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TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

MARKET ASSESSMENT

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



December, 2009

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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
H&R	Hotels and Restaurants
HR	Human resources
MFI	Micro-finance institution
MSME	Micro-, Small, and Medium Enterprises
PRT	Provincial Reconstruction Team
R&G	Rice and Grain
SBDC	Small Business Development Center
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
TH&R	Tourism, Hotels & Restaurants – business cluster
USAID	United States Agency for International Development
VC	Value chain

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1. EXECUTIVE SUMMARY

1.1 OVERVIEW AND MAJOR SUBSECTORS

Here are some facts about today's Baghdad as of November, 2009: Two new airline services from Middle East countries have resumed service to Baghdad International Airport – for Middle East Airlines, the first air route since 1981; the city recently hosted the largest international trade fair since 2003; and wedding gown rentals are at an all time high.

Baghdad is the heart of Iraqi commerce, the center of its politics, and the core of its population. Baghdad contains roughly half of Iraq's total residents. Its largest three districts each contain more population than the largest province outside of Baghdad. Its population is more diverse ethnically, religiously, politically, economically, and racially than any other place in the country. As Baghdad's economy goes, so will the country's.

Baghdad can be compared to the New York City of Iraq, only more so. For some time, the city has been nearly ungovernable, with lax business and labor regulations, neighborhood isolation, a very low degree of business registration, and large elements of grey-market and alternate economic activities that have arisen to serve interests in the informal sector. Its SME population seems more positively inclined toward government than other areas of Iraq, though that may be a function of the omnipresence of government in city life and the low expectations of business owners.

News reports in November suggest that Baghdad commerce, and indeed life, may be beginning to return to "normal." They suggest that security may be declining as a major negative issue in the life of the city. However, security is never absent as a determinant of economic activity. To an extent unmatched elsewhere—and for good reason—security remains the key concern of Baghdad's business community. A full 82% of businesspeople identify it as a very serious problem, compared to 68% for Iraq as a whole. Security dictates the climate of the city, with impacts on trade, manufacturing, services, agriculture, and the transportation and communication infrastructure that binds them.

Three other characteristics combine to provide Baghdad's unique character: its overwhelmingly urban character, its orientation toward the trade sector, and the largely informal nature of its business and labor force. Together with security issues, they are both a blessing and a curse for economic development.

Baghdad is the most urban governorate in Iraq. It is a city of neighborhoods. Most agricultural business is conducted in Baghdad Qada. That impacts its attitudes, labor needs, electrical and water infrastructure demands, and even financing. Unlike the rest of the district, SME owners in Baghdad Qada have fewer private bank accounts

and indulge in barter and trade credit to a much greater extent. SME agribusiness owners complain of corruption throughout the supply and purchasing systems, and of poor or unavailable equipment.

Among Baghdad's Small and Medium Enterprises (SME), 87% are involved in non-agricultural pursuits. Within that group, construction, manufacturing, and hospitality account for about a third of employment, retail and wholesale trade another third, and miscellaneous business services less than a quarter. The economic sector that gives Baghdad its flavor is trade. East Baghdad is more dominated by the presence of government institutions in its sales to State Owned Enterprises (SOE) and other government or large entities, though their businesses tend to be younger and run by less educated owners. West Baghdad has a significantly higher degree of tourist and hospitality trade, as well as the retail businesses that support those sectors. Despite these differences, trade, whether wholesale or retail, tends to follow a similar course. Baghdad businesses feature inventory as its most important asset.

Historical circumstance, the persistent family orientation of retail SMEs, and security and transportation, religious-ethnic segregation, and difficulties in securing supplies have kept retail trade small and very local. It is not unusual for a single block in a commercial district to feature several establishments selling the same goods or services. Sectarian tensions feed into the neighborhood-oriented and informal quality of trade, in that insecure consumers depend to a significant degree upon trusted and well-known suppliers.

Trade also typically creates a need for revolving loans and other banking services. After security, Baghdad businesspeople list financing and cash flow as their most intractable problems. By comparison, cash flow is a much less significant issue in the country as a whole. Whether due to security or other factors, such services lag significantly in East and West Baghdad. Fewer Baghdad businesspeople use any bank services than Iraqis as a whole, fewer borrow from banks or microloan facilities, and more make use of business and family savings and trade credit. These factors tend to keep retail trade limited and small.

We have labeled the economy of Baghdad as "informal" throughout this report. Equally applicable terms for the economy would be "underground" or "shadow." Baghdad business owners distrust government less than Iraqis as a whole, but they have a very low opinion of government processes, and politicians. They tend to keep less careful, more guarded records of their activities and to turn to government less than elsewhere for help. The diverse, informal, trade-orientation of the business community retards other elements of a healthy business growth.

At both a personal and business level, Baghdad businesses are less invested in technology, education, and training. Business owners are less apt to join professional or trade associations. They are more likely to use informal methods of

getting the word out about their products and services, and in fact make almost no use of emerging communications and Internet facilities, or even print advertising.

Baghdad businesses are likely to be labor intensive and their labor force is likely to be unskilled and untrained. SME owners and managers are not generally happy with the quality of their workforce. They tend to prefer family members to "strangers." These factors contribute to the especially high unemployment and underemployment rates in Baghdad. Workforce supply and demand issues, plus the informal nature of the economy have encouraged a degree of labor abuse and lack of regulation beyond most other areas of the country.

Major sub-sectors in the Baghdad SME makeup include:

- Trade, especially retail trade, but also wholesale. Largely local, as opposed to national or international. Nearly one-third of Baghdad business value is provided by retail trade in foodstuffs, fashion, and furniture, plus parts and services for vehicles and communications.
- Wholesale and retail trade, especially supporting tourism, and containing more large SMEs than average in Iraq, but a significant number of small retail establishments.
- Construction, mostly in support of the rebuilding of physical infrastructure, plus the manufacture and distribution of construction materials.
- Manufacturing, in furniture, metals, clothing, and food processing
- Hospitality, including tourism and hostelry, but even more focused on restaurant services.
- Transportation, often local, and related to the movement of both goods and people.
- Agriculture, including the typical staple farming of wheat, barley, dates, livestock, and fish.

