percentage ratio of severely impacted SMEs to mildly impacted SMEs is much greater.

Figure 5-8: Effect of Transportation Issues on Businesses - Iraq and Babil Comparison

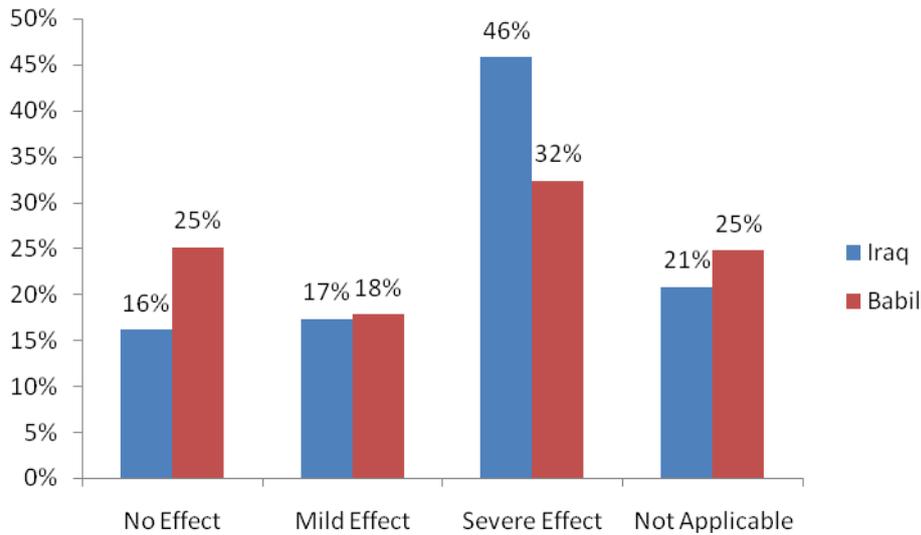


FG data reported that construction companies, for example, were particularly affected by inability to move supplies during certain times at night due to regulations preventing them from moving. Others site high cost of fuel, security concerns, and road blockages as specific issues.

5.3.4 COMMUNICATION

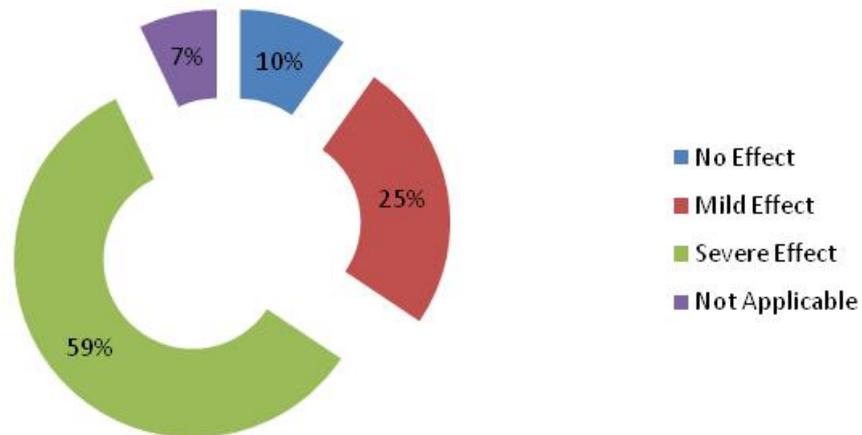
Communication inadequacies are cited as the least most severely impacting of all infrastructure issues. Almost 30% of all SMEs say that they are severely impacted by inadequate cell phone coverage. This is a 14% difference from the aggregate national statistic in the same area. A significant number of SME owners have become more dependent upon cell phone provision and therefore are not so affected by other forms of telecommunication infrastructure.

Figure 5-9: Effect of Communication Issues on Businesses - Iraq and Babil Comparison



An important concern for many with regards to communication issues is cell phone service inadequacies and their affect on SMEs. This is a particular concern for agribusinesses in Babil where communication with workers in the field is simply not possible any other way. Nearly 60% of businesses in Babil are severely affected and 25% are mildly affected by poor cell phone coverage – a total of 85%.

Figure 5-10: Effect of Inadequate Cell Phone Coverage on Babil SMEs



5.4 SECURITY CONSTRAINTS

Security is less of an issue in Babil than it is in other provinces in Iraq. Security is ranked as the number two issue, riding closely behind electricity, for Iraqi SMEs as a whole. For Babil, Security is the 5th most important issue. This follows one infrastructure issue (electricity) and financing and other enabling environment issues.

Depicted here below is a comparison of the different ratings of effects that security has on SMEs in Babil against those of the Iraqi aggregate.

Figure 5-11: Effect of Security in SMEs - Iraq Aggregate and Babil Comparison

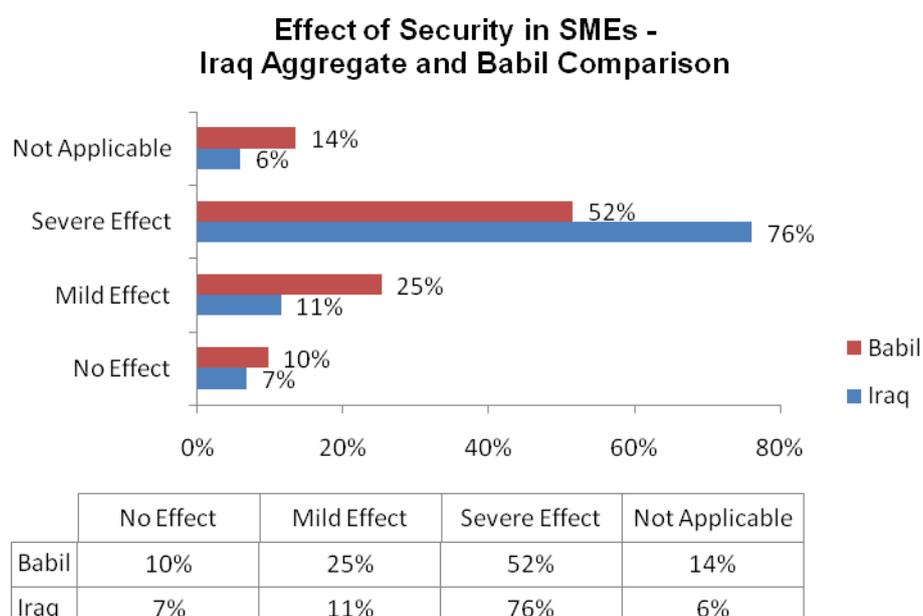
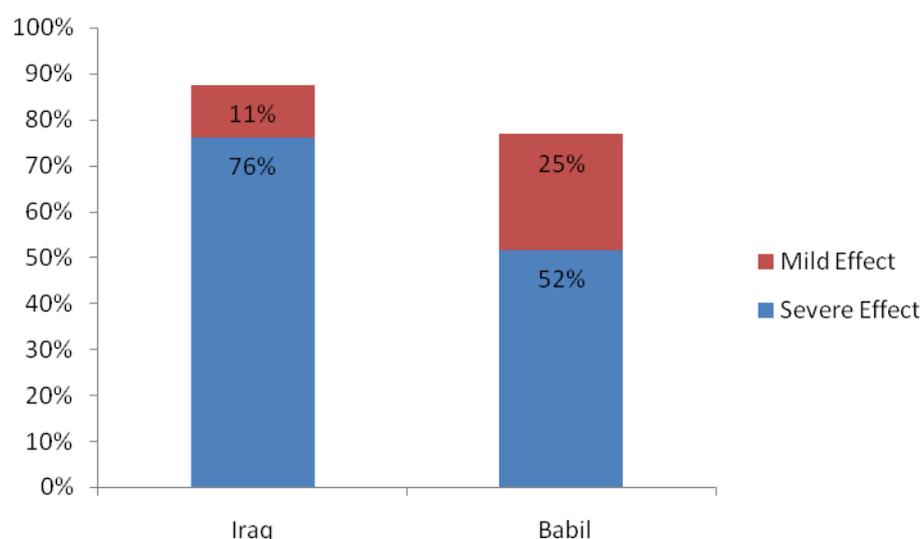


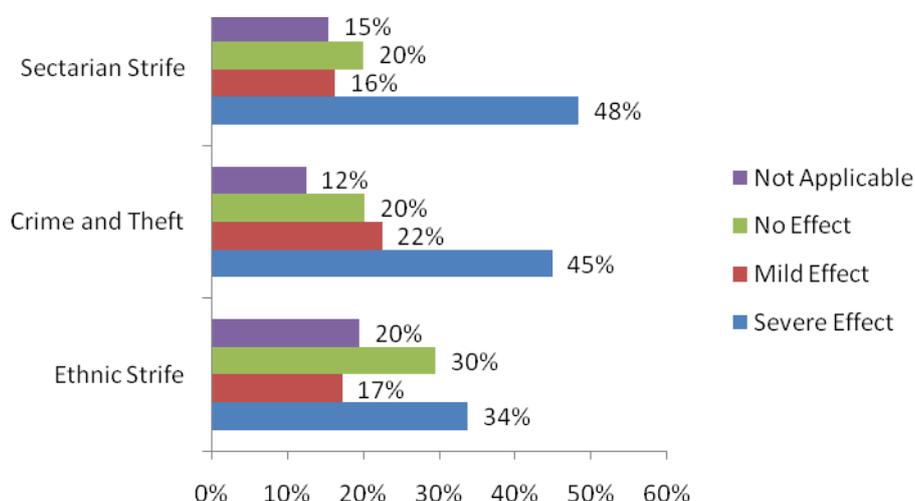
Figure 5-12: Effect of Security Concerns on SMEs - Iraq and Babil Comparison



Although it is less of an issue, and less of an issue than infrastructure concerns on the whole, security issues still affect SME business through affecting transportation, availability of goods, ability to attract customers, ability 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.

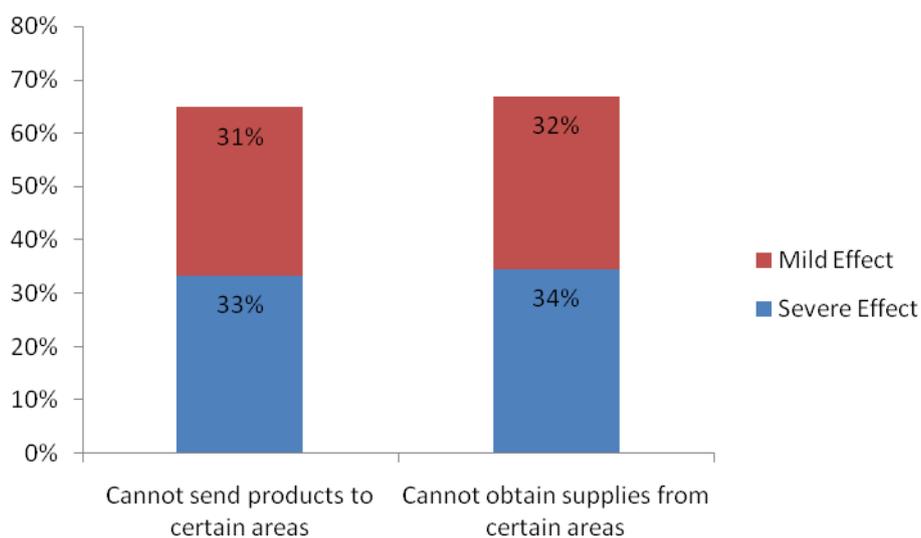
Beginning with the latter, almost half of all Babil SMEs indicated that they are severely impacted by sectarian strife and crime and theft.

Figure 5-13: Effect of Security Related Issues on SMEs in Babil



On the transportation front, over 60% of Babil SMEs are affected by security issues pertaining to transportation. Many focus group participants cited concrete barriers and security-related impediments to movement as reasons for increased costs of transportation for inputs as well as outputs. Construction and Trade, Light Manufacturing, and Retail Shops all cited the same issue with regards to security as pertains to transportation.

Figure 5-14: Security Affecting Transportation Issues in Babil

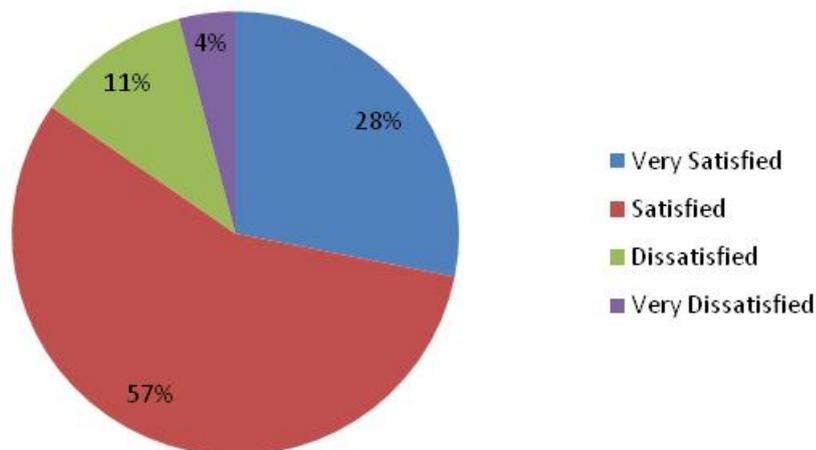


Retail and service shops in market areas also cited that they have difficulty maintaining their customer base due to being forced to close for security reasons (mentioned in a light manufacturing focus group in Babil) as well as mandated security restrictions not allowing cars (of customers and suppliers) to stop in front of shops on the main streets, thus affecting accessibility to their businesses where customers would prefer to do business with a shop that they can park in front of for increased convenience and also security reasons, able to keep an eye on their vehicle whilst completing business in the shop.

With regards to labor, agribusinesses are most heavily affected by lack of skilled and unskilled laborers that are able to report to the location of work at an affordable rate. This is in large part due to security concerns. 4 out of 7 focus group discussions held in Babil that incorporated the concerns of agribusiness value chains reported that labor shortages due to security reasons were an issue for them. Carpenters reported, in two separate focus groups, that many people were leaving the craft to go and join the police and security force which paid better wages.

All of this said, Babil businesses and Iraqi business as a whole are not looking to the government for security improvements. Citizens of Babil are forgiving of the Iraqi Government, with only 15% out of all SMEs surveyed indicating that they are dissatisfied (11% dissatisfied, 4% very dissatisfied) with the government’s ability to guarantee security. Strangely, 57% are satisfied and even 28% are *very* satisfied with what the government is doing in Babil 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.

Figure 5-15: Babil SME Satisfaction with Government Provision of Security



6. BABIL IN FOCUS – AGRIBUSINESS, LIGHT MANUFACTURE, AND CONSTRUCTION

6.1 INTRODUCTION

Three main areas representing the highest concentration of SME business presence in Babil are agriculture, construction, and light manufacturing companies. Together, they represent 201 of the 738 "clean" interviews (27%) and the vast preponderance of the FG discussants. The research team examined each interview with the goal of comparing answers of the representatives from the constituent firms with those of Babil businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Babil.

Specifically, the three main concentrations of firms in the Babil province are the following:

Table 6-1: Top Three Concentrations of Sub-Sectors and Firms in Babil

Firm Level	Subsector level	Sector Level
Wheat and Barley Growing	Agriculture	Agribusiness
Construction "Cluster"	Construction	Construction
Metal Fabrication	Light Manufacturing	Manufacturing

As expected, there were both symmetries and conflict in their answers. For example, the import of foodstuffs hurts agriculture and especially trade, but is seen as others as a "non-issue" or one in which such imports represent a positive development from a consumer's point of view. Similarly, some of the bank constraints actually had little or no impact where the loan slack was taken up by trade credit.

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 "reality" 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. 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 WHEAT AND BARLEY FARMING [43 INTERVIEWS]

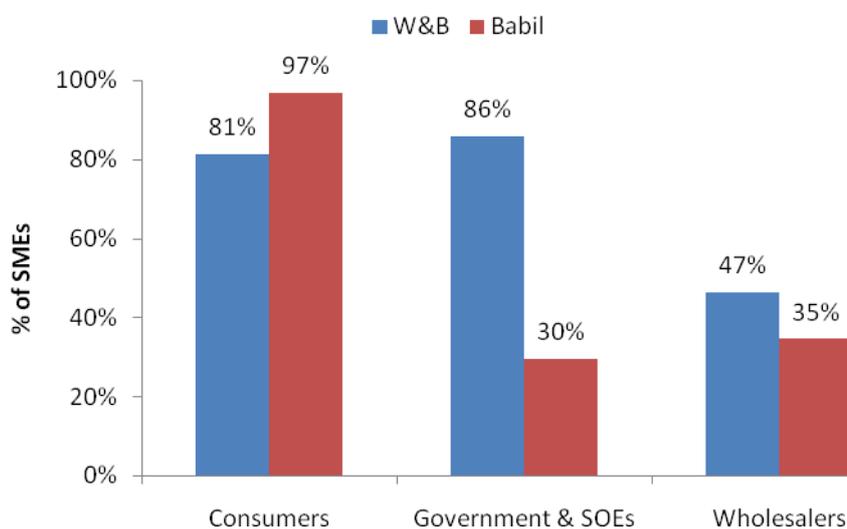
Wheat and barley farmers are more educated, desirous of improving their technological capacity, and more interested than ever in exploring new export markets. Moreover, they seek out advice from BMOs and respect their position in the business community as providers of knowledge and information. There are significant roles that BMOs could play in providing services that fill gaps in the acquisition of knowledge and pursuit of new business practices for wheat and barley farmers in Babil.

Date culture takes place far inland, in more remote areas, and tends to take up large plots. Though it represented a significant portion of the interviews (19), date growing was so

relatively self-contained as to offer few insights. Other agriculture sector firms interviewed included sheep, goat, and chicken breeding. They might be considered a livestock cluster with their cloud of suppliers and supporting institutions, but too few were interviewed to make a significant sample.

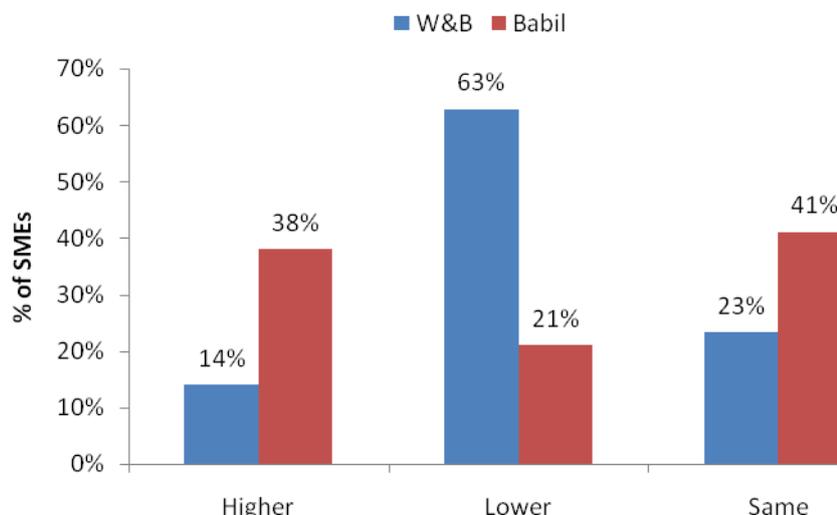
Wheat farming outpaces barley two to one. It fetches better prices in the market, because it is intended for human consumption, compared to barley, which is seen largely as livestock feed. Farmers engage in wheat and barley growing for two fundamental reasons revealed in the quantitative and qualitative studies: their families have done so, and it is the easiest form of farming, short of date growing. Before 2003, the output of farmers amounted to about one-third of Iraq's need and so it still was a net importer of grains. Today, farmers produce about two-fifths of the tonnage it did before 2003, so it still does not produce nearly enough for significant export. This said, farmers are now thinking more about export due to local market inefficiencies which is discussed further below.

Figure 6-1: Main Customers for Wheat and Barley Farmers



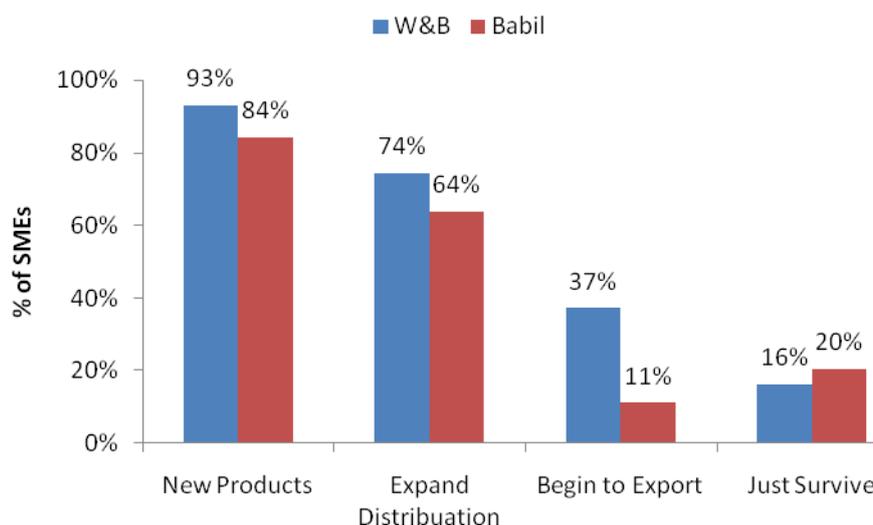
The customer base of wheat and barley farmers is very unique compared with other industries and sectors. 86% of wheat and barley producers sell to SOEs and government, almost triple the Babil aggregate. This is due in large part to the fact that the Iraqi Government SOE that purchases the wheat and barley produce pays a subsidized local premium on the product. Sales are of course seasonal as one would expect (86% reported that sales is seasonal). They are on the decline, however, the opposite trend of other Babil businesses, which may be mainly due to the market price of wheat and barley in 2009.

Figure 6-2: Reported Changes in Sales Turnover from 2008



The downtrend in sales has produced thinking among some wheat and barley producers that they must begin to look for new markets abroad. Currently less than 1% of Babil businesses are exporting. An incredible 37% of Babil wheat and barley producers are considering exporting as a business strategy for next year. This is a significant jump and a great diversion from the Babil aggregate, where only 11% of firms in the aggregate are thinking of exporting, many of which may be the wheat and barley SMEs themselves. This represents a potential opportunity for export assistance service providers, as these producers have never before exported their product and will have a great deal to learn about the process.

Figure 6-3: Business Strategy for Next Year



Both sole proprietorship and partnership are more important in wheat and barley farming than for agribusiness as a whole. The SMEs interviewed tend to be younger and perhaps slightly better educated. A very surprising 39% of wheat and barley farmers possess post-secondary education. Farms tend to have more than one family-member working on them. It could not be determined whether the demographics of wheat and barley farming is a

positive, in that it signifies the passage of the work into new and energetic hands, or a negative in that it suggests a loss of experience in a time when the abandonment of agricultural support has created a hole in the knowledge base. Regardless there is evidence of an appreciation for education and perhaps even integration of learned methods into farming practices especially where new technical information is concerned.

Figure 6-4: Age of Wheat and Barley Farm Owners

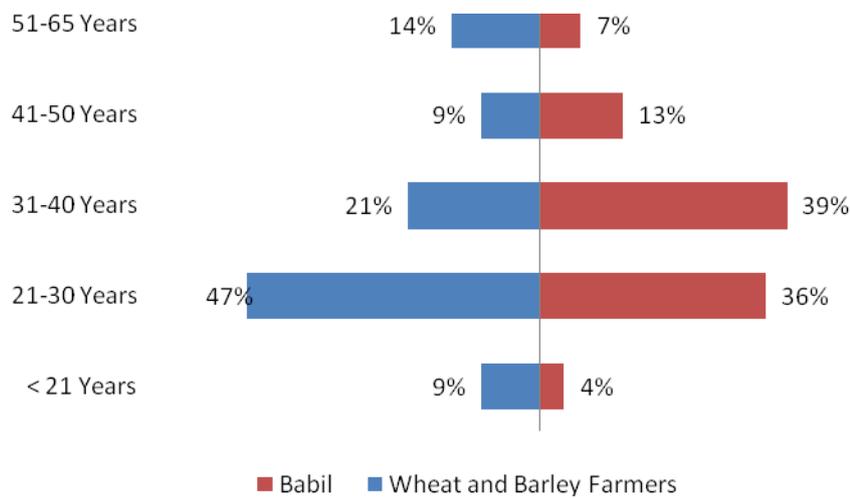
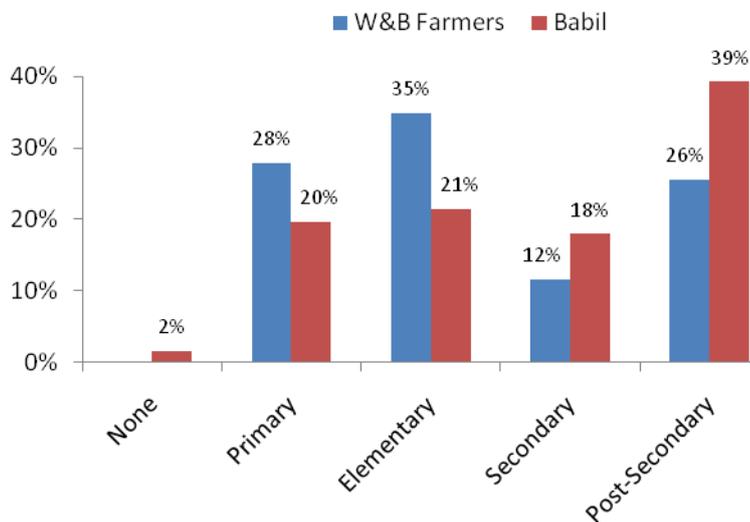


Figure 6-5: Wheat and Barley Farmers Education Level



The quality of output has declined (see sidebar above). Seed inputs are of inferior quality and sold at high prices. Corruption is rampant throughout the system. It affects the allotment of seed and fertilizer, transportation at both the input and output levels, the weighing of the grain, and the assessment of quality (all of which affects price). Poorer seed quality available, the lack of expert advice supplied by the government, the lack of modern irrigation, and obsolete or inferior harvesting and other kinds of equipment or delays in its rental all have negatively impacted the profession. Even climate change has played its part, creating harsher winters and a drop in rainfall, have constrained the growth of the sub-sector

and the prosperity of firms. It also may end up changing the mix of wheat and barley farming, since it tends to be more drought resistant.

Two final elements of business practice that distinguish the wheat and barley sub-sector from Babil SME business practice in general are how it sees its workforce supply, and more importantly, the general friendliness of its owners toward government in terms of registration and associational activities.

The labor differences are slight, but a sign of the particular structure of Babil Business. A greater percentage of wheat and barley businesses are reporting a decline in availability of qualified labor over the past three years than the Babil aggregate (over twice as many). The employee constraints chart below suggests that the kind of qualified labor that has declined would be at the supervisory level.

Figure 6-6: Availability of Qualified Labor Over the Past Three Years

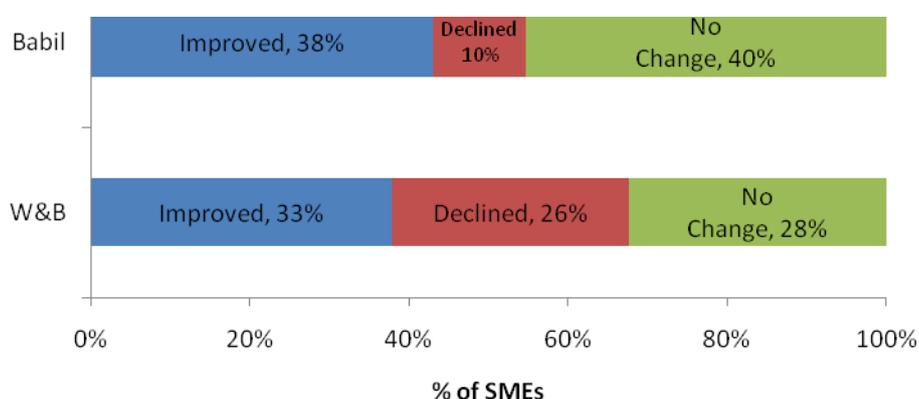
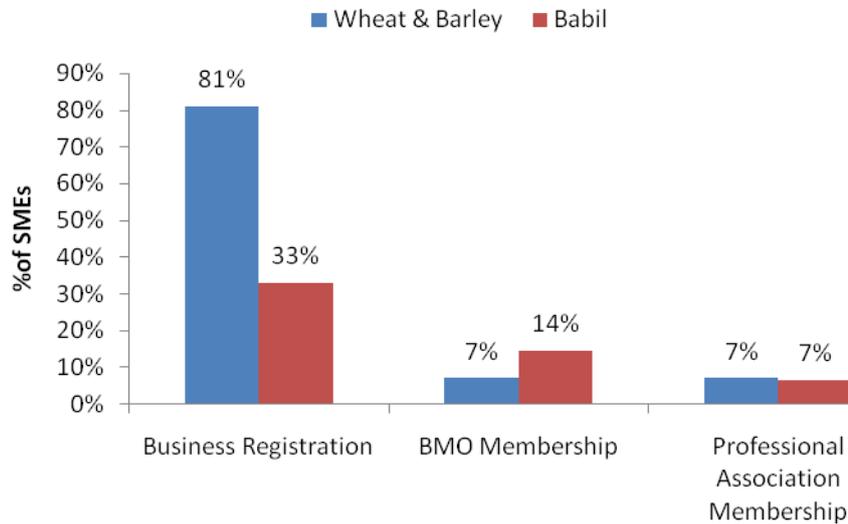


Table 6-2: Employee Constraints Reported by SMEs in Babil

Main Employee Constraint	W&B % SMEs	W & B Rank	Babil % SMEs	Babil Rank
Unable to find competent supervisors	49%	1	34%	2
Compensation rates are not justified	45%	2	43%	1
Lack of appropriate skill for the required tasks	37%	3	31%	3
Cannot freely choose employees	15%	4	16%	5
Lack of workplace discipline	13%	5	22%	4
Cost of hiring is too high	13%	6	13%	7
No Issues	11%	7	9%	8
Employee absenteeism	5%	8	4%	9
Social Security/Tax contributions	4%	9	14%	6
Lack of motivation unrelated to job issues	0%	10	4%	10
Cannot retain employees	0%	11	1%	11

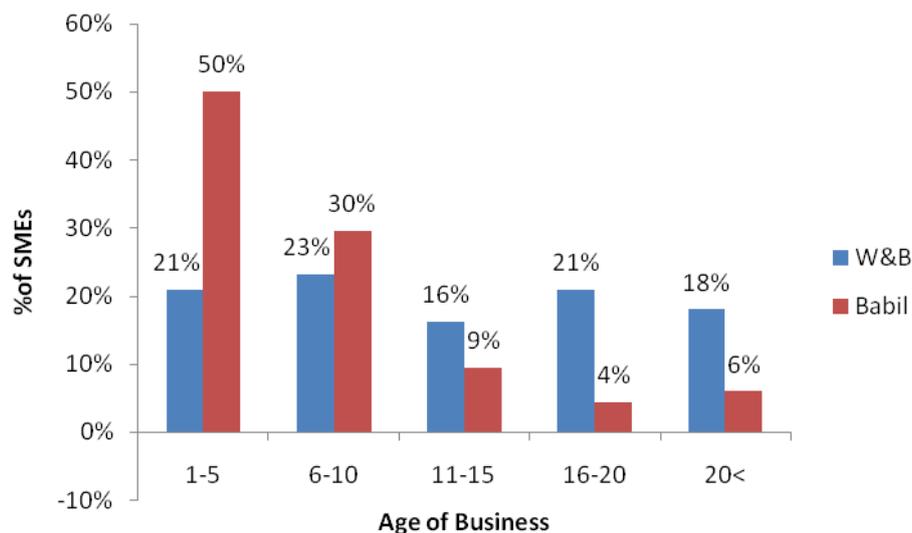
Business registration for Babil Wheat and Barley producers is more than double the Babil aggregate coming in at 81% which is incredibly high compared to the Babil aggregate of 33% and the Iraqi aggregate of 33% of businesses that are registered with the government.

Figure 6-7: Business Registration and Organization Membership



It is speculated that the age of the business has a lot to do with the fact that the businesses are registered, as during the previous era, land registration and hence registration of farming activities was strictly enforced. Wheat and barley producers are on the average much older than other businesses in Babil. Moreover, the majority customer base of the industry being SOEs mandates that the businesses selling to the SOEs be registered or known officially to the SOEs through state registration mechanisms.

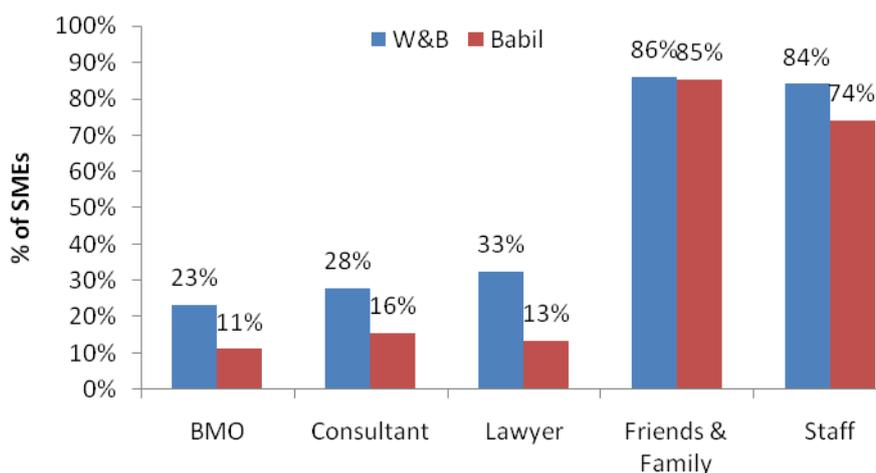
Figure 6-8: Wheat and Barley Farmers Have Older Businesses



BMO membership is half of Babil aggregate as also demonstrated above at 7%, however, more than 20% wheat and barley producers (indicated in the chart below) reported seeking business advice from BMOs, which is *more* than half of the Babil aggregate. This is an

indication of the increased willingness on the part of Babil wheat and barley producers to seek out knowledge and education to supplement current knowledge and business practices especially on the verge of a potentially new direction in attempting to engage in export. This opens up potentially very viable opportunities for BMOs to play a vital role in assisting wheat and barley farmers in their business and recruit them into their membership base.

Figure 6-9: Sources of Business Advice



A Review of Constraints. Multi level constraints experienced by wheat and barley farmers:

- High cost of inputs: high costs and lack of quality in all areas including supplies and support materials; management of transportation costs and delays caused by them; corruption in awarding of quality certificates on which commodity prices are based; unavailability of qualified supervisory labor that is technically competent..
- High management and management services costs: banking expansion and loosening of trade credit criteria and lending based on harvest, i.e. more patient capital; more investment in upgraded capital equipment and management of leased harvest equipment prices; need for training in a number of skill, management, and entrepreneurial areas related both to production and sales.
- High cost of outputs: extended agricultural cluster/sub-sector corruption, improvement of harvesting equipment capital stock; extended hours of public electricity to maintain pump systems, and bank financing issues
- BEE: Cost of corruption at all levels of agribusiness, shortages in transportation effectiveness and infrastructure, and, of course, better water, electrical, and security delivery.

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

- Diversification of wheat and barley varieties with better and higher quality yield, more adjusted to the natural climate and water flow changes, plus education by ministry on how to make the best use of new kinds of high quality seed on the market. [firm, sector]
- Freeing the restrictions on the importation of higher quality varieties of seeds that are not yet registered with the Ministry of Agriculture due to bureaucratic inefficiencies. [BEE]
- Creation of a more formalized and well enforced system of sub-sector quality certifications, freed from corruption [firm, sector, BEE];

- Expansion of trade horizons to include national and international markets for appropriate products, plus training in how to access them and support for actually doing so, at least among Iraq's neighbors [sector, sub-sector, firm]
- Better and expanded regional and local management training coursework and materials, including production technical areas as well as managerial areas such as in negotiation techniques [firm, sub-sector]
- Private-Public dialog featuring extended agricultural cluster/sub-sector on corruption, improvement of harvesting equipment capital stock; extended hours of public electricity to maintain pump systems, and bank financing issues [BEE]
- 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 that are forming the bulk of the customer base [sector and firm].

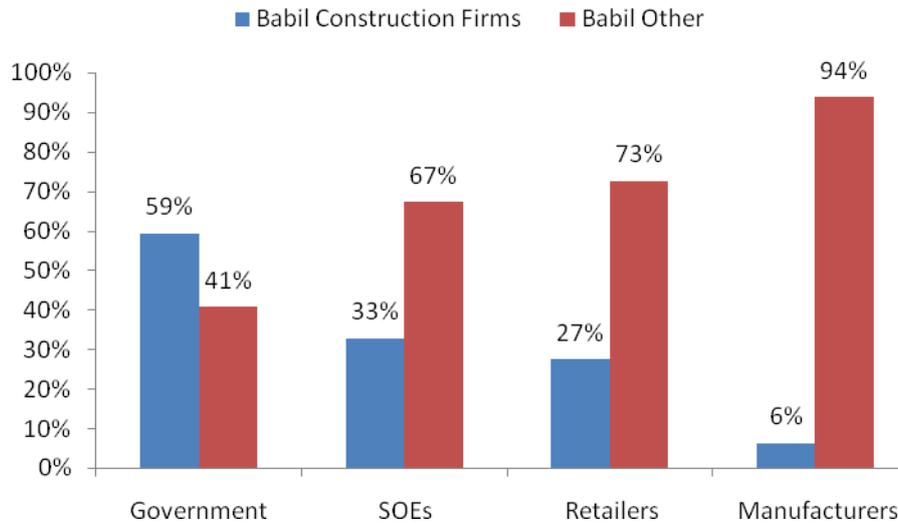
6.3 A CLOSER LOOK AT CONSTRUCTION [111 INTERVIEWS]

Interviews of construction firms covered all aspects of the business and crafts involved in building: pre-development, brick and mortar, steel, glass, cement, piping, plumbing, electrical, etc. It is the sub-sector examined that comes closest to a classic economics definition of a cluster, i.e. a disparate group of geographically close competing sectors and firms collaborating to make each other stronger. On the one hand, construction created the largest block of interviews and conversations, on the other, its variety meant that it was thin in particular some firm level details.

In summary, what sets Babil construction firms apart is their increased financial literacy and appreciation of the need for more sophisticated accounting practices, and the role that BMOs can play in strengthening their businesses. They rely on and use banking services more and family and friends less for advice. A low number of construction firms are registered with the government, but there is willingness and even desire to move in that direction. They are less affected by security and electricity and more affected by water issues.

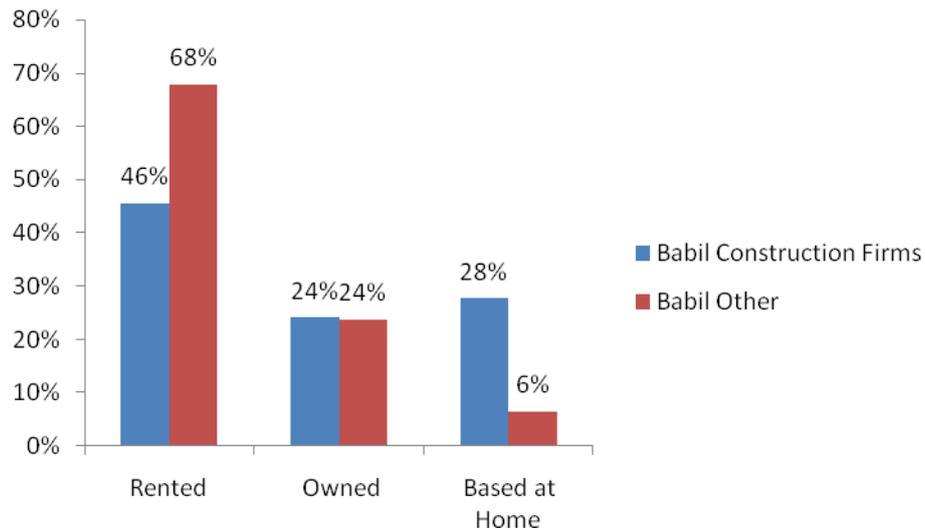
On the registration front, only 18% of Babil construction businesses are registered, while 39% of other Babil SMEs are registered. This is somewhat surprising given the fact that up to almost 60% of Babil construction businesses reported doing business with the government, which is more than double the 28% of other Babil firms that do business with the government. The same goes for Babil construction firms that do business with SOEs, which are again almost double the percentage of other Babil companies. On the private sector side, as might be expected, the percentage is less, the trend going the opposite way.

Figure 6-10: Comparison of Primary Customers for Babil Construction Firms and Other Babil Companies



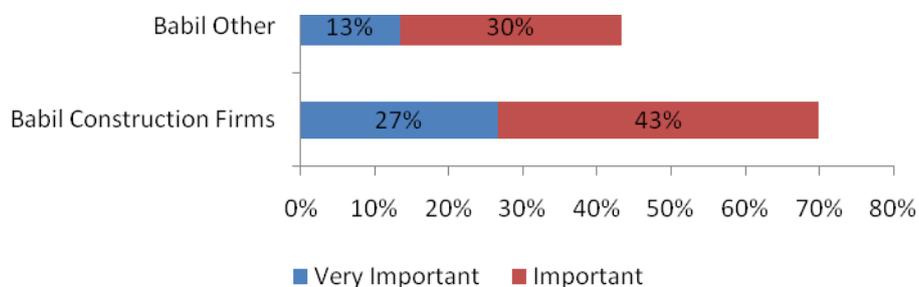
The lack of formality in the registration of construction firms is reflected in the fact that a great many more Babil construction businesses are based at home than what is the case for other Babil businesses. Construction in Babil is not primarily carried out by large firms, but rather by individuals who organize teams of subcontractors to get jobs done. In fact, a quarter of Iraq's construction trade operates out of their homes, a striking comparative statistic. There is no design-build industry, nor clear distinctions between trade crafts like plumbing and electrical. Hence, a much higher percentage of construction firms are SMEs with sole owners acting like general contractors. 80% of construction businesses are less than ten years old, a sign of the recent growth of construction. Construction firms that report doing business with the government may be in substantial part doing business with the government as subcontractors, otherwise their direct contracting with the government would require their being officially registered. One of the conditions for more sophisticated contracting with the government is registration with the Ministry of Planning and a classification according to the size of the company's capital assets. This registration cannot be completed and a classification cannot be obtained without registering with the Ministry of Trade.