1.2 CONSTRAINTS

According both to the statements and complaints of business owners and the accumulated economic data, security is the major constraint facing Baghdad business. Though it varies slightly in its impact from West Baghdad to East Baghdad to Baghdad Qada, security is a constant concern. Though it ebbs and flows with political events and general stability, security poses a concern that invades every area of business endeavor. Security issues cannot be understood without reference to the intense sectarian struggles that still wrack the city. While an increasing number of neighborhoods are "mixed" Shia and Sunni, the overall total of such neighborhoods is small, and Baghdad has become a checkerboard of more or less "ethnically cleansed" regions. This impacts issues of transportation, supply, and market demand, and tends to keep businesses local and informal in structure.

A second factor of importance is the overwhelming presence of the underground economy. Its effects radiate throughout the business community, impairing financial arrangements, the ability of companies to seek advice and support, the adoption of technology, the modernization of business practices, and hence the growth potential of all businesses, especially in the non-agriculture sectors. Baghdad enterprises are especially hard hit by cash flow impairments.

Whether due to issues of lack of registration, the underground economy, infrastructure weaknesses, or security, a frequent complaint has been the overwhelming presence of corruption throughout the value chain, from the complexities of the registration process, through the acquisition of materials and supplies, through sales to SOEs and major purchasers, to the banking structure.

SME owners in Baghdad, to a degree greater than their peers elsewhere in Iraq, lack managerial capacity. This is in part a result of business size, in part a result of the underground economy, and in part a matter of the high small retail structure of the business community and its low degree of associational activity.

The informality of the economy also impacts all areas related to labor regulation, from training to safety. Most training is in-house training, rather than formal training, and most workers are unskilled.

From the standpoint of general environmental factors, sectors, sub-sectors, and individual firms, Baghdad SME businesses have found themselves constrained by the following factors:

- Lack of adequate security.
- Lack of a sustaining physical infrastructure, especially regarding transportation, and to a lesser extent, electricity and water.
- Lack of adequate business infrastructure, seen in the inadequate banking system and lack of institutionalized positive banking practices and access to loans and other sources of capital.
- Lack of formal support systems, plus business practices that sometimes do not make the best use of the infrastructure in place.
- Relatively high and consistent unemployment and underemployment.
- A culture that endorses informal labor, sales, regulatory, and financial practices.
- Endurance of sectarian conflict, which restricts markets and supply chains.
- Corruption that has become endemic and accepted, impacting all aspects of business finance, reducing competition to price wars with chokepoints that require payments to penetrate,
- Shortcomings throughout the human resources value chain, from acquiring employees, through training the workforce in quality, supervisory skills, and business management, to issues of wage and safety regulation.

1.3 OPPORTUNITIES

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

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

Differentiate SME business development services according to the area served. While the needs for management training and financial infrastructure improvement are general, the SOE/government vs. tourist vs. agricultural/horticultural distinctions between East Baghdad, West Baghdad, and Baghdad Qada present opportunities for highly targeted services.

2. BACKGROUND

2.1 OBJECTIVE

The objective of this report is to highlight and provide analysis of the constraints faced by small and medium sized enterprises in the Iraqi capital province of Baghdad. 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 Baghdad
- Provide general categorization of Baghdad SMEs
- Assess firm-level operations to highlight:
 - Input constraints
 - Output constraints
 - Management constraints
- Describe business-enabling environment constraints as they pertain to Baghdad SMEs
- Make recommendations to improve the competitive standing of Baghdad based SMEs

2.2 SURVEY METHODOLOGY

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

2.2.1 Term Definitions

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

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

2.2.2 Field Surveys

A major component of the research assignment was the surveying of 2,494 private businesses in Baghdad. 798 were surveyed in East Baghdad, which included the districts of Karada, 9 Nisan, Rusafa, Sadr City, and Adhamiya; 874 were surveyed in West Baghdad, including the districts of Mansour, Kerkh, Kadhamiya, Ameriya, Bayaa, Amal, Saydiya, and Dora; and 823 were surveyed in the Baghdad provincial districts surrounding the city (referred to in Arabic as “*Aqdhiya* – plural form of *Qada*” meaning essentially “districts.” The *Aqdhiya* included Taji, Tarmiya, Istiklal, Mada’in, Mahmoodiya, Yousifiya, and Abu Ghraib.

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 Baghdad 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 Baghdad 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.

1.2.3 Sampling: Sampling Frame

The starting point for determining the sampling frame was accessing Chamber of Commerce membership records in Baghdad. 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 Baghdad (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 Baghdad 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.

highlights the sample distribution for Baghdad.

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

Sector	Sample Distribution (%)	Number of Enterprises	Number of Employees					
			1-4		5-10		> 10 Employees	
			%	#	%	#	%	#
Agribusiness	11%	268	37.7%	101	52.6%	141	9.7%	26
Construction	7%	166	38.0%	63	41.0%	68	21.1%	35
Manufacturing	13%	335	35.2%	118	43.9%	147	20.9%	70
Professional Services	19%	473	58.4%	276	35.3%	167	6.3%	30
Wholesale, Retail Trade	33%	830	59.3%	492	34.8%	289	5.9%	49
Transport and Storage	3%	83	66.3%	55	31.3%	26	2.4%	2
Hotels, Restaurants and Tourism	7%	166	31.3%	52	55.4%	92	13.3%	22
Communications	3%	71	70.4%	50	26.8%	19	2.8%	2

Electricity, Gas, Oil	2%	43	69.8%	30	23.3%	10	7.0%	3
Others	3%	77	70.1%	54	28.6%	22	1.3%	1
Total	100%	2513	51.4%	1291	39.0%	981	9.6%	240

2.2.4 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.

2.2.5 Sampling: Geographic Coverage

As per contractual requirements, the survey exercise covered the city of Baghdad and surrounding *Qada* areas. 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 Baghdad

Area	% of Completed Surveys
East Baghdad	32%
West Baghdad	35%
Baghdad Qada - Surrounding Areas	33%

As mentioned above, East Baghdad includes the districts of Karada, 9 Nisan, Rusafa, Sadr City, and Adhamiya; West Baghdad includes the districts of Mansour, Kerkh, Kadhamiya, Ameriya, Bayaa, Amal, Saydiya, and Dora; the Baghdad Qada provincial districts surrounding the city (*aqdhiya*) includes Taji, Tarmiya, Istiklal, Mada'in, Mahmoodiya, Yousifiya, and Abu Ghraib.

2.2.6 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 Baghdad. 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 Baghdad-based researchers and supervisors were contracted on a full-time basis to conduct the survey in each of the three concentration areas of Baghdad, for a total of 57. Researchers were required to meet certain age, education level, and experience criteria before they were hired. The field research team for each area comprised an Area Coordinator, two Quality Control Supervisors, and 26 researchers paired into 13 research teams. Appendix 4 outlines the field team organizational chart for Baghdad 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, 48 Research Interviewers were hired to conduct survey interviews (26 in each area). Interviewers operated in teams of two to mitigate security risks and discourage fabrication.

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

Area Coordinators and Quality Control Supervisors underwent additional training to help them manage survey logistics, monitor research progress, and simulate some of

the problems they might encounter and possible solutions. At the request of USAID-*TIJARA*, the training was conducted a second time for all field staff.

In addition to the training, field staff were given three days to run practice surveys in the field. During these three days, the Area Coordinator, Quality Control Staff, and supervisors from 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.

2.2.7 Field Control

To ensure the completeness, consistency, and credibility of collected survey data, several control procedures were put in place at the data collection and processing stages. These procedures resulted in the research team rejecting between 2% and 8% of completed surveys due to data inaccuracy or incompleteness. Table 2-3 below highlights field control results:

Table 2-3: Field Control Statistics

East Baghdad

Completed Surveys	Rejected Surveys	Accepted Surveys	Rejection Rate
877	51	826	6%

West Baghdad

Completed Surveys	Rejected Surveys	Accepted Surveys	Rejection Rate
949	80	869	8%

Baghdad Qada – Surrounding Areas

Completed Surveys	Rejected Surveys	Accepted Surveys	Rejection Rate
835	17	818	2%

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 Baghdad, 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 Baghdad to validate survey data and the survey experience directly with the respondents. Approximately 10% of the required sample size was validated this way in Baghdad. 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.

2.3 FOCUS GROUP METHODOLOGY

A total of 45 focus groups were conducted in Baghdad, 15 for each area, focusing on a few major industries – auto services, construction, agriculture, light manufacture, and transportation. 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 12 participants per session, led by a moderator assisted by a scribe who took down notes, and logistically organized by the area coordinator for Baghdad. A layout of the focus group schedule is provided here in Table 2-4, Table 2-5, Table 2-6 for reference:

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

#	Date	Industry	Moderator	Location	No. of Participants
1	29-Aug	Industry – Carpentry	Dr. Ali Kareem	4points Research Center	11
2	30-Aug	Industry – Mechanical	Mr. Mohammed Shohaieb	4points Research Center	11
3	31-Aug	Construction Contractors	Dr. Ali Kareem	4points Research Center	7
4	1-Sep	Communications	Mr. Mohammed Shohaieb	4points Research Center	7

5	2-Sep	Communications	Dr. Ali Kareem	4points Research Center	8
6	7-Sep	Construction Contractors	Mr. Jasim Salem	4points Research Center	7
7	8-Sep	Industry – Aluminum	Mr. Jasim Salem	4points Research Center	7
8	9-Sep	Industry – Metal Working	Mr. Jasim Salem	4points Research Center	10
9	10-Sep	Transportation and Storage	Mr. Jasim Salem	4points Research Center	9
10	12-Sep	Tourism – Hotels and Rest.	Mr. Jasim Salem	4points Research Center	7
11	13-Sep	Agribusiness – Nurseries	Mr. Jasim Salem	4points Research Center	7
12	14-Sep	Tourism – Hotels and Rest.	Mr. Jasim Salem	4points Research Center	7
13	15-Sep	Tourism – Hotels and Rest.	Mr. Jasim Salem	4points Research Center	9
14	16-Sep	Communications	Mr. Jasim Salem	4points Research Center	6
15	19-Sep	Transportation and Storage	Mr. Jasim Salem	4points Research Center	10

Table 2-5: West Baghdad Focus Groups – Date, Industry, Location, and Participants

#	Date	Industry	Moderator	Location	No. of Participants
1	29-Aug	Industry – Carpentry	Dr. Talal Anwar	4points Research Center	10
2	30-Aug	Communications	Dr. Talal Anwar	4points Research Center	10
3	31-Aug	Industry – Metal Workers	Dr. Talal Anwar	4points Research Center	10
4	1-Sep	Industry	Mr. Mohammed Shohaieb	4points Research Center	10
5	2-Sep	Tourism – Hotels and Rest.	Dr. Talal Anwar	4points Research Center	10
6	8-Sep	Transportation and Storage	Dr. Talal Anwar	4points Research Center	11
7	9-Sep	Construction Contractors	Dr. Talal Anwar	4points Research Center	7
8	10-Sep	Communications	Dr. Talal Anwar	4points Research Center	10
9	12-Sep	Construction Contractors	Dr. Talal Anwar	4points Research Center	10
10	12-Sep	Industry – Sewing	Dr. Talal Anwar	4points Research Center	9
11	14-Sep	Industry –	Dr. Talal Anwar	4points Research	7

		Aluminum		Center	
12	14-Sep	Tourism – Hotels and Rest.	Dr. Talal Anwar	4points Research Center	8
13	15-Sep	Communications	Dr. Talal Anwar	4points Research Center	7
14	15-Sep	Agribusiness – fish farming	Dr. Talal Anwar	4points Research Center	10
15	16-Sep	Transportation and Storage	Dr. Talal Anwar	4points Research Center	9