Figure 6-11: Babil Business Premises Locations



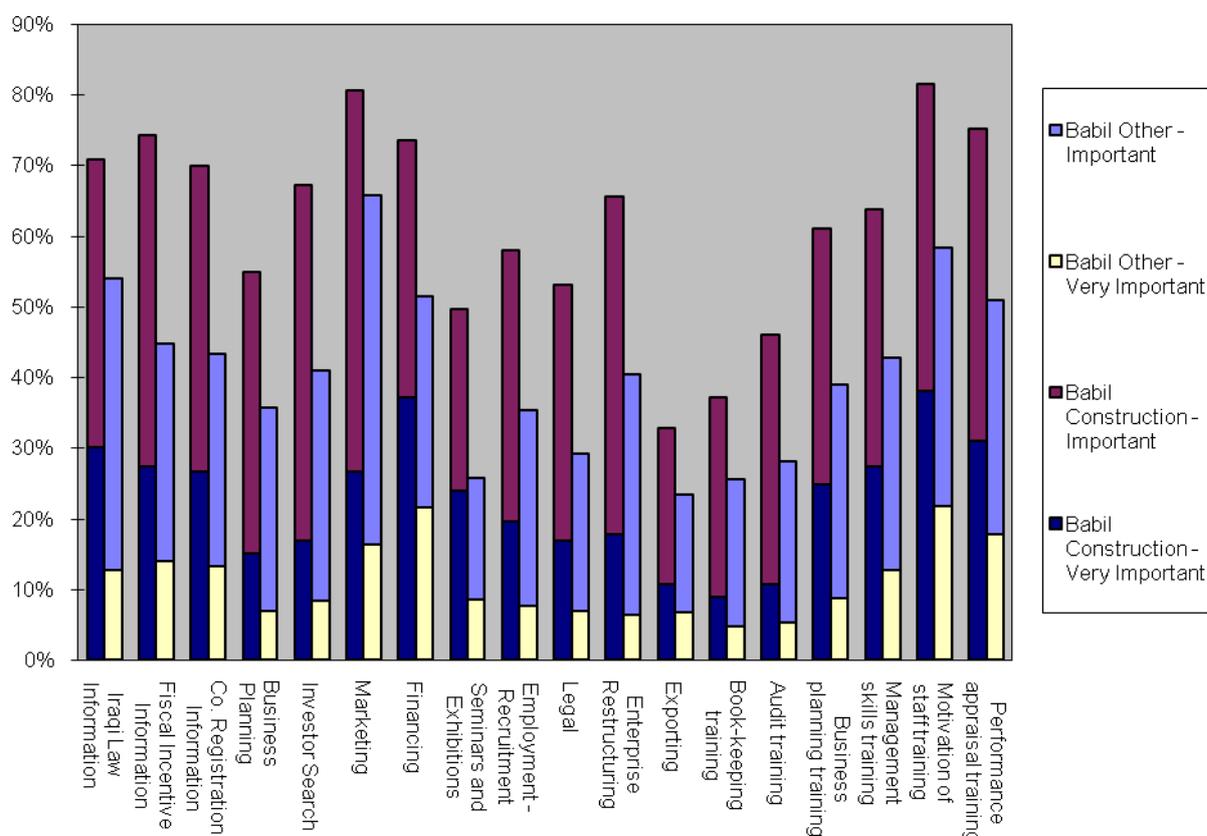
Locating the business at the home is a cost-effective solution to keeping costs down especially since most of the business that construction firms do is at the building site. Basing the business at home, however, affects negatively upon registration, as part of the registration process includes a site visit to the business premises, which must be an independent office in a commercial area.

Figure 6-12: View on the Importance of BMOs Providing Information on Registration



Perhaps it is this reason that is pushing construction companies towards willingness and desire to register their businesses, and potential helpers in that direction are BMOs, as indicated by Figure 6-12 above. Construction firms, perhaps of their higher profile, have been approached by BMOs at a percentage that is 2.5 times greater than other Babil companies (though the percentages are small all the way around), and they have a much greater interaction and appreciation for what BMOs can do for them. Figure 6-13 is a good demonstration of construction firms' appreciation for what BMOs can do all across the board. They were interested in services that BMOs can offer to a great degree differing from the rest of Babil in all areas except Marketing Training. Figure 6-13 shows comparisons and ratings of importance for information services, consulting-type services, and training services, including accounting and HR management training.

Figure 6-13: Babil Construction SMEs' Regard for the Importance of BMOs Provision of the Named Services Provision Compared with the Other Babil SMEs



One can see that in all cases regard for the importance of BMO service provision is many percentage points above that of the rest of the Babil SME landscape. In some cases, this difference is as much as 29%, 27%, 21%, and 24% for provision of fiscal incentive information, company registration information, services to assist in searching for investors, and seminars and exhibitions. Particularly high importance is placed on HR training, marketing assistance, financing services, and information regarding legal matters (including company registration). With regard to legal matters in particular, Babil construction companies use regulatory services with three times more frequency (according to percentage) than do other kinds of companies in Babil. A combined 14% of Babil construction companies utilize these services regularly, while only 4% of other companies do.

The appreciation for BMOs also extends to financial institutions. In Figure 6-14, the percentage of Babil construction firms using financial institution services is much higher than the aggregate. Financial sophistication is reflected across the board in computer usage and appreciation for accounting practices (see Figure 6-15 and Figure 6-16). Twice the percentage of Babil construction firms have bank accounts (21% compared to 10%), and 47% (nearly half) of those having accounts have more than one account - a percentage twice as great as the other Babil companies utilize private banks. 65% of Babil construction firms are looking for project financing, more than double the 30% of other Babil firms. 35% of construction firms also are interested in financial literacy training, almost double the percentage of the others.

Figure 6-14: Percentage Use of Financial Institution Services Comparison

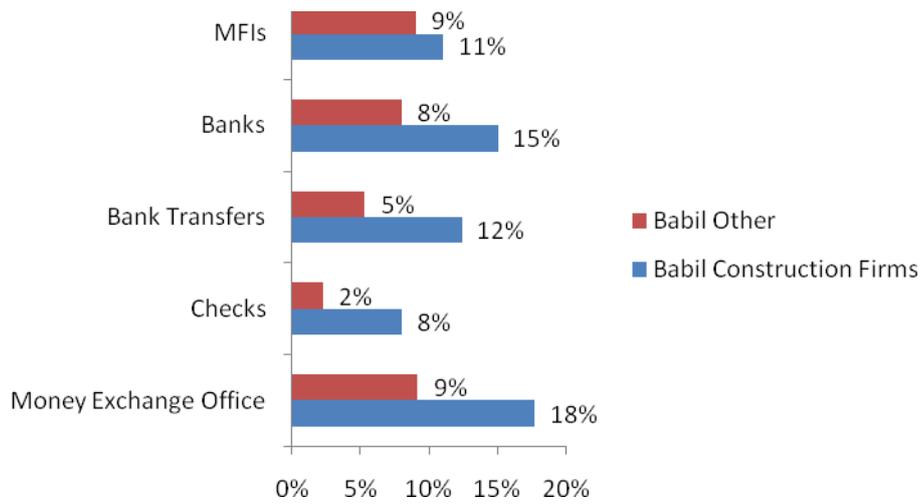


Figure 6-15: Integration and Use of Computer-Related Technologies

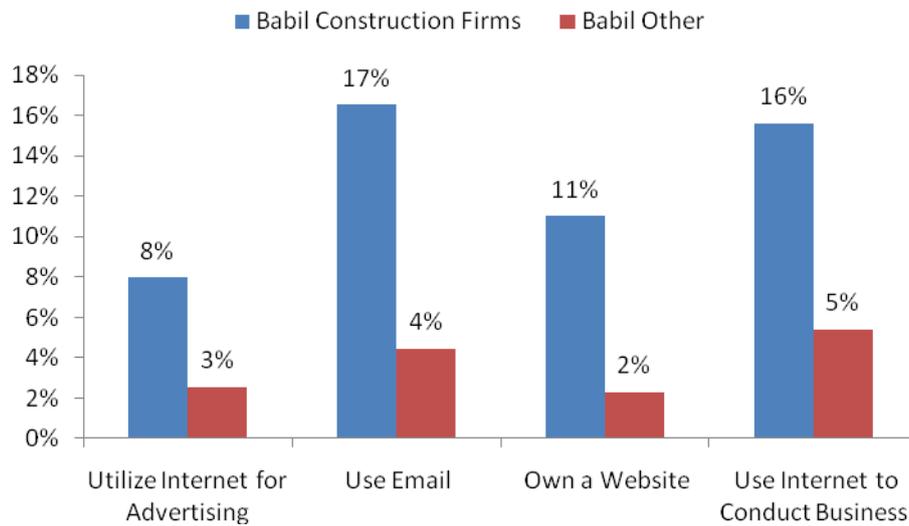
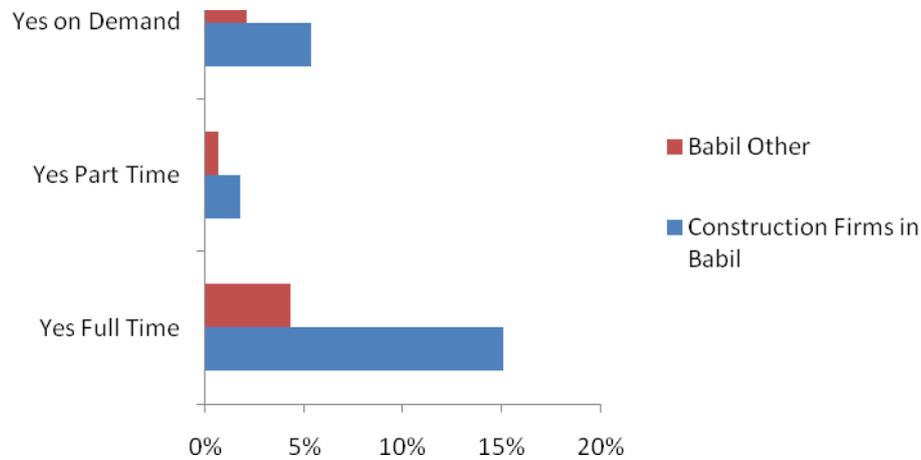
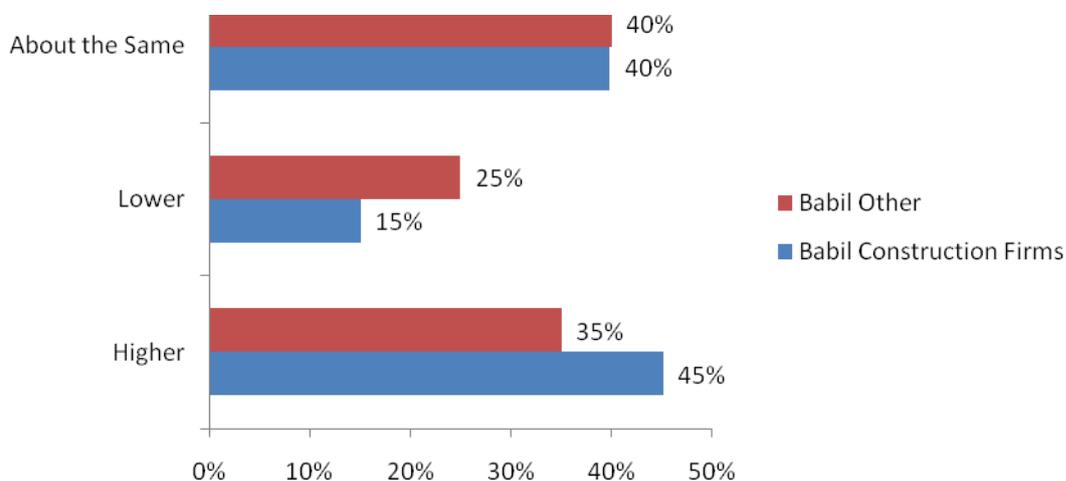


Figure 6-16: Percentage of Babil Construction and Other SMEs Using Accountants



By any comparative measure, certainly to agriculture and metal-working, the construction trade in Babil is healthy. Babil, like all of Iraq, is in a slow but forward moving rebuilding and construction phase. Construction SME business owners report that their sales turnover has grown at 45%, which is 10% higher than the Babil average. 100% of respondents claim to be profitable and three quarters believe they will be making capital investments in their business within two years.

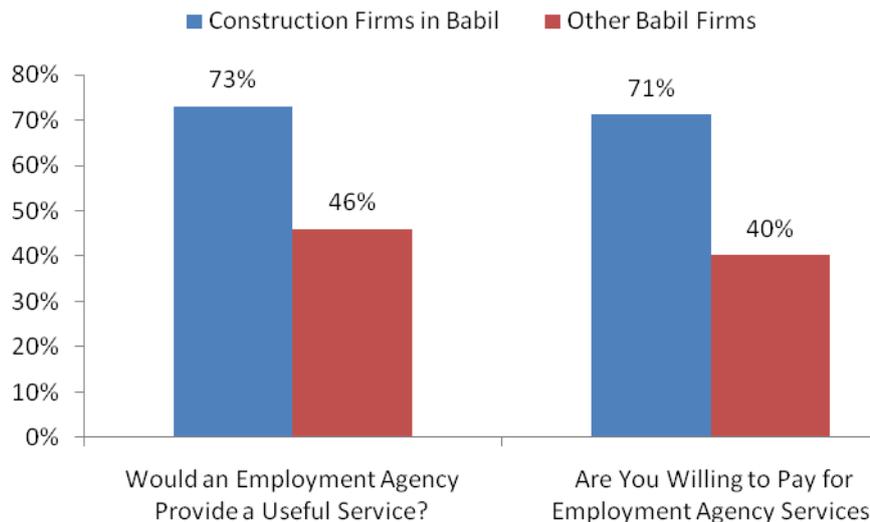
Figure 6-17: Babil Construction Sales Turnover in the Last Financial Year



The nature of their assets and their banking relationships reflect the highly individualized character of this segment. Most do not have equipment. Whether or not they use technology on the job—and there is little evidence that they do—they own scaffolding and wood construction aids that they reuse. Their asset base is typically in the \$100 million range. They use banks more than the norm, and twice as many use banks and have multiple accounts than the norm in Babil. However, both supplier and customer credit bulk larger in construction than other SMEs, 15% higher in each case.

SMEs in construction are more interested in utilizing employment services, while at the same time report that there are no (or very few) employment agencies available. 24%, for example, report that they use employment agencies (only 4% of the aggregate Babil SMEs use them), while at the same time, only 3% indicate that there are employment agencies in their area. This represents a significant gap in service provision. Construction SMEs further confirmed to an even much higher degree that they would find employment agency services useful and willing to pay for employment recruitment services.

Figure 6-18: Potential for Employment Agency Services in Babil



A Review of Constraints. Multi level constraints experienced by construction firms in Babil:

- Recognized financial and technological illiteracy: firms are realizing that they have inadequate knowledge in financial and legal matters needed to increase their operational efficiency;
- Lack of employment services: firms are not able to find the employment services they are looking for;
- Businesses are not registered: access to opportunities are blocked to many businesses who are not registered, and neither can be due to their lack of premises;
- High management and management services costs: need for training in a number of skill, management, motivational, and entrepreneurial areas; promised expansion of bank credit and loosening of lending criteria;
- BEE: cost of construction in procuring contracts and commerce, and the tendency of corrupt officials to look outside as well as inside the province.

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

- Development of a more formalized system of sub-sector quality certifications; [firm, sector, BEE];
- Better and expanded regional and local management training coursework and materials [firm, sub-sector]
- Establishment of employment centers and services [sub-sector, BEE]

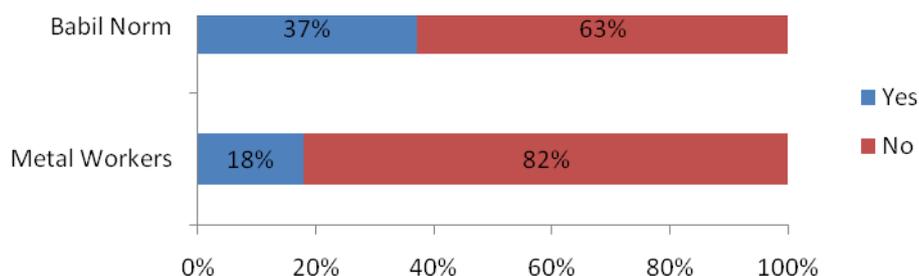
- Increase menu and quality of services offered by BMOs – construction firms are willing and desirous of utilizing these services and have indicated as such [firm, sub-sector, BEE]

6.4 A CLOSER LOOK AT LIGHT MANUFACTURING [55 INTERVIEWS]

This sub-sector comprises aluminum fabrication and blacksmith businesses. 100% of its output goes to consumers, and the overwhelming percentage of those consumers are in construction. The fortunes of this manufacturing sub-sector therefore rise and fall with construction. Aluminum benders and iron mongers also sell to government, but at 10% less than other Babil SMEs. Their SOE sales are slightly higher than average at 22% (7% higher than the Babil norm).

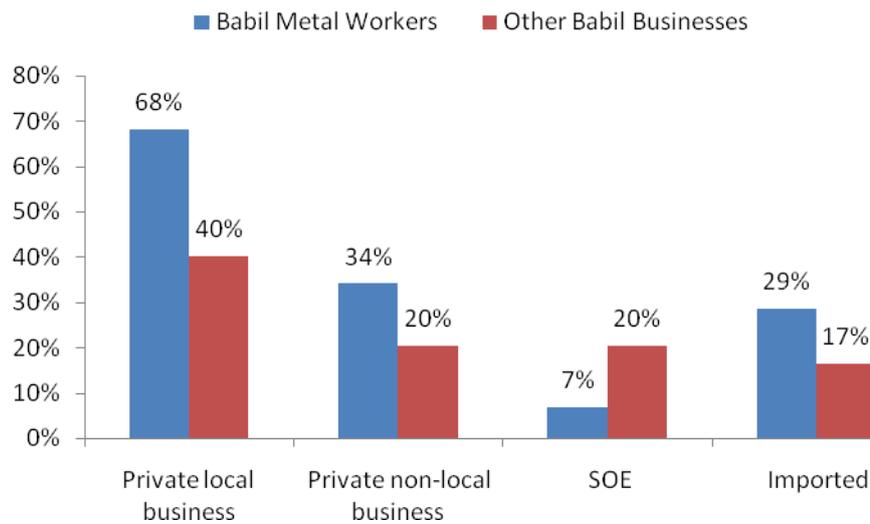
Light manufacturing bears some similarity in business size, very small enterprises. In fact, a high percentage of businesses are one-person operations and certainly sole proprietorships, with 10% in micro-enterprise, and only 6% in medium sized ventures. 80% are less than ten years old. Needless to say, light manufacturers register their businesses at less than half the rate of other Babil businesses.

Figure 6-19: Percentage of Businesses in Babil Registered



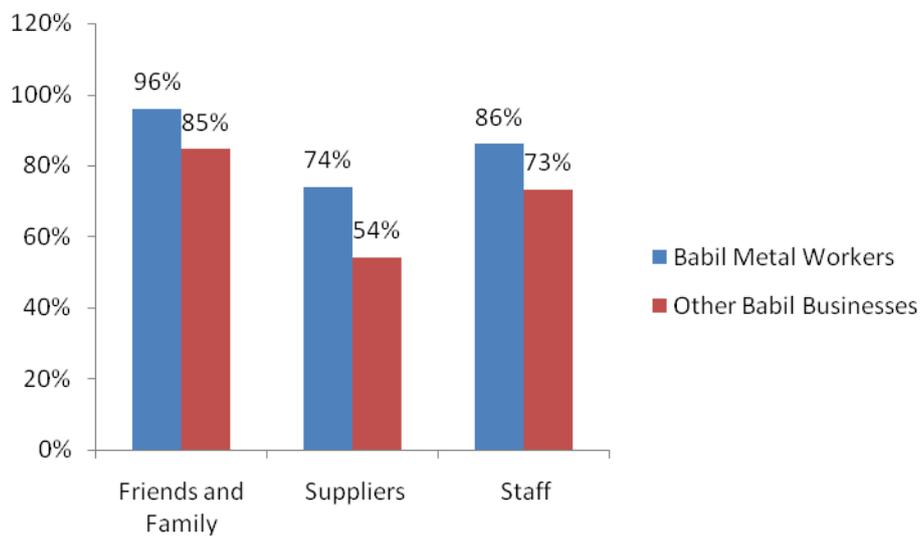
Actually, it is more family oriented than any other sector studied. SMEs tend to employ 1-2 family members, 100% of them male. They go to family more often than to any other source for advice, and then to suppliers at a rate 13% more frequent than the average in the province. They distrust associations to provide support. In fact, when asked to name a business association all who answered named the regional technical skills training center. This is the most local of sub-sectors as well, purchasing 68% of its supplies locally, 28% more than other businesses.

Figure 6-20: Sources for Supply – Babil Metal Workers vs. Other Babil Businesses



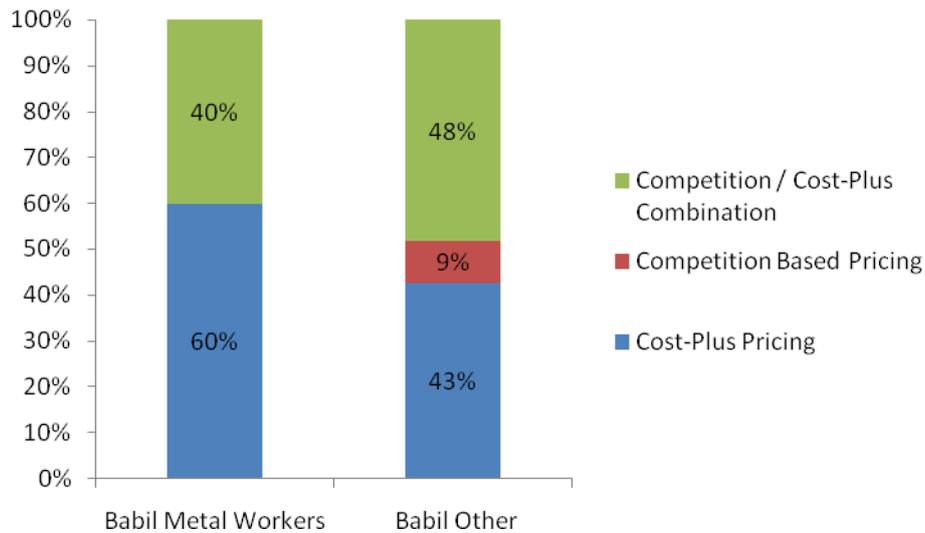
Aluminum fabricators and blacksmiths do not take partners, even if it is to expand their business. They turn to their own profits and pockets as well as to suppliers and staff if their families are unable to help. Their rate of micro-loans is almost four times the average, but they make almost no use of banking. Cash and money exchange offices are their bank, as is their supplier base. Their receivables are higher by 10%. Inventories equipment makes up the bulk of their asset base.

Figure 6-21: Sources of Financing



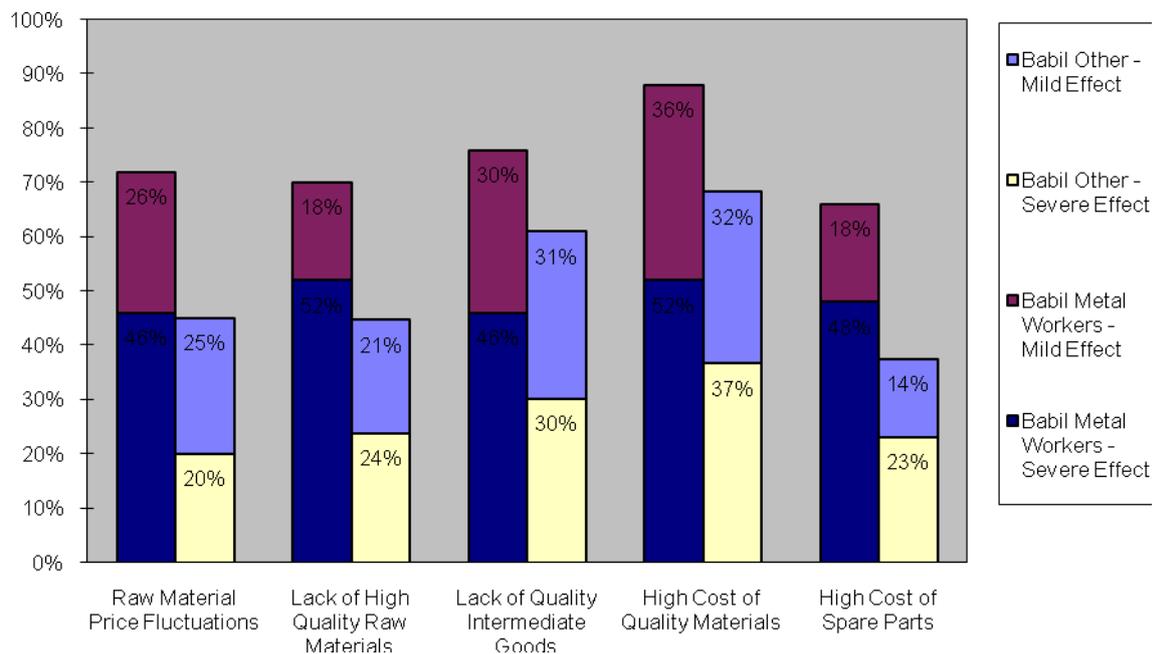
Babil metal workers are greatly affected by a lot of supply-side issues. This is perhaps due to the fact that competition is fierce and pricing strategies tend more towards cost-plus strategies, ensuring that costs are covered and adding on top of that the suitable margin that enables them to remain competitive in the market.

Figure 6-22: Babil Metal Workers and Other Business Pricing Strategy



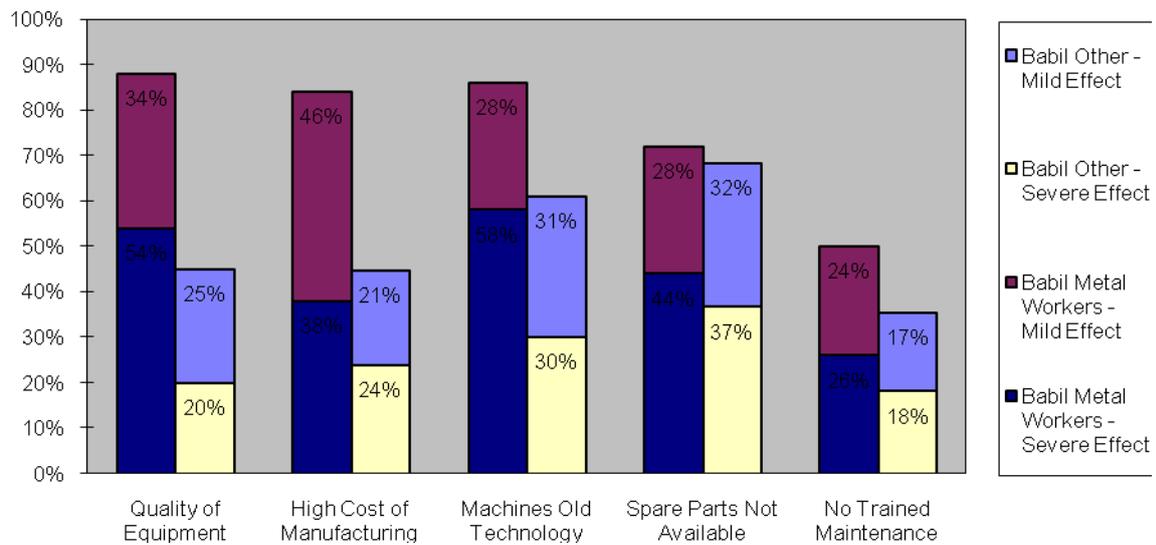
Due to this fact, Babil metal workers more keenly feel the effects of materials issues, as demonstrated below in Figure 6-23.

Figure 6-23: Supply Issues Affecting Metal Workers vs. Other SMEs in Babil



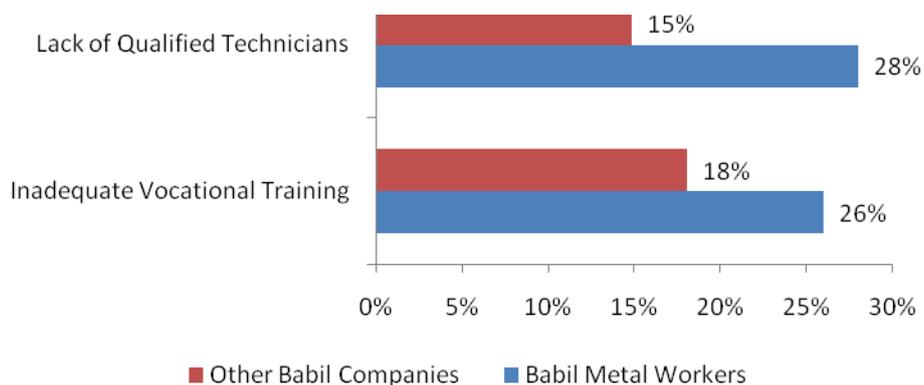
Other issues that are unique to the manufacturing industry deal with equipment. It is a constant complaint of manufacturers across the country that equipment is outdated and due to the high capital investment required coupled with lack of means for financing, obtaining new equipment is not possible for most.

Figure 6-24: Babil Light Manufacture (vs. Other) Equipment Issues



There are few, if any, labor constraints in this sector, with an exception regarding technical skilled labor. Owners report no difficulty finding and retaining unskilled labor, although they hire seasonally to a greater extent than the average Babil business by about 12%. Management favors in-house, probably on-the-job skills based training, and not much other training at any level, though owners did express a wish that the quality of training available through technical centers would improve, and hoped for more management training for themselves at some future date.

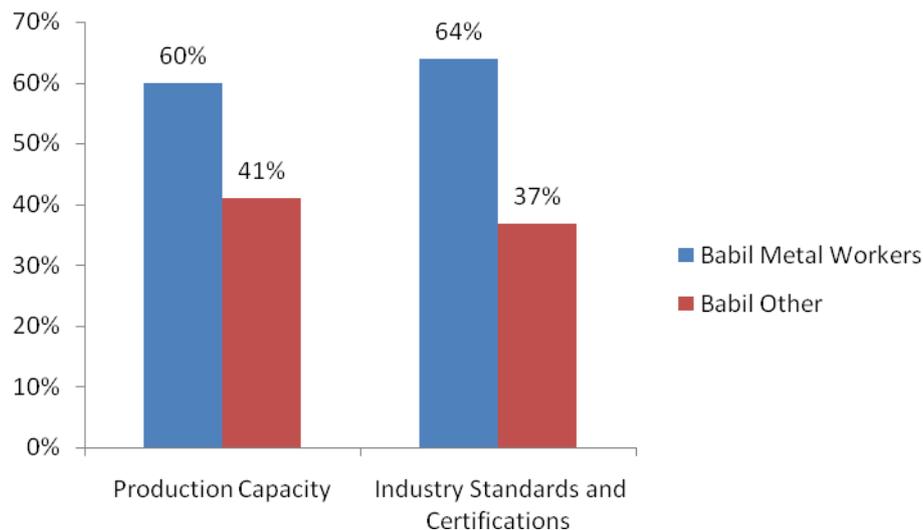
Figure 6-25: Babil Metal Workers Need Technical Expertise



This is not a technically advanced sub-sector. There are no computerized machines, in fact the rate of computerization of business owners is 30% of other businesses. The lack of exotic or precision machining is underscored by the fact that only 8% of light metalworkers sell to manufacturers. They complain about electrical concerns, though their welding and assembly techniques do not require much electricity. They complain, as well, about the quality of foreign supplies, but they are not active in either buying or selling internationally; and about foreign workers, who have little place in the manufacturing labor system at present.

42% of Babil metal workers think that BMOs provide useful services to support SMEs, which is 10% below the Babil norm; only 4% have every been approached by a BMO, which is equal to the situation with other Babil businesses. Two things to note here where BMOs might play a useful role for metal workers in Babil is with regards to marketing training and provision or assistance in the provision and obtaining industry certifications which are very valuable to metal workers as it means to increase production capacity for the reason that their ability to attract and maintain customer base somewhat depends upon these.

Figure 6-26: What is Important to Attract and Work with Large Customers



Of all of the potential BMO services that survey respondents were asked to evaluate including information services, consulting services and training services, training in marketing skills for some reason stood way out above the rest. All other services were rated at or near the Babil norm, but marketing training was considerably higher. Metal worker respondents cited training in marketing plans, marketing research, and product promotion as 10% - 11% higher on their scale of importance than other Babil businesses.

A Review of Constraints. Multi level constraints experienced by light manufacturers (metal workers):

- Low quality, high priced input supply: the high cost and lack of quality in materials, though not tested, would be a constraint on growth; labor input, though plentiful, is largely educated (except for owners)
- Lack of institutional support for upgrading. Lack of use of banking services limits expansion; greater investment in more modern capital equipment might have payoffs in competitiveness; expressed need for training in a number of management (and perhaps entrepreneurial) areas related both to sales.
- BEE: Corruption, safety, electricity.

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

- Creation of a more formalized and well enforced system of sub-sector quality certifications, freed from corruption [firm, sector, BEE];
- Creation of assistance programs to bolster the acquisition of necessary certifications [firm, sub-sector];

- Better and expanded regional and local management training coursework and materials, including marketing skills and know-how [firm, sub-sector];
- Provision of affordable financing to enable metal workers to obtain new equipment/parts [BEE];
- Establishment of metalworks that provides high quality metals at lower prices [BEE]

7. BEE AND FIRM LEVEL OPPORTUNITIES

7.1 ENABLING ENVIRONMENT

7.1.1 REGULATORY REFORM

Babil SMEs operate within a perplexing business regulatory environment that hinders their growth potential and forces many of them into the shadow economy. 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 Babil 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, etc.

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

Diversification of agricultural fruit and vegetable 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 Babil 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 fruit and vegetable 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 Markets	Proposal writing training Proposal writing assistance Vendor registration assistance Tender alert Member profiling Business matchmaking Linkages with large companies	Mid-Range High High Low Mid-Range Mid-Range Low	High
Supply Markets	Supply market identification study Sourcing support Facilitate collective purchasing groups Tender publication	Mid-Range Mid-Range Low Low	High
Industry specific	Information on international standards Short term expert consultations Self-help group formation	Mid-Range Mid-Range Low	High
Access to finance	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	High High Mid-Range Low High Mid-Range	High
Registration	Registration information packs. Application processing assistance. Cooperation with Babil Chamber of Commerce.	High High High	High
Financial Management	Accounting system development and training Accounting standards handbook Accounting and bookkeeping training	Mid-Range Low Mid-Range	High
Knowledge and Technology Transfer	Promote self-help groups. National study tours and exchange visits. Business management courses Technology courses	Low Mid-Range Mid-Range High	High
Business Support Services (Demand aggregation only)	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	High High Mid-Range Mid-Range Mid-Range Mid-Range Mid-Range Mid-Range High Mid-Range High	Medium
Information Services	Internet services Legal templates Business library Decision support unit (market studies, enquires, etc.)	High Low Low High	Low
Public Advocacy	Public-Private dialogue forum Monitoring policy implementation Industrial associations/ NGO collaboration Donor coordination	Low High High High	Low

8. APPENDIX 1: FOCUS GROUP SUMMARY REPORTS

8.1 FOCUS GROUP REPORT #1

Province: Babil **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 16/9/2009

Table 8-1: Focus Group #1 Participants

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

8.1.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- One of the major constraints talked about by all participants is that linked to the problem of irrigation. This problem exists all over Iraq. The scarcity of water in the central regions has badly influenced agriculture, besides the unsuitability of available water, such as that taken from artesian wells which clearly resulted in poor yields of farm lands.
- Another problem is the soil itself and its infertility. Continuously growing the same crops on the same soil leads to decreasing the fertility of soil. This, added to the lack of materials that could help in revitalizing soils, has turned some lands into waste lands.
- The lack of pesticides in the local markets and their high prices, if available, has led to the spread of pests and diseases that affect crops, especially dates. Though Iraq used to produce and export chemical fertilizers, it is currently importing them, which together with high prices and low quality, has significantly crippled yields.
- Climate change in Iraq, in the form of rising temperatures and frequency of sand storms, has crippled the yields of crops, especially fruits and vegetables.
- The spread of desertification due to the state's inattention to the agricultural sector and the deficient profits for the farmer.

3 Actual participant names have been replaced with initials only for security-related concerns, to protect the anonymity of the focus group participants.

- The lack of work force and the departure of those few who worked in this field. This is due to low wages, pushing many to work in other fields such as construction or employment as policemen or security guards.
- The red tape/official procedures of the state.
- A lack of electricity badly influenced this sector, since water pumps run on electricity, as do warehouses used for storing products.
- Most roads used on farm lands are unpaved which makes them difficult to drive on especially in winter and rain.
- The influence of importing crops and agricultural products, which makes the cost of imports less than the cost of locally produced crops.
- The security conditions have made it difficult for many farmers to reach some regions to bring the materials they need for farming, as well as to market their products.

8.1.2 ENTERPRISE LEVEL CONSTRAINTS:

- The lack of farming machinery. Machines currently in use were made in the 1980s, and they are aging and functioning poorly. They don't produce the potential yield, and the cost of their repair is higher than acceptable. Modern machinery to can replace the old ones is not available in local markets.
- Running diesel pumps instead of electric ones brings up the problem of providing necessary fuel. Keeping in mind that Iraq is suffering from a shortage of fuel and its high cost, we find that this has added extra costs to be paid by the farmer. Fuel is also needed for pick-up cars used to carry crops and machineries used in farming.
- The lack of work force.
- The lack of capital given as loans by the agricultural bank which only provides machineries.
- The lack of agricultural awareness. Farmers rely on personal cumulative experience in the absence of any research center or academic institution specializing in providing services for farmers.
- The lack of systematized irrigation and repair of existing systems.

8.1.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Revoking the Law of Delineating and Separating Land Plots, since it stipulates against separating a land of less than 2.5 acres.
- Cancelling the demarked roads within agricultural lands.

8.2 FOCUS GROUP REPORT #2

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 29/8/2009

Table 8-2: Focus Group #2 Participants

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

8.2.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- Scarcity of suitable water for irrigation.
- Rising temperatures.
- Bad farming practices that damage soil integrity, and lack of good fertilizers to restore potency to the land
- The lack of procedures taken on the part of the government to protect domestic agricultural products. There should be constraints on importing agricultural products that are sold at low prices in the local market, in contrast to the products locally produced that the farmer is obliged to sell at higher prices due to the lack of subsidized materials. The government should seek to provide subsidized agricultural materials, fertilizers, pesticides, fuel and seeds to the local farmers so that they can provide the local markets with low cost products.
- Spread of pests and inability to control them.
- Increase of lands that have become desert.
- Difficult procedures in order to do business with the government.
- Pumps cannot run because there is no electricity
- High expense of fuel to run generators, etc.
- Lack of suitable infrastructure
- Security conditions prevent movement of goods and machinery

- The spread of check points that cause traffic jams and cutting off of roads for long periods, in addition to rush-hour traffic.

8.2.2 ENTERPRISE LEVEL CONSTRAINTS:

- Depleted work force.
- Lack of financing for anything but machinery
- Insufficient knowledge in their field – lack of institutionalized effective research and development to assist in improving techniques
- The health conditions of the farmer and the lack of health services in the agricultural areas.

8.3 FOCUS GROUP REPORT #3

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 30/8/2009

Table 8-3: Focus Group #3 Participants

Serial	Name
1	H. S. H.
2	F. E. E.
3	M. K. O.
4	M. Y. K.
5	A. K.
6	A. R. H.
7	M. A. K. R.
8	M. M. Y.
9	K. A. H.
10	A. Y. Y.

8.3.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- No or little water.
- Climate getting hotter and crops not withstanding increased temperatures, especially with decreasing water.
- Poor soil conditions
- Rising prices of foreign produced goods
- Pest problems because of pesticides not being available in the market
- The spread of disputes among land owners related to the boundaries of farmed lands. This has created tension that's made it difficult to reach certain farm lands in order to market products or supply materials. Disputes also arise in relation to water sharing among farmers due to the scarcity of water.
- The lack of attention to protecting the local product. The state should provide protection for the local product through imposing constraints on importing agricultural products and providing subsidized materials for farmers such as fertilizers, pesticides and seeds.
- Work force depletion due to security reasons, etc.
- The lack of research and development activities in the field of agriculture. Agricultural awareness is almost absent in the region. Farmers were not given the chance to meet scientific and academic people who provide scientific advice on combating agricultural difficulties. This is in addition to the absence of expertise and services provided by consultative bureaus affiliated with universities and institutes.

- No electricity to run water pumps
- Most roads used on farm lands are unpaved which makes them difficult to drive on especially in winter and rain.
- Preventive security conditions

8.3.2 ENTERPRISE LEVEL CONSTRAINTS:

- Old machinery
- Cannot afford diesel fuel for generators and pumps
- The difficulty of marketing local products due to the problem of competing with cheap imported products.
- Low quality fertilizers
- The lack of systematized irrigation and repair of existing systems. The existing systems suffer from negligence and blockages, which lead to the retreat of water to the lands themselves, increasing salinity and destroying crops.

8.4 FOCUS GROUP REPORT #4

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 31/8/2009

Table 8-4: Focus Group #4 Participants

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

8.4.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- Increasing temperatures and crops not able to withstand
- Water problems – lack and quality
- Pest problems – poor pesticides
- Soil infertility – depletion of nutrients in the soil and lack of understanding how to replenish them
- No protection against foreign products
- Land ownership disputes
- The lack of governmental support in the form of providing farming supplies, such as machineries, tractors, ploughs and spades, among others, and providing good quality seeds, high quality fertilizers and greenhouses at reasonable prices.
- No electricity for water pumps
- Diesel fuel expensive
- Lack of paved infrastructure to deliver goods

8.4.2 ENTERPRISE LEVEL CONSTRAINTS:

- No research and development and improvement in farming techniques
- Depleting work force

- Worn-out machinery and too few – long waits for machinery to be available
- Marketing challenges – lack of knowledge and ability
- Not able to maintain irrigation system or obtain

8.5 FOCUS GROUP REPORT #5

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 31/8/2009

Table 8-5: Focus Group #5 Participants

Serial	Name
1	S. L.
2	A. A.
3	A. A.
4	M. L.
5	T. H.
6	A. L.
7	Q. H.
8	T. A.
9	A. K.
10	A. A.