Table 2-6: Baghdad Qada (Surrounding Area) Focus Groups – Date, Industry, Location, and Participants

#	Date	Industry	Moderator	Location	No. of Participants
1	29-Aug	Construction Contractors	Dr. Sabah Al-Obaidy	4points Research Center	13
2	30-Aug	Industry – Electricity	Dr. Sabah Al-Obaidy	4points Research Center	8
3	1-Sep	Agribusiness – Grains and Veg.	Dr. Sabah Al-Obaidy	4points Research Center	8
4	2-Sep	Agribusiness – Poultry and Fish	Mr. Mohammed Shohaieb	4points Research Center	10
5	2-Sep	Agribusiness – Farmers and Animals	Dr. Sabah Al-Obaidy	4points Research Center	9
6	7-Sep	Industry – Variety	Dr. Sabah Al-Obaidy	4points Research Center	8
7	8-Sep	Auto, Generator, Satellite Repair	Dr. Sabah Al-Obaidy	4points Research Center	10
8	9-Sep	Agribusiness	Dr. Sabah Al-Obaidy	4points Research Center	8
9	10-Sep	Industry – Sewing	Dr. Sabah Al-Obaidy	4points Research Center	8
10	12-Sep	Industry – Various	Dr. Sabah Al-Obaidy	4points Research Center	11
11	12-Sep	Industry – Various	Dr. Sabah Al-Obaidy	4points Research Center	7
12	13-Sep	Industry – Metal Workers	Dr. Sabah Al-Obaidy	4points Research Center	8
13	14-Sep	Services – Barbers	Dr. Sabah Al-Obaidy	4points Research Center	7
14	15-Sep	Agribusiness	Dr. Sabah Al-Obaidy	4points Research Center	9
15	16-Sep	Agribusiness	Dr. Sabah Al-Obaidy	4points Research Center	9
16	26-Sep	Agribusiness – Animals	Dr. Sabah Al-Obaidy	4points Research Center	10

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

2.3.1 Training for Focus Groups

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

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

2.3.2 Materials

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

2.3.3 Organization of Focus Groups

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

Each focus group session was an average of 90 minutes long, with some occasionally reaching up to two and a half hours. The moderator steered the discussion around three main themes: 1) identifying the value chain – understand the

players, what is local, where connections are made, and where there may be gaps and inefficiencies, 2) business- enabling environment constraints – identifying regulatory and infrastructure issues, and 3) firm-level constraints – identifying shortcomings and challenges at the firm level. Towards the end of the focus group discussions, an additional question was added regarding the identification of specific regulations that the participants would like to see changed.

2.3.4 Quality Control

Each focus group discussion was video recorded and recorded on a voice recorder for back-up. The scribe assisted the moderator and produced an independent set of notes that would be used to compare with the moderator report submitted at the end of the session. Quality control personnel in 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.

Focus groups all across the country, including in Baghdad, 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.

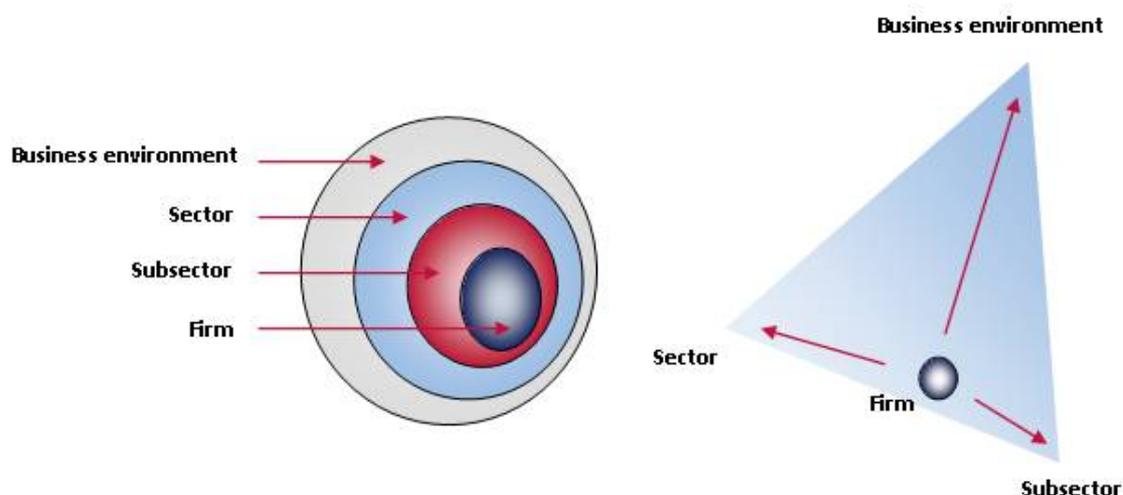
One of the ways of creating and maintaining competitive advantage is to identify the internal and external elements of business practice that add value to the final product, and hence to the business. Such enhancing activities link together into a value chain. Improvements to any link in the chain redound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

3.1 GENERAL CHARACTERISTICS OF BAGHDAD

The heart of Iraqi economy and society, Baghdad often is seen as synonymous with the country by outsiders. It is by far the largest population center. Baghdad houses all the institutions of the national government and its security apparatus, plus the key banking and other business support and regulatory entities. Baghdad has been the area most affected by enduring sectarian clash. Other areas may have had more intense bouts of such conflict, but it is part of the warp and woof of everyday life in Baghdad to an unmatched extent. Sectarian tension impacts Baghdad's security, physical infrastructure, and business culture and outlook. It has a significant informal, "shadow" economy. The city supports a surprisingly vibrant agricultural sector, but is dominated by non-agricultural pursuits: light manufacturing that focuses on wood and metal work, service industries, and especially retail trade of all types. Baghdad tends to be a city of neighborhoods, whose trade activities and labor base are family oriented and supported. Table 3-2 provides highlights to key SME industry makeup in Baghdad.

Table 3-1: Baghdad Demographics

Capital:	Baghdad
Area:	4,555 sq km (1.5 % of Iraq)
Population:	7,145,470 (24 % of total)
Gender Distribution:	Male: 50% Female: 50%
Geographical Distribution:	Rural: 13% Urban: 87%
Population by District:	
Al-Karkh	1,624,057
Al-Sader	1,316,583
Al-Risafa	1,312,052
Al-Adhamia	842,310
Al-Kadhimiya	832,759
Mahmudiya	496,053
Al-Mada'in	332,883
Abu-Ghraib	326,626
Al-Tarmiya	62,147

Table 3-2: Approximate Makeup of SME Sector in Baghdad

Construction	%	Light Manufacturing	%	Transportation	%
Construction Material and Services	63%	Carpentry	44%	People Transportation	51%
Construction Contractors	37%	Metal Works	35%	Goods Transportation	49%
		Tailoring	18%		
		Others	4%		
Agribusiness	%	Retail	%	Others	%
Horticulture and Dates	52%	Food Stuffs	33%	Restaurants	33%
Wheat and Barley	31%	Vehicle Spare Parts	19%	Barber Shops	19%
Livestock, Aquaculture and Poultry	17%	Apparel Retail	14%	Medical Services	15%

		Mobile Phones & Computers	14%	Electricity Generators	13%
		Furniture and White Goods	10%	Internet Cafes and SPs	9%
		Others	10%	Bakeries	8%
				Others	3%

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

3.1.1 Baghdad Economic Landscape

Baghdad is a city that is split into two halves by an ancient river, the Tigris, which runs straight through it more or less in a north to south direction. The western part of the city contains the seat of Parliament and the Prime Ministry located in the International Zone, as well as the well-known shopping districts of Mansour, the restaurants of Harithiya (near Mansour) and the vast used car market of Bayaa, south of the Airport Road, previously known as the most dangerous road in the world, now the best maintained and arguably safest road in the city. The Airport Road runs east-west coming out of the International Zone running west approximately 15 km to the Baghdad International Airport.

Northwest Baghdad contains religious sites that Shia Muslims visit on pilgrimage, which is the Famous Kadhum Mosque in Kadhamiya. The mosque is a round-the-year attraction for tourists and locals alike, who also stop and wander through the markets and small streets that lead up to the mosque shopping for wares, for the kinds of things that tourists might be interested in.

Important transit lines lead out of West Baghdad connecting the capital with the rest of the country. The road to Hilla, Najaf, and Karbala goes south out of West Baghdad from Bayaa past Saydiya and Dora, through Yousifiya and Mahmoudiya on to Hilla, the heart of the Babil Province. The road passes by the Awereej industrial area, home to many private small industrialists. The Abu Ghayb Road leads due west out of Baghdad, and used to be the main road to the western part of the country, passing by the College of Agriculture of the University of Baghdad before continuing on to Fallujah in the Anbar Province. This road is less travelled now ever since the modern four-lane expressway that takes road traffic all the way to the Jordanian Border was finished off by Japanese contractors during the embargo days. Travelers that travel this road to Jordan or Syria will pass by the major towns in Anbar without even seeing anything of their markets or city-scapes. Abu Grayb is well known for its agriculture, the SOE Dairy Manufacturing plant, and the infamous Abu Ghayb prison.

Heading northwest out of the city is the main four-lane highway that leads to Mosul and the main artery connecting Baghdad to the northern part of the country. The road is currently plagued with checkpoints, with the distances from checkpoint to checkpoint the no further than the furthest distance in one's line of sight to ensure that travelers and commerce along the road safely can transit between Baghdad, Taji, Balad and reach Samaraa in Salah ad Din Province before the frequency of stops lets up. The road was previously impassable due to looters and other kinds of criminal activity that prohibited transfer of goods along the route.

East Baghdad is the home to the large wholesale markets of Shorja (in Rusafa District) and Jamila (in Sadr City), as well as a few prominent industrial zones. Boob As Sham is a collection of private industrialists in the Adhamiya District (in northeast Baghdad) leading out to the Qada of Istiklal, Zafraniya in southeast Baghdad is home to large state-owned industries (Cement and others) and large and smaller private industries alike, including the bottling plant that produces Pepsi Cola for all of Iraq. Zafraniya is the poorer part of the Karrada District which boasts an industrial area of its own called Nadhamiya, home to private industrialists and SOEs alike (vegetable oils, cigarettes, and the famous leather company).

Shopping is popular in the Karrada "In" market area between the Baghdad University and the Bab Al-Sharjy area on the Karrada peninsula. Shopping is also popular in the areas near to the river further on up towards Adhamiya. The famous Abu Nuwas area is well known for its fish restaurants and even bars. The Rasheed Street that continues on from Abu Nuwas until Bab Al-Muatham is the oldest street in Baghdad and once, a long time ago, the central location of commerce containing markets for gold and silver, books, and many other kinds of goods that represented what Baghdad was once famous for, still remaining today as remnants of specialized trades and crafts. Other centers shopping and gathering include Palestine Street and Zayouna, both frequented by mostly east Baghdad residents looking to enjoy an evening out.

Most major hotels are in east Baghdad, including the Baghdad Hotel (1st 4-star hotel in Baghdad in its day) and the Babil Hotel, as well as the Ishtar (known commonly as the "Sheraton") and Palestine hotels, along with a collection of other notable hotels that are smaller but equally as important and appealing to different interests.

Although the seat of higher parliamentary and prime ministry government is in West Baghdad, many of the ministries that lead the public sector and create the vast majority of the public sector employment for Baghdad residents and Iraqis all over the country are located in East Baghdad. Ministries of Oil, Industry, Agriculture, Higher Education, Labor, Finance, and the Baghdad Municipality are a notable few. Most contracting activity between private and public sectors in some form or another passes through these ministries, requiring frequent visits. Notable officials also reside in the Karrada District, due to the fact that it is a safer area, and kept as such by security forces loyal to the Iraqi Government and to private interests alike.