8.5.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- Water issues
- Soil infertility
- Lack of pesticides
- Climate change – rising temperatures
- Government not giving the necessary attention to many things including support for farmers on all fronts
- High costs of diesel fuel
- Changing agricultural lands into housing plots which could lead in the future to limited lands dedicated to farming and increase those dedicated to building houses, thus changing productive rural areas into consumptive urban ones.

8.5.2 ENTERPRISE LEVEL CONSTRAINTS:

- The lack of seeds. Seeds currently available are imported by Iraqi merchants without observing any standards. Those merchants seek profits only and don't consider the nature of seeds, conditions suitable for growing them and their productivity, yielding crops of low productivity that do not cover the operating costs from the start.
- No machinery – existing machinery old and work out
- The insufficiency of water shares.

- A lack of electricity has badly influenced this sector since water pumps run on electricity, as do the warehouses used for storing products.
- Most roads used on farm lands are unpaved which makes them difficult to drive on especially in winter and rain.
- Lack of government protection against inferior quality products – not regulating the quality standards of inputs.

8.6 FOCUS GROUP REPORT #6

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 2/9/2009

Table 8-6: Focus Group #6 Participants

Serial	Name
1	U. A. R.
2	H. M. A.
3	F. A. R.
4	M. H. A.
5	A. M. H.
6	S. A. H.
7	A. T. M.
8	A. K. A.
9	D. K. A.
10	S. S. S.
11	R. H. A.
12	A. N.
13	M. H. A.

8.6.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- Climate change and difficulties associated with it. In fact, one of the major factors influencing poultry raising is temperature and the necessity of keeping it fixed. For this, constant air conditioning is required to keep heat temperature stable in the summer. Since summer in Iraq is characterized by constant high temperatures, it is thus costly to keep heat temperatures stable.
- The lack of drugs and their high prices if available. Moreover, drugs of good quality are lacking. In fact, this factor is significantly influential for raisers. The availability of drugs and their use on time lead to success of the process of raising poultry. Imported drugs are brought and used without any state supervision. Most of these are inactive and counterfeited, causing huge losses for the raiser.
- The spread of many previously unknown diseases, as a result of using inactive drugs and environmental changes caused by wars waged in Iraq.
- The high prices of poultry fodder whether locally produced or imported.
- Water scarcity and unsuitability for use. Most of the water supplied carries many diseases that threaten the lives of animals.

- The lack of governmental support. In fact, the Ministry of Agriculture, the Ministry of Water Resources and agricultural cooperatives have no role whatsoever in supporting poultry and cow raisers and providing materials required for soil.
- The infertility of soil which leads to shortage of crops grown to be used as fodder.
- Inadequate skills due to lack of information on technological developments on the part of farm owners, and their use of old work methods.
- The scarcity of fuel and its high prices if available. Keeping in mind that Iraq is suffering from a shortage of fuel and its high cost, we find that this has added extra costs to be paid by the raisers. Fuel is also needed for pick-up cars used to carry crops and machineries used in raising animals.
- A lack of electricity has badly influenced this sector since water pumps run on electricity, as do the warehouses used for storing products.
- The lack of procedures taken to protect the domestic products. It is necessary for the state to provide protection for these products through imposing constraints on importing products of live stocks, such as chicken and other types of meat. It should provide subsidized materials for raisers, such as foddors, pesticides, fuel and others.
- Most roads used on farm lands are unpaved which makes them difficult to drive on especially in winter and rain.

8.6.2 ENTERPRISE LEVEL CONSTRAINTS:

- The lack of machinery. Machines currently used are made in the 1980s and they are aging and in disrepair. They don't produce their potential yield, and the cost of their repair is higher than acceptable. Modern machinery that can replace old ones is not available in the local markets.
- The lack of banking services for this sector. Raisers complain of the shortage of bank loans and the high interest rates put on them if they exist as well as the short period of repayment allowed.
- The low quality of fertilizers that don't meet international standards. Though Iraq used to produce and export chemical fertilizers, it is currently importing them. Fertilizers are necessary for live stocks owners since they are used for crops grown as fodder.

8.7 FOCUS GROUP REPORT #7

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan
Sector: Agricultural **Date:** 7/9/2009

Table 8-7: Focus Group #7 Participants

Serial	Name
1	A. A. Z.
2	M. H. B.
3	A. A.
4	H. H. A.
5	R. H. M.
6	A. H. A.
7	A. U. A.
8	H. M. H.
9	S. M.

8.7.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- No protective measures taken to assist local business to compete with foreign products
- The difficulty of transporting products
- No pesticides
- Government does not provide good seeds, fertilizers or machineries. It does not provide water necessary for farming, nor protection of the local product against importing crops that can be produced locally.
- The scarcity of water and its unsuitability for the farming purposes.

8.7.2 ENTERPRISE LEVEL CONSTRAINTS:

- No quality seeds on the market or available to farmers
- The high costs of transportation, due to the blockage of some roads with concrete blocks and the large number of check points as well as preventing the transportation of goods before 4 p.m..
- The lack of warehouses suitable for storing crops. If available, they are unfit for the purpose which causes some crops to be destroyed inflicting huge losses to the farmer.
- A lack of electricity badly influenced this sector since water pumps run on electricity as well as those warehouses used for storing products.
- The lack of developed farming methods and modern farming machinery. Machines currently used are old and they are aging and out of function. They don't produce the

potential yield and the cost of their repair is higher than acceptable. Modern machinery that can replace old one is missing in the markets.

8.7.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Cancelling the law of importing domestically available products.
- Granting the farmer freedom in the process of marketing.
- Cancelling red tape procedures. Most silos deal with the farmer in a time consuming manner.
- Prohibiting dealing with fertilizers by merchants, and putting this process exclusively in the hands of the government. Supervision should be imposed on the process of importing products.
- Canceling the process of leasing farms and transferring their ownership to the farmer. Most farm lands are leased by farmers, which means that the land owner shares the farmer's profits.

8.8 FOCUS GROUP REPORT #8

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan

Sector: Construction Works **Date:** 9/9/2009

Table 8-8: Focus Group #8 Participants

Serial	Name
1	A. M. R.
2	A. E. T.
3	A. H. J.
4	A. J. K.
5	M. H. K.
6	Q. A. S.
7	H. E. E.
8	H. N. O. A.

8.8.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- The rise in transportation costs due to security conditions which lead to the use of check points and road blocks. This has caused delay in delivery and created unfavorable conditions for working.
- Contractors lack governmental support in allocating land plots for them and providing finances. Contractors suffer from coercive measure taken such as preventing trucks from parking to load or unload construction materials. These trucks are prohibited from passing on the streets of Baghdad before 4 p.m., which greatly reduced profits.
- The spread of corruption within the labs testing construction materials as well as the bad quality of devices used.
- The low quality of materials used and the lack of good specifications in the materials used.
- The lack of quality control on imported construction materials which lead to importing them from very poor origins. Local products are of good quality but they don't meet the demand of the country.
- The lack of support of industrial development entities, an industrial union, a workers union and a chamber of commerce, to dealers in construction materials.
- The spread of fraudulence and theft.
- The lack of clarity on the part of regulations related to income taxes, for example, which is imposed regardless of the size of activities, and whose levying is manipulated.
- Fluctuations in exchange rates of the dollar leading to fluctuations in prices of imported products.

- The high temperatures in summer and low ones in winter and its influence on the working environment.
- The lack of suitable methods for storing materials, relying on traditional methods of storage that could negatively influence the quality of materials used.
- Underground water and sewage system overflows in the areas where construction materials are sold. This made it difficult for trucks to reach the places of loading and unloading construction materials.
- The lack of electricity and reliance on back-up generators.
- The lack of protection for the local product. Imported products are sold on lower prices than domestic ones.
- The bad quality of paved roads as well as the spread of unpaved ones.
- The lack of health and social security insurance provided by the government, putting contractors at risk.

8.8.2 ENTERPRISE LEVEL CONSTRAINTS:

- The lack of skilled work force and training services for them.
- The lack of modern machineries and equipment.
- The destruction of key products during transportation, adding extra costs.
- The high rents of shops, raising them continuously on the part of land lords to the lack of regulations that protect lessees.

8.8.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Amending the law related to leasing shops so that lessees are given more rights to protect them from continuously raising rents.
- Lifting concrete blocks off main roads.
- Amending the regulations related to preventing trucks from passing before 4 p.m. and introducing facilitations for truck drivers.
- Amending the regulations related to fees levied on profession and others.
- Amending the law of basic design of the governorate to provide a space for contractors and stores of construction materials.

8.9 FOCUS GROUP REPORT #9

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan

Sector: Construction Works **Date:** 10/9/2009

Table 8-9: Focus Group #9 Participants

Serial	Name
1	Z. M. M.
2	H. H. A.
3	A. H.
4	Z. B. R.
5	S. A.
6	F. A. O.
7	A. H. A. A.

8.9.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- The lack of clarity on regulations related to contractors besides the injustices small contractors are suffering from.
- Fluctuations in the prices of construction materials which might lead to unexpected losses.
- The absence of the role of the Standardizations and Quality Control System causing the use of low quality construction materials.
- The influence of the security situation that lead to blocking roads or imposing curfews.
- Unlawful competition among contractors making use of corruption.
- The inadequacy of law for settling disputes especially those related to the breach of a contract.
- The lack of a mechanism for settling commercial disputes besides the lack of the role of regulator of workers unions, chamber of commerce and the union of industries. The role of these entities is restricted to issuing membership cards and travel permissions.
- The spread of corruption within the labs testing construction materials as well as the bad quality of devices used.
- The spread of corruption within state entities pushing employees to hide advertisements of contracts and giving them to certain people against the payment of a bribe.
- The absence of the role of media and satellite TVs in propagating the role of contractors who cannot afford to pay for the high cost of advertisement.
- The lack of a directory for companies that allows other people or companies to contact companies specialized in certain fields.
- Blocking the road in the face of trucks, setting certain a certain time of the day for their passing.

- The failure of Babel Chamber of Commerce to act properly and its unfavorable impact on the economic conditions of companies. This is due to the existing corruption within the Chamber that favor certain people for attending conferences and traveling abroad.

8.9.2 ENTERPRISE LEVEL CONSTRAINTS:

- Storing materials in an unsystematic fashion due to the lack of suitable storing conditions and standard warehouses.
- The lack of banking services.
- The lack of training services for contractors to develop their skills, or encouraging their communication with international companies.
- The lack of banking services such as easy loans and facilitations.

8.9.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Introducing professional standards to select the members of the committee of reconstruction among honest and experienced people.
- Amending the law of companies registration, cutting down registration fees and limiting routine procedures taken for registration.
- Amending regulations related to loans and their interest rates as well as providing easy loans.
- Amending the regulations related to preventing trucks from passing before 4 p.m. and introducing facilitations for truck drivers.

- The lack of dedication and honesty in performing projects;
- Selling on credit which creates confusion especially on fluctuations;
- The lack of specialized training centers dedicated to research and quality control;
- The low quality of performance and high wages paid;

8.10.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- amending the law related to renting yards and shops, providing more rights to the lessee;
- Lifting of security check points and concrete blocks (T-walls);
- amending the regulations related to preventing trucks from passing before 4 p.m. and introducing facilitations for truck drivers.

8.11 FOCUS GROUP REPORT #11

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan

Sector: Industrial **Date:** 13/9/2009

Table 8-11: Focus Group #11 Participants

Serial	Name
1	Q. H. Y.
2	A. A. S.
3	A. A. K.
4	A. A. J.
5	Q. K. M.
6	B. H. Y.
7	K. A. J.
8	F. H. A.

8.11.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- The shortage of electricity and use of back up generators, adding costs of maintenance and providing fuel;
- The unsuitability of warehouses and their small sizes. They are not protected against climate conditions, causing loss of construction materials;
- Difficult climate conditions represented in extreme high temperatures in summer and extreme low temperatures in winter causing unfavorable working conditions;
- The lack of defined areas for blacksmiths and suppliers. Most of these work within residential areas;
- The lack of societies or guilds that follow up the rights of these professionals.
- The high prices of fuel;
- Shortage in electricity;
- The lack of procedures on the part of the government to protect local products against imported products of low prices;
- The lack of social security;

8.11.2 ENTERPRISE LEVEL CONSTRAINTS:

- The aging and low performance of machineries and equipment. Modern machineries are of bad Chinese origins causing major problems;
- The lack of funding, putting in mind that banks concerned grant loans against interests as high as 10% causing blacksmiths to refrain from taking loans;

- The lack of technical training services for skilled workers on the side of state entities. Training workers is performed by experienced workers themselves;
- The lack of banking services and high tax rates levied. Electricity, water and income taxes might take 20-30% of revenues;
- The lack of spare parts of good standard origins;
- The lack of industrial awareness.

8.11.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Amending municipal laws in a way that observes the nature of this profession;
- Establishing industrial zones within the basic design of cities away from residential areas;
- Lifting road concrete blocks;
- Combating red tape and corruption.

8.12 FOCUS GROUP REPORT #12

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan

Sector: Industrial **Date:** 14/9/2009

Table 8-12: Focus Group #12 Participants

Serial	Name
1	M. A.
2	S. S.
3	R. A.
4	M. M.
5	S. A. A.
6	J. Y.
7	S. H.

8.12.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- The security conditions and the large number of check points and concrete blocks on the roads;
- The lack of procedures on the part of the government to protect local products against imported products of low prices;
- The low quality of imported materials;
- The lack of quality control on imported products;
- The high costs of transportation;
- There are no defined areas for the profession. Carpenters and suppliers are working within residential areas;
- The time consuming red tape procedures of state entities when dealing with carpenters to issue work permit or others;
- The lack of a guild for carpenters.
- The shortage of electricity and use of back up generators, adding costs of maintenance and providing fuel;
- Monopoly practiced by wholesalers. They fix prices as they like taking advantage of the absence of governmental intervention;
- The lack of governmental support and funding;

8.12.2 ENTERPRISE LEVEL CONSTRAINTS:

- The high wages paid to workers and the scarcity of skilled work force which raised costs of production;

- The lack of insurance on materials. There are no social nor health insurance making carpenters vulnerable to many dangers;
- The lack of modern technological methods of production as well as technical training;
- The departure of work force to other professions of higher wages, working as policemen or soldier;
- The high rents paid for leasing workshops. Rents are annually raised by 30% by landlords;
- The lack of health insurance and social security;
- The lack of industrial safety conditions;

8.12.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- There should be laws and regulations specific for carpenters and suppliers;
- Amending the law related to lease;
- Amending the law of income tax and defining the legal bases for tax levying;
- Lifting road concrete blocks.

8.13.2 ENTERPRISE LEVEL CONSTRAINTS:

- Selling on credit which leads to difficulties;
- The rising rents of shops that are continuously raised by land lords with the lack of regulations to protect lessees;
- The lack of spare parts in the local market and dependence is on those parts of low quality especially Chinese;
- The continuous increase in rents under the lack of regulations to protect the rights of lessees;
- The rise in costs of transportation and fuel due to strict security procedures imposed on trucks and pick-ups, preventing them from sopping by mobiles dealers, adding extra costs of 50%;
- Telecom companies don't cooperate with subscribers or mobiles dealers especially in relation to selling charging cards. In the past, these companies were only supplying agents with these cards, but now they supply cards and lines randomly;
- The low quality of telecom services which is negatively reflected on selling cards and lines.

8.13.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- The lack of laws and regulations that control the profession of dealing with or repairing mobiles;
- The lack of procedures taken against street vendors and trade control to limit dealing with mobile cards and lines to mobile dealers;
- Preventing the practice of tributes collection;
- Amending the law related to renting shops so that more rights are given for lessees;

8.14 FOCUS GROUP REPORT #14

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan

Sector: Industrial **Date:** 16/9/2009

Table 8-14: Focus Group #14 Participants

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

8.14.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- Traffic jams due to the large number of check points and concrete blocks which lead to decreasing production and increasing costs of transportation;
- Fluctuations in prices of materials used for smithery works causing instability in the profession;
- The small sizes of workshops and the lack of a standard industrial zone for blacksmiths. Standard workshops should have areas of no less than 7 X 9 ms so that they can contain all smithery materials;
- The high cost of transporting materials due to the costs of fuel and strict security procedures;
- The low quality of imported materials and the lack of quality control over these materials;
- The deteriorating security condition and repeated curfews. In the Governorate of Babel, in particular, orders are instantly given to close all shops for undefined periods should a violation of security takes place;
- The spread of corruption seen on approaching state entities by blacksmiths;
- The time consuming red tape procedures followed by state entities in order to issue a work permit;
- The lack of a guild to follow up the interests of blacksmiths.
- The security conditions and the large number of check points and concrete blocks on the roads. Security forces prevent vehicles from stopping by mobiles shops;
- The lack of electricity and the use of back up generators that need fuel, adding extra costs;
- The climate conditions and their influence on iron;

8.14.2 ENTERPRISE LEVEL CONSTRAINTS:

- The lack of funding and banking facilities. Bank loans are granted against high interest rates and short period of repayment;
- The high wages of work force and the lack of technical training on the part of state entities;
- The ageing machineries and their low quality;
- The lack of activities on the part of industrial banks, limiting their attention to large scale projects only;
- The rise in rents of workshops.

8.14.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Lifting all concrete blocks to increase the flow of transportation;
- Decreasing the rates paid for electricity and other services;
- Amending the law related to renting shops so that more rights are given for lessees.

8.15 FOCUS GROUP REPORT #15

Province: Babel **Moderator:** Dr. Haider Abdul-Hasan

Sector: Industrial **Date:** 17/9/2009

Table 8-15: Focus Group #15 Participants

Serial	Name
1	S. A. A.
2	S. A. H.
3	A. A. S.
4	R. I. E.
5	N. N. M.
6	A. N. M.
7	R. J. K.

8.15.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS:

- Traffic jams due to the large number of check points and concrete blocks which lead to decreasing production and increasing costs of transportation, besides preventing trucks from stopping by workshops to load or unload materials;
- The lack of electricity;
- The small sizes of workshops and the lack of a standard industrial zone for blacksmiths;
- The old workshops and their bad quality making them unsuitable for most of the activities;
- The high rents of workshops under the absence of regulations controlling rents;
- The departure of work force to join the security forces or the army.
- The high cost of transporting materials due to the costs of fuel and strict security procedures;
- The lack of governmental support as well as funding and banking facilities. Bank loans are granted against high interest rates and short period of repayment;
- The monopoly of materials by wholesalers who fix prices as they wish;

8.15.2 ENTERPRISE LEVEL CONSTRAINTS:

- The high rents of workshops and their continuous increase by 40% annually under the absence or regulations in this regard;
- The lack of health insurance and social security for carpenters;
- The lack of industrial safety conditions;
- The lack of a guild for carpenters to follow up their interests.

8.15.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS

- Introducing laws and regulations concerned with carpenters and suppliers;
- Amending the law related to renting providing more rights and protection to lessees;
- Amending the law of income taxes, defining certain principles for tax levying;
- Lifting concrete blocks.

9. APPENDIX 2: TABULATIONS AND GRAPHS

Provided here are the tabulations of the data resulting from the survey of 738 SMEs in Babil covering 76 questions with 547 variables, that enabled the analyst team to run close to 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.

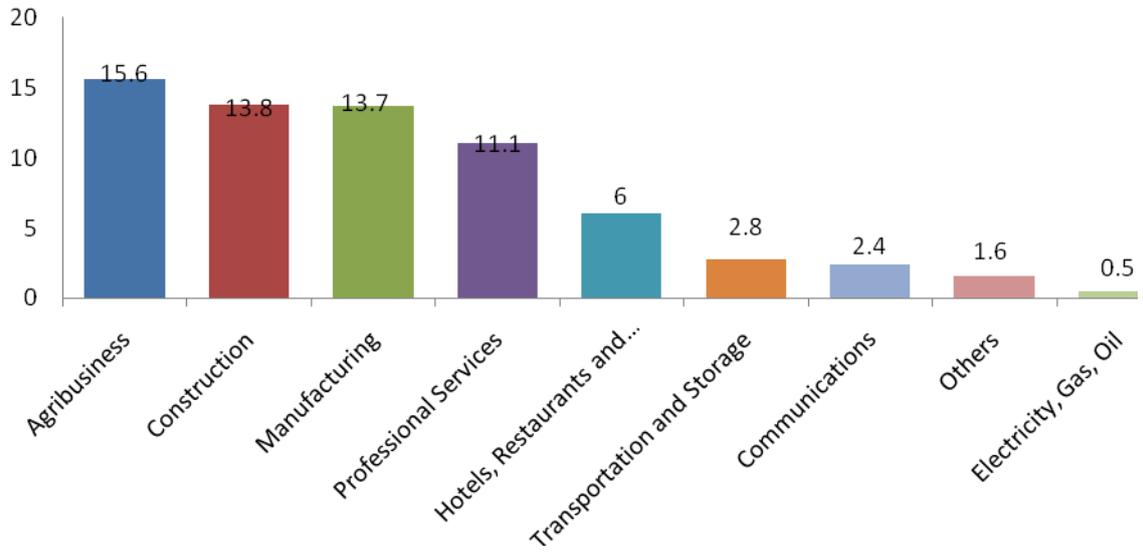
9.1 MSME CHARACTERISTICS RESPONSES

9.1.1 Economic Sector

In which economic sector does your business mainly operate?

Economic Sector	Frequency	Percent
Agribusiness	115	15.6
Construction	102	13.8
Manufacturing	101	13.7
Professional Services	82	11.1
Wholesale, Retail Trade	239	32.4
Transportation and Storage	21	2.8
Hotels, Restaurants and Tourism	44	6.0
Communications	18	2.4
Electricity, Gas, Oil	4	.5
Others	12	1.6
Total	738	100.0

Economic Sector

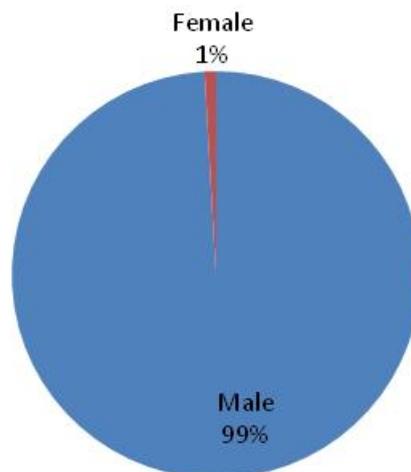


9.1.2. Business Owner Gender

What is the business owner's gender?

Gender	Frequency	Percent
Male	731	99.1
Female	7	.9
Total	738	100.0

Business Owner Gender

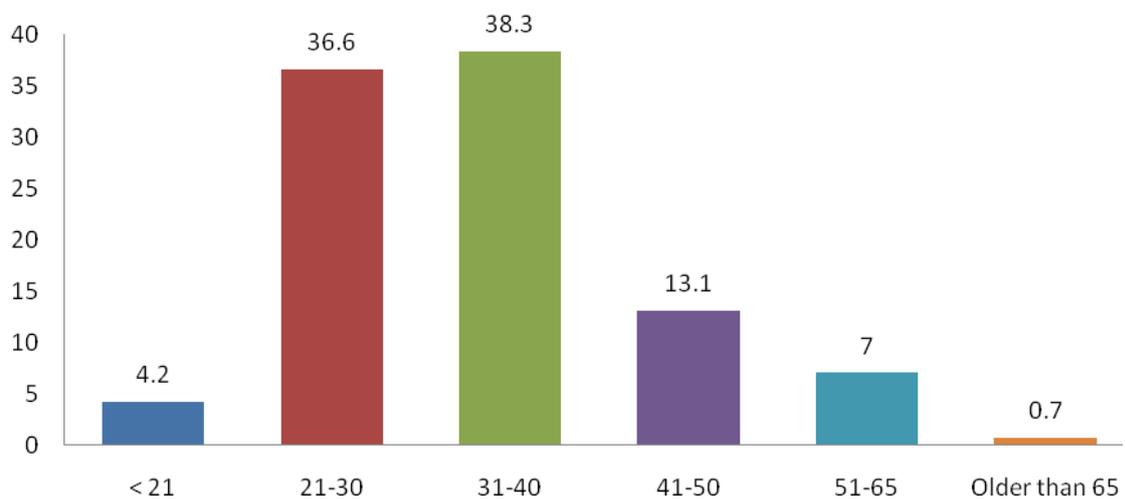


9.1.3. Age of the Business Owner

How old is the business owner?

Age (Years)	Frequency	Percent
< 21	31	4.2
21-30	270	36.6
31-40	283	38.3
41-50	97	13.1
51-65	52	7.0
Older than 65	5	.7
Total	738	100.0
Missing Responses	0	
Total	738	

Age of the Business Owner

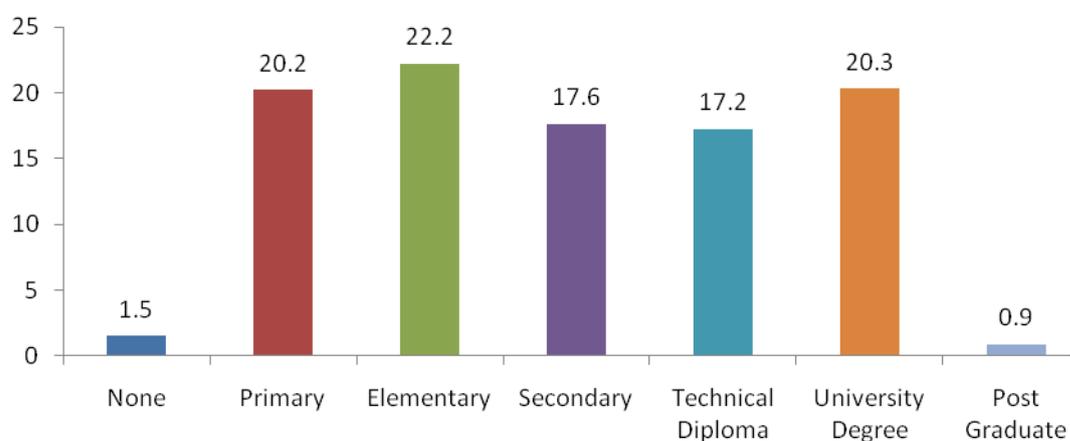


9.1.4. Business Owner – Level of Education

What is the education level of the business owner?

Education Level	Frequency	Percent
None	11	1.5
Primary	149	20.2
Elementary	164	22.2
Secondary	130	17.6
Technical Diploma	127	17.2
University Degree	150	20.3
Post Graduate	7	.9
Total	738	100.0

Business Owner – Level of Education



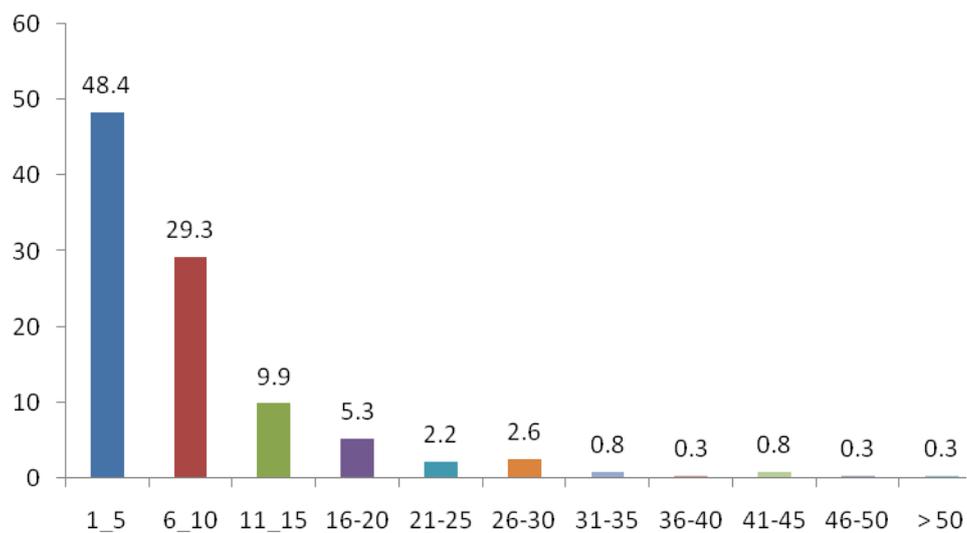
9.1.5. Age of Business

How old is your business enterprise?

Age (Years)	Frequency	Percent
1-5	357	48.4

Age (Years)	Frequency	Percent
6-10	216	29.3
11-15	73	9.9
16-20	39	5.3
21-25	16	2.2
26-30	19	2.6
31-35	6	.8
36-40	2	.3
41-45	6	.8
46-50	2	.3
> 50	2	.3
Total	738	100.0
Missing Response	0	
Total	738	

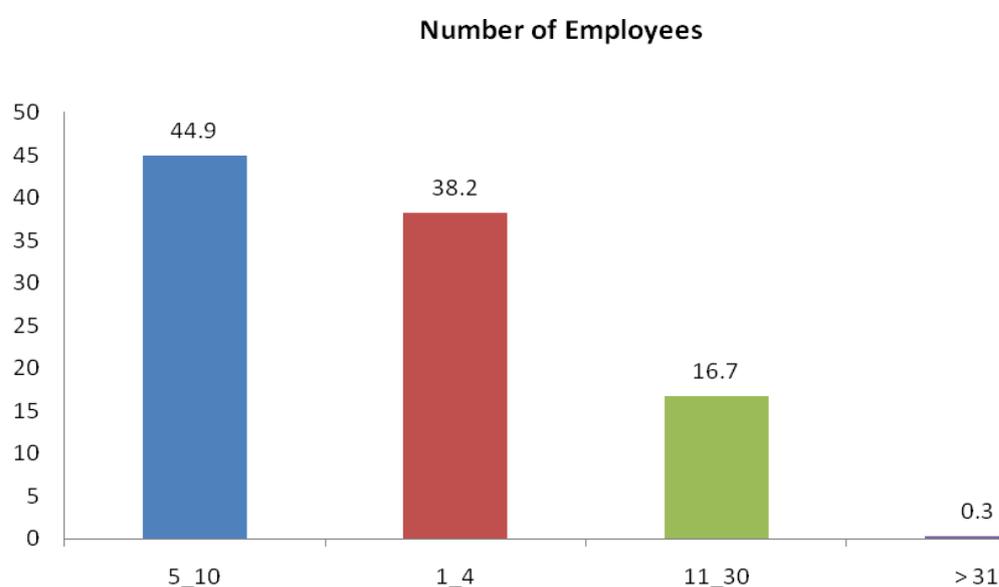
Age of Business



9.1.6. Number of Employees

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

Number of Employees	Frequency	Percent
1-4	282	38.2
5-10	331	44.9
11-30	123	16.7
> 31	2	.3
Total	738	100.0

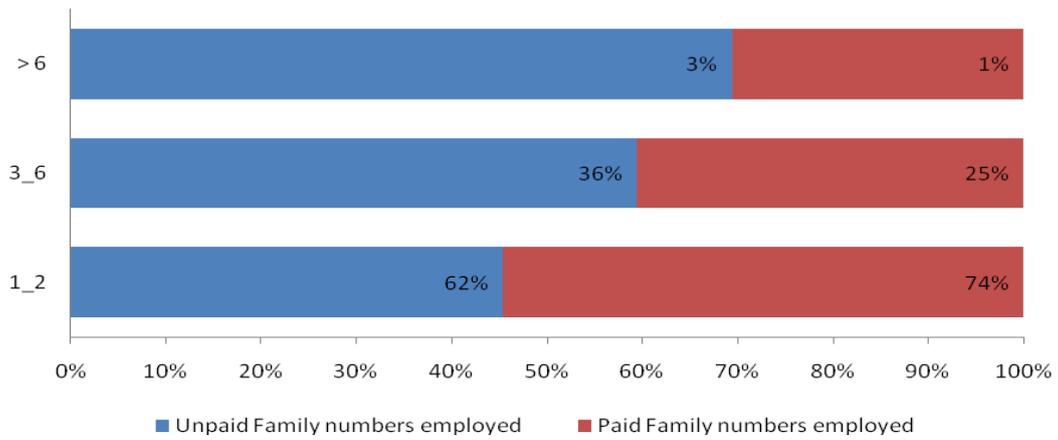


9.1.7. Enterprise Ownership

Family numbers employed

		Family numbers employed			Total
		1-2	3-6	> 6	1-2
Unpaid family numbers employed	Frequency	75	44	3	122
	% of Respondents	61.5%	36.1%	2.5%	100.0%
Paid family numbers employed	Frequency	129	43	2	174
	% of Respondents	74.1%	24.7%	1.1%	100.0%
Total	Frequency	204	87	5	296
	% of Respondents	68.9%	29.4%	1.7%	100.0%

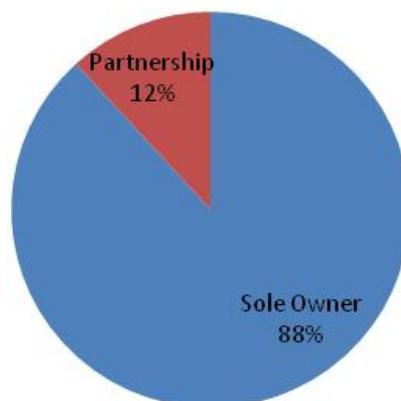
Enterprise Ownership



Who owns your business?

Type of Ownership	Frequency	Percent
Sole Owner	645	88.2
Partnership	86	11.8
Total	731	100.0
Missing Responses	7	
Total	738	

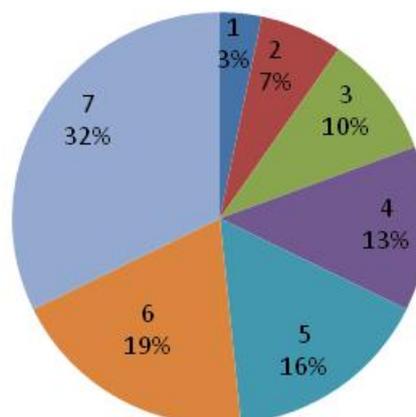
Type of Ownership



Number of partners

Number of partners	Frequency	Percent
1	9	10.7
2	60	71.4
3	4	4.8
4	6	7.1
5	2	2.4
6	2	2.4
10	1	1.2
Total	84	100
Missing Response	654	
Total	738	

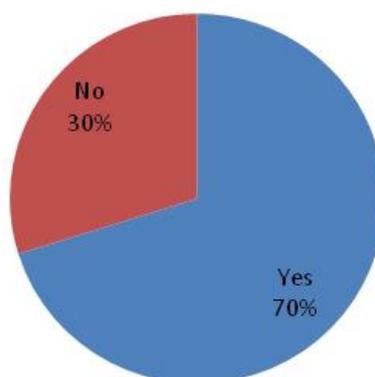
Number of partners



Is your business family owned?

Family Owned	Frequency	Percent
Yes	516	70.2
No	219	29.8
Total	735	100.0
Missing Response	3	
Total	738	

Family Owned

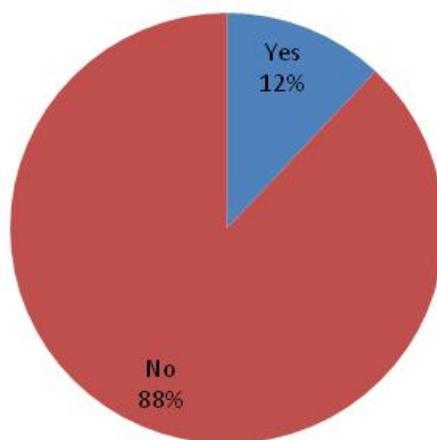


9.1.8. Business Registration

Is your business registered with a government agency?

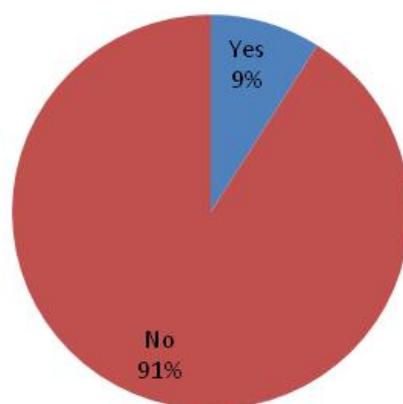
Government Registration	Frequency	Percent
Yes	263	35.9
No	470	64.1
Total	733	100.0
Missing Responses	5	
Total	738	

Business Registration



9.1.9. Business and Professional Association Membership

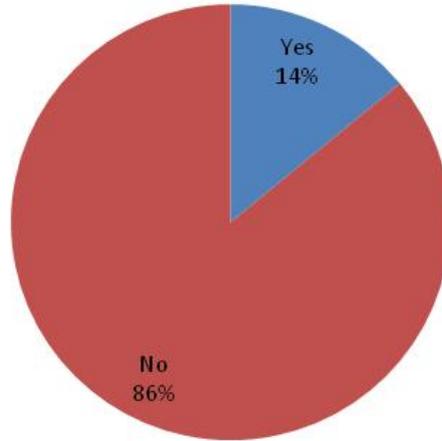
Business and Professional Association Membership



Do You Belong to a Business Association?

Business Association	Frequency	Percent
Yes	103	14.0
No	633	86.0
Total	736	100.0
Missing Responses	2	
Total	738	

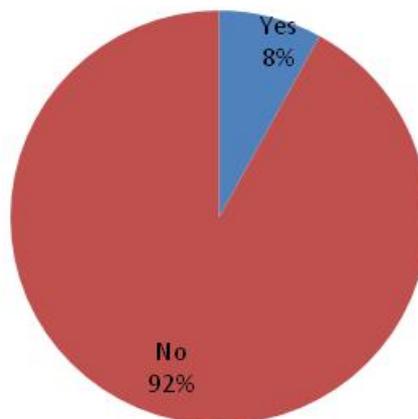
Business Association



Do you belong to a professional association?

Professional Association	Frequency	Percent
Yes	48	6.5
No	686	93.5
Total	734	100.0
Missing Responses	4	
Total	738	

Professional Association

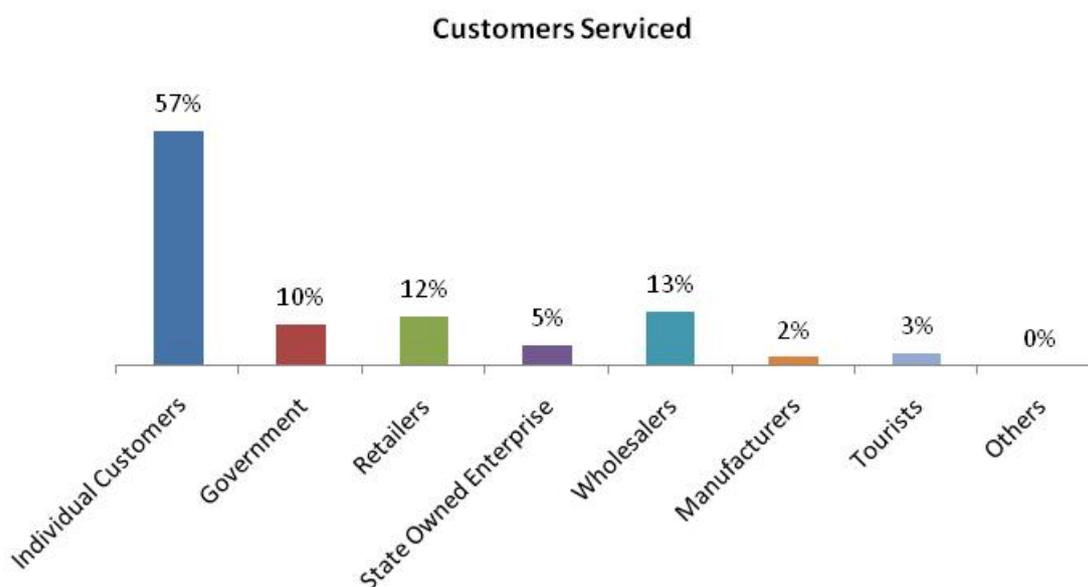


QUANTITATIVE

9.1.10. Customers Served

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

Enterprise Customers	Frequency	Percent
Individual Customers	707	95.9%
Government	241	33.0%
Retailers	325	44.3%
State Owned Enterprise	143	19.6%
Wholesalers	259	35.3%
Manufacturers	84	11.5%
Tourists	53	7.3%
Others	11	1.7%
Total Responses	1823	

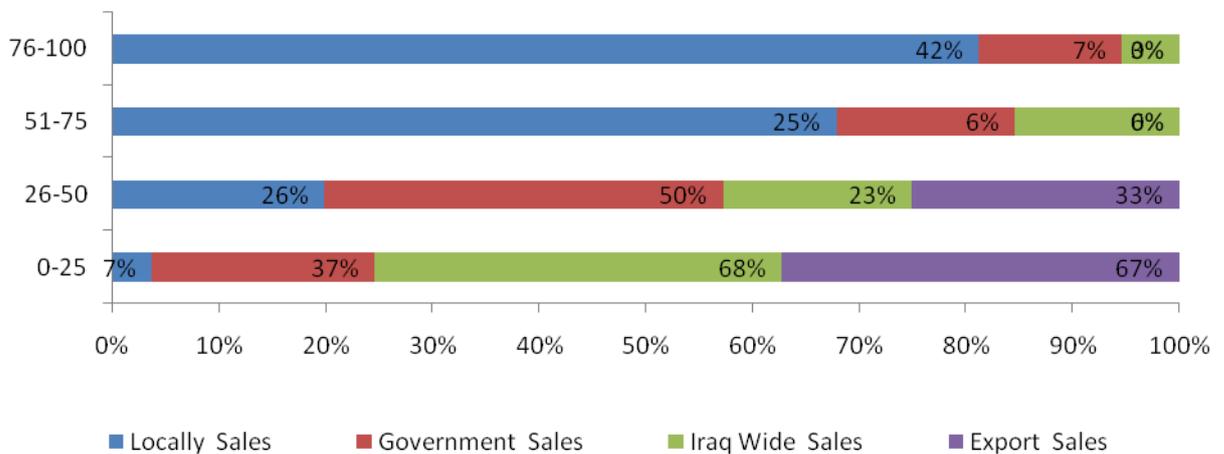


9.1.11. Business Activity Fluctuations

Where are your customers located?