East Baghdad is home to the famous Sadr City, boasting, according to some estimates, up to 3 million inhabitants and a vast pool of mostly unskilled labor (high percentages of which are unemployed), those of whom have jobs spreading out all over the city to work various low-paying jobs. Sadr City also contains one of the most important wholesale markets for the entire country on its outskirts in the Jamila neighborhood area.

Understanding the economic landscape of the city helps one to understand the different dynamics that make businesses in each area unique, each with a slightly different set of issues. It is also necessary that one understand the social and political landscape of Baghdad and its various districts, as these factors also greatly influence economic trends that are particular to different areas in the city. Although social and political factors are not covered in this report in any great detail, Chapter 7 goes further in depth looking at differences in the SME community make-up that vary between geographic areas in the city (east, west, and surrounding areas).

3.2 SIZE AND MAKEUP OF BAGHDAD ENTERPRISES

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

Figure 3-1: SME Composition by Size

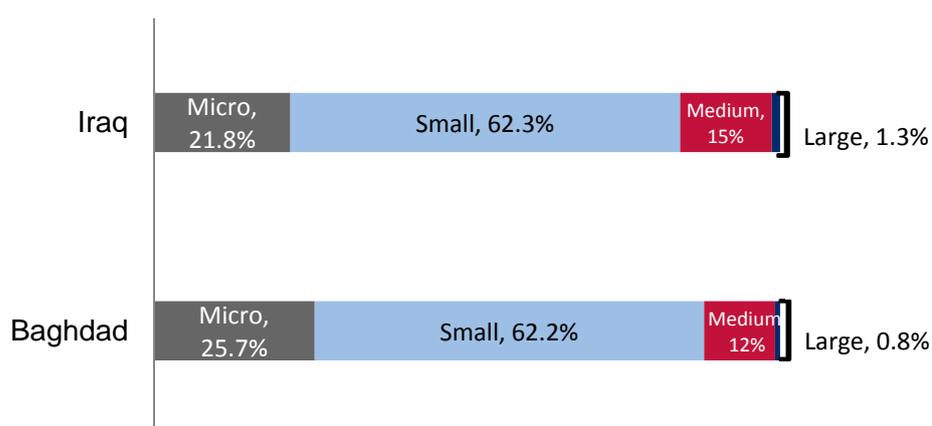
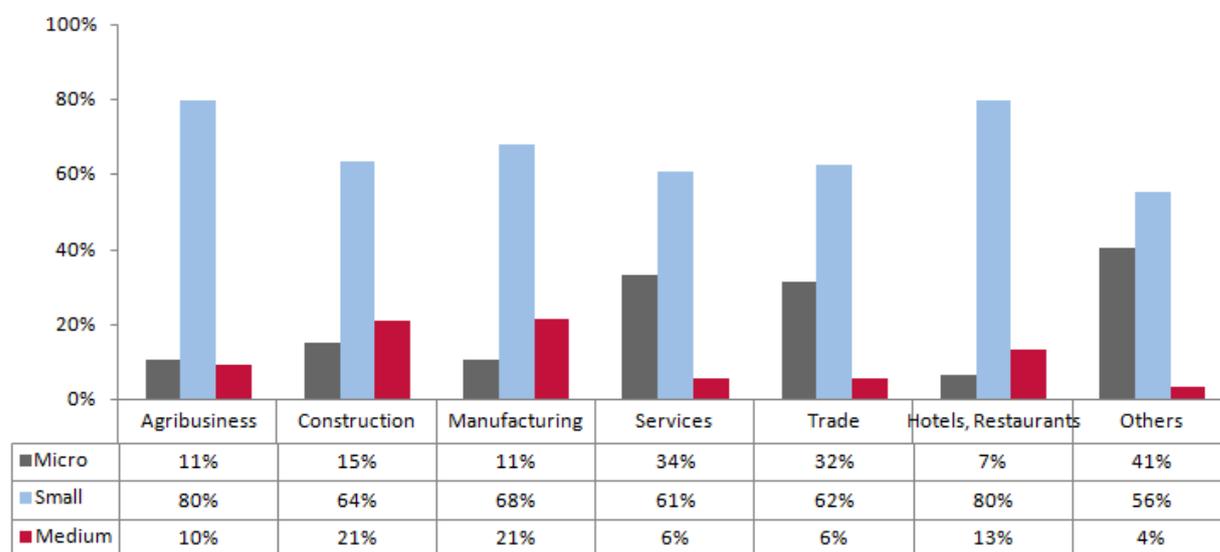


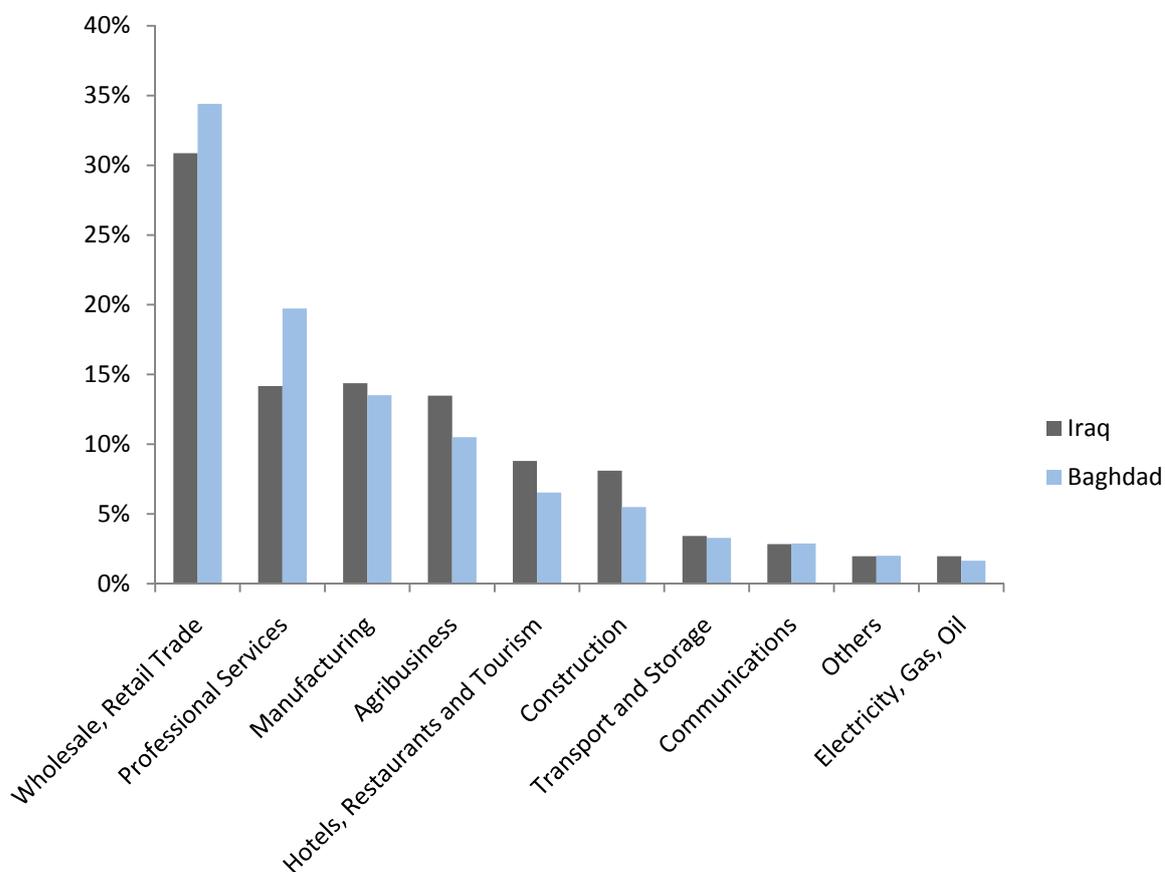
Figure 3-2: The Baghdad SME Sector Makeup – Size and Sector



Businesses are on average newer entities. Over 50% of businesses surveyed have been created or established since the fall of the previous regime. They make more frequent use of both unskilled and administrative labor. Women penetrate SME ownership about twice as much as they do in other provinces.

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

Figure 3-3: Baghdad and Iraq Sector Makeup Comparison



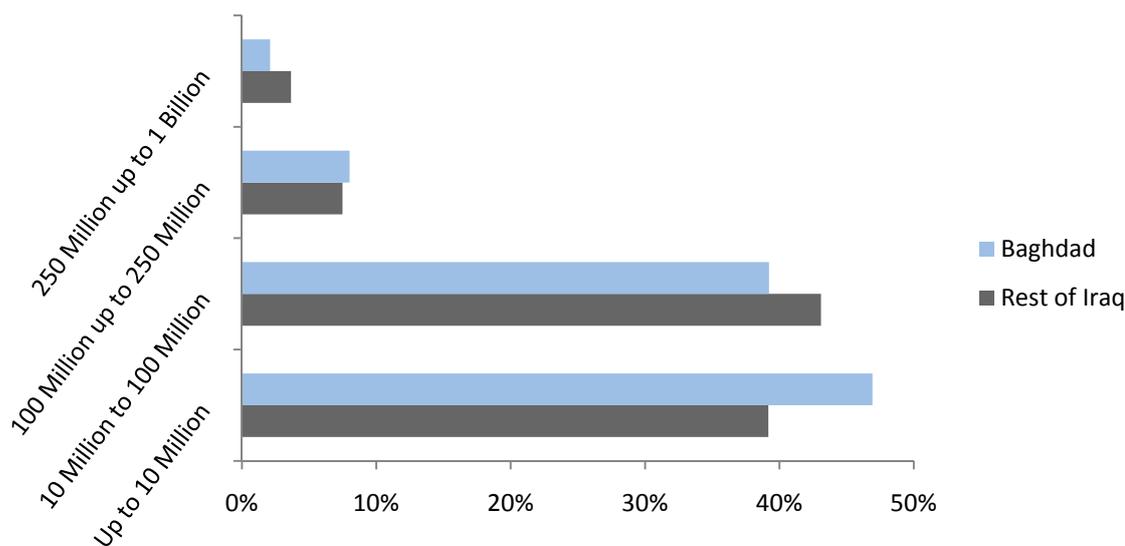
Given the high rate of political and security volatility in Baghdad, as well as the fact that businesses in Baghdad are in the spotlight when it comes to enforcement of norms and regulations that affect the entire country, it is reasonable to assume that businesses will seek to reduce their profile as much as possible, manifesting in a lower index of registration. This is true all over Iraq on the average (see Figure 3-4 below).

Figure 3-4: Informality Comparison – Baghdad vs. Iraq



Baghdad SME Owners tend to have lower levels of assets. Almost half of all SMEs in Baghdad have less than \$9000 (10 Million IQD) in assets. Much of those assets reside in inventory, cash, and somewhat machinery and equipment.