		Where are your customers located?				Total
		0-25	26-50	51-75	76-100	
Local Sales	Frequency	48	189	177	303	717
	% of Respondents	6.7%	26.4%	24.7%	42.3%	100.0%
Government Sales	Frequency	228	303	37	43	611
	% of Respondents	37.3%	49.6%	6.1%	7.0%	100.0%
Iraq-wide Sales	Frequency	73	25	6	3	107
	% of Respondents	68.2%	23.4%	5.6%	2.8%	100.0%
Export Sales	Frequency	2	1	0	0	3
	% of Respondents	66.7%	33.3%	.0%	.0%	100.0%

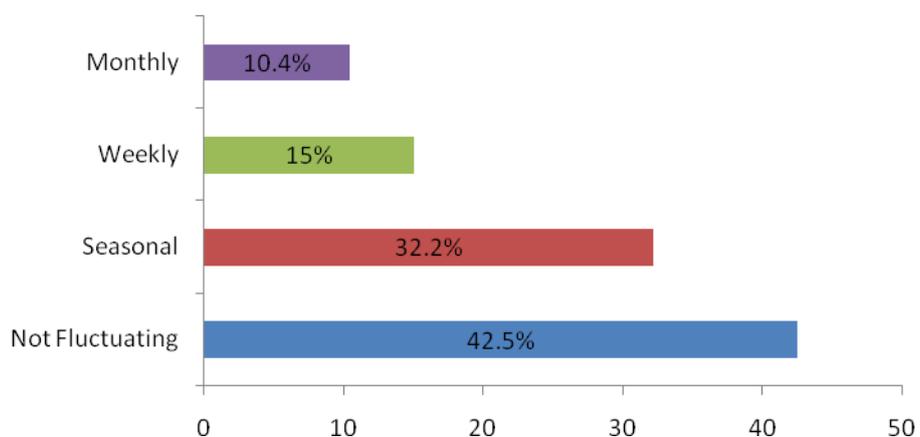
Business Activity Fluctuations



How does your level of business activity fluctuate/ vary?

	Frequency	Percent
Weekly	110	15.0
Monthly	76	10.4
Seasonal	236	32.2
Not Fluctuating	312	42.5
Total	734	100.0
Missing Responses	4	
Total	738	

How does your level of business activity fluctuate/ vary?

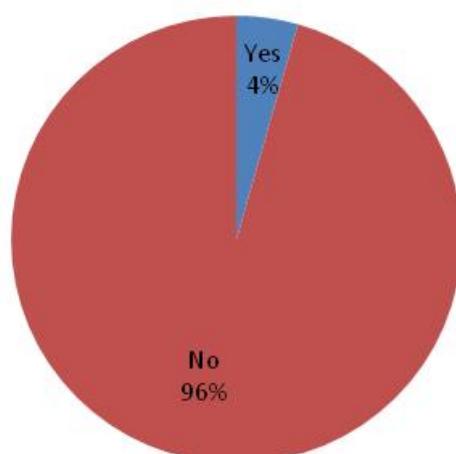


9.1.12. Large Buyers

Are there any large buyers for the products you make?

	Frequency	Percent
Yes	32	4.4
No	703	95.6
Total	735	100.0
Missing Responses	3	
Total	738	

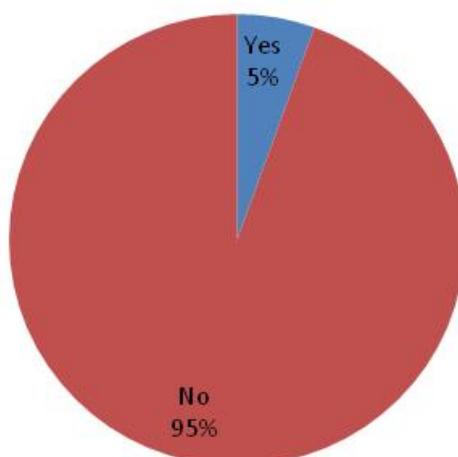
Large Buyers



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

	Frequency	Percent
Yes	40	5.5
No	692	94.5
Total	732	100.0
Missing Responses	6	
Total	738	

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



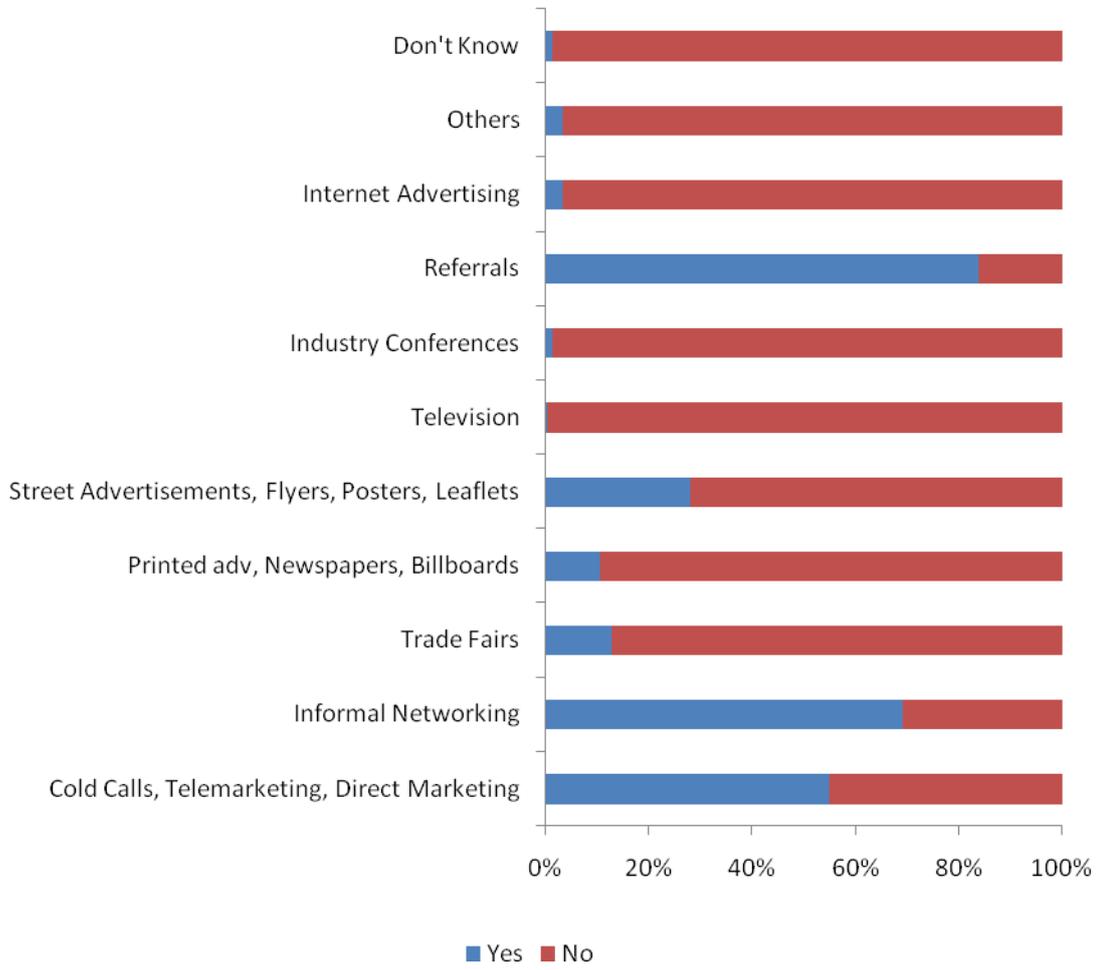
9.1.13. Marketing/ Connecting to Customers

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

		Utilization		Total
		Yes	No	
Cold Calls, Telemarketing, Direct Marketing	Frequency	406	332	738
	% of Respondents	55.0%	45.0%	100.0%
Informal Networking	Frequency	511	227	738
	% of Respondents	69.2%	30.8%	100.0%
Trade Fairs	Frequency	95	643	738
	% of Respondents	12.9%	87.1%	100.0%
Print Ads, Newspapers, Billboards	Frequency	79	659	738
	% of Respondents	10.7%	89.3%	100.0%
Street Advertisements, Flyers, Posters, Leaflets	Frequency	208	530	738
	% of Respondents	28.2%	71.8%	100.0%

		Utilization		Total
		Yes	No	
Television	Frequency	3	735	738
	% of Respondents	.4%	99.6%	100.0%
Industry Conferences	Frequency	11	727	738
	% of Respondents	1.5%	98.5%	100.0%
Referrals	Frequency	619	119	738
	% of Respondents	83.9%	16.1%	100.0%
Internet Advertising	Frequency	25	713	738
	% of Respondents	3.4%	96.6%	100.0%
Others	Frequency	25	713	738
	% of Respondents	3.4%	96.6%	100.0%
Don't Know	Frequency	11	727	738
	% of Respondents	1.5%	98.5%	100.0%

Marketing/ Connecting to Customers

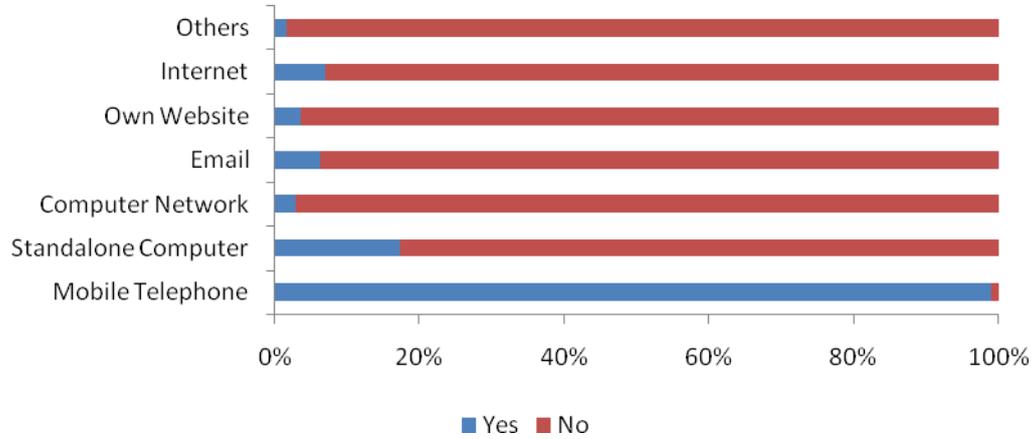


9.1.14. Technologies Used to Conduct Business

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

Technologies Used to Conduct Business		Utilization			Missing Responses
		Yes	No	Total	
Mobile Telephone	Frequency	729	8	737	
	% of Respondents	98.9%	1.1%	100.0%	
Standalone Computer	Frequency	125	596	721	
	% of Respondents	17.3%	82.7%	100.0%	
Computer Network	Frequency	21	694	715	
	% of Respondents	2.9%	97.1%	100.0%	
Email	Frequency	45	675	720	
	% of Respondents	6.3%	93.8%	100.0%	
Own Website	Frequency	26	693	719	
	% of Respondents	3.6%	96.4%	100.0%	
Internet	Frequency	50	669	719	
	% of Respondents	7.0%	93.0%	100.0%	
Others	Frequency	11	656	667	
	% of Respondents	1.6%	98.4%	100.0%	
Total	Frequency	1007	3991	4998	
	% of Respondents	20.1%	79.9%	100.0%	

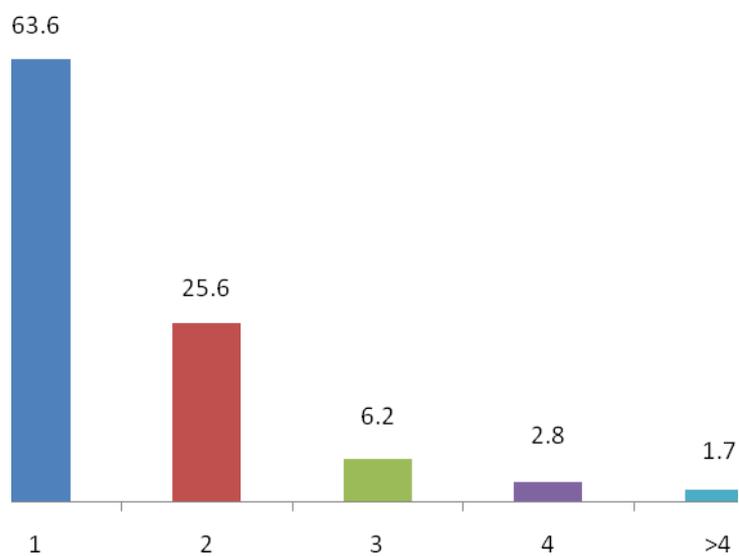
Technologies Used to Conduct Business



9.1.15. Mobile Phone Ownership

Number of Cell Phones Owned	Frequency	Percent
1	460	63.6
2	185	25.6
3	45	6.2
4	20	2.8
>4	13	1.7
Total	723	100.0
Missing Responses	15	
Total	738	

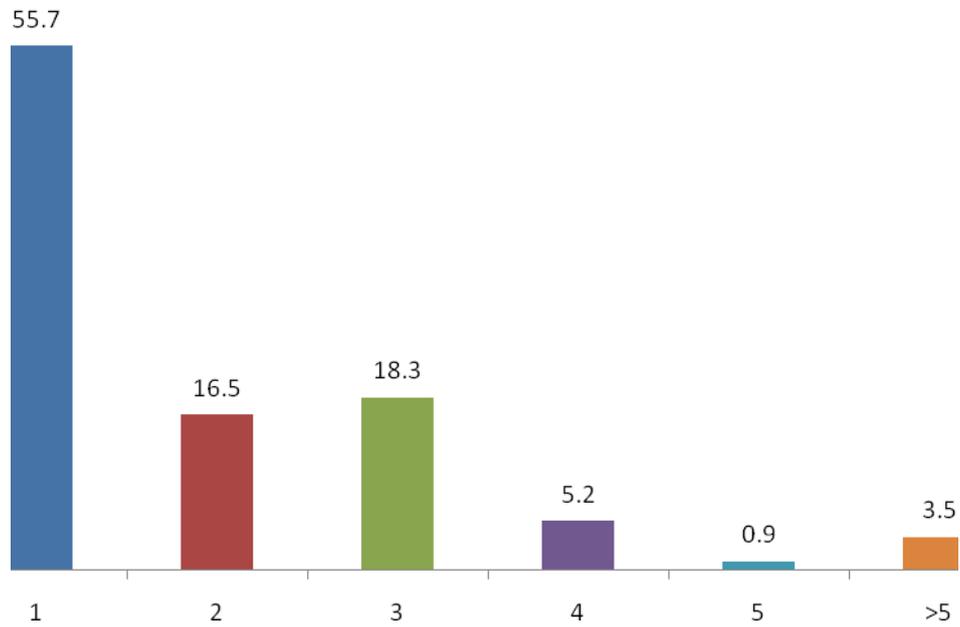
Mobile Phone Ownership



9.1.16. Standalone Computer Ownership

Number of Computers	Frequency	Percent
1	64	55.7
2	19	16.5
3	21	18.3
4	6	5.2
5	1	.9
>5	4	3.5
Total	115	100.0
Missing Responses	623	
Total	738	

Standalone Computer Ownership



9.1.17. Availability of Labor

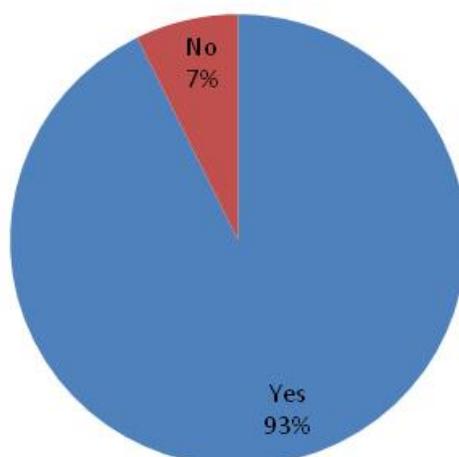
Can you currently find enough unskilled workers for your business?

	Frequency	Percent
Yes	682	92.7
No	54	7.3
Total	736	100.0
Missing	2	
Total	738	

Can you currently find enough skilled workers for your business?

	Frequency	Percent
Yes	663	90.3
No	71	9.7
Total	734	100.0
Missing	4	
Total	738	

Availability of Labor

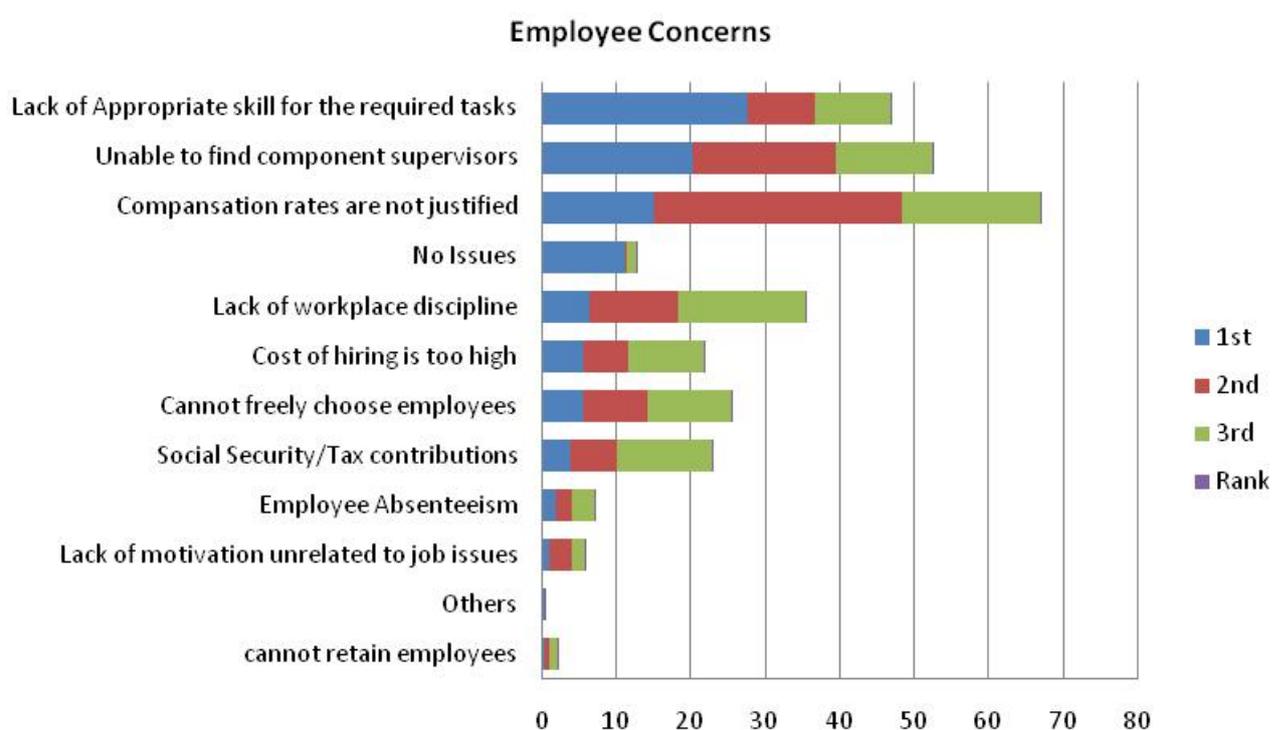


9.1.18. Employee Concerns

Rank the three main sources of concern regarding your employees:

	1st		2nd		3rd	
	Frequency	percent	Frequency	Percent	Frequency	Percent
Lack of appropriate skill for the required tasks	197	27.6	59	9.1	65	10.0
Unable to find component supervisors	145	20.3	124	19.2	84	12.9
Lack of motivation unrelated to job issues	7	1.0	20	3.1	12	1.8
Compensation rates are not justified	108	15.1	214	33.1	121	18.6
Social Security/Tax contributions	28	3.9	40	6.2	83	12.8
Employee absenteeism	14	2.0	14	2.2	19	2.9
Lack of workplace discipline	46	6.4	77	11.9	111	17.1
Cannot freely choose employees	41	5.7	55	8.5	73	11.2
Cannot retain employees	3	.4	4	.6	8	1.2
Cost of hiring is too high	41	5.7	38	5.9	66	10.2
No issues	81	11.3	1	.2	8	1.2

	1st		2nd		3rd	
	Frequency	percent	Frequency	Percent	Frequency	Percent
Others	3	.4	0	0	0	0
Total	714	100.0	646	100.0	650	100.0
Missing Response	24		92		88	
Total	738		738		738	



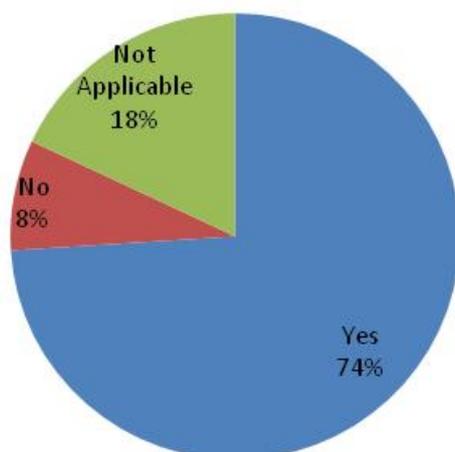
9.1.19. In-House Training

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

	Frequency	Percent
Yes	546	74.0
No	59	8.0
Not Applicable	133	18.0
Total	738	100.0

	Frequency	Percent
Missing Responses	0	
Total	738	

In-House Training

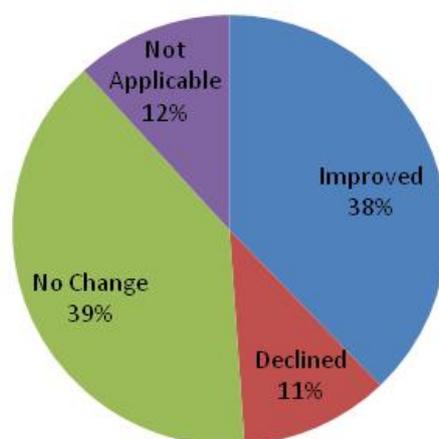


9.1.20. Availability of Qualified Labor Changes

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

	Frequency	Percent
Improved	279	37.8
Declined	82	11.1
No Change	291	39.4
Not Applicable	86	11.7
Total	738	100.0
Missing Responses	0	
Total	738	

Availability of Qualified Labor Changes

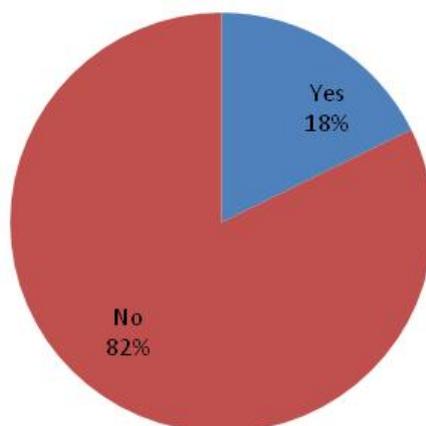


9.1.21. Seasonal Employment

Do you employ people seasonally?

	Frequency	Percent
Yes	129	17.7
No	600	82.3
Total	729	100.0
Missing Responses	9	
Total	738	

Seasonal Employment

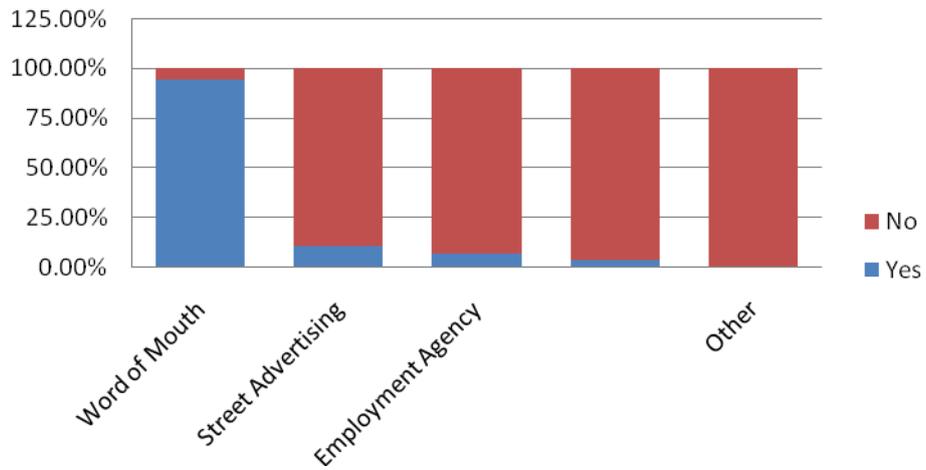


9.1.22. Hiring Employees

How do you go about hiring new employees?

How do You go about Seeking New Employees?		Utilization		Total
		Yes	No	
Newspaper Advertisement	Frequency	26	705	731
	% of Respondents	3.6%	96.4%	100.0%
Employment Agency	Frequency	52	679	731
	% of Respondents	7.1%	92.9%	100.0%
Word of Mouth	Frequency	693	42	735
	% of Respondents	94.3%	5.7%	100.0%
Street Advertising	Frequency	82	649	731
	% of Respondents	11.2%	88.8%	100.0%
Other	Frequency	5	677	682
	% of Respondents	.7%	99.3%	100.0%

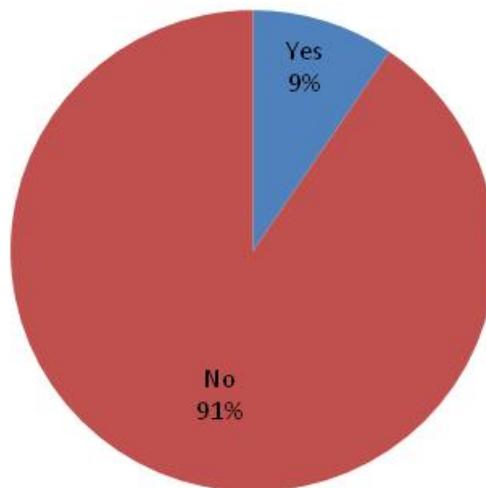
Hiring Employees



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

	Frequency	Percent
Yes	70	9.5
No	664	90.5
Total	734	100.0
Missing Responses	4	
Total	738	

Employment Agencies

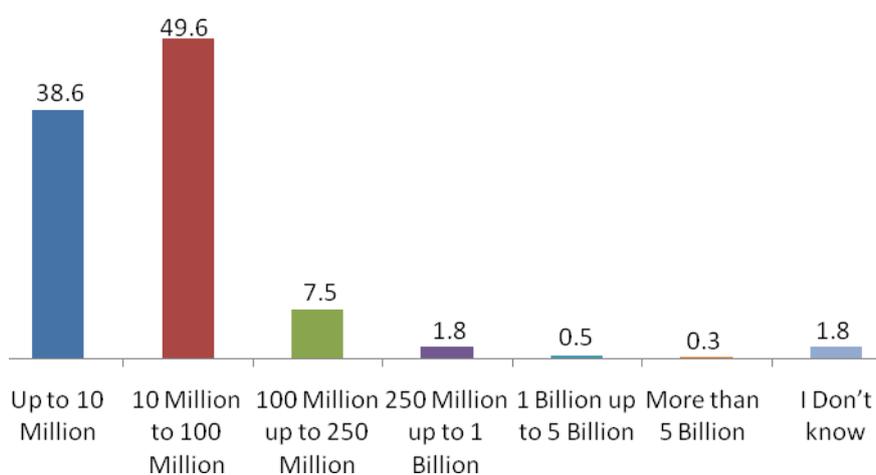


9.1.23. Enterprise Assets

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

Asset Value (Iraqi Dinar)	Frequency	Percent
Up to 10 Million	285	38.6
10 Million to 100 Million	366	49.6
100 Million up to 250 Million	55	7.5
250 Million up to 1 Billion	13	1.8
1 Billion up to 5 Billion	4	.5
More than 5 Billion	2	.3
I Don't know	13	1.8
Total	738	100.0
Missing Responses	0	
Total	738	

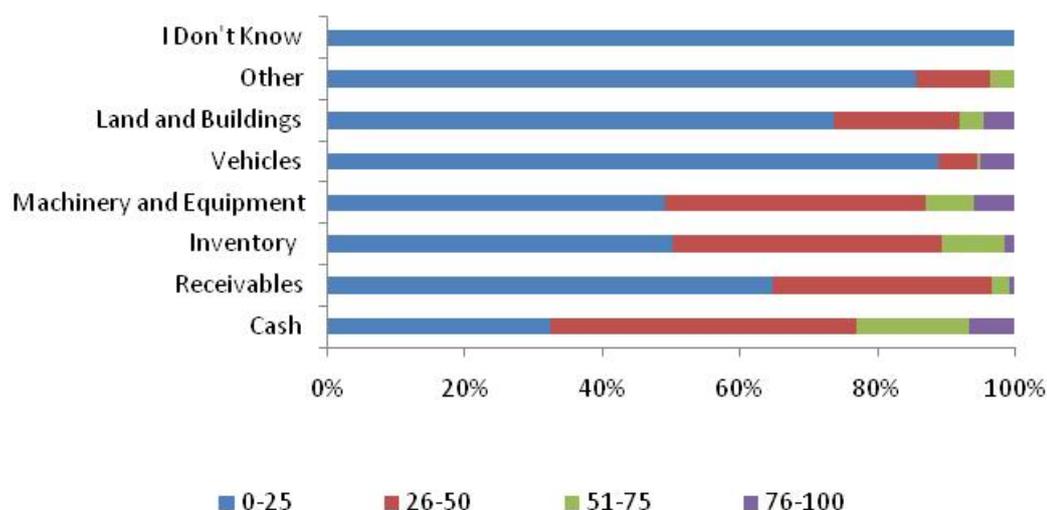
Enterprise Assets



9.1.24. Approximate Assets Holding by Type

		Approximate Assets Holding by Type				Total
		0-25	26-50	51-75	76-100	
Cash	Frequency	228	311	116	46	701
	% of Respondents	32.5%	44.4%	16.5%	6.6%	100.0%
Receivables	Frequency	296	146	12	3	457
	% of Respondents	64.8%	31.9%	2.6%	.7%	100.0%
Inventory	Frequency	238	185	43	7	473
	% of Respondents	50.3%	39.1%	9.1%	1.5%	100.0%
Machinery and Equipment	Frequency	177	137	26	21	361
	% of Respondents	49.0%	38.0%	7.2%	5.8%	100.0%
Vehicles	Frequency	234	15	1	13	263
	% of Respondents	89.0%	5.7%	.4%	4.9%	100.0%
Land and Buildings	Frequency	148	37	7	9	201
	% of Respondents	73.6%	18.4%	3.5%	4.5%	100.0%
Other	Frequency	24	3	1	0	28
	% of Respondents	85.7%	10.7%	3.6%	.0%	100.0%
I Don't Know	Frequency	4	0	0	0	4
	% of Respondents	100.0%	.0%	.0%	.0%	100.0%

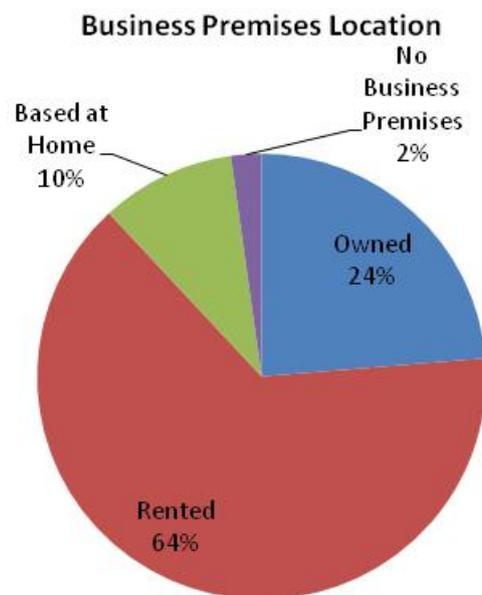
Approximate Assets Holding by Type



9.1.25. Business Premises Location

Where are your business premises located?

Location	Frequency	Percent
Owned	174	23.7
Rented	472	64.4
Based at Home	71	9.7
No Business Premises	16	2.2
Total	733	100.0
Missing Responses	5	
Total	738	

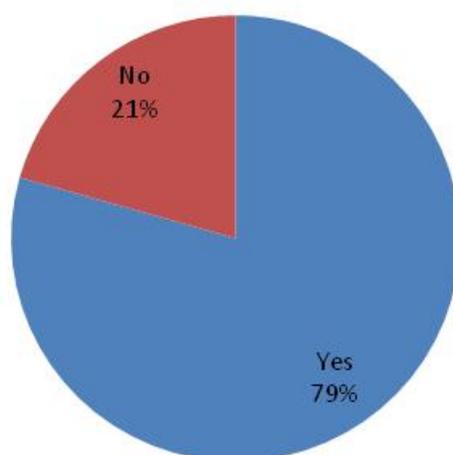


9.1.26. Business Vehicles

Does your business own or lease any vehicles?

	Frequency	Percent
Yes	581	79.4
No	151	20.6
Total	732	100.0
Missing Responses	6	
Total	738	

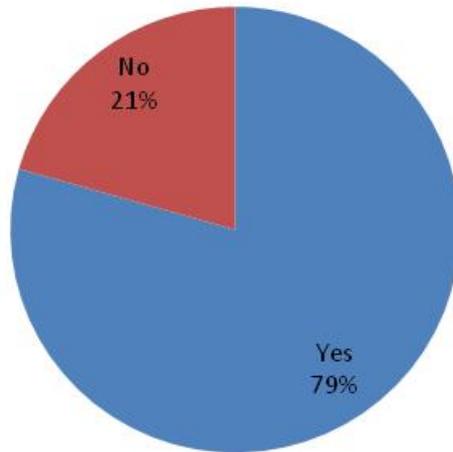
Business Vehicles



Number of vehicles owned/ leased:

Number of Vehicles	Owned Vehicles		Leased Vehicles	
	Frequency	Percent	Frequency	Percent
1-2	198	88.4	435	88.8
3-5	20	8.9	49	10.0
>5	6	2.7	6	1.2
Total	224	100.0	490	100.0
Missing Responses	514		248	
Total	738		738	

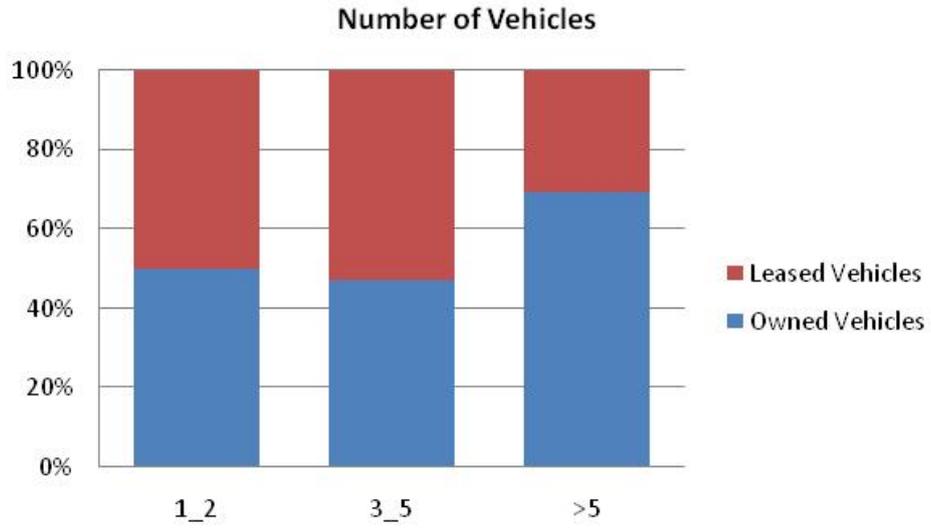
Business Vehicles



9.1.27. Sales Turnover Fluctuations

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

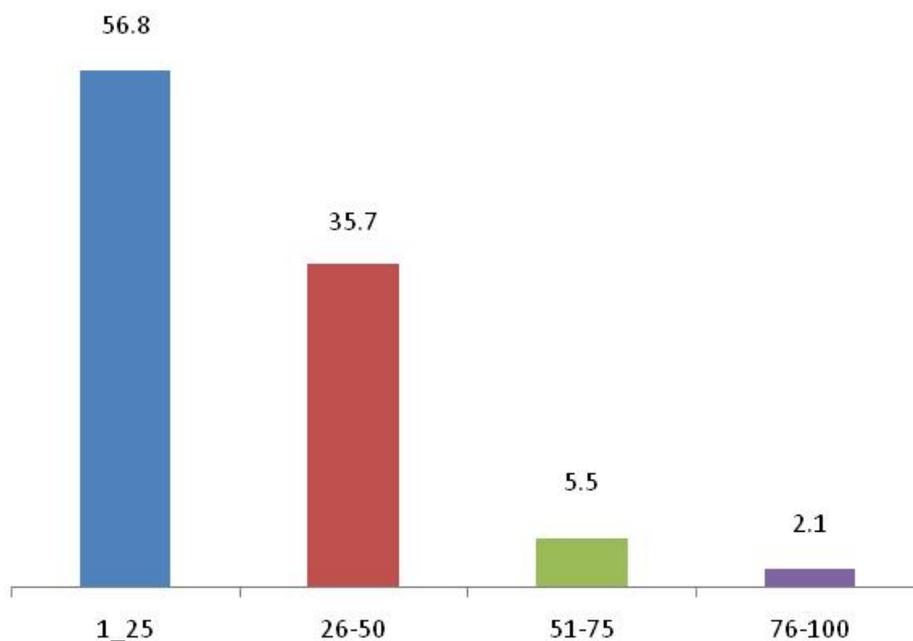
Sales	Frequency	Percent
Higher	270	36.6
Lower	173	23.4
About the same	295	40.0
Total	738	100.0
Missing Responses	0	
Total	738	



9.1.28. Estimated Percentage Change

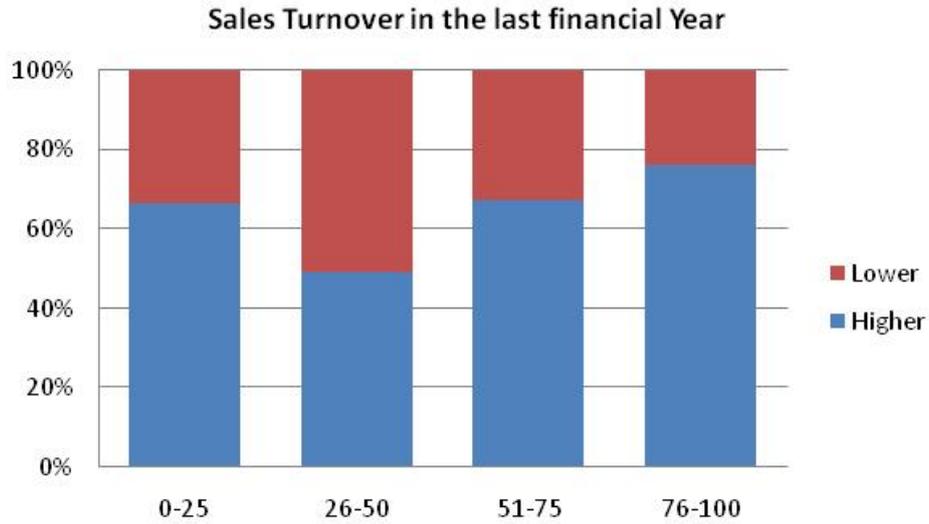
	Frequency	Percent
1-25	248	56.8
26-50	156	35.7
51-75	24	5.5
76-100	9	2.1
Total	437	100.0
Missing Responses	301	
Total	738	

Estimated Percentage Change

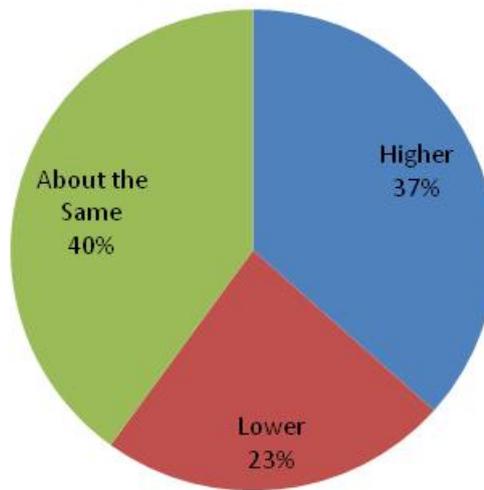


9.1.29. Sales Turnover in the last financial Year - Estimated Percentage Change

Sales Turnover in the last financial Year		Estimated Percentage Change				Total
		0-25	26-50	51-75	76-100	
Higher	Count	165	77	16	7	265
	% of Total	37.8%	17.6%	3.7%	1.6%	60.6%
Lower	Count	83	79	8	2	172
	% of Total	19.0%	18.1%	1.8%	.5%	39.4%
About the Same	Count					
	% of Total					
Total	Count	248	156	24	9	437
	% of Total	56.8%	35.7%	5.5%	2.1%	100.0%



Sales Turnover Fluctuations



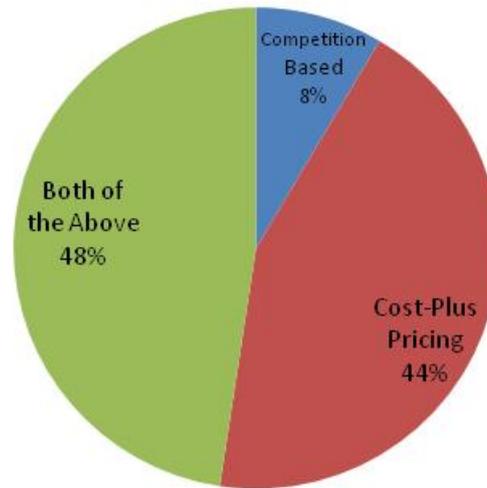
9.1.30. Pricing Strategy

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

Pricing Strategy	Frequency	Percent
Competition Based	63	8.5
Cost-Plus Pricing	324	43.9
Both of the Above	351	47.6
Total	738	100.0

Pricing Strategy	Frequency	Percent
Missing Responses	0	
Total	738	

Pricing Strategy

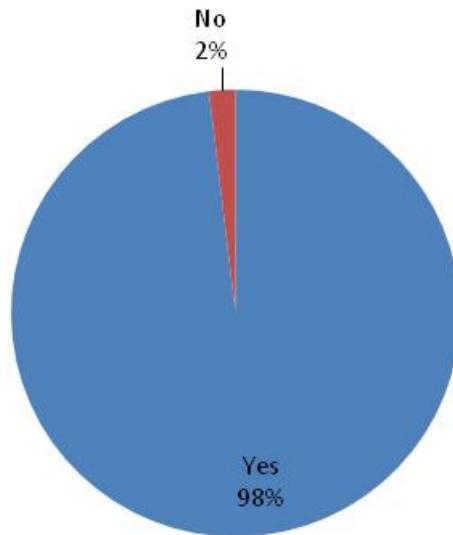


9.1.31. Business Profitability

Is your business profitable?

	Frequency	Percent
Yes	719	98.1
No	14	1.9
Total	733	100.0
Missing Responses	5	
Total	738	

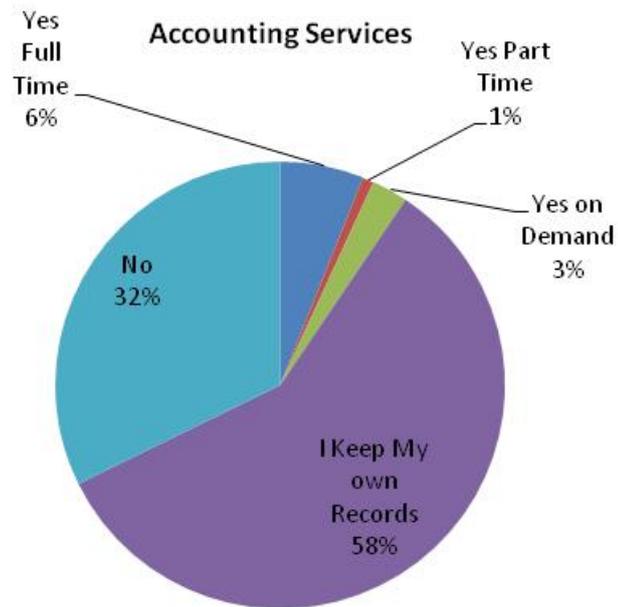
Business Profitability



9.1.32. Accounting Services

Do you employ the services of an Accountant?

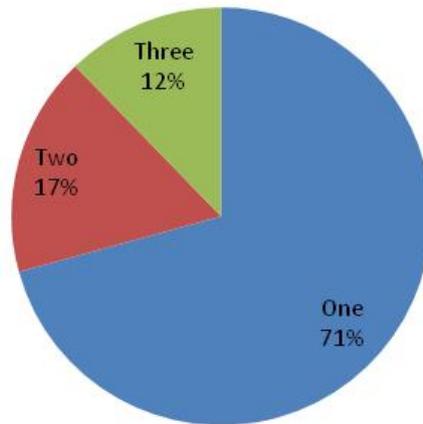
	Frequency	Percent
Yes Full Time	44	6.0
Yes Part Time	6	.8
Yes on Demand	19	2.6
I Keep My own Records	430	58.3
No	238	32.3
Total	737	100.0
Missing	1	
Total	738	



How many Accountants do you employ?

Accountant	Frequency	Percent
One	29	70.7
Two	7	17.1
Three	5	12.2
Total	41	100.0
Missing Responses	697	
Total	738	

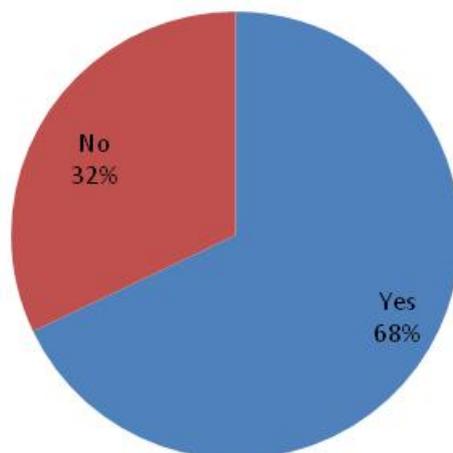
Accountant



Do you keep your business accounts separate from family accounts?

	Frequency	Percent
Yes	492	67.9
No	233	32.1
Total	725	100.0
Missing	13	
Total	738	

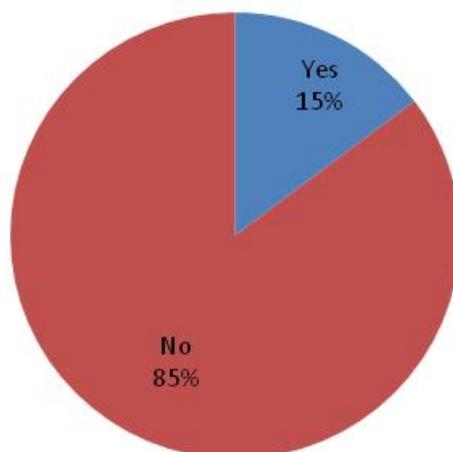
Do you keep your business accounts separate from family accounts?



Do you utilize the services of an external auditor?

	Frequency	Percent
Yes	106	14.7
No	614	85.3
Total	720	100.0
Missing Responses	18	
Total	738	

Do you utilize the services of an external auditor?

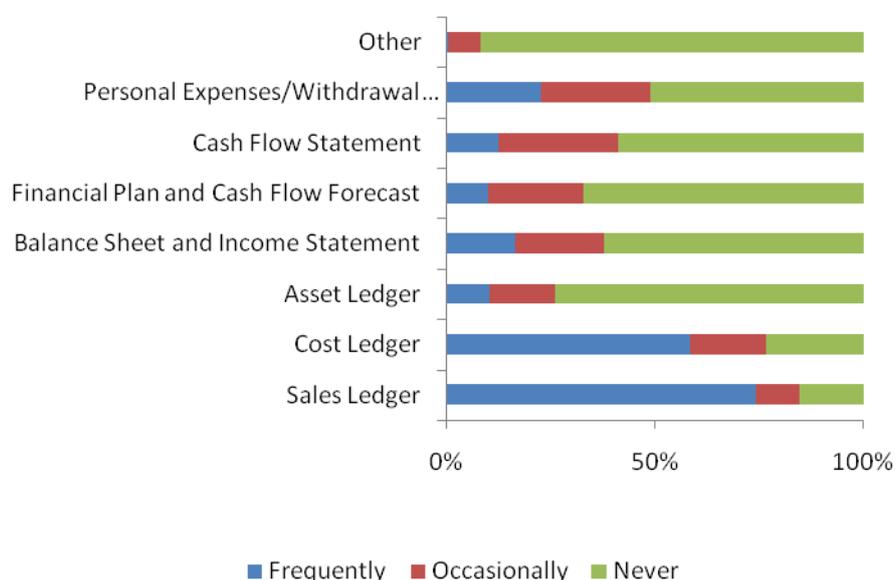


Which of the following Accounting records do you keep?

Accounting Records		Utilization			Total
		Frequently	Occasionally	Never	
Sales Ledger	Frequency	546	78	113	737
	% of Respondents	74.1%	10.6%	15.3%	100.0%
Cost Ledger	Frequency	431	133	173	737
	% of Respondents	58.5%	18.0%	23.5%	100.0%
Asset Ledger	Frequency	77	115	543	735
	% of Respondents	10.5%	15.6%	73.9%	100.0%

Accounting Records		Utilization			Total
		Frequently	Occasionally	Never	
Balance Sheet and Income Statement	Frequency	123	156	456	735
	% of Respondents	16.7%	21.2%	62.0%	100.0%
Financial Plan and Cash Flow Forecast	Frequency	75	167	494	736
	% of Respondents	10.2%	22.7%	67.1%	100.0%
Cash Flow Statement	Frequency	92	212	431	735
	% of Respondents	12.5%	28.8%	58.6%	100.0%
Personal Expenses/Withdrawal Ledger	Frequency	167	193	376	736
	% of Respondents	22.7%	26.2%	51.1%	100.0%
Other	Frequency	5	52	614	671
	% of Respondents	.7%	7.7%	91.5%	100.0%

Accounting Records

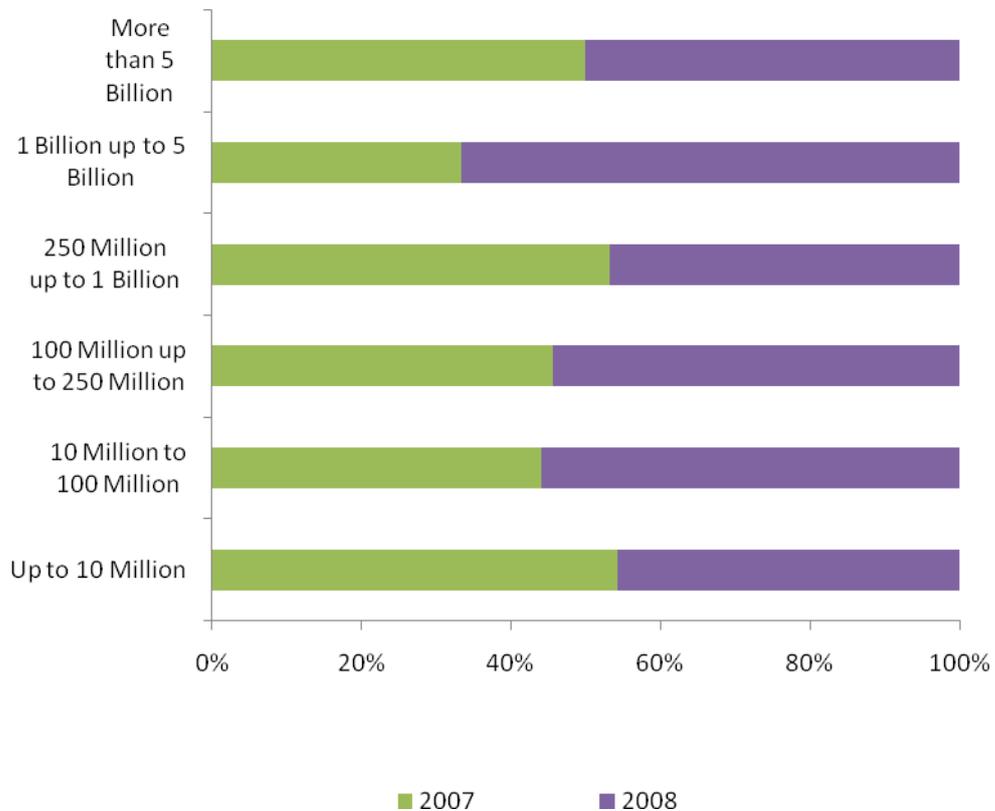


9.1.33. Sales Turnover

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	1 Billion up to 5 Billion	More than 5 Billion	
2007	Frequency	441	230	34	12	3	2	722
	% of Respondents	61.1%	31.9%	4.7%	1.7%	.4%	.3%	100.0%
2008	Frequency	377	297	41	11	6	2	734
	% of Respondents	51.4%	40.5%	5.6%	1.5%	.8%	.3%	100.0%

Sales Turnover

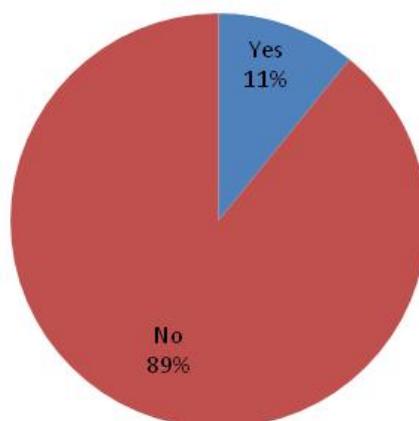


9.1.34. Business with Stated Owned Enterprises (SOEs)

Do you know any state owned enterprise which buys products of the type you make (manufacturing firms only responses)?

	Frequency	Percent
Yes	79	10.8
No	653	89.2
Total	732	100.0
Missing Responses	6	
Total	738	

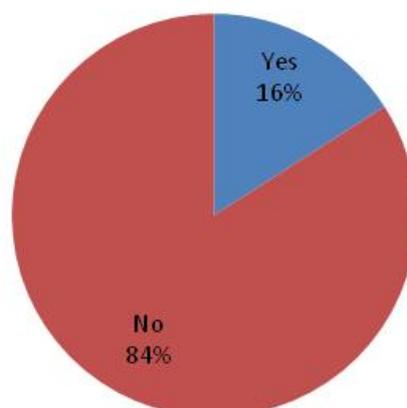
Business with Stated Owned Enterprises (SOEs)



Have you been able to sell your products/ services to a state owned enterprise (all firms)?

	Frequency	Percent
Yes	117	15.9
No	620	84.1
Total	737	100.0
Missing Responses	1	
Total	738	

Have you been able to sell your products/ services to a state owned enterprise (all firms)?

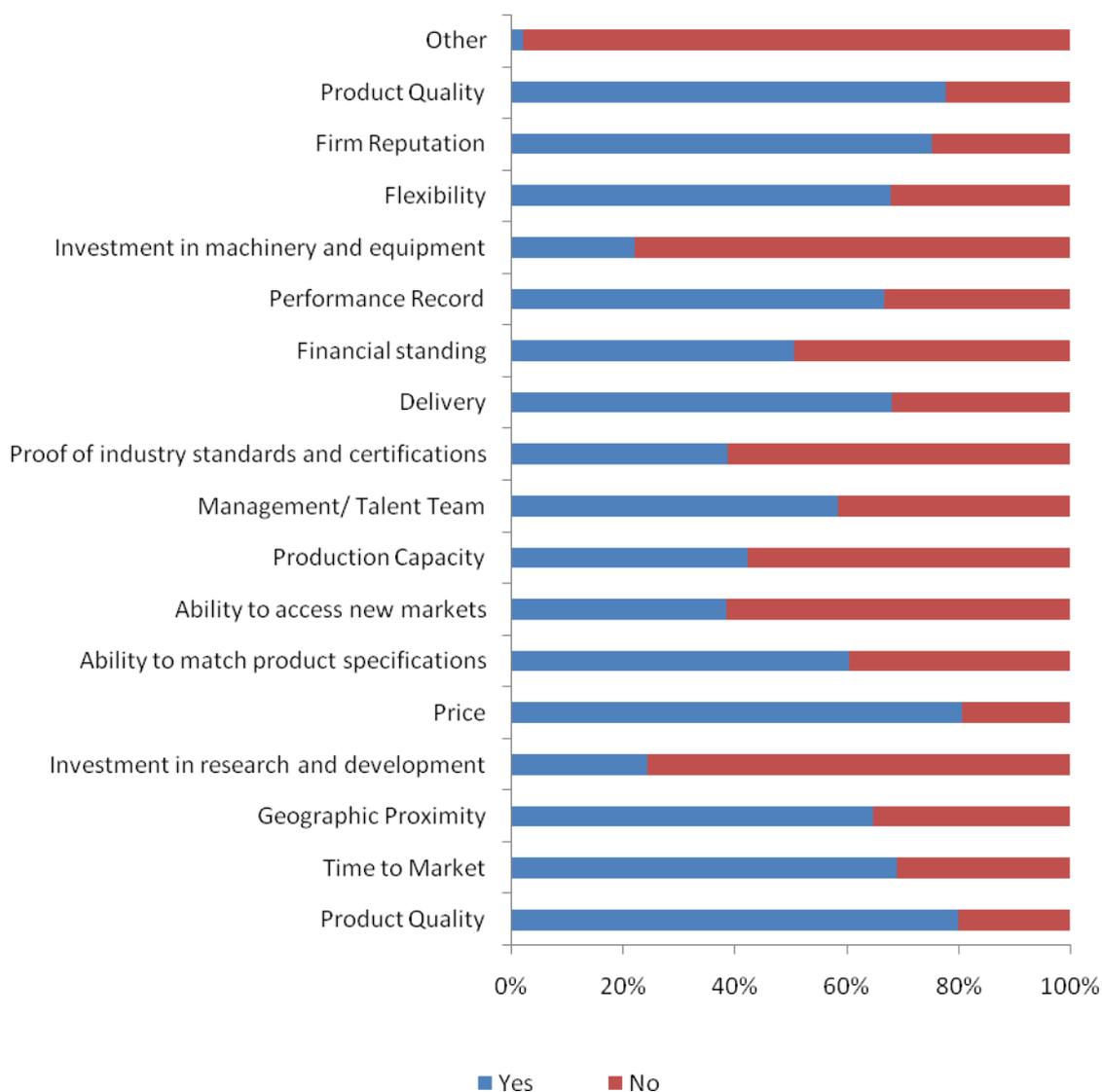


What do you think are the main criteria that large customers and SOEs use in deciding whether to do business with your company?

Large Customer and SOE Criteria		Response		Total
		Yes	No	
Product Quality	Frequency	589	146	735
	% of Respondents	80.1%	19.9%	100.0%
Time to Market	Frequency	508	228	736
	% of Respondents	69.0%	31.0%	100.0%
Geographic Proximity	Frequency	477	259	736
	% of Respondents	64.8%	35.2%	100.0%
Investment in research and development	Frequency	180	554	734
	% of Respondents	24.5%	75.5%	100.0%
Price	Frequency	594	141	735
	% of Respondents	80.8%	19.2%	100.0%
Ability to match product specifications	Frequency	446	290	736
	% of Respondents	60.6%	39.4%	100.0%
Ability to access new markets	Frequency	284	451	735
	% of Respondents	38.6%	61.4%	100.0%

Large Customer and SOE Criteria		Response		Total
		Yes	No	
Production Capacity	Frequency	311	425	736
	% of Respondents	42.3%	57.7%	100.0%
Management/ Talent Team	Frequency	431	304	735
	% of Respondents	58.6%	41.4%	100.0%
Proof of industry standards and certifications	Frequency	285	451	736
	% of Respondents	38.7%	61.3%	100.0%
Delivery	Frequency	501	235	736
	% of Respondents	68.1%	31.9%	100.0%
Financial standing	Frequency	373	363	736
	% of Respondents	50.7%	49.3%	100.0%
Performance Record	Frequency	492	243	735
	% of Respondents	66.9%	33.1%	100.0%
Investment in machinery and equipment	Frequency	164	570	734
	% of Respondents	22.3%	77.7%	100.0%
Flexibility	Frequency	500	235	735
	% of Respondents	68.0%	32.0%	100.0%
Firm Reputation	Frequency	555	181	736
	% of Respondents	75.4%	24.6%	100.0%
Product Quality	Frequency	572	164	736
	% of Respondents	77.7%	22.3%	100.0%
Other	Frequency	15	650	665
	% of Respondents	2.3%	97.7%	100.0%

Large Customer and SOE Criteria



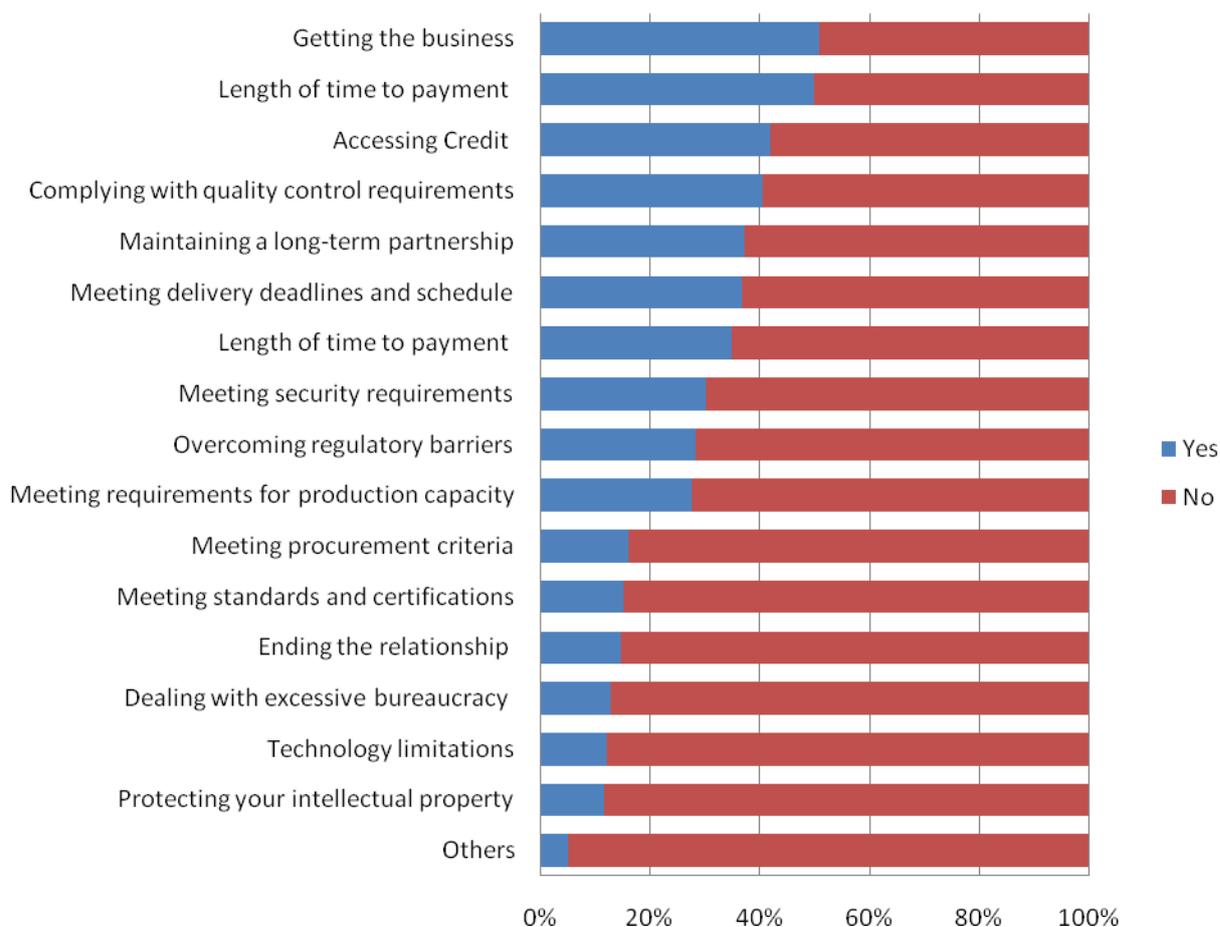
What are the main challenges your company has faced in being a supplier to a state owned enterprise/ large buyers, if applicable?

Challenges to Supplying Large Customer and SOE Criteria	Response			Total
	Yes	No		
Getting the business	Frequency	372	358	730
	% of Respondents	51.0%	49.0%	100.0%
Meeting standards and certifications	Frequency	111	618	729
	% of Respondents	15.2%	84.8%	100.0%

Challenges to Supplying Large Customer and SOE Criteria	Response		Total	
	Yes	No		
Protecting your intellectual property	Frequency	85	643	728
	% of Respondents	11.7%	88.3%	100.0%
Maintaining a long-term partnership	Frequency	272	457	729
	% of Respondents	37.3%	62.7%	100.0%
Accessing Credit	Frequency	306	422	728
	% of Respondents	42.0%	58.0%	100.0%
Complying with quality control requirements	Frequency	297	433	730
	% of Respondents	40.7%	59.3%	100.0%
Meeting security requirements	Frequency	221	509	730
	% of Respondents	30.3%	69.7%	100.0%
Ending the relationship	Frequency	108	621	729
	% of Respondents	14.8%	85.2%	100.0%
Dealing with excessive bureaucracy	Frequency	94	635	729
	% of Respondents	12.9%	87.1%	100.0%
Meeting delivery deadlines and schedule	Frequency	269	461	730
	% of Respondents	36.8%	63.2%	100.0%
Overcoming regulatory barriers	Frequency	208	521	729
	% of Respondents	28.5%	71.5%	100.0%
Meeting requirements for production capacity	Frequency	202	527	729
	% of Respondents	27.7%	72.3%	100.0%
Length of time to payment	Frequency	254	474	728
	% of Respondents	34.9%	65.1%	100.0%

Challenges to Supplying Large Customer and SOE Criteria	Response			Total
	Yes		No	
Technology limitations	Frequency	88	641	729
	% of Respondents	12.1%	87.9%	100.0%
Meeting procurement criteria	Frequency	119	610	729
	% of Respondents	16.3%	83.7%	100.0%
Length of time to payment	Frequency	364	366	730
	% of Respondents	49.9%	50.1%	100.0%
Others	Frequency	35	639	674
	% of Respondents	5.2%	94.8%	100.0%

Main Challenges

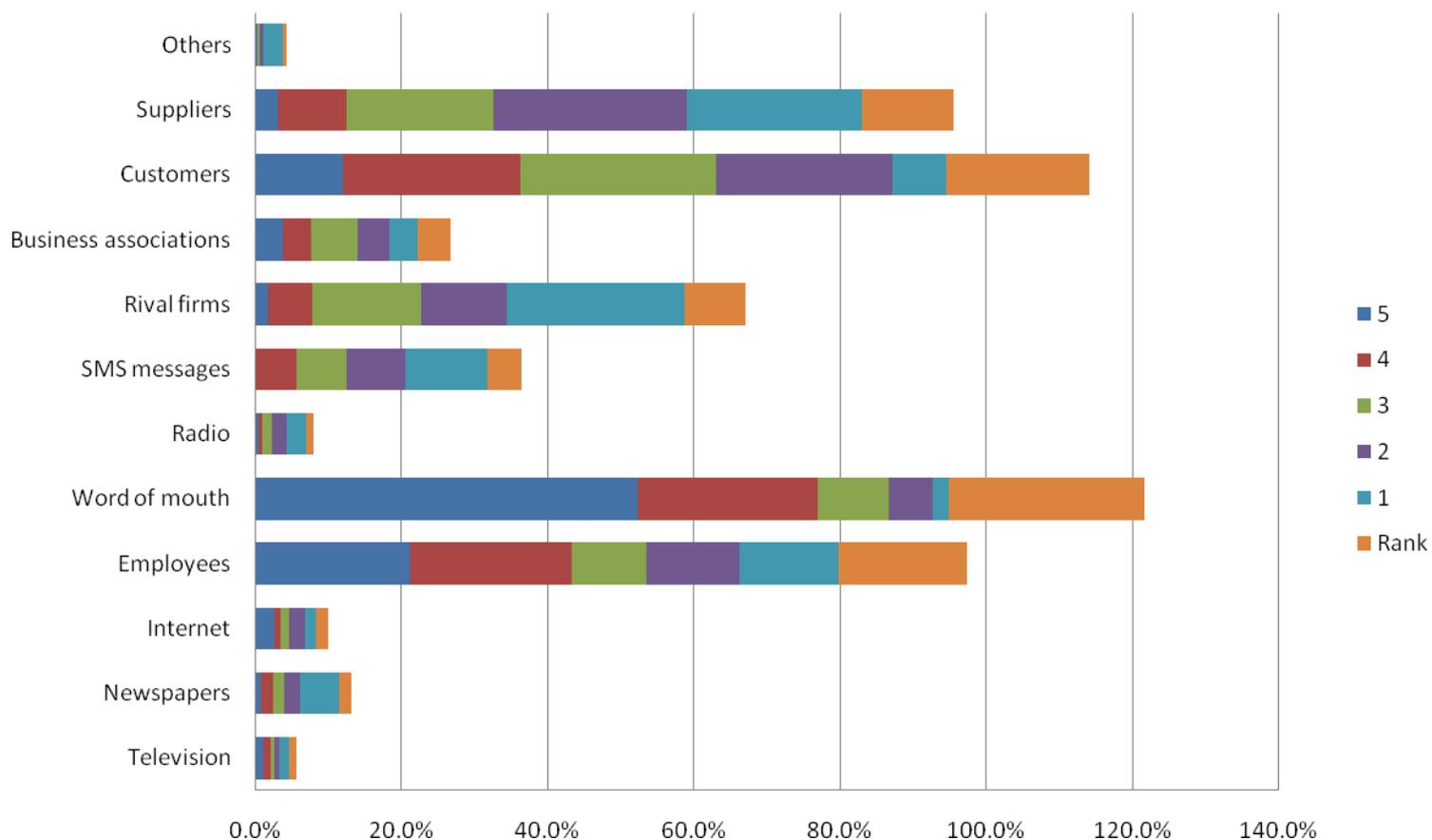


9.1.35. Main Sources of News about Customers

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

	1st		2nd		3rd		4th		5th	
	Frequency	%								
Television	8	1.1	8	1.1	4	.5	4	.6	10	1.4
Newspapers	7	.9	12	1.6	11	1.5	16	2.2	38	5.3
Internet	20	2.7	6	.8	9	1.2	15	2.1	11	1.5
Employees	156	21.2	163	22.1	76	10.3	92	12.7	96	13.5
Word of mouth	386	52.4	181	24.6	72	9.8	43	5.9	16	2.2
Radio	4	.5	4	.5	10	1.4	14	1.9	20	2.8
SMS messages	1	.1	41	5.6	51	6.9	58	8.0	80	11.2
Rival firms	13	1.8	45	6.1	109	14.8	86	11.8	172	24.2
Business associations	28	3.8	29	3.9	47	6.4	31	4.3	28	3.9
Customers	89	12.1	178	24.2	197	26.8	176	24.2	52	7.3
Suppliers	23	3.1	70	9.5	148	20.1	192	26.4	170	23.9
Others	2	.3	0	0	2	.3	4	.6	19	2.7
Total	737	100	737	100	736	100	727	100	712	100
Missing Responses	1		1		2		11		26	

Main Sources of News about Customers

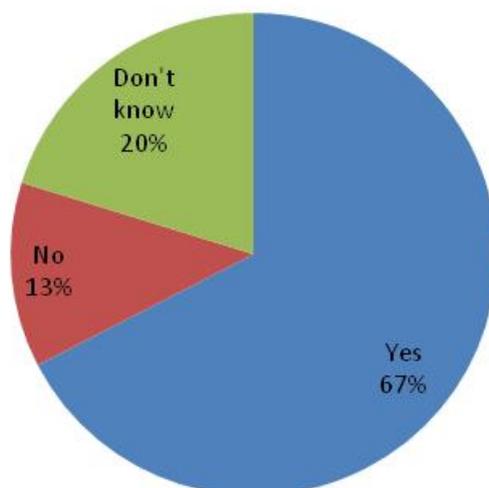


9.1.36. Planned Capital Investments

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

	Frequency	Percent
Yes	490	67.4
No	90	12.4
Don't know	147	20.2
Total	727	100.0
Missing Responses	11	
Total	738	

Planned Capital Investments



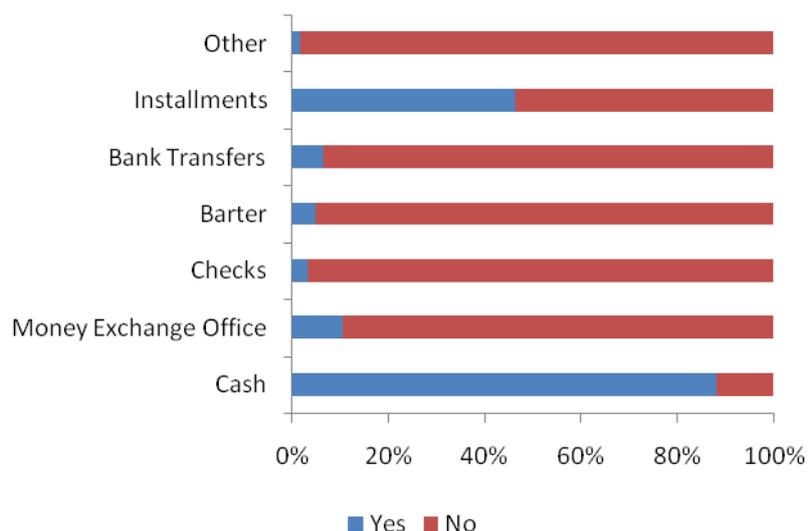
9.1.37. Bill Payment

How do you settle your enterprise related bills?

How do you pay your bills?		Response		Total
		Yes	No	
Cash	Frequency	650	86	736
	% of Respondents	88.3%	11.7%	100.0%
Money Exchange Office	Frequency	77	659	736
	% of Respondents	10.5%	89.5%	100.0%
Checks	Frequency	23	713	736
	% of Respondents	3.1%	96.9%	100.0%
Barter	Frequency	36	700	736
	% of Respondents	4.9%	95.1%	100.0%
Bank Transfers	Frequency	47	689	736
	% of Respondents	6.4%	93.6%	100.0%
Installments	Frequency	341	394	735
	% of Respondents	46.4%	53.6%	100.0%

How do you pay your bills?		Response		Total
		Yes	No	
Other	Frequency	11	670	681
	% of Respondents	1.6%	98.4%	100.0%

Bill Payment



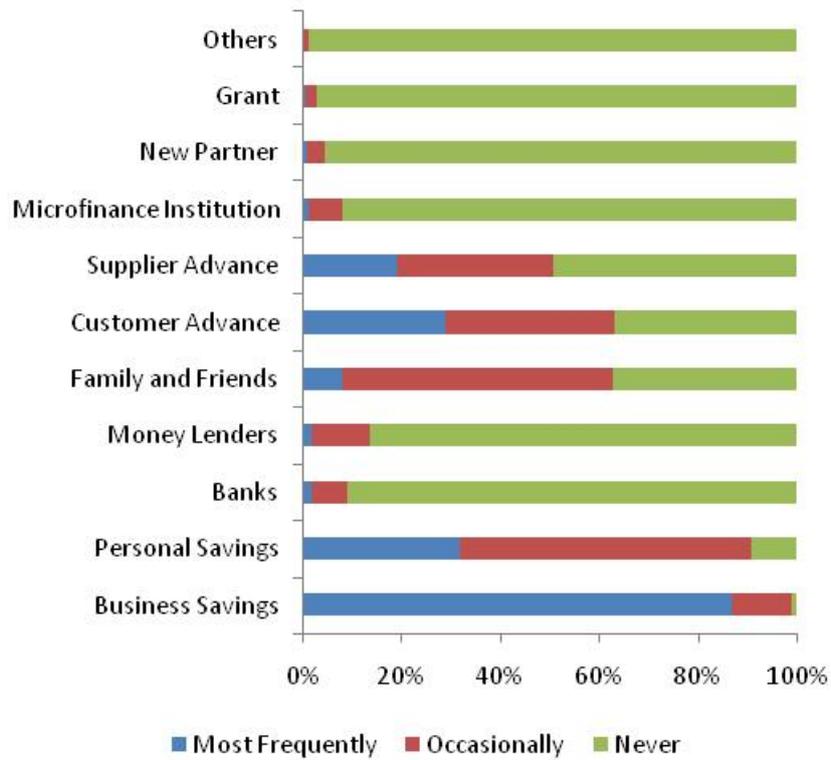
9.1.38. Funding Sources

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

Funding Source		Utilization			Total
		Most Frequently	Occasionally	Never	
Business Savings	Frequency	642	88	8	738
	% of Respondents	87.0%	11.9%	1.1%	100.0%
Personal Savings	Frequency	235	434	67	736
	% of Respondents	31.9%	59.0%	9.1%	100.0%
Banks	Frequency	14	54	667	735
	% of Respondents	1.9%	7.3%	90.7%	100.0%
Money Lenders	Frequency	13	88	635	736

Funding Source		Utilization			Total
		Most Frequently	Occasionally	Never	
	% of Respondents	1.8%	12.0%	86.3%	100.0%
Family and Friends	Frequency	61	401	273	735
	% of Respondents	8.3%	54.6%	37.1%	100.0%
Customer Advance	Frequency	213	253	271	737
	% of Respondents	28.9%	34.3%	36.8%	100.0%
Supplier Advance	Frequency	141	231	362	734
	% of Respondents	19.2%	31.5%	49.3%	100.0%
Microfinance Institution	Frequency	10	49	678	737
	% of Respondents	1.4%	6.6%	92.0%	100.0%
New Partner	Frequency	7	28	702	737
	% of Respondents	.9%	3.8%	95.3%	100.0%
Grant	Frequency	4	17	712	733
	% of Respondents	.5%	2.3%	97.1%	100.0%
Others	Frequency	2	6	666	674
	% of Respondents	.3%	.9%	98.8%	100.0%

Funding Sources

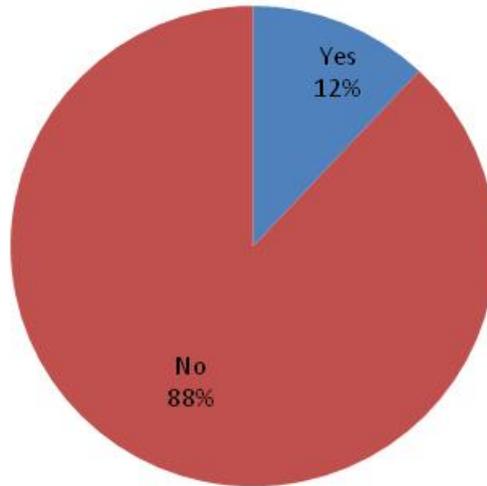


9.1.39. Banking

Do you hold a business bank account?

	Frequency	Percent
Yes	88	12.0
No	646	88.0
Total	734	100.0
Missing Responses	4	
Total	738	

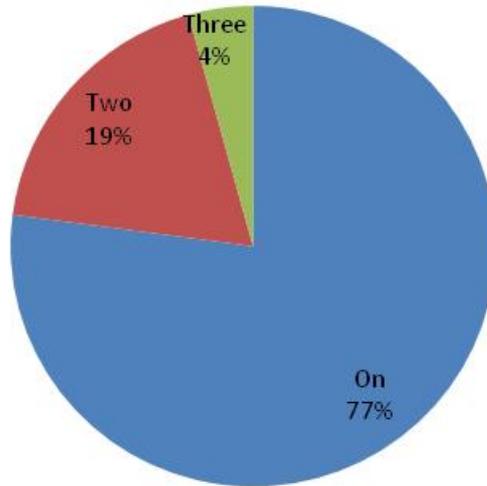
Banking



How many bank accounts does your business have?

Bank Accounts	Frequency	Percent
One	54	77.1
Two	13	18.6
Three	3	4.3
Total	70	100.0
Missing Responses	668	
Total	738	

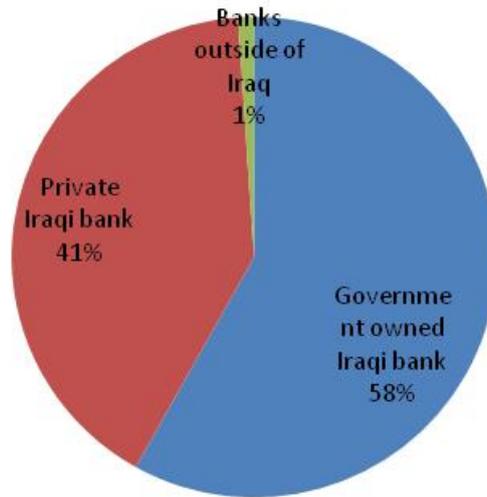
Bank Accounts



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

Type of Bank		
Government owned Iraqi bank	Count	56
	% of Respondents	54.4%
Private Iraqi bank	Count	39
	% of Respondents	38.2%
Banks outside of Iraq	Count	1
	% of Respondents	1.0%

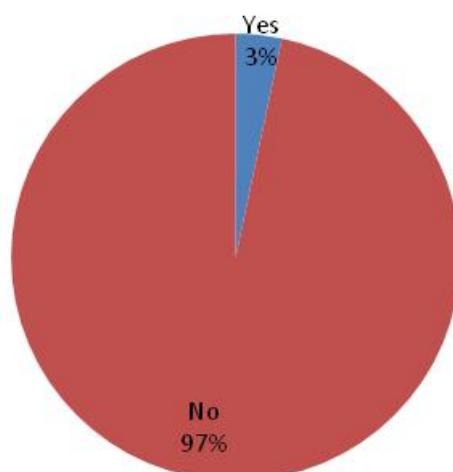
Type of Bank



Have you ever borrowed from a bank of microfinance institution?

	Frequency	Percent
Yes	24	3.3
No	694	96.7
Total	718	100.0
Missing Responses	20	
Total	738	

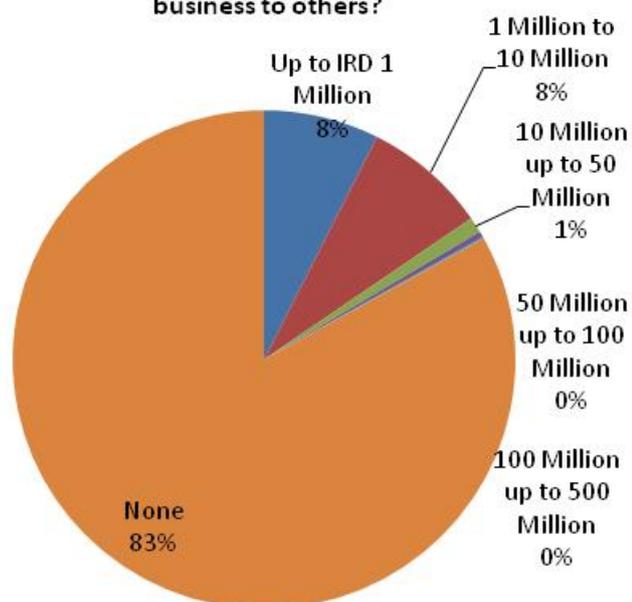
Have you ever borrowed from a bank of microfinance institution?



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

	Frequency	Valid Percent
Up to IRD 1 Million	54	7.4
1 Million to 10 Million	58	8.0
10 Million up to 50 Million	7	1.0
50 Million up to 100 Million	3	.4
100 Million up to 500 Million	1	.1
None	602	83.0
Total	725	100.0
Missing Responses	13	
Total	738	

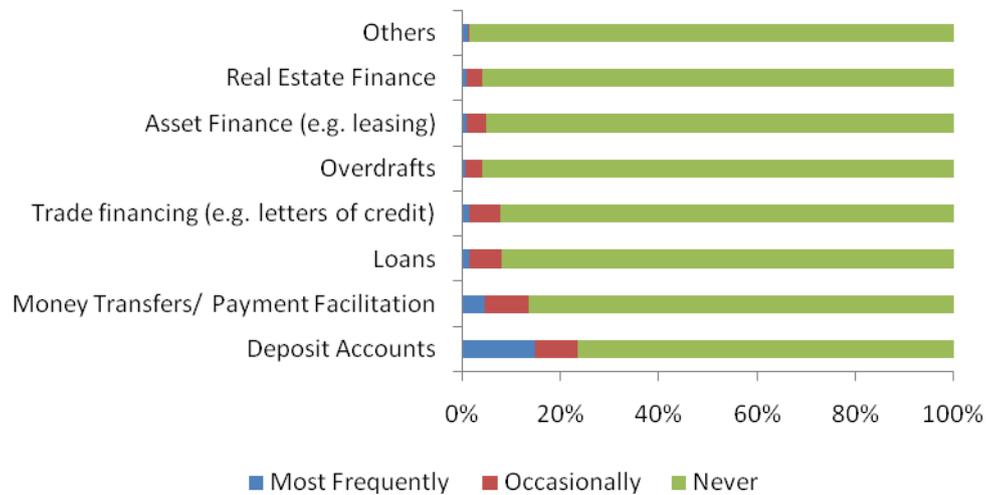
What is the total amount of credit owed by your business to others?



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

Banking Service		Utilization			Total
		Most Frequently	Occasionally	Never	
Deposit Accounts	Frequency	110	64	562	736
	% of Respondents	14.9%	8.7%	76.4%	100.0%
Money Transfers/ Payment Facilitation	Frequency	34	66	636	736
	% of Respondents	4.6%	9.0%	86.4%	100.0%
Loans	Frequency	11	48	676	735
	% of Respondents	1.5%	6.5%	92.0%	100.0%
Trade financing (e.g. letters of credit)	Frequency	11	47	678	736
	% of Respondents	1.5%	6.4%	92.1%	100.0%
Overdrafts	Frequency	6	25	705	736
	% of Respondents	.8%	3.4%	95.8%	100.0%
Asset Finance (e.g. leasing)	Frequency	8	29	699	736
	% of Respondents	1.1%	3.9%	95.0%	100.0%
Real Estate Finance	Frequency	8	23	704	735
	% of Respondents	1.1%	3.1%	95.8%	100.0%
Others	Frequency	8	3	672	683
	% of Respondents	1.2%	.4%	98.4%	100.0%

Banking Service

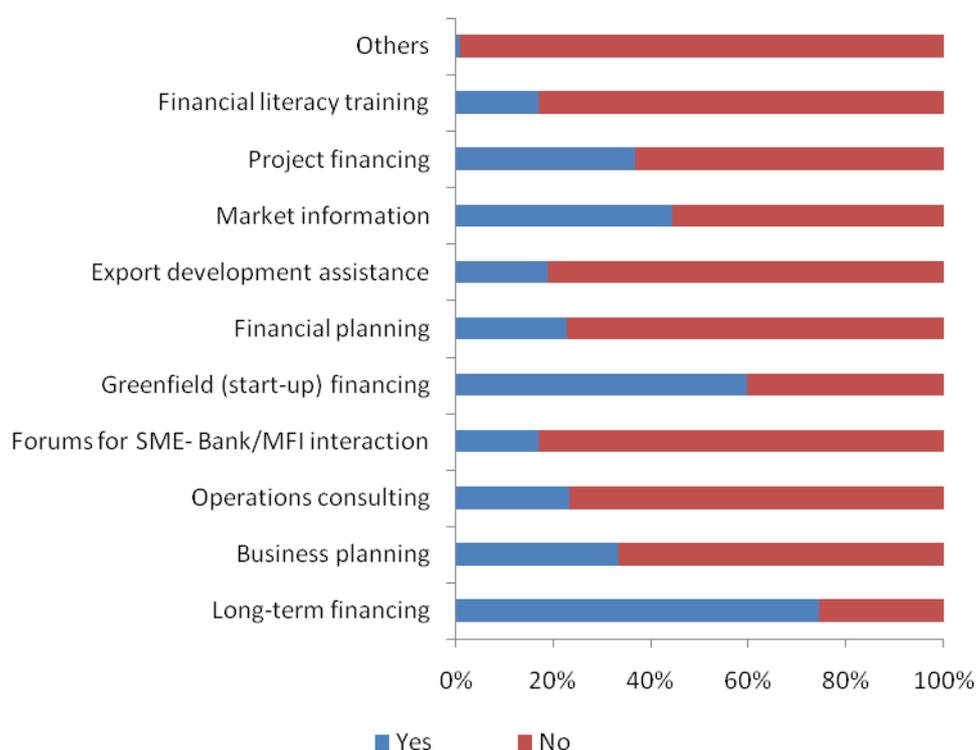


What additional services would you like banks to provide?

Additional Banking Services		Yes	No	Total
Long-term financing	Frequency	545	188	733
	% of Respondents	74.4%	25.6%	100.0%
Business planning	Frequency	245	488	733
	% of Respondents	33.4%	66.6%	100.0%
Operations consulting	Frequency	584	1904	2488
	% of Respondents	23.5%	76.5%	100.0%
Forums for SME- Bank/MFI interaction	Frequency	423	2066	2489
	% of Respondents	17.0%	83.0%	100.0%
Greenfield (start-up) financing	Frequency	1486	1004	2490
	% of Respondents	59.7%	40.3%	100.0%
Financial planning	Frequency	568	1919	2487
	% of Respondents	22.8%	77.2%	100.0%
Export development assistance	Frequency	473	2014	2487
	% of Respondents	19.0%	81.0%	100.0%
Market information	Frequency	1108	1382	2490
	% of Respondents	44.5%	55.5%	100.0%
Project financing	Frequency	918	1571	2489

Additional Banking Services		Yes	No	Total
	% of Respondents	36.9%	63.1%	100.0%
Financial literacy training	Frequency	422	2067	2489
	% of Respondents	17.0%	83.0%	100.0%
Others	Frequency	25	2254	2279
	% of Respondents	1.1%	98.9%	100.0%

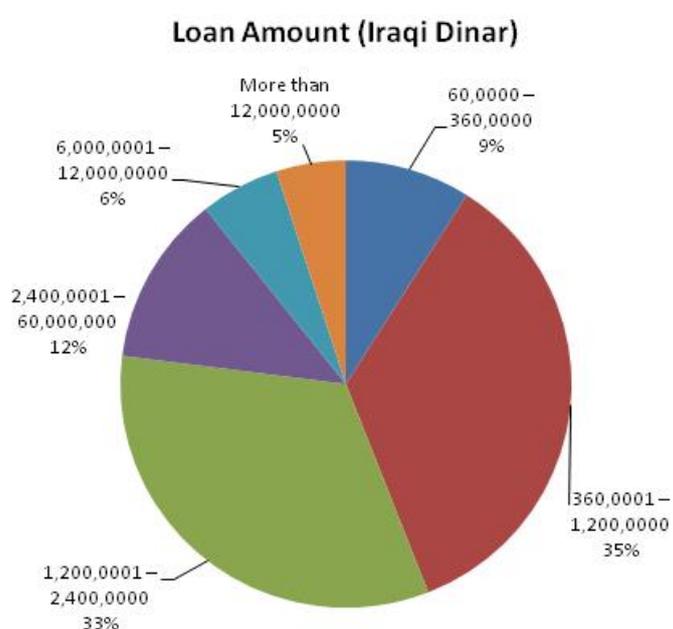
Additional Banking Services



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
60,000 – 360,000	63	9.0
360,0001 – 1,200,0000	246	35.1
1,200,0001 – 2,400,0000	231	33.0
2,400,0001 – 60,000,000	86	12.3

Loan Amount (Iraqi Dinar)	Frequency	Percent
6,000,0001 – 12,000,0000	40	5.7
More than 12,000,0000	35	5.0
Total	701	100.0
Missing Responses	37	
Total	738	



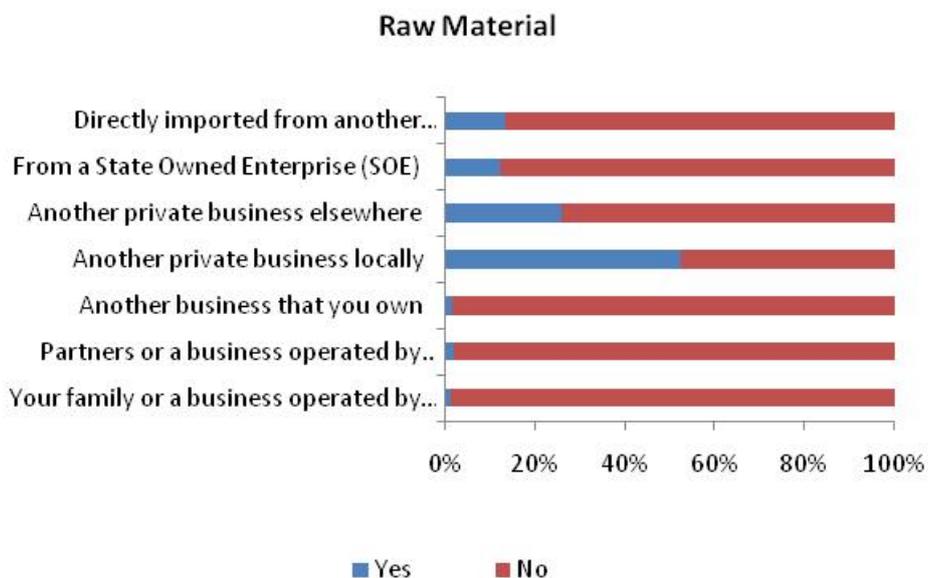
QUALITATIVE

9.1.40. Raw Material

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	5	458	463
	% of Respondents	1.1%	98.9%	100.0%
Partners or a business operated by them	Frequency	9	453	462
	% of Respondents	1.9%	98.1%	100.0%
Another business that you own	Frequency	6	456	462
	% of Respondents	1.3%	98.7%	100.0%

Source of Raw Material		Response		Total
		Yes	No	
Another private business locally	Frequency	242	219	461
	% of Respondents	52.5%	47.5%	100.0%
Another private business elsewhere	Frequency	119	342	461
	% of Respondents	25.8%	74.2%	100.0%
From a State Owned Enterprise (SOE)	Frequency	56	406	462
	% of Respondents	12.1%	87.9%	100.0%
Directly imported from another country	Frequency	59	386	445
	% of Respondents	13.3%	86.7%	100.0%



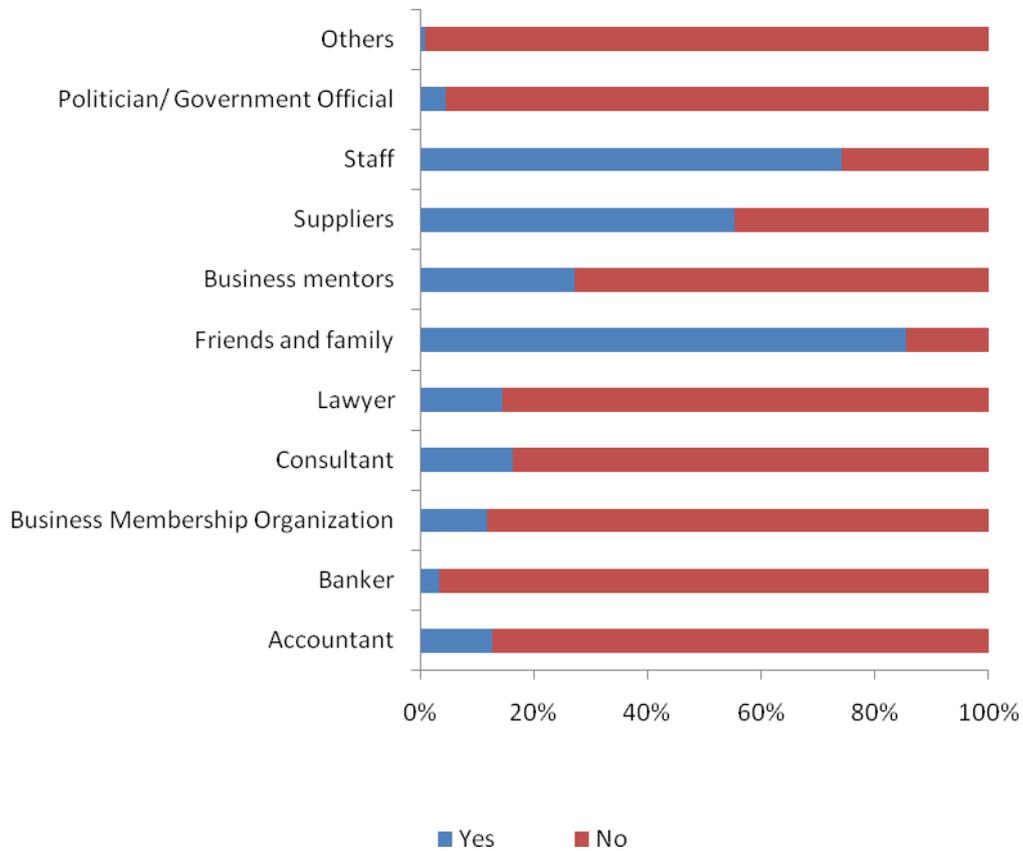
9.1.41. Business Advice

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

Source of Business Advice		Response		Total
		Yes	No	
Accountant	Frequency	93	644	737
	% of Respondents	12.6%	87.4%	100.0%
Banker	Frequency	24	713	737
	% of Respondents	3.3%	96.7%	100.0%
Business Membership Organization	Frequency	87	650	737

Source of Business Advice		Response		Total
		Yes	No	
	% of Respondents	11.8%	88.2%	100.0%
Consultant	Frequency	120	617	737
	% of Respondents	16.3%	83.7%	100.0%
Lawyer	Frequency	107	629	736
	% of Respondents	14.5%	85.5%	100.0%
Friends and family	Frequency	630	108	738
	% of Respondents	85.4%	14.6%	100.0%
Business mentors	Frequency	199	533	732
	% of Respondents	27.2%	72.8%	100.0%
Suppliers	Frequency	408	328	736
	% of Respondents	55.4%	44.6%	100.0%
Staff	Frequency	547	191	738
	% of Respondents	74.1%	25.9%	100.0%
Politician/ Government Official	Frequency	33	701	734
	% of Respondents	4.5%	95.5%	100.0%
Others	Frequency	7	674	681
	% of Respondents	1.0%	99.0%	100.0%

Business Advice



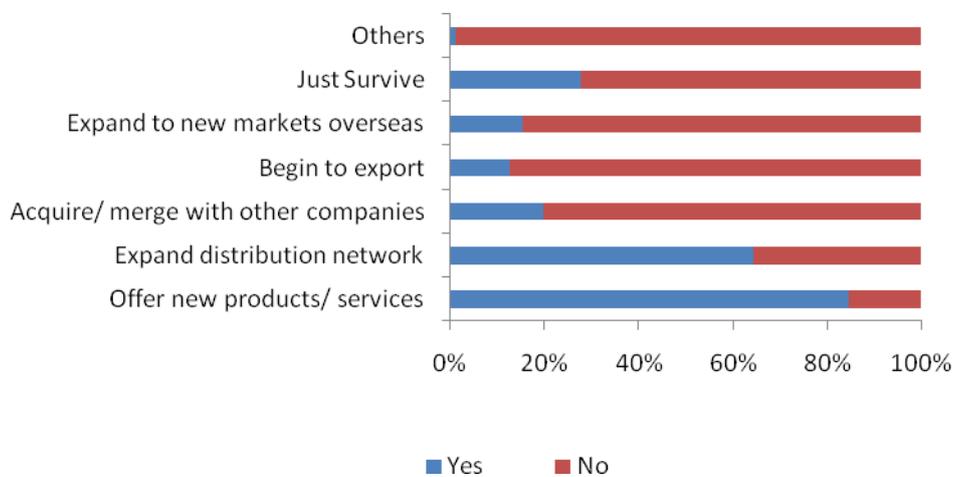
9.1.42. Key Business Strategy

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

Business Strategy		Response		Total
		Yes	No	
Offer new products/ services	Frequency	622	112	734
	% of Respondents	84.7%	15.3%	100.0%
Expand distribution network	Frequency	475	262	737
	% of Respondents	64.5%	35.5%	100.0%
Acquire/ merge with other companies	Frequency	144	592	736
	% of Respondents	19.6%	80.4%	100.0%
Begin to export	Frequency	93	642	735
	% of Respondents	12.7%	87.3%	100.0%
Expand to new markets overseas	Frequency	113	621	734

Business Strategy		Response		Total
		Yes	No	
	% of Respondents	15.4%	84.6%	100.0%
Just Survive	Frequency	203	531	734
	% of Respondents	27.7%	72.3%	100.0%
Others	Frequency	7	669	676
	% of Respondents	1.0%	99.0%	100.0%

Key Business Strategy

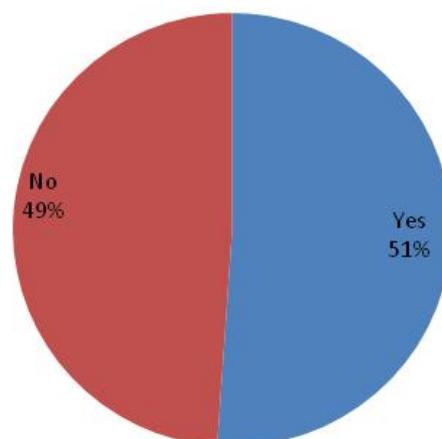


9.1.43. Business Membership Organizations

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

	Frequency	Percent
Yes	371	51.1
No	355	48.9
Total	726	100.0
Missing Responses	12	
Total	738	

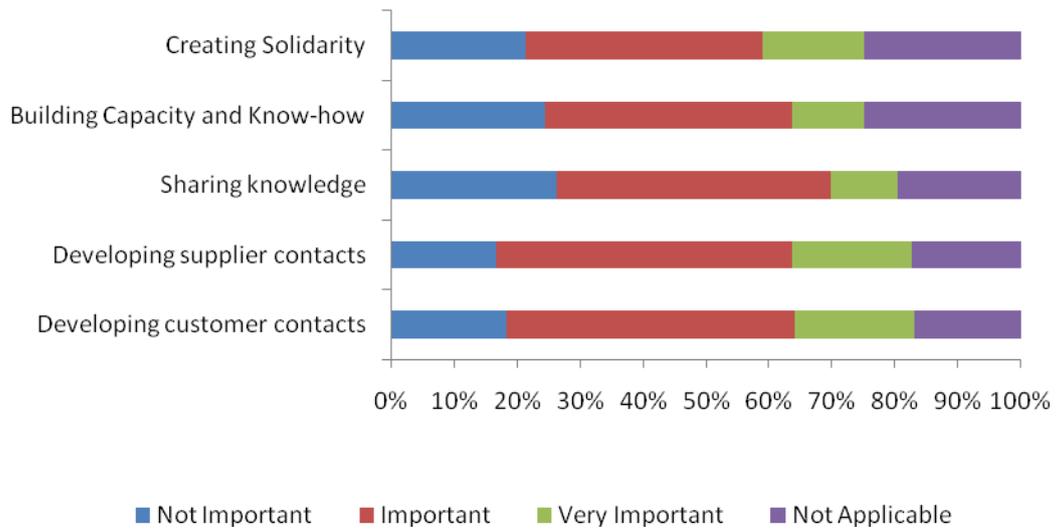
Business Membership Organizations



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

Perceived Benefits		Response				Total
		Not Important	Important	Very Important	Not Applicable	
Developing customer contacts	Frequency	133	338	140	124	735
	% of Respondents	18.1%	46.0%	19.0%	16.9%	100.0%
Developing supplier contacts	Frequency	121	347	139	128	735
	% of Respondents	16.5%	47.2%	18.9%	17.4%	100.0%
Sharing knowledge	Frequency	192	320	78	145	735
	% of Respondents	26.1%	43.5%	10.6%	19.7%	100.0%
Building Capacity and Know-how	Frequency	179	287	84	183	733
	% of Respondents	24.4%	39.2%	11.5%	25.0%	100.0%
Creating Solidarity	Frequency	156	275	117	183	731
	% of Respondents	21.3%	37.6%	16.0%	25.0%	100.0%

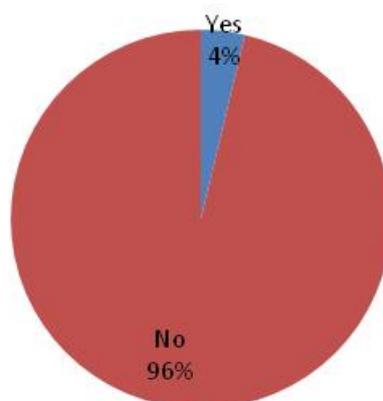
Perceived Benefits



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

	Frequency	Percent
Yes	27	3.7
No	699	96.3
Total	726	100.0
Missing Responses	12	
Total	738	

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



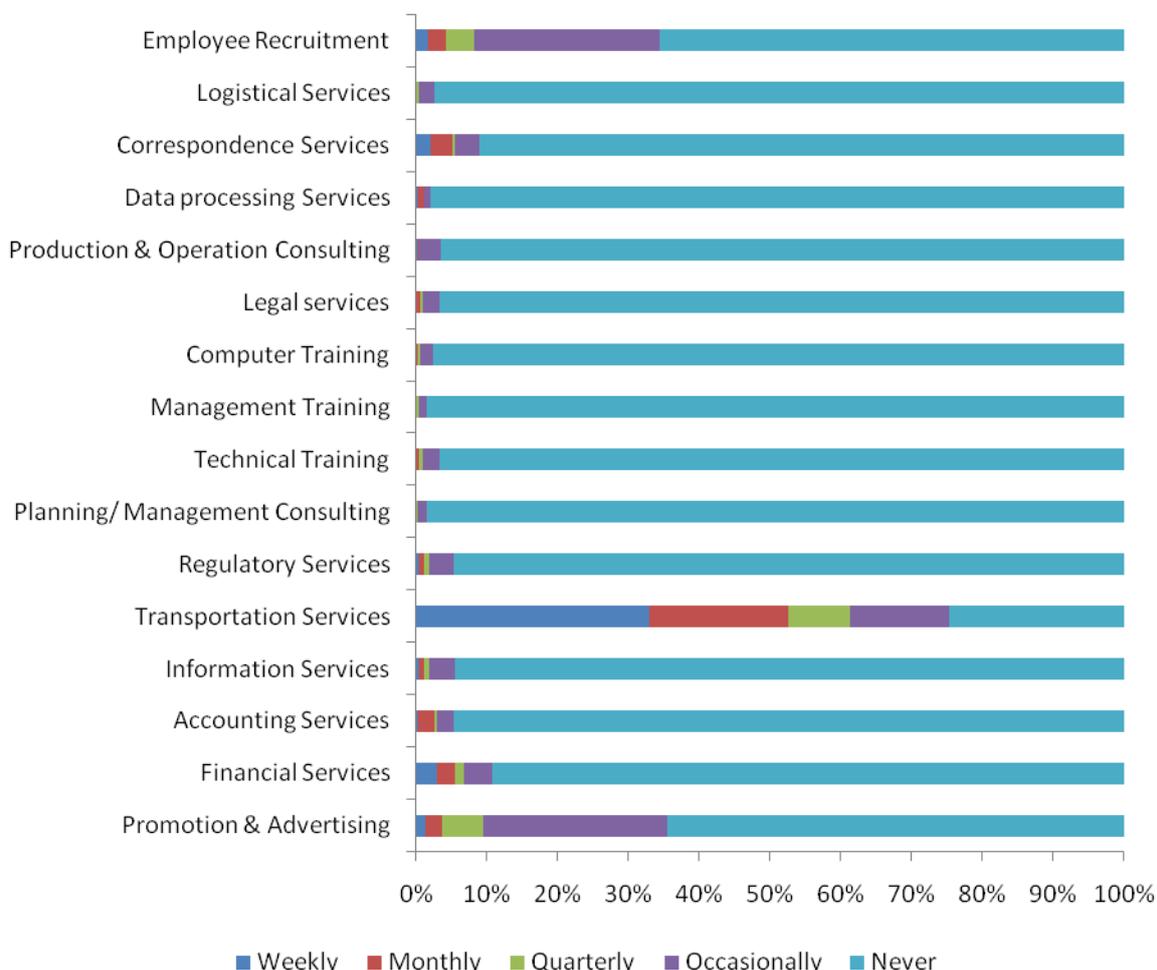
9.1.44. Business Services

How often do you use the following business services?

Business Services		Response					Total
		Weekly	Monthly	Quarterly	Occasionally	Never	
Promotion & Advertising	Frequency	11	18	43	191	475	738
	% of Respondents	1.5%	2.4%	5.8%	25.9%	64.4%	100.0%
Financial Services	Frequency	23	19	9	29	658	738
	% of Respondents	3.1%	2.6%	1.2%	3.9%	89.2%	100.0%
Accounting Services	Frequency	3	18	2	18	697	738
	% of Respondents	.4%	2.4%	.3%	2.4%	94.4%	100.0%
Information Services	Frequency	4	6	5	27	693	735
	% of Respondents	.5%	.8%	.7%	3.7%	94.3%	100.0%
Transportation Services	Frequency	244	144	64	103	182	737
	% of Respondents	33.1%	19.5%	8.7%	14.0%	24.7%	100.0%
Regulatory Services	Frequency	4	6	5	25	698	738
	% of Respondents	.5%	.8%	.7%	3.4%	94.6%	100.0%

Business Services		Response					Total
		Weekly	Monthly	Quarterly	Occasionally	Never	
	% of Respondents	.5%	.8%	.7%	3.4%	94.6%	100.0%
Planning/ Management Consulting	Frequency	1	0	2	9	725	737
	% of Respondents	.1%	.0%	.3%	1.2%	98.4%	100.0%
Technical Training	Frequency	1	3	4	18	710	736
	% of Respondents	.1%	.4%	.5%	2.4%	96.5%	100.0%
Management Training	Frequency	1	1	3	8	724	737
	% of Respondents	.1%	.1%	.4%	1.1%	98.2%	100.0%
Computer Training	Frequency	0	3	3	13	718	737
	% of Respondents	.0%	.4%	.4%	1.8%	97.4%	100.0%
Legal Services	Frequency	0	5	2	18	712	737
	% of Respondents	.0%	.7%	.3%	2.4%	96.6%	100.0%
Production & Operation Consulting	Frequency	2	2	0	22	711	737
	% of Respondents	.3%	.3%	.0%	3.0%	96.5%	100.0%
Data Processing Services	Frequency	3	6	0	7	720	736
	% of Respondents	.4%	.8%	.0%	1.0%	97.8%	100.0%
Correspondence Services	Frequency	16	23	2	26	669	736
	% of Respondents	2.2%	3.1%	.3%	3.5%	90.9%	100.0%
Logistical Services	Frequency	0	1	4	16	713	734
	% of Respondents	.0%	.1%	.5%	2.2%	97.1%	100.0%
Employee Recruitment	Frequency	14	17	30	189	473	723
	% of Respondents	1.9%	2.4%	4.1%	26.1%	65.4%	100.0%

Business Services



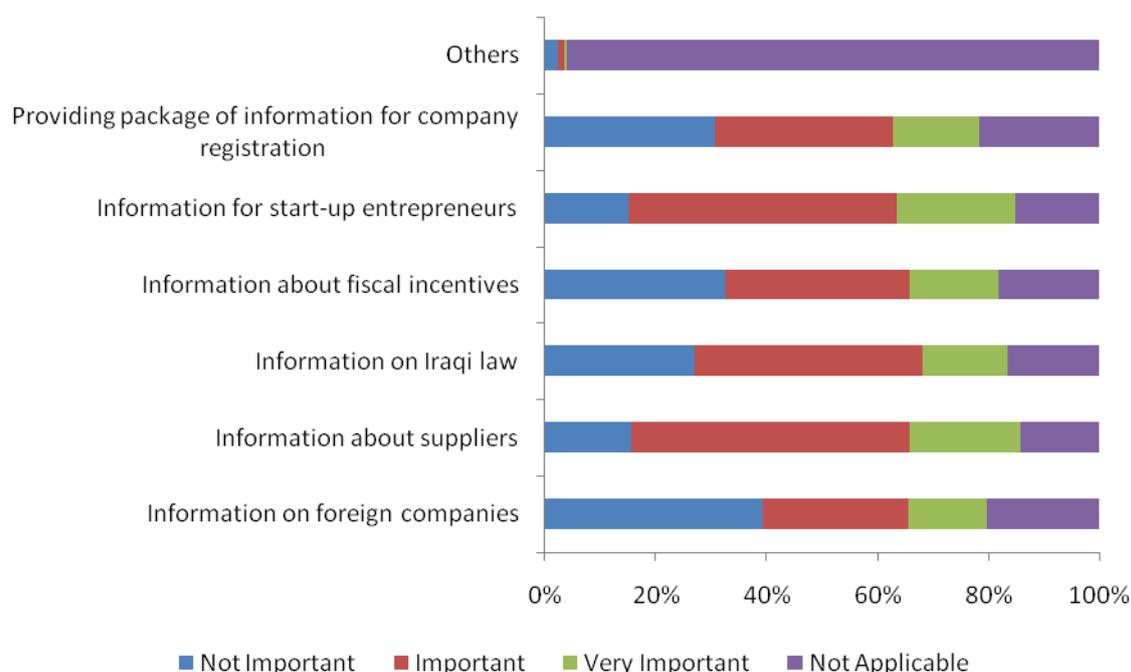
9.1.45. Information Services

List useful services from the following that you would like a business association to provide.

Information Services		List useful services from the following that you would like a business association to provide.				Total
		Not Important	Important	Very Important	Not Applicable	
Information on foreign companies	Frequency	289	193	104	149	735
	% of Respondents	39.3%	26.3%	14.1%	20.3%	100.0%
Information about suppliers	Frequency	114	369	147	105	735
	% of Respondents	15.5%	50.2%	20.0%	14.3%	100.0%
Information on Iraqi law	Frequency	199	303	113	121	736
	% of Respondents	27.0%	41.2%	15.4%	16.4%	100.0%
Information about fiscal	Frequency	240	244	118	133	735

Information Services		List useful services from the following that you would like a business association to provide.				Total
		Not Important	Important	Very Important	Not Applicable	
incentives	% of Respondents	32.7%	33.2%	16.1%	18.1%	100.0%
Information for start-up entrepreneurs	Frequency	111	356	158	111	736
	% of Respondents	15.1%	48.4%	21.5%	15.1%	100.0%
Providing information for company registration	Frequency	227	236	113	160	736
	% of Respondents	30.8%	32.1%	15.4%	21.7%	100.0%
Others	Frequency	16	8	3	652	679
	% of Respondents	2.4%	1.2%	.4%	96.0%	100.0%

Information Services



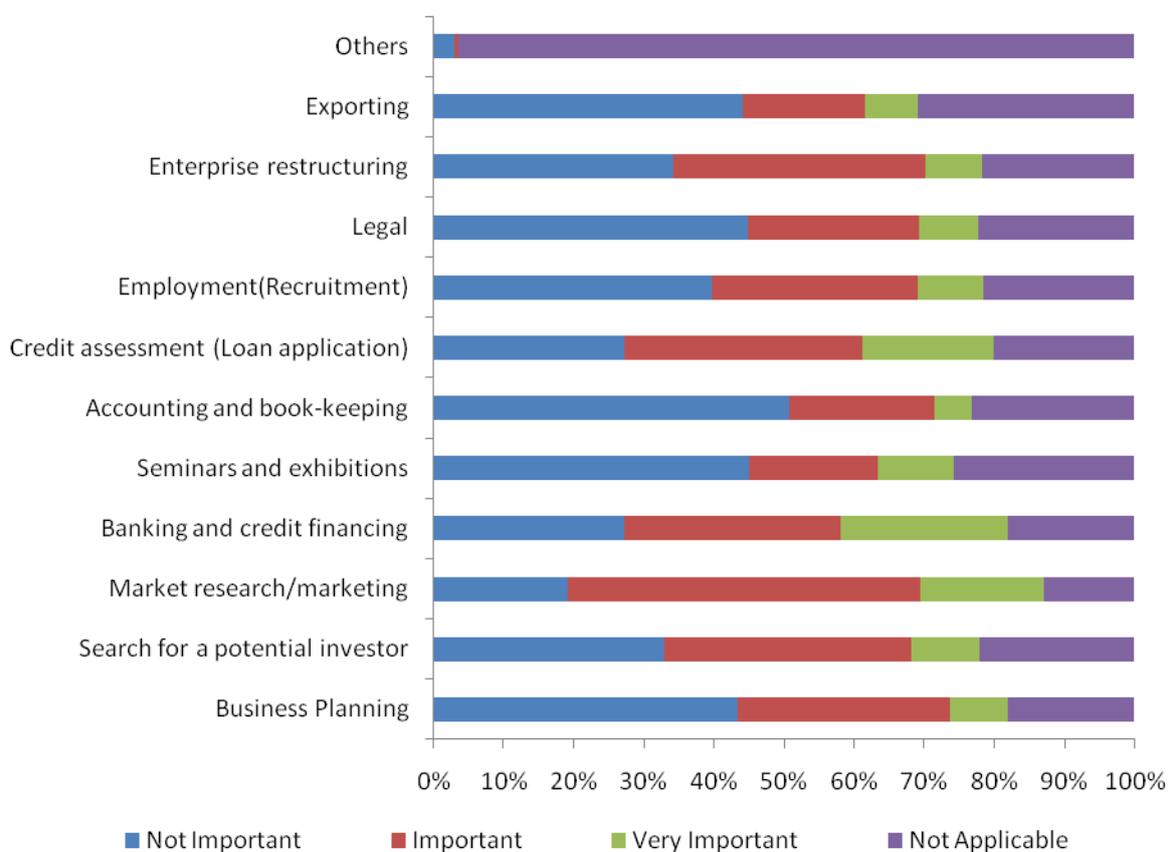
9.1.46. Consulting Services

List useful services from the following that you would like a business association to provide.

Consulting Services		List useful services from the following that you would like a business association to provide.				Total
		Not Important	Important	Very Important	Not Applicable	
Business Planning	Frequency	318	223	60	132	733
	% of	43.4%	30.4%	8.2%	18.0%	100.0%

Consulting Services		List useful services from the following that you would like a business association to provide.				Total
		Not Important	Important	Very Important	Not Applicable	
Search for a potential investor	Frequency	242	260	71	163	736
	% of	32.9%	35.3%	9.6%	22.1%	100.0%
Market research/marketing	Frequency	141	369	131	94	735
	% of	19.2%	50.2%	17.8%	12.8%	100.0%
Banking and credit financing	Frequency	200	227	176	132	735
	% of	27.2%	30.9%	23.9%	18.0%	100.0%
Seminars and exhibitions	Frequency	331	136	80	189	736
	% of	45.0%	18.5%	10.9%	25.7%	100.0%
Accounting and book-keeping	Frequency	373	152	39	170	734
	% of	50.8%	20.7%	5.3%	23.2%	100.0%
Credit assessment (Loan application)	Frequency	200	250	138	148	736
	% of	27.2%	34.0%	18.8%	20.1%	100.0%
Employment(Recruitment)	Frequency	291	216	69	158	734
	% of	39.6%	29.4%	9.4%	21.5%	100.0%
Legal	Frequency	329	180	62	164	735
	% of	44.8%	24.5%	8.4%	22.3%	100.0%
Enterprise restructuring	Frequency	251	266	60	159	736
	% of	34.1%	36.1%	8.2%	21.6%	100.0%
Exporting	Frequency	324	128	54	227	733
	% of	44.2%	17.5%	7.4%	31.0%	100.0%
Others	Frequency	20	3	1	650	674
	% of	3.0%	.4%	.1%	96.4%	100.0%

Consulting Services



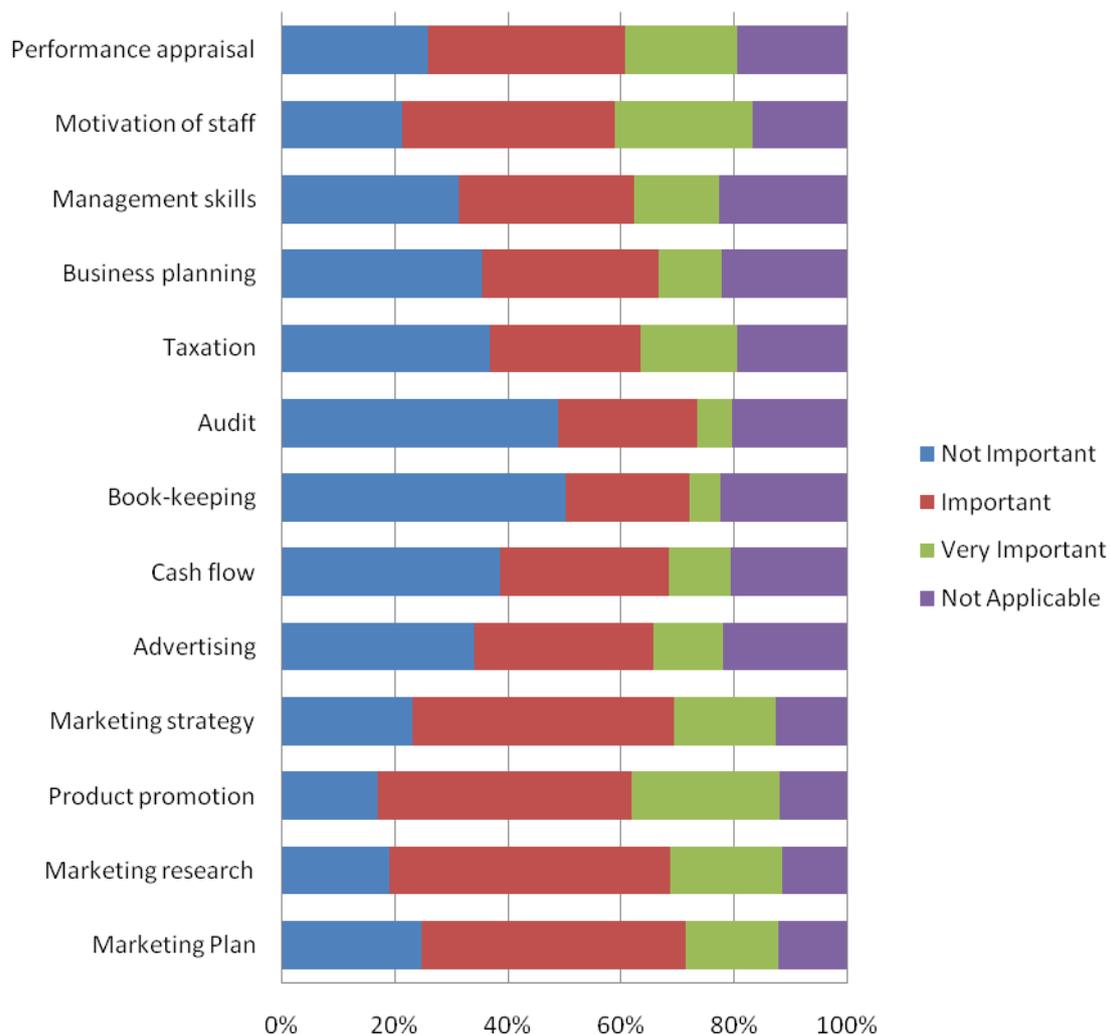
9.1.47. Training Services

List useful services from the following that you would like a business association to provide.

Training Services		List useful services from the following that you would like a business association to provide.				Total
		Not Important	Important	Very Important	Not Applicable	
Marketing plan	Frequency	183	344	121	89	737
	% of Respondents	24.8%	46.7%	16.4%	12.1%	100.0 %
Marketing research	Frequency	141	367	145	84	737
	% of Respondents	19.1%	49.8%	19.7%	11.4%	100.0 %
Product promotion	Frequency	126	331	193	87	737
	% of Respondents	17.1%	44.9%	26.2%	11.8%	100.0 %
Marketing strategy	Frequency	170	341	132	93	736
	% of Respondents	23.1%	46.3%	17.9%	12.6%	100.0 %
Advertising	Frequency	250	231	90	159	730

Training Services		List useful services from the following that you would like a business association to provide.				Total
		Not Important	Important	Very Important	Not Applicable	
	% of Respondents	34.2%	31.6%	12.3%	21.8%	100.0 %
Cash flow	Frequency	285	220	81	151	737
	% of Respondents	38.7%	29.9%	11.0%	20.5%	100.0 %
Bookkeeping	Frequency	371	161	40	165	737
	% of Respondents	50.3%	21.8%	5.4%	22.4%	100.0 %
Audit	Frequency	360	182	45	149	736
	% of Respondents	48.9%	24.7%	6.1%	20.2%	100.0 %
Taxation	Frequency	273	195	127	142	737
	% of Respondents	37.0%	26.5%	17.2%	19.3%	100.0 %
Business planning	Frequency	260	228	82	162	732
	% of Respondents	35.5%	31.1%	11.2%	22.1%	100.0 %
Management skills	Frequency	230	227	110	166	733
	% of Respondents	31.4%	31.0%	15.0%	22.6%	100.0 %
Motivation of staff	Frequency	157	277	178	123	735
	% of Respondents	21.4%	37.7%	24.2%	16.7%	100.0 %
Performance appraisal	Frequency	191	256	145	142	734
	% of Respondents	26.0%	34.9%	19.8%	19.3%	100.0 %
Total		2997	3360	1489	1712	9558
		31.4%	35.2%	15.6%	17.9%	100.0 %

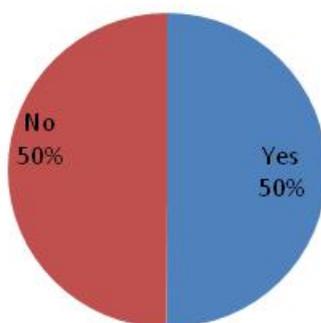
List useful services from the following that you would like a business association to provide.



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

	Frequency	Percent
Yes	363	50.1
No	361	49.9
Total	724	100.0
Missing Responses	14	
Total	738	

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



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

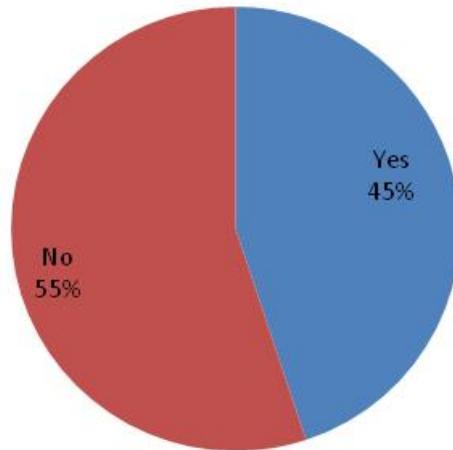
	Frequency	Percent
Yes	324	44.9
No	397	55.1
Total	721	100.0
Missing Responses	17	
Total	738	

9.1.48. Growth Constraints

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

	1 st		2 nd		3 rd		4 th		5 th	
	Frequency	%								
Cash flow	280	38.0	67	9.1	49	6.7	42	5.8	51	7.0
Raise finance for growth	109	14.8	194	26.4	37	5.0	43	5.9	51	7.0
Access to market intelligence/information	31	4.2	41	5.6	53	7.2	29	4.0	45	6.2
Access to business opportunities	34	4.6	52	7.1	74	10.1	55	7.5	49	6.7
Security	80	10.9	64	8.7	130	17.7	68	9.3	91	12.5
Employee skill limitations	15	2.0	48	6.5	56	7.6	77	10.5	45	6.2
Economic environment	58	7.9	98	13.3	134	18.2	168	23.0	67	9.2
Keep up with new technology	12	1.6	35	4.8	48	6.5	44	6.0	49	6.7
Energy Shortages	86	11.7	71	9.6	83	11.3	116	15.9	106	14.5
High competition	26	3.5	54	7.3	50	6.8	61	8.4	135	18.5
Governmental regulations	4	.5	11	1.5	22	3.0	26	3.6	36	4.9
Others	2	.3	1	.1	0	0	1	.1	4	.5
Total	737	100	736	100	736	100	730	100	729	100
Missing Responses	1		2		2		8		9	

Do you pay/are you willing to pay for employment agency services

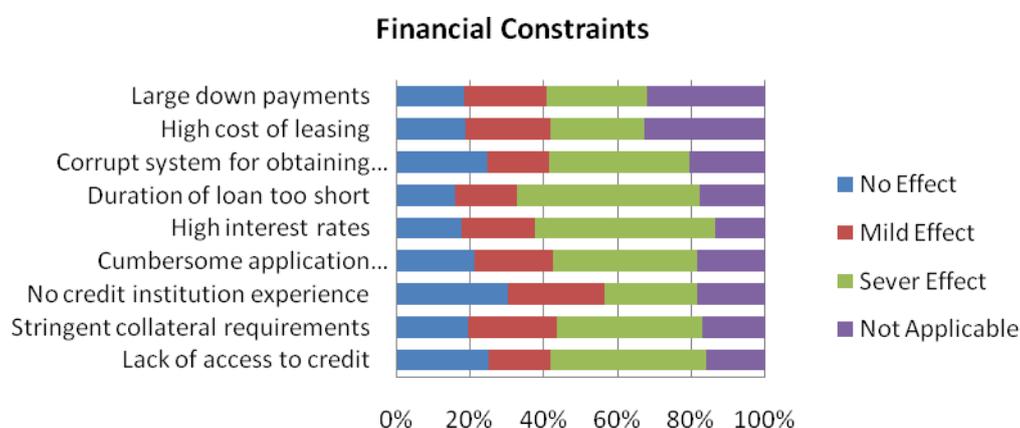


9.2 FIRM LEVEL CONSTRAINTS RESPONSES

9.2.1. Financial and HR constraints: Financial

Financial Constraints		Financial and HR constraints:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Lack of access to credit	Frequency	185	124	310	118	737
	% of Respondents	25.1%	16.8%	42.1%	16.0%	100.0%
Stringent collateral requirements	Frequency	143	177	293	125	738
	% of Respondents	19.4%	24.0%	39.7%	16.9%	100.0%
No credit institution experience	Frequency	223	192	186	136	737
	% of Respondents	30.3%	26.1%	25.2%	18.5%	100.0%
Cumbersome application procedures	Frequency	158	155	288	137	738
	% of Respondents	21.4%	21.0%	39.0%	18.6%	100.0%
High interest rates	Frequency	130	149	358	101	738
	% of Respondents	17.6%	20.2%	48.5%	13.7%	100.0%
Duration of loan too short	Frequency	117	124	365	131	737
	% of Respondents	15.9%	16.8%	49.5%	17.8%	100.0%

Financial Constraints		Financial and HR constraints:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Corrupt system for obtaining credit	Frequency	181	125	278	152	736
	% of Respondents	24.6%	17.0%	37.8%	20.7%	100.0%
High cost of leasing	Frequency	137	169	188	239	733
	% of Respondents	18.7%	23.1%	25.6%	32.6%	100.0%
Large down payments	Frequency	134	165	198	236	733
	% of Respondents	18.3%	22.5%	27.0%	32.2%	100.0%

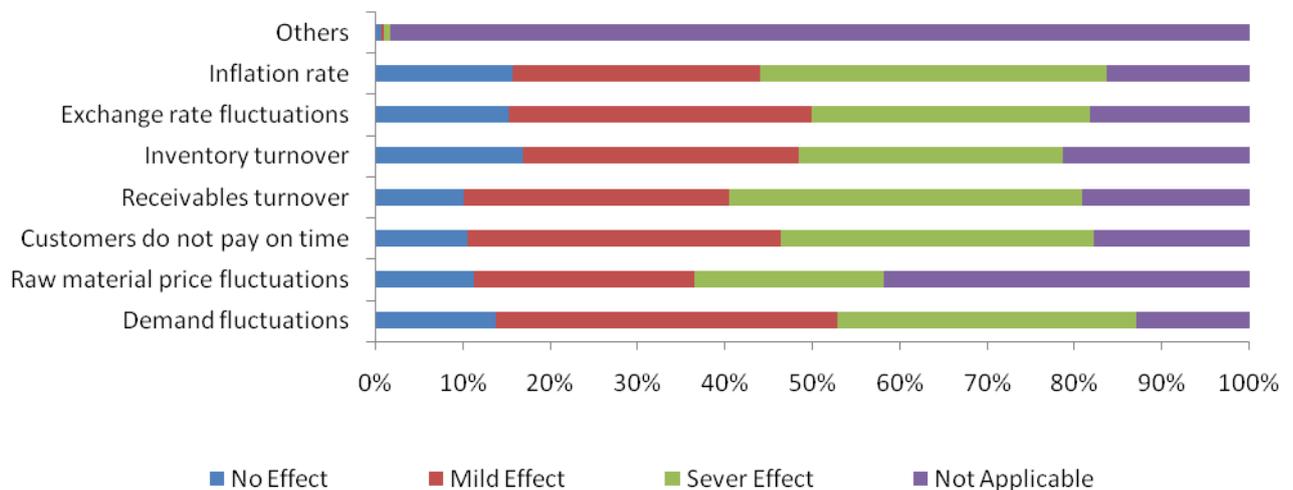


9.2.2 Financial and HR constraints: Cash Flow

Cash Flow Constraints		Financial and HR constraints:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Demand fluctuations	Frequency	102	288	253	95	738
	% of Respondents	13.8%	39.0%	34.3%	12.9%	100.0%
Raw material price fluctuations	Frequency	84	185	160	308	737
	% of Respondents	11.4%	25.1%	21.7%	41.8%	100.0%
Customers do not pay on time	Frequency	78	264	264	131	737
	% of Respondents	10.6%	35.8%	35.8%	17.8%	100.0%
Receivables turnover	Frequency	75	224	298	141	738

Cash Flow Constraints		Financial and HR constraints:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
	% of Respondents	10.2%	30.4%	40.4%	19.1%	100.0%
Inventory turnover	Frequency	125	231	221	157	734
	% of Respondents	17.0%	31.5%	30.1%	21.4%	100.0%
Exchange rate fluctuations	Frequency	113	255	235	134	737
	% of Respondents	15.3%	34.6%	31.9%	18.2%	100.0%
Inflation rate	Frequency	116	209	293	120	738
	% of Respondents	15.7%	28.3%	39.7%	16.3%	100.0%
Others	Frequency	5	3	4	660	672
	% of Respondents	.7%	.4%	.6%	98.2%	100.0%

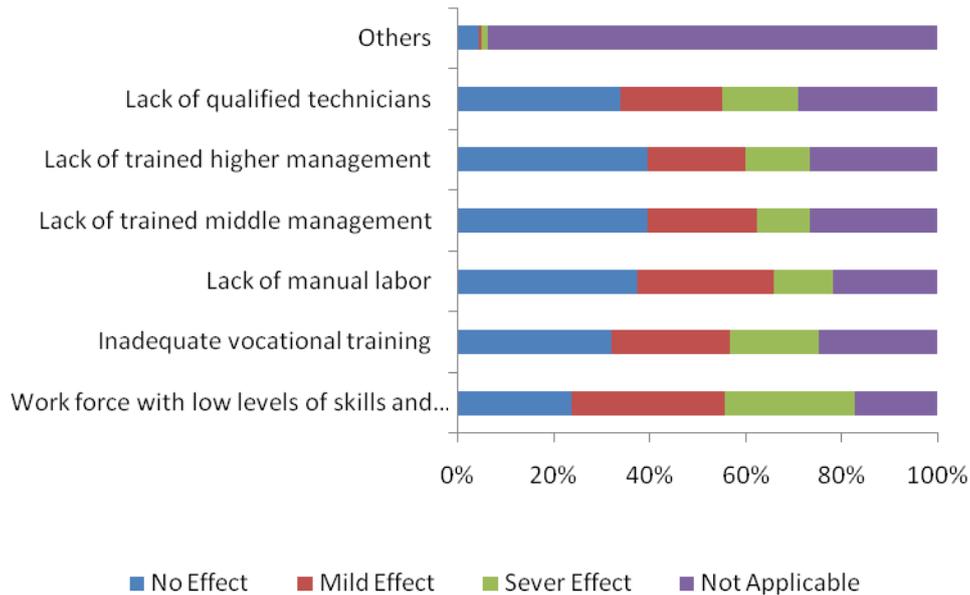
Cash flow Constraints



9.2.3 Financial and HR constraints: Human Resource

Human Resource Constraints		Financial and HR constraints:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Work force with low levels of skills and education	Frequency	176	234	201	126	737
	% of Respondents	23.9%	31.8%	27.3%	17.1%	100.0%
Inadequate vocational training	Frequency	237	181	137	181	736
	% of Respondents	32.2%	24.6%	18.6%	24.6%	100.0%
Lack of manual labor	Frequency	276	210	91	159	736
	% of Respondents	37.5%	28.5%	12.4%	21.6%	100.0%
Lack of trained middle management	Frequency	291	168	80	195	734
	% of Respondents	39.6%	22.9%	10.9%	26.6%	100.0%
Lack of trained higher management	Frequency	292	150	99	195	736
	% of Respondents	39.7%	20.4%	13.5%	26.5%	100.0%
Lack of qualified technicians	Frequency	250	157	116	214	737
	% of Respondents	33.9%	21.3%	15.7%	29.0%	100.0%
Others	Frequency	31	4	9	625	669
	% of Respondents	4.6%	.6%	1.3%	93.4%	100.0%

Human Resource Constraints

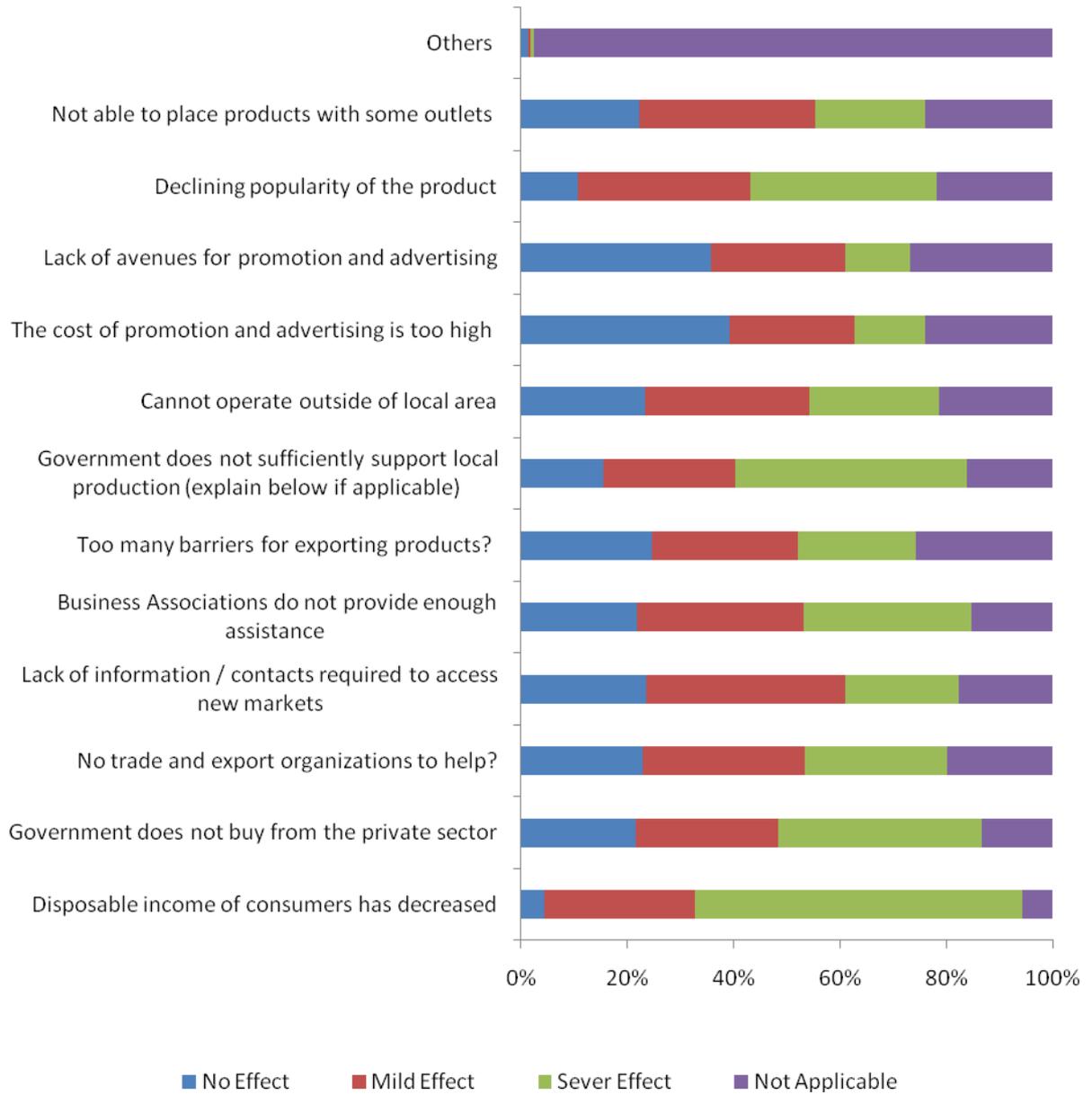


9.2.4 Marketing and Sales Constraints:

Marketing and Sales:		Marketing and Sales:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Disposable income of consumers has decreased	Frequency	32	209	456	41	738
	% of Respondents	4.3%	28.3%	61.8%	5.6%	100.0%
Government does not buy from the private sector	Frequency	159	198	283	98	738
	% of Respondents	21.5%	26.8%	38.3%	13.3%	100.0%
No trade and export organizations to help?	Frequency	169	224	196	146	735
	% of Respondents	23.0%	30.5%	26.7%	19.9%	100.0%
Lack of information / contacts required to access new markets	Frequency	173	277	157	130	737
	% of Respondents	23.5%	37.6%	21.3%	17.6%	100.0%
Business Associations do not provide enough assistance	Frequency	160	232	233	112	737
	% of Respondents	21.7%	31.5%	31.6%	15.2%	100.0%
Too many barriers for exporting products?	Frequency	182	202	163	190	737
	% of Respondents	24.7%	27.4%	22.1%	25.8%	100.0%

Marketing and Sales:		Marketing and Sales:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Government does not sufficiently support local production (explain below if applicable)	Frequency	114	182	322	119	737
	% of Respondents	15.5%	24.7%	43.7%	16.1%	100.0%
Cannot operate outside of local area	Frequency	172	227	180	158	737
	% of Respondents	23.3%	30.8%	24.4%	21.4%	100.0%
The cost of promotion and advertising is too high	Frequency	289	173	98	176	736
	% of Respondents	39.3%	23.5%	13.3%	23.9%	100.0%
Lack of avenues for promotion and advertising	Frequency	263	187	91	197	738
	% of Respondents	35.6%	25.3%	12.3%	26.7%	100.0%
Declining popularity of the product	Frequency	79	239	259	161	738
	% of Respondents	10.7%	32.4%	35.1%	21.8%	100.0%
Not able to place products with some outlets	Frequency	163	243	152	176	734
	% of Respondents	22.2%	33.1%	20.7%	24.0%	100.0%
Others	Frequency	8	4	4	658	674
	% of Respondents	1.2%	.6%	.6%	97.6%	100.0%

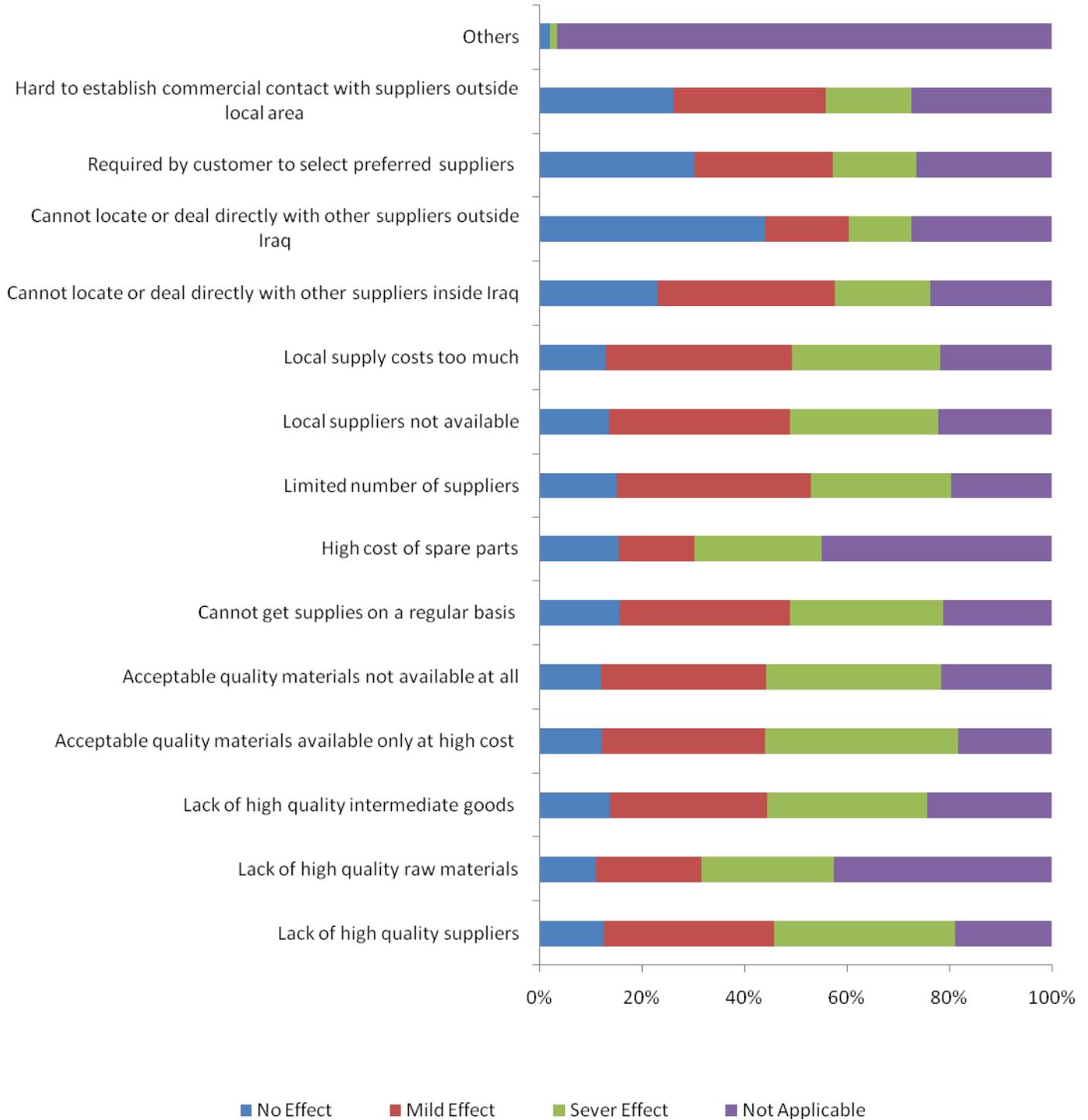
Marketing and Sales



9.2.5. Supplier Constraints:

Supplier Constraints:		Supplier Constraints:				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Lack of high quality suppliers	Frequency	93	245	260	139	737
	% of Respondents	12.6%	33.2%	35.3%	18.9%	100.0%
Lack of high quality raw materials	Frequency	81	152	190	314	737
	% of Respondents	11.0%	20.6%	25.8%	42.6%	100.0%
Lack of high quality intermediate goods	Frequency	101	227	230	179	737
	% of Respondents	13.7%	30.8%	31.2%	24.3%	100.0%
Acceptable quality materials available only at high cost	Frequency	90	235	278	134	737
	% of Respondents	12.2%	31.9%	37.7%	18.2%	100.0%
Acceptable quality materials not available at all	Frequency	89	237	250	159	735
	% of Respondents	12.1%	32.2%	34.0%	21.6%	100.0%
Cannot get supplies on a regular basis	Frequency	116	244	221	155	736
	% of Respondents	15.8%	33.2%	30.0%	21.1%	100.0%
High cost of spare parts	Frequency	115	108	183	331	737
	% of Respondents	15.6%	14.7%	24.8%	44.9%	100.0%
Limited number of suppliers	Frequency	112	278	201	145	736
	% of Respondents	15.2%	37.8%	27.3%	19.7%	100.0%
Local suppliers not available	Frequency	99	260	213	162	734
	% of Respondents	13.5%	35.4%	29.0%	22.1%	100.0%
Local supply costs too much	Frequency	96	266	213	160	735
	% of Respondents	13.1%	36.2%	29.0%	21.8%	100.0%
Cannot locate or deal directly with other suppliers inside Iraq	Frequency	170	255	137	175	737
	% of Respondents	23.1%	34.6%	18.6%	23.7%	100.0%
Cannot locate or deal directly with other suppliers outside Iraq	Frequency	324	119	91	201	735
	% of Respondents	44.1%	16.2%	12.4%	27.3%	100.0%
Required by customer to select preferred suppliers	Frequency	222	199	120	195	736
	% of Respondents	30.2%	27.0%	16.3%	26.5%	100.0%
Hard to establish commercial contact with suppliers outside local area	Frequency	193	219	123	201	736
	% of Respondents	26.2%	29.8%	16.7%	27.3%	100.0%
Others	Frequency	15	0	8	655	678
	% of Respondents	2.2%	.0%	1.2%	96.6%	100.0%

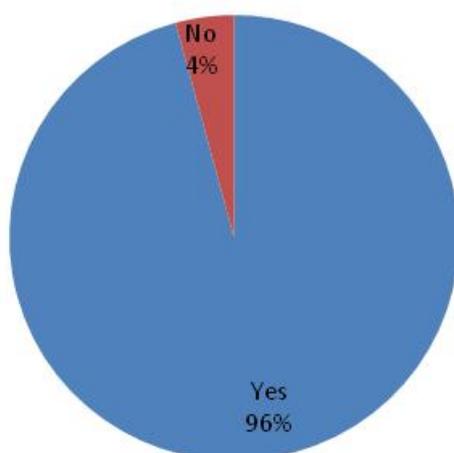
Supplier Constraints



Are you free to choose any supplier you wish?

	Frequency	Percent
Yes	691	95.8
No	30	4.2
Total	721	100.0
Missing Responses	17	
Total	738	

Are you free to choose any supplier you wish?

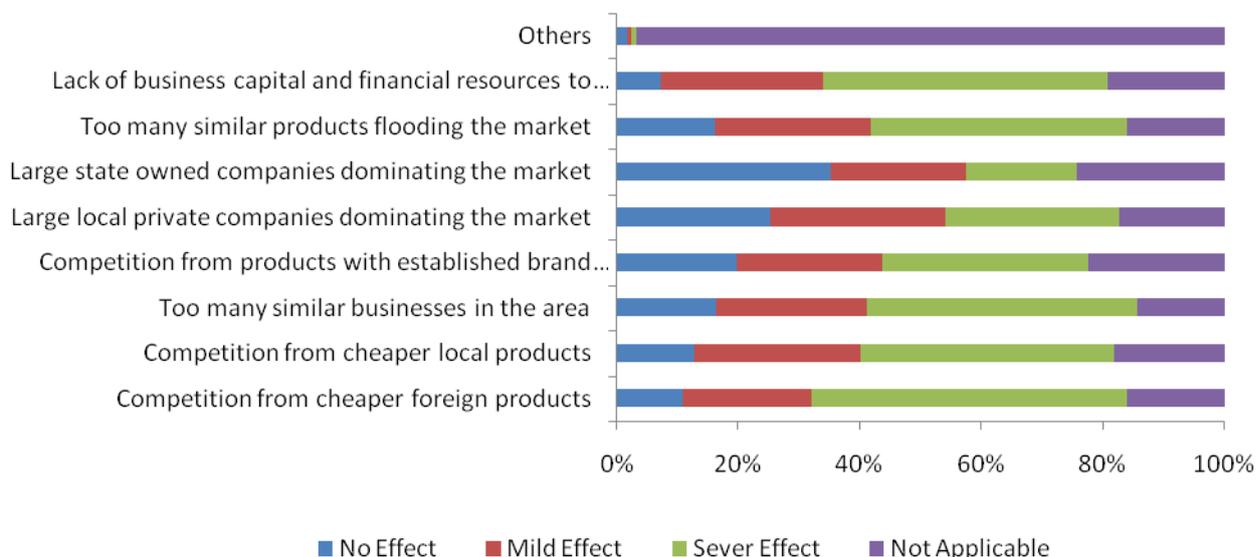


9.2.6. Competition Constraints

Competition Constraints		Competition Constraints				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Competition from cheaper foreign products	Frequency	79	156	383	119	737
	% of Respondents	10.7%	21.2%	52.0%	16.1%	100.0%
Competition from cheaper local products	Frequency	94	201	307	135	737
	% of Respondents	12.8%	27.3%	41.7%	18.3%	100.0%
Too many similar businesses in the area	Frequency	120	183	327	107	737
	% of	16.3%	24.8%	44.4%	14.5%	100.0%

Competition Constraints		Competition Constraints				
		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
	Respondents					
Competition from products with established brand name	Frequency	144	177	248	165	734
	% of Respondents	19.6%	24.1%	33.8%	22.5%	100.0%
Large local private companies dominating the market	Frequency	186	211	211	128	736
	% of Respondents	25.3%	28.7%	28.7%	17.4%	100.0%
Large state owned companies dominating the market	Frequency	259	163	134	179	735
	% of Respondents	35.2%	22.2%	18.2%	24.4%	100.0%
Too many similar products flooding the market	Frequency	118	189	311	118	736
	% of Respondents	16.0%	25.7%	42.3%	16.0%	100.0%
Lack of business capital and financial resources to compete	Frequency	52	197	344	141	734
	% of Respondents	7.1%	26.8%	46.9%	19.2%	100.0%
Others	Frequency	12	4	5	644	665
	% of Respondents	1.8%	.6%	.8%	96.8%	100.0%

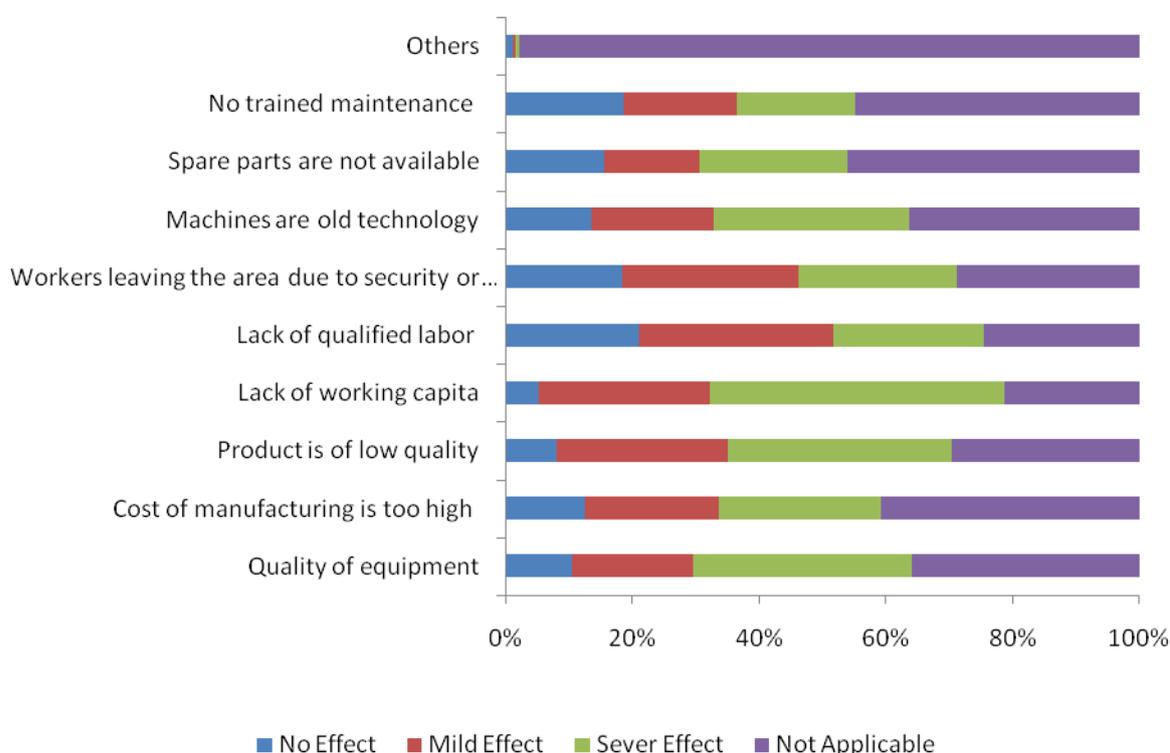
Competition Constraints



9.2.7. Operational Constraints

Operational Constraints		Operational Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Quality of equipment	Frequency	78	140	254	266	738
	% of Respondents	10.6%	19.0%	34.4%	36.0%	100.0%
Cost of manufacturing is too high	Frequency	93	155	190	300	738
	% of Respondents	12.6%	21.0%	25.7%	40.7%	100.0%
Product is of low quality	Frequency	60	198	260	219	737
	% of Respondents	8.1%	26.9%	35.3%	29.7%	100.0%
Lack of working capita	Frequency	38	200	342	157	737
	% of Respondents	5.2%	27.1%	46.4%	21.3%	100.0%
Lack of qualified labor	Frequency	155	227	174	181	737
	% of Respondents	21.0%	30.8%	23.6%	24.6%	100.0%
Workers leaving the area due to security or economic reasons	Frequency	136	204	185	212	737
	% of Respondents	18.5%	27.7%	25.1%	28.8%	100.0%
Machines are old technology	Frequency	100	142	227	268	737
	% of Respondents	13.6%	19.3%	30.8%	36.4%	100.0%
Spare parts are not available	Frequency	115	111	173	339	738
	% of Respondents	15.6%	15.0%	23.4%	45.9%	100.0%
No trained maintenance	Frequency	138	131	138	331	738
	% of Respondents	18.7%	17.8%	18.7%	44.9%	100.0%
Others	Frequency	9	2	4	656	671
	% of Respondents	1.3%	.3%	.6%	97.8%	100.0%

Operational Constraints

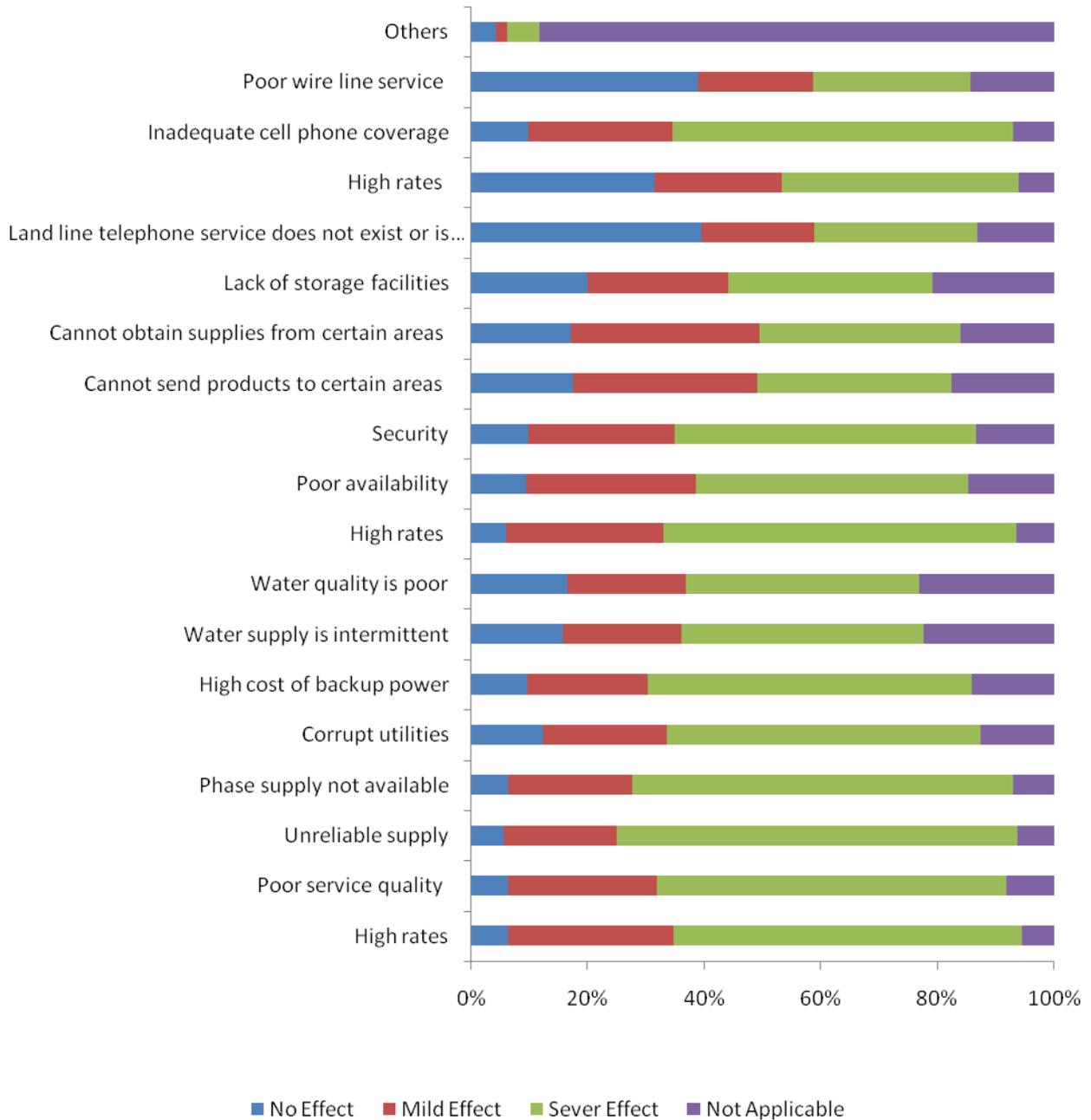


9.2.8. Infrastructure and Logistics Constraints:

Infrastructure and Logistics:		Infrastructure and Logistics:				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
High rates	Frequency	47	206	438	40	731
	% of Respondents	6.4%	28.2%	59.9%	5.5%	100.0%
Poor service quality	Frequency	47	185	438	61	731
	% of Respondents	6.4%	25.3%	59.9%	8.3%	100.0%
Unreliable supply	Frequency	40	143	504	46	733
	% of Respondents	5.5%	19.5%	68.8%	6.3%	100.0%
Phase supply not available	Frequency	47	155	477	52	731
	% of Respondents	6.4%	21.2%	65.3%	7.1%	100.0%
Corrupt utilities	Frequency	90	155	392	92	729
	% of Respondents	12.3%	21.3%	53.8%	12.6%	100.0%

Infrastructure and Logistics:		Infrastructure and Logistics:				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
High cost of backup power	Frequency	70	151	406	103	730
	% of Respondents	9.6%	20.7%	55.6%	14.1%	100.0%
Water supply is intermittent	Frequency	115	150	304	165	734
	% of Respondents	15.7%	20.4%	41.4%	22.5%	100.0%
Water quality is poor	Frequency	121	149	294	170	734
	% of Respondents	16.5%	20.3%	40.1%	23.2%	100.0%
High rates	Frequency	43	198	444	48	733
	% of Respondents	5.9%	27.0%	60.6%	6.5%	100.0%
Poor availability	Frequency	69	214	343	108	734
	% of Respondents	9.4%	29.2%	46.7%	14.7%	100.0%
Security	Frequency	71	185	378	99	733
	% of Respondents	9.7%	25.2%	51.6%	13.5%	100.0%
Cannot send products to certain areas	Frequency	128	230	244	129	731
	% of Respondents	17.5%	31.5%	33.4%	17.6%	100.0%
Cannot obtain supplies from certain areas	Frequency	125	237	252	117	731
	% of Respondents	17.1%	32.4%	34.5%	16.0%	100.0%
Lack of storage facilities	Frequency	145	177	256	152	730
	% of Respondents	19.9%	24.2%	35.1%	20.8%	100.0%
Land line telephone service does not exist or is inadequate	Frequency	290	142	206	97	735
	% of Respondents	39.5%	19.3%	28.0%	13.2%	100.0%
High rates	Frequency	231	160	298	45	734
	% of Respondents	31.5%	21.8%	40.6%	6.1%	100.0%
Inadequate cell phone coverage	Frequency	72	181	430	52	735
	% of Respondents	9.8%	24.6%	58.5%	7.1%	100.0%
Poor wire line service	Frequency	285	146	198	105	734
	% of Respondents	38.8%	19.9%	27.0%	14.3%	100.0%
Others	Frequency	28	13	37	595	673
	% of Respondents	4.2%	1.9%	5.5%	88.4%	100.0%

Infrastructure and Logistics

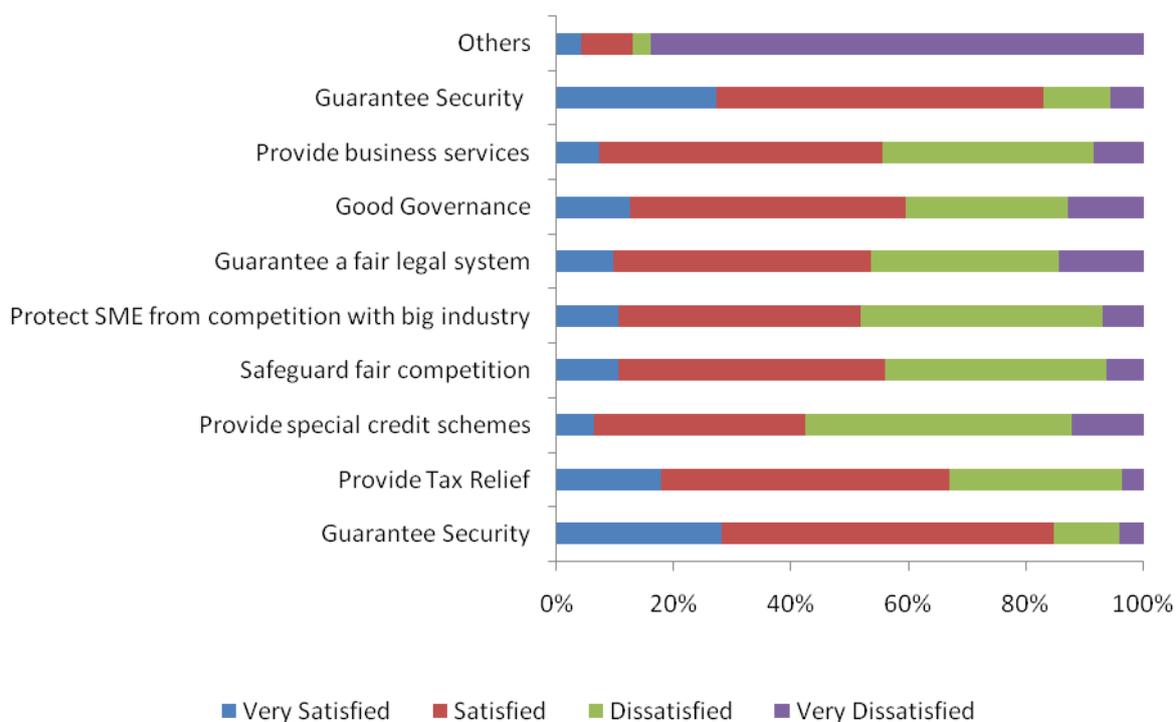


9.3 BUSINESS & POLICY LEVEL CONSTRAINTS RESPONSES

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

		Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	Total
Guarantee Security	Frequency	207	416	83	30	736
	% of Respondents	28.1%	56.5%	11.3%	4.1%	100.0%
Provide Tax Relief	Frequency	131	360	217	27	735
	% of Respondents	17.8%	49.0%	29.5%	3.7%	100.0%
Provide special credit schemes	Frequency	47	265	334	90	736
	% of Respondents	6.4%	36.0%	45.4%	12.2%	100.0%
Safeguard fair competition	Frequency	77	333	278	46	734
	% of Respondents	10.5%	45.4%	37.9%	6.3%	100.0%
Protect SME from competition with big industry	Frequency	78	301	303	51	733
	% of Respondents	10.6%	41.1%	41.3%	7.0%	100.0%
Guarantee a fair legal system	Frequency	71	323	235	106	735
	% of Respondents	9.7%	43.9%	32.0%	14.4%	100.0%
Good Governance	Frequency	93	345	203	95	736
	% of Respondents	12.6%	46.9%	27.6%	12.9%	100.0%
Provide business services	Frequency	53	354	264	63	734
	% of Respondents	7.2%	48.2%	36.0%	8.6%	100.0%
Guarantee Security	Frequency	201	409	85	41	736
	% of Respondents	27.3%	55.6%	11.5%	5.6%	100.0%
Others	Frequency	21	46	16	431	514
	% of Respondents	4.1%	8.9%	3.1%	83.9%	100.0%

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

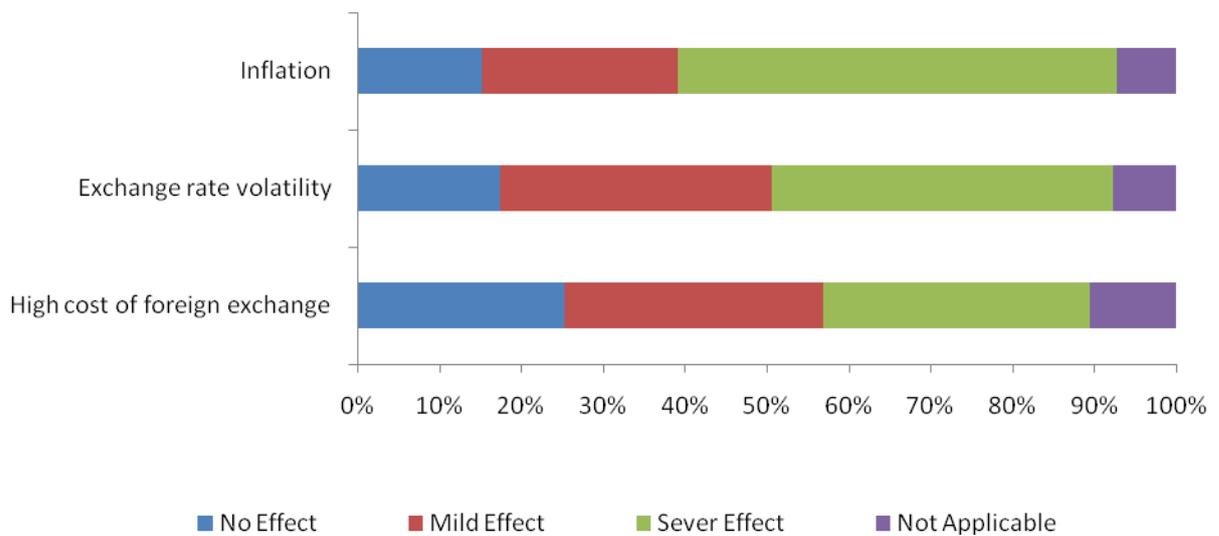


9.3.1 Macro and Monterey Constraints

Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the following constraints on your business

Macro and Monterey Constraints		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
High cost of foreign exchange	Frequency	186	233	239	78	736
	% of Respondents	25.3%	31.7%	32.5%	10.6%	100.0%
Exchange rate volatility	Frequency	128	245	307	57	737
	% of Respondents	17.4%	33.2%	41.7%	7.7%	100.0%
Inflation	Frequency	112	176	395	54	737
	% of Respondents	15.2%	23.9%	53.6%	7.3%	100.0%

Macro and Monterey Constraints



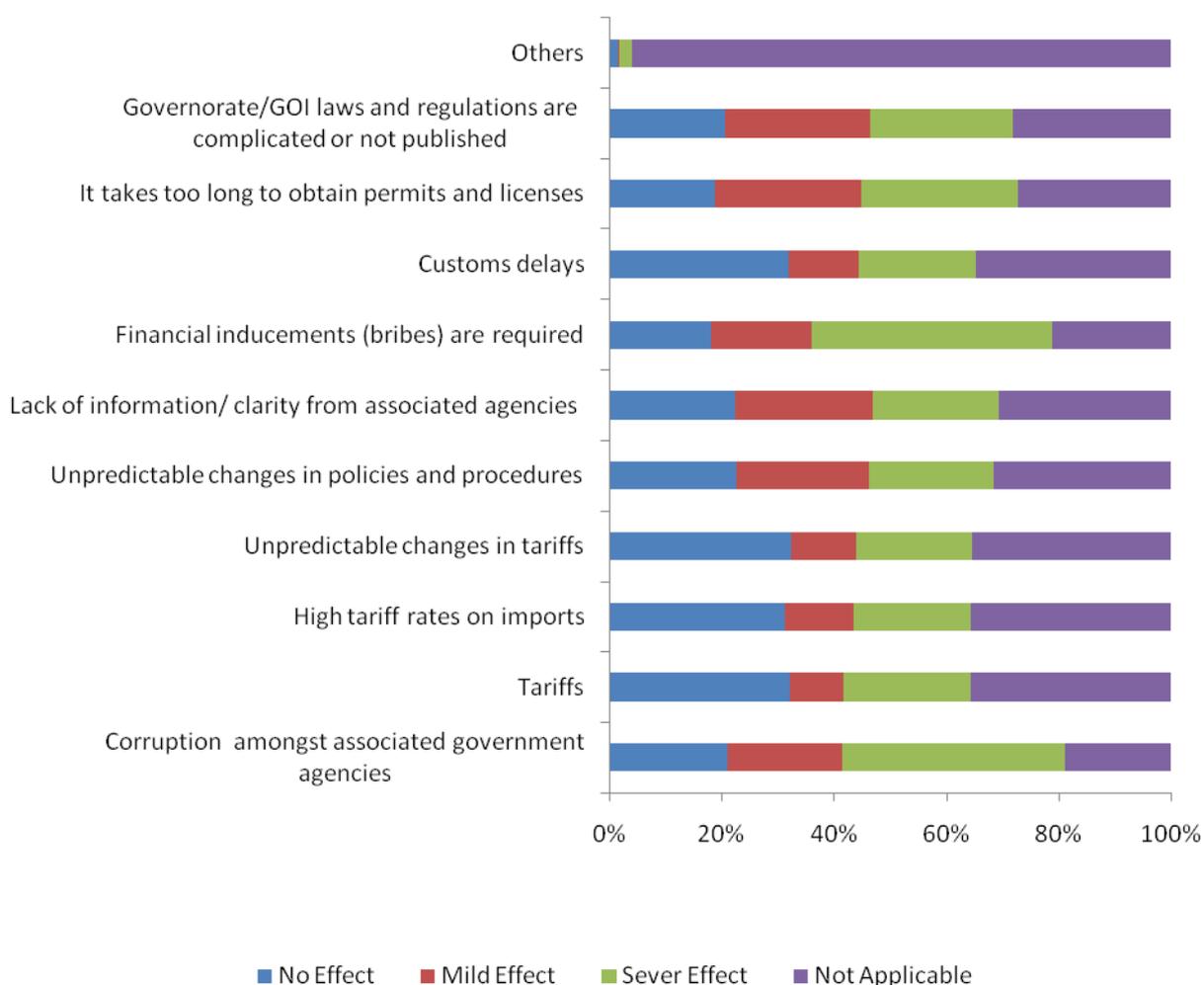
9.3.2 Regulation and Business Enabling Environment

Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the following constraints on your business

Regulation and Business Enabling Environment		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Corruption amongst associated government agencies	Frequency	156	150	292	139	737
	% of Respondents	21.2%	20.4%	39.6%	18.9%	100.0%
Tariffs	Frequency	237	70	166	263	736
	% of Respondents	32.2%	9.5%	22.6%	35.7%	100.0%
High tariff rates on imports	Frequency	231	89	154	261	735
	% of Respondents	31.4%	12.1%	21.0%	35.5%	100.0%
Unpredictable changes in tariffs	Frequency	238	85	152	259	734
	% of Respondents	32.4%	11.6%	20.7%	35.3%	100.0%
Unpredictable changes in policies and procedures	Frequency	167	172	165	231	735
	% of Respondents	22.7%	23.4%	22.4%	31.4%	100.0%
Lack of information/ clarity from associated agencies	Frequency	165	179	165	225	734
	% of Respondents	22.5%	24.4%	22.5%	30.7%	100.0%
Financial inducements (bribes) are required	Frequency	134	132	315	154	735
	% of Respondents	18.2%	18.0%	42.9%	21.0%	100.0%
Customs delays	Frequency	235	92	153	256	736

Regulation and Business Enabling Environment		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
	% of Respondents	31.9%	12.5%	20.8%	34.8%	100.0%
Takes too long to obtain permits and licenses	Frequency	139	192	204	201	736
	% of Respondents	18.9%	26.1%	27.7%	27.3%	100.0%
Governorate/GOI laws and regulations are complicated or not published	Frequency	152	189	187	207	735
	% of Respondents	20.7%	25.7%	25.4%	28.2%	100.0%
Other	Frequency	10	2	15	643	670
	% of Respondents	1.5%	.3%	2.2%	96.0%	100.0%

Regulation and Business Enabling Environment

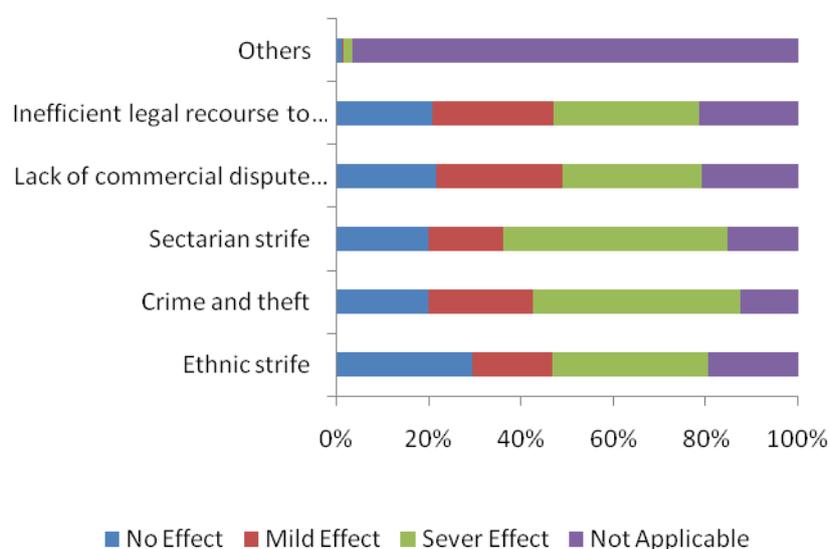


9.3.3 Security and Law

Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the following constraints on your business

Security and Law		No Effect	Mild Effect	Severe Effect	Not Applicable	Total
Ethnic strife	Frequency	218	127	249	144	738
	% of Respondents	29.5%	17.2%	33.7%	19.5%	100.0%
Crime and theft	Frequency	149	166	331	92	738
	% of Respondents	20.2%	22.5%	44.9%	12.5%	100.0%
Sectarian strife	Frequency	147	120	355	113	735
	% of Respondents	20.0%	16.3%	48.3%	15.4%	100.0%
Lack of commercial dispute resolution mechanisms	Frequency	160	202	221	154	737
	% of Respondents	21.7%	27.4%	30.0%	20.9%	100.0%
Inefficient legal recourse to contract violation	Frequency	153	194	231	158	736
	% of Respondents	20.8%	26.4%	31.4%	21.5%	100.0%
Other	Frequency	9	3	12	645	669
	% of Respondents	1.3%	.4%	1.8%	96.4%	100.0%

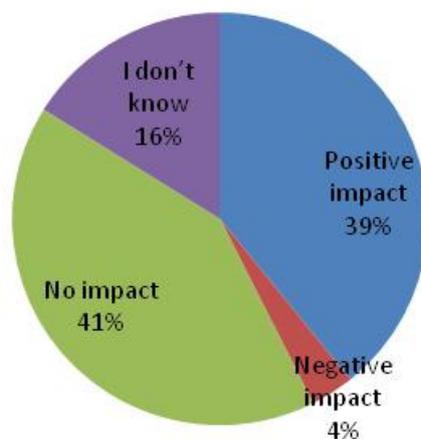
Security and Law



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

	Frequency	Percent
Positive impact	288	39.2
Negative impact	25	3.4
No impact	303	41.3
I don't know	118	16.1
Total	734	100.0
Missing	4	
Total	738	

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



10. APPENDIX 3: THE SURVEY

10.1 MSME CHARACTERISTICS QUESTIONS

Name: _____

Address _____

Province _____

UID _____

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

- Agribusiness
- Construction
- Manufacturing
- Professional Services
- Wholesale, Retail Trade
- Transport and Storage
- Hotels, Restaurants and Tourism
- Communications
- Electricity, Gas, Oil

Specify your business sector: _____

2. What is the business owner's gender?

- Male Female

3. How old is the business owner?

- | | |
|--|--|
| <input type="checkbox"/> Younger than 21 years | <input type="checkbox"/> 21-30 years |
| <input type="checkbox"/> 31-40 years | <input type="checkbox"/> 41-50 years |
| <input type="checkbox"/> 51-65 years | <input type="checkbox"/> Older than 65 years |

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

- | | |
|--|---|
| <input type="checkbox"/> Primary | <input type="checkbox"/> Intermediate |
| <input type="checkbox"/> Thanwiya Ama | <input type="checkbox"/> Technical Diploma |
| <input type="checkbox"/> University Degree | <input type="checkbox"/> Post graduate (Masters and/or PhD) |
| <input type="checkbox"/> None | |

5. Year your business commenced?

6. Size of SME: List # of each type of employee:

Position	Number of employees
Owner	
Managers	
Administration	
Technical specialists	
Unskilled labor	
TOTAL	

7. Family members working in the business

- # of paid family members employed _____
- # unpaid family members employed _____

8. Ownership

- Sole Owner
- Partnership, how many partners own the business if more than one? _____

9. Is your business family owned?

- Yes No

10. Is your business registered with a government agency?

- Yes No

Please specify why if "No": _____

Please specify when and where if "Yes": _____

11. Do you belong to a business association?

- Yes No

If yes, Name of Association(s)

12. Do you belong to professional association?

- Yes No

Please specify the association: _____

13. List the major products/services you produce, provide or trade

	Product/Services	Quantity Produced/ Sold Annually
1		
2		
3		
4		
5		

14. Who does your business primarily serve? (you may tick more than one)

- Individual Customers? Government?
 Retailers? State Owned Enterprise?
 Wholesalers? Manufacturers (supplying semi finished product)?
 Tourists?
 Other, specify: _____

15. Where are your customers located? (% sales)

- Locally (within the same city) _____ %
 Governorate (with the governorate) _____ %
 Iraq wide (within Iraq) _____ %

Exported to other countries _____ %

Surveyor: Tick all that apply and try to get a percentage by area. Total should be one hundred (100%)

16. How does your business activity vary?

- Weekly Seasonal
 Monthly No variation

Explain the reason for the fluctuation and the effect on the business

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

- Yes No

List these by type of business, name, and percentage of sales

TYPE OF BUSINESS	NAME	%
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

- Yes No

List these by name and type of business & explain why it has not been possible to become a supplier to them

NAME	TYPE OF BUSINESS	WHY?
_____	_____	_____
_____	_____	_____
_____	_____	_____

23. Rank the 3 main sources of concern regarding your employee(s)?

_____	Lack of appropriate skills for the required tasks	_____	Unable to find competent supervisors
_____	Lack of motivation unrelated to job issues	_____	Compensation rates are not justified
_____	Social security/ tax contributions	_____	Employee absenteeism
_____	Lack of workplace discipline	_____	Cannot freely choose employees
_____	Employees that lack loyalty/not trust worthy	_____	Cost of hiring is too high
_____	No issues		
_____	Other, specify: _____		

24. In House Training? Are required skills learned on the job?

Yes No Not applicable

25. How has the availability of qualified labor changed over the past 3 years?

Improved Declined
 No Change Not applicable

26. Do you employ people seasonally? Please explain.

Yes No

If yes please explain

27. How do you go about seeking new employees?

Newspaper advertisement Word of mouth
 Employment agency Street advertising (fliers, etc)
 Other, specify: _____

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

Yes No

If yes, who?

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

- Up to 10 Million
- 10 Million to 100 Million
- 100 Million up to 250 Million
- 250 Million up to 1 Billion
- 1 Billion up to 5 Billion
- More than 5 Billion

30. Approximate asset holdings by type?

Cash	%
Receivables	%
Inventory	%
Machinery and Equipment	%
Vehicles	%
Land and Buildings	%
Others	%

31. Where is your business premises located?

- Owned
- Rented
- Based at home
- No business premises

32. Does your business own/lease any vehicles?

- Yes No

If Yes,

- Number of Owned vehicles: _____
- Number of Leased vehicles: _____

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

- Higher Lower About the same

Estimated percentage change: _____

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

- Competition based**, setting the price based upon prices of the similar competitor products.
- Cost-plus pricing**, cost of the product and adds on a percentage (profit).

Both pricing strategies

35. Is your business profitable? (Your revenues are covering all your costs)

Yes No

36. Do you employ the services of an accountant?

Yes full time How many _____

Yes part time

Yes on demand

I keep my own records

No

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

Yes No

38. Are your financial statements externally audited?

Yes No

39. Which of the following accounting records does your business keep or prepare?

	Frequently	Occasionally	Never
Sales Ledger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost Ledger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
General Ledger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Balance Sheet and Income Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial plan and cash flow forecast	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash Flow Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal expenses/ withdrawal ledger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

40. What has been your annual sales turnover for the past two years?

(In Iraqi Dinars)

	Up to 10m	10m to 100m	100m up to 250m	250m up to 1b	1b up to 5b	More than 5b
2008						
2007						

41. Do you know any State Owned Enterprises (SOEs) which buy products of the type that you make?

Yes No

NAME

PRODUCT

42. Have you been able to sell your products to a State Owned Enterprise (SOEs)?

Explain the difficulties we understand all companies face in trying to supply SOE's

If yes, list below

No

NAME OF SOE

PRODUCT

DIFFICULTIES

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

(You may tick more than one)

- | | |
|---|---|
| <input type="checkbox"/> Product quality | <input type="checkbox"/> Time to market |
| <input type="checkbox"/> Geographic proximity | <input type="checkbox"/> Investment in research and development |
| <input type="checkbox"/> Price | <input type="checkbox"/> Ability to match product specifications |
| <input type="checkbox"/> Ability to access new markets | <input type="checkbox"/> Production Capacity |
| <input type="checkbox"/> Talent/ management team | <input type="checkbox"/> Proof of industry standards and certifications |
| <input type="checkbox"/> Delivery | <input type="checkbox"/> Financial standing |
| <input type="checkbox"/> Performance record | <input type="checkbox"/> Investment in machinery and equipment |
| <input type="checkbox"/> Flexibility | <input type="checkbox"/> Product quality |
| <input type="checkbox"/> Firm reputation | |
| <input type="checkbox"/> Others - Please specify: _____ | |

44. What are the main challenges your company has faced in being a supplier to a State Owned Enterprise/large buyers, if applicable?

(You may tick more than one)

- | | |
|--|---|
| <input type="checkbox"/> Getting the business | <input type="checkbox"/> Meeting standards and certifications |
| <input type="checkbox"/> Protecting your intellectual property | <input type="checkbox"/> Maintaining a long-term partnership |

- | | |
|---|---|
| <input type="checkbox"/> Accessing credit | <input type="checkbox"/> Complying with quality control requirements |
| <input type="checkbox"/> Meeting security requirements | <input type="checkbox"/> Ending the relationship |
| <input type="checkbox"/> Dealing with excessive bureaucracy | <input type="checkbox"/> Meeting delivery deadlines and schedules |
| <input type="checkbox"/> Overcoming regulatory barriers | <input type="checkbox"/> Meeting requirements for production capacity |
| <input type="checkbox"/> Length of time to payment | <input type="checkbox"/> Technology limitations |
| <input type="checkbox"/> Meeting procurement criteria | <input type="checkbox"/> Length of time to payment |
| <input type="checkbox"/> Others - Please specify _____ | |

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

	Rank
Television	_____
Newspapers	_____
Internet	_____
Employees	_____
Word of mouth (e.g. friends and colleagues)	_____
Radio	_____
SMS messages	_____
Rival firms, competitors	_____
Business associations	_____
Customers	_____
Suppliers	_____
Other Please specify _____	_____

46. Do you plan to invest additional capital in your business in the next 24 months (new machinery, more products, etc)

- Yes
 No
 Don't know

Specify why?

47. How do you pay your bills? (You may tick more than one)

- | | |
|---|--|
| <input type="checkbox"/> Cash | <input type="checkbox"/> Money Exchange Office |
| <input type="checkbox"/> Check | <input type="checkbox"/> Barter |
| <input type="checkbox"/> Bank Transfers | <input type="checkbox"/> Installments |
| <input type="checkbox"/> Other, specify _____ | |

Describe if necessary

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

	Most Frequently	Occasionally	Never
Business Savings (business profits)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Savings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Money Lenders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Family and Friends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Advance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier Advance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Microfinance Institution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New partner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Donor Grant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify _____			

49. Do you have a business bank account?

Yes, how many _____ No, reason why not _____

If yes, mention:

Iraqi State/Private Owned Bank, mention name: _____

Foreign Bank, if yes which country _____,

And why? _____

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

Yes No

If no, reason why not: _____

If yes, please specify below:

Loan 1

Lender (banks, MFI, ML)	_____
Loan amount (IRD)	_____
Interest rate (%)	_____
Loan tenure (months)	_____
Value of the collateral (Iraqi Dinar)	_____

Loan 2

Lender (banks, MFI, ML)	
Loan amount (IRD)	
Interest rate (%)	
Loan tenure (months)	
Value of the collateral (Iraqi Dinar)	

51. Currently, what is the total amount of credit/debt owed by your business to others? (In Iraqi Dinars)

- None
- Up to IRD 1 Million
- 1 Million to 10 Million
- 10 Million up to 50 Million
- 50 Million up to 100 Million
- 100 Million up to 500 Million
- More than 500 Million

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

	Most Frequently	Occasionally	Never
Deposit Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Money Transfers/ Payment Facilitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade financing (e.g. letters of credit)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overdrafts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asset Finance (e.g. leasing)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real Estate Finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others, please specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

53. Which additional services would you like the banks to provide?

- Long-term financing
- Operations consulting
- Greenfield (start-up) financing
- Export development assistance
- Project financing
- Business planning
- Forums for SME- Bank/MFI interaction
- Financial planning
- Market information
- Financial literacy training

Other, please specify: _____

54. If you needed a loan from a bank or MFI to expand your business, how much would you need? (in Iraqi Dinars)

- 600,000 – 3,600,000 (\$500-\$3,000)
- 3,600,001 – 12,000,000 (\$3,001-\$10,000)
- 12,000,001 – 24,000,000 (\$10,000-\$20,000)
- 24,000,001-60,000,000 (\$20,000-\$50,000)
- 60,000,001-120,000,000 (\$50,001-\$100,000)
- More than 120,000,000 (\$100,000)

55. Suppliers (For enterprises other than wholesale or retail): Please list the major materials and name the supplier and the place of origin

MATERIAL	SUPPLIER	PLACE OF ORIGIN

56. From where do you normally get your raw materials? that is, the material used to make the products you sell (applies only if the business does make products)

- Your family or a business operated by your family?
- Partners or a business operated by them?
- Another business that you own?
- Another private business locally?
- Another private business elsewhere?
- From a State Owned Enterprise (SOE)
- Directly imported from out of country.

57. Who do you approach when you want to discuss business ideas & issues? You Can tick more than one box

- Accountant
- Bankers
- Business Membership Organization (associations, chambers)
- Consultant
- Lawyer
- Friends and family
- Business mentors
- Suppliers
- Staff
- Politician/ Government Official
- Others, please specify _____

58. What is your key business strategy for the company for the next 2 years?

- Offer new products/ services
- Expand distribution network
- Acquire/ merge with other companies
- Begin to export
- Expand to new markets overseas
- Just Survive
- Other, please specify _____

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

- Yes No
- If yes _____ or no, specify? _____

60. How important do you believe that a business association membership will be for the following:

	Not Applicable	Not Important	Important	Very Important
Developing customer contacts	1	2	3	4
Developing supplier contacts	1	2	3	4
Sharing knowledge	1	2	3	4
Building Capacity and Know-how	1	2	3	4
Creating Solidarity	1	2	3	4

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

- Yes No

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

	<i>At least weekly</i>	<i>At least monthly</i>	<i>At least quarterly</i>	<i>Occasionally</i>	<i>Never</i>	<i>How much? (Iraqi Dinar)</i>
Promotion & Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Accounting Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Information Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Transportation Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Regulatory Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Planning/ Management Consulting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Technical Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Management Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Computer Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Legal services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Production & Operation Consulting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Data processing Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Correspondence Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Logistical Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Employee Recruitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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

Information Services	Not Applicable	Not Important	Important	Very Important
Information on foreign companies	1	2	3	4
Information about suppliers	1	2	3	4
Information on Iraqi law	1	2	3	4
Information about fiscal incentives	1	2	3	4
Information for start-up entrepreneurs	1	2	3	4
Providing package of information for	1	2	3	4
Company registration	1	2	3	4
Others, specify _____				

Consulting Services	Not Applicable	Not Important	Important	Very Important
Business Planning	1	2	3	4
Search for a potential investor	1	2	3	4
Market research/marketing	1	2	3	4
Banking and credit financing	1	2	3	4
Seminars and exhibitions Legal	1	2	3	4
Accounting and book-keeping	1	2	3	4
Credit assessment (Loan application)	1	2	3	4
Employment(Recruitment)	1	2	3	4
Legal	1	2	3	4
Enterprise restructuring	1	2	3	4

Exporting	1	2	3	4
Others, specify _____				

Training Services	Not Applicable	Not Important	Important	Very Important
Marketing				
Marketing Plan	1	2	3	4
Marketing research	1	2	3	4
Product promotion	1	2	3	4
Marketing strategy	1	2	3	4
Advertising	1	2	3	4
Accounting				
Cash flow	1	2	3	4
Book-keeping	1	2	3	4
Audit	1	2	3	4
Taxation	1	2	3	4
Business planning	1	2	3	4
Human Resources Management				
Management skills	1	2	3	4
Motivation of staff	1	2	3	4
Performance appraisal	1	2	3	4

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

Yes No

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

Yes No

66. Rank the top 5 concerns that hinder your business growth?

	Rank
Cash flow	_____
Raise finance for growth	_____
Access to market intelligence/ information	_____
Access to business opportunities (e.g. new customers, markets)	_____
Security	_____
Employee skill limitations	_____
Economic environment	_____
Keep up with new technology	_____
Energy Shortages	_____
High competition	_____
Governmental regulations	_____
Other Please specify: _____	_____

10.2 FIRM LEVEL CONSTRAINTS QUESTIONS

67. Financial and HR constraints: Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the greatest financial and HR constraints which affect your business operations:

Financial Constraints	<i>Not Applicable</i>	<i>No Effect</i>	<i>Mild Effect</i>	<i>Sever effect</i>
Credit Constraints				
Lack of access to credit	1	2	3	4
Stringent collateral requirements	1	2	3	4
No credit institution experience	1	2	3	4
Cumbersome application procedures	1	2	3	4
High interest rates	1	2	3	4
Duration of loan too short	1	2	3	4
Corrupt system for obtaining credit	1	2	3	4
Leasing Constraints				
High cost of leasing	1	2	3	4
Large down payments	1	2	3	4

Cash flow Constraints	<i>Not Applicable</i>	<i>No effect</i>	<i>Mild Effect</i>	<i>Sever effect</i>
Demand fluctuations	1	2	3	4
Raw material price fluctuations	1	2	3	4
Customers do not pay on time	1	2	3	4
Receivables turnover	1	2	3	4
Inventory turnover	1	2	3	4
Exchange rate fluctuations	1	2	3	4
Inflation rate	1	2	3	4
Others, specify	1	2	3	4

Other financial constraints: _____

Human Resource Constraints	<i>Not Applicable</i>	<i>No effect</i>	<i>Mild Effect</i>	<i>Sever effect</i>
Work force with low levels of skills and education	1	2	3	4
Inadequate vocational training	1	2	3	4
Lack of manual labor	1	2	3	4
Lack of trained middle management	1	2	3	4
Lack of trained higher management	1	2	3	4
Lack of qualified technicians	1	2	3	4

Other human resources constraints: _____

68. Marketing and Sales: Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the greatest constraints which affects your marketing & sales?

Marketing/Sales Constraints	Not Applicable	No Effect	Mild Effect	Sever effect
Disposable income of consumers has decreased	1	2	3	4
Government does not buy from the private sector	1	2	3	4
No trade and export organizations to help?	1	2	3	4
Lack of information / contacts required to access new markets	1	2	3	4
Business Associations do not provide enough assistance	1	2	3	4
Too many barriers for exporting products?	1	2	3	4
Government does not sufficiently support local production (<i>explain below if applicable</i>)	1	2	3	4
Cannot operate outside of local area	1	2	3	4
The cost of promotion and advertising is too high	1	2	3	4
Lack of avenues for promotion and advertising	1	2	3	4
Declining popularity of the product	1	2	3	4
Not able to place products with some outlets	1	2	3	4

Other marketing/sales constraints: _____

69. Supplier Constraints: Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the supplier constraints that affect your business operations:

Supplier Constraints	Not Applicable	No effect	Mild Effect	Sever effect
Lack of high quality suppliers	1	2	3	4
Lack of high quality raw materials	1	2	3	4
Lack of high quality intermediate goods	1	2	3	4
Acceptable quality materials available only at high cost	1	2	3	4
Acceptable quality materials not available at all	1	2	3	4

Cannot get supplies on a regular basis	1	2	3	4
High cost of spare parts	1	2	3	4
Limited number of suppliers	1	2	3	4
Local suppliers not available	1	2	3	4
Local supply costs too much	1	2	3	4
Cannot locate or deal directly with other suppliers inside Iraq	1	2	3	4
Cannot locate or deal directly with other suppliers outside Iraq	1	2	3	4
Required by customer to select preferred suppliers	1	2	3	4
Hard to establish commercial contact with suppliers outside local area	1	2	3	4

Other supplier constraints: _____

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

- Yes No

If not explain why?

71. Competition: Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the greatest competition challenges which affect your business:

Competition Constraints	Not Applicable	No effect	Mild Effect	Sever effect
Competition from cheaper foreign products (<i>explain below if applicable</i>)	1	2	3	4
Competition from cheaper local products (<i>explain below if applicable</i>)	1	2	3	4
Too many similar businesses in the area	1	2	3	4
Competition from products with established brand name	1	2	3	4
Large local private companies dominating the market (<i>specify names of companies below</i>)	1	2	3	4
Large state owned companies dominating the market (<i>specify names of companies below</i>)	1	2	3	4
Too many similar products flooding the market	1	2	3	4
Lack of business capital and financial resources to compete	1	2	3	4
Others, specify: _____	1	2	3	4

Record answers listing main competition if known,

72. Operations: Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the greatest operational constraints which affect your business:

Operational Constraints	Not Applicable	No effect	Mild Effect	Sever effect
Quality of equipment	1	2	3	4
Cost of manufacturing is too high	1	2	3	4
Product is of low quality	1	2	3	4
Lack of working capita	1	2	3	4
Lack of qualified labor	1	2	3	4
Workers leaving the area due to security or economic reasons	1	2	3	4
Machines are old technology	1	2	3	4
Spare parts are not available	1	2	3	4
No trained maintenance	1	2	3	4
Others, specify: _____	1	2	3	4

Other operational constraints:

73. Infrastructure and Logistics: Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the greatest infrastructure and logistical constraints which affect your business operations:

Infrastructure/Logistical Constraints	<i>Not Applicable</i>	<i>No effect</i>	<i>Mild Effect</i>	<i>Sever effect</i>
Power				
High rates	1	2	3	4
Poor service quality	1	2	3	4
Unreliable supply	1	2	3	4
Phase supply not available	1	2	3	4
Corrupt utilities	1	2	3	4
High cost of backup power	1	2	3	4
Water				
Water supply is intermittent	1	2	3	4
Water quality is poor	1	2	3	4
Transportation/Logistics				
High rates	1	2	3	4
Poor availability	1	2	3	4
Security	1	2	3	4
Cannot send products to certain areas	1	2	3	4
Cannot obtain supplies from certain areas	1	2	3	4
Lack of storage facilities (<i>for example, for perishable goods</i>)	1	2	3	4
Telephony				
Land line telephone service does not exist or is inadequate	1	2	3	4
High rates	1	2	3	4
Inadequate cell phone coverage	1	2	3	4
Poor wire line service	1	2	3	4

Other infrastructure and logistical constraints:

10.3 BUSINESS & POLICY LEVEL CONSTRAINTS QUESTIONS

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

	Not Applicable	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
Guarantee Security	<input type="checkbox"/>				
Provide Tax Relief	<input type="checkbox"/>				
Provide special credit schemes	<input type="checkbox"/>				
Safeguard fair competition	<input type="checkbox"/>				
Protect SME from competition with big industry	<input type="checkbox"/>				
Guarantee a fair legal system	<input type="checkbox"/>				
Good Governance	<input type="checkbox"/>				
Provide business services	<input type="checkbox"/>				
Guarantee Security	<input type="checkbox"/>				
Others – Please specify					

75. Using a scale of 1 (not applicable) to 4 (severe effect) rank the effect of the following constraints on your business

Macro and Monterey Constraints	<i>Not Applicable</i>	<i>No effect</i>	<i>Mild Effect</i>	<i>Sever effect</i>
High cost of foreign exchange	1	2	3	4
Exchange rate volatility	1	2	3	4
Inflation	1	2	3	4
Regulation and Business Enabling Environment	<i>Not Applicable</i>	<i>No effect</i>	<i>Mild Effect</i>	<i>Sever effect</i>
Corruption amongst associated government agencies	1	2	3	4
Tariffs	1	2	3	4
High tariff rates on imports	1	2	3	4
Unpredictable changes in tariffs	1	2	3	4
Unpredictable changes in policies and procedures	1	2	3	4
Lack of information/ clarity from associated agencies	1	2	3	4
Financial inducements (bribes) are required	1	2	3	4
Customs delays	1	2	3	4
It takes too long to obtain permits and licenses	1	2	3	4
Governorate/GOI laws and regulations are complicated or not published	1	2	3	4

Other regulation constraints at the central government and provincial level:

Security and Law	Not Applicable	No effect	Mild Effect	Sever effect
Ethnic strife	1	2	3	4
Crime and theft	1	2	3	4
Sectarian strife	1	2	3	4
Lack of commercial dispute resolution mechanisms	1	2	3	4
Inefficient legal recourse to contract violation	1	2	3	4

Any other significant constraints for your business at the level of the overall business enabling environment?

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

- Positive impact, *business is better now*
- Negative impact, *business what better before June 30th*
- No impact, *nothing has changed, same as it was before June 30th*

Please explain:

11. APPENDIX 4: 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	LBG/Subcontractor	12-Jun					
4 Questionnaire designed and prepared by LBG & LBG	LBG	17-Jun					
5 Two day workshop with Subcontractor to discuss LBG/Subcontractor	LBG/Subcontractor	17-Jun					
6 List of businesses randomly selected from the Subcontractor	Subcontractor	21-Jun					
7 Pre-testing the questionnaire for 30 businesses: Subcontractor	Subcontractor	27-Jun					
8 Questionnaire revisions completed in conjunction LBG/Subcontractor	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	LBG/Subcontractor	12-Jun				
4 Questionnaire designed and prepared by LBG & LBG	LBG	17-Jun				
5 Two day workshop with Subcontractor to discuss LBG/Subcontractor	LBG/Subcontractor	17-Jun				
6 List of businesses randomly selected from the Subcontractor	Subcontractor	21-Jun				
7 Pre-testing the questionnaire for 30 businesses: Subcontractor	Subcontractor	27-Jun				
8 Questionnaire revisions completed in conjunction LBG/Subcontractor	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	LBG/Subcontractor	12-Jun					
4 Questionnaire designed and prepared by LBG & LBG	LBG	17-Jun					
5 Two day workshop with Subcontractor to discuss LBG/Subcontractor	LBG/Subcontractor	17-Jun					
6 List of businesses randomly selected from the Subcontractor	Subcontractor	21-Jun					
7 Pre-testing the questionnaire for 30 businesses: Subcontractor	Subcontractor	27-Jun					
8 Questionnaire revisions completed in conjunction LBG/Subcontractor	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					

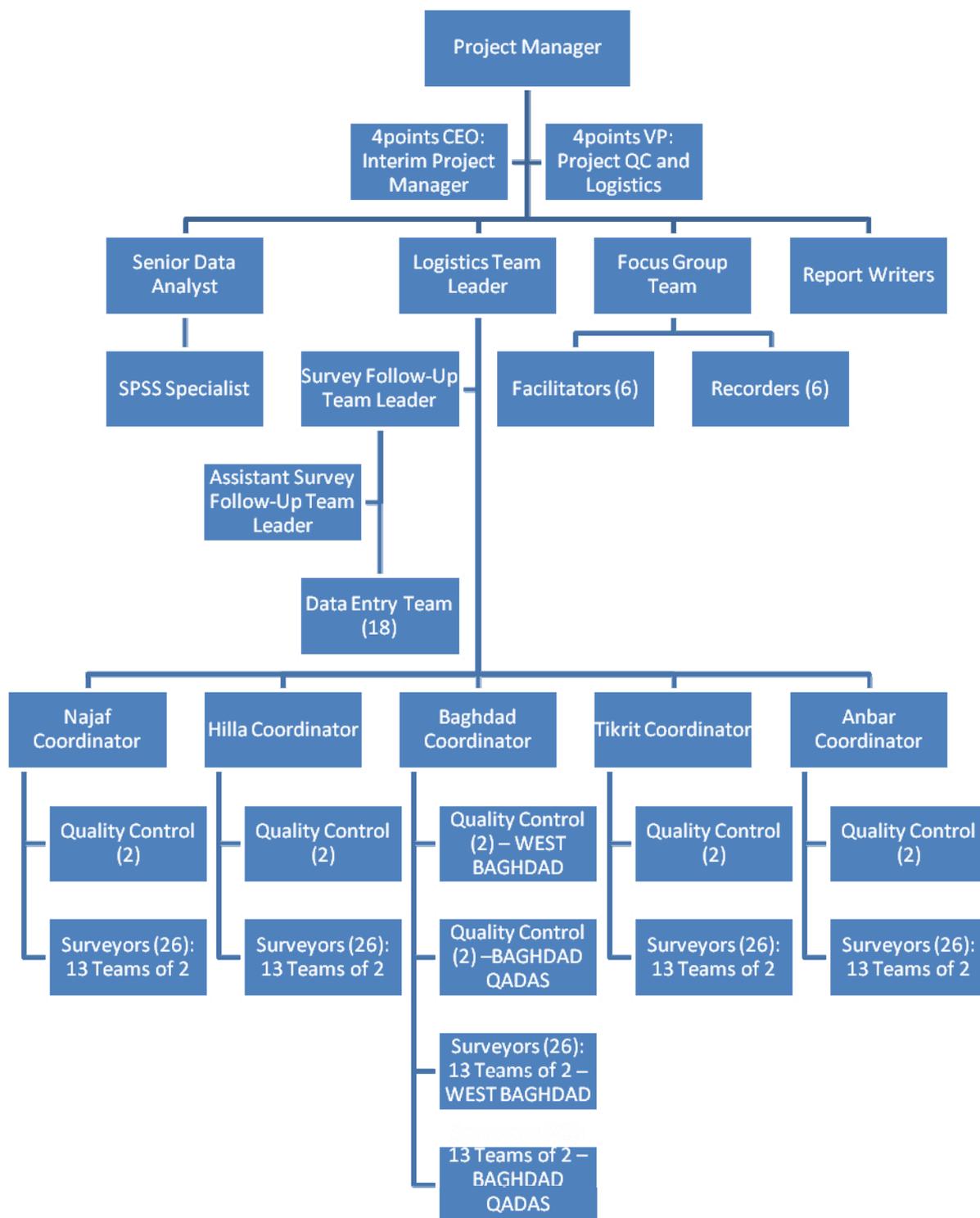
Description of Task	Responsible	Expected Date	SEPTEMBER			
			Week 1	Week 2	Week 3	Week 4
			7-Sep	14-Sep	21-Sep	28-Sep
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review LBG/Subcontractor		12-Jun				
4 Questionnaire designed and prepared by LBG ; LBG		17-Jun				
5 Two day workshop with Subcontractor to 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	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 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	15-Oct				
14 Final Report	Subcontractor	30-Oct				

12. APPENDIX 5: BABIL RESEARCH TEAM

12.1 PROJECT ORGANIZATION

The Market Assessment Project staff members were organized as follows:



12.2 PROJECT MANAGEMENT

The Market Assessment Project for Babil included a total of 71 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.

12.2.1 USAID-TIJARA PROJECT MANAGEMENT TEAM

1	Baljit 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

12.2.2 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

12.3 FIELD TEAM, SUPPORT, AND DATA ENTRY

12.3.1 THE BABIL SURVEY FIELD RESEARCH TEAM

1	Khaldon Daher	IRQ	Coordinator	M
2	Nahla Ghazi	IRQ	QC Officer	F
3	Ahmed Muhammed	IRQ	QC Officer	M
4	Dr. Hayder Al-Jiboury	IRQ	FG Moderator	M
5	Saif Thamir Lotfi	IRQ	Researcher	M
6	Amar Hadi Waheed	IRQ	Researcher	M
7	Waleed Hassan Yousif	IRQ	Researcher	M
8	Mustafa Jiwad Abdul Kadhim	IRQ	Researcher	M
9	Ali Shakir Muhammed	IRQ	Researcher	M
10	Moayed Abdul Kareem	IRQ	Researcher	M
11	Arafat Yousif Jiwad	IRQ	Researcher	M
12	Oday Hatim Muhammed	IRQ	Researcher	M
13	Ahmed Hazim Muhammed	IRQ	Researcher	M
14	Hamza Hussein Abood	IRQ	Researcher	M
15	Munthir Hamid Tarkhan	IRQ	Researcher	M
16	Ali Hussein Hassan	IRQ	Researcher	M
17	Muhammed Sabir Jilab	IRQ	Researcher	M
18	Walaa Jahfer Sadiq	IRQ	Researcher	M
19	Muhannad Hadi Jiad	IRQ	Researcher	M
20	Salah Mahdi Hamod	IRQ	Researcher	M
21	Raad Abdul Wahid	IRQ	Researcher	M
22	Ali Hadi Waheed	IRQ	Researcher	M
23	Ahmed Khamat Jkheem	IRQ	Researcher	M
24	Hussein Hamza Yassin	IRQ	Researcher	M
25	Samir Sultan Hussein	IRQ	Researcher	M
26	Ali Hussein Ajeel	IRQ	Researcher	M
27	Ali Muhammed Jiwad	IRQ	Researcher	M
28	Habib Hamid Abbas	IRQ	Researcher	M
29	Ali Ahmed Hussein	IRQ	Researcher	M
30	Thayer Hussein Fager	IRQ	Researcher	M

12.3.2 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

12.3.3 SUPPORTING STAFF

1	Mustafa Muhammed Ridha	IRQ	IT Tech.	M
2	Mariam Khaled Abdulkareem	IRQ	Graphic Designer	F
3	Ayad abed Alhay	IRQ	Driver	M
4	Mohammad Ibraheem Mizel	IRQ	Maintenance Assistant	M
5	Noor Khaled Mohmad	IRQ	HR Officer	F
6	Thamer Mahdi Salih	IRQ	Accountant	M
7	Ahmed Sabri Alwan	IRQ	PR Officer	M
8	Saif Riyadh Noori	IRQ	PR Officer	M
9	Mahmoud Rajab Ahmad	IRQ	PR Officer	M
10	Yousif Sabah Abdul Hadi	IRQ	PR Officer	M
11	Zaid Bassim Muhammed	IRQ	PR Officer	M
12	Hussain aboody Joody	IRQ	PR Officer	M

13. APPENDIX 6: FOCUS GROUP GUIDELINES

Focus groups were conducted led by a Moderator, assisted by a Scribe who took notes, and a logistics coordinator to ensure that all aspects of the space and arrangements needed to be made were taken care of. All FG discussions were video and voice recorded.

FG participants were at a minimum of 7 and maximum of 12. 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 in halfway 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 that the session was as much a discussion as possible, the participants given the maximum time available to establish their views and opinions on the topics above regarding their industry.