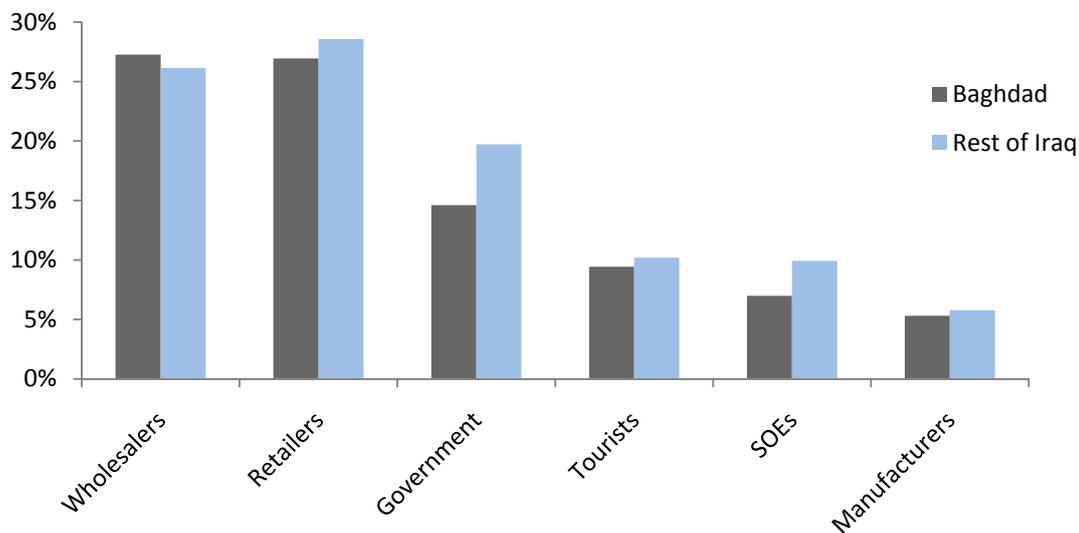
Figure 3-5: Baghdad vs. Iraq SME Asset Base Size (Dinar Iraqi)



3.3 RETAIL ORIENTATION

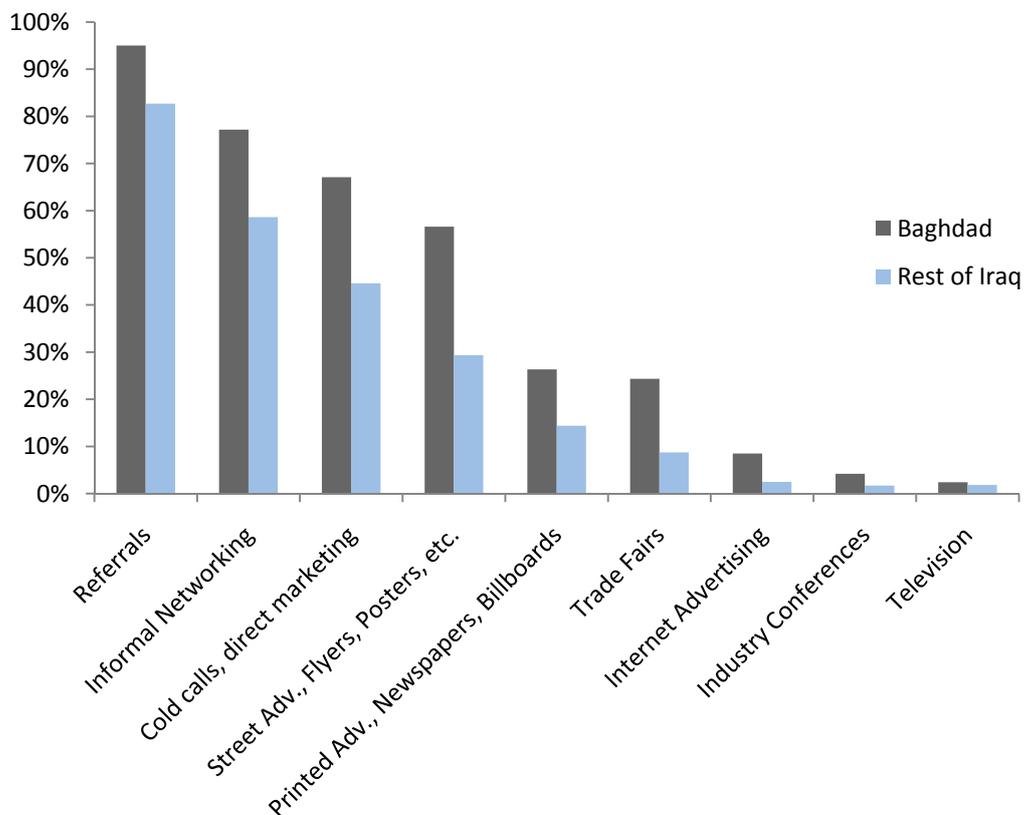
Retail and wholesale sales represent a large slice of business for obvious reasons. In addition sales to government are somewhat significant in Baghdad. The government sales may have to do primarily with contractors and contracting activity in building and in supplying the government through government contracts with the various ministries.

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



In reaching out to customers, and as might be expected, Baghdad SMEs are somewhat more sophisticated than their counterparts in the rest of Iraq. Use of cold call techniques, flyers, newspaper/billboards, trade fairs, industry conferences, and internet advertising are all more commonly used in Baghdad as effective techniques for reaching out to customers. In the case of street advertising, Baghdad SMEs use this technique almost twice as much, and utilize trade fairs nearly three times as much as SMEs do in other parts of the country (see Figure 3-7 below).

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

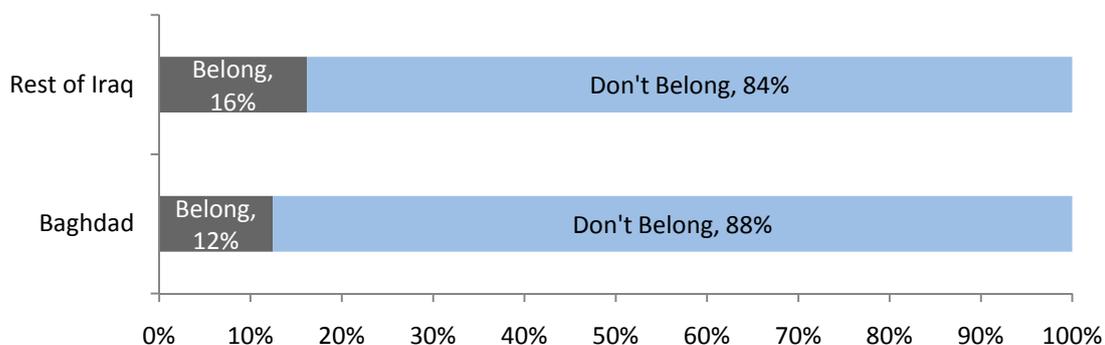


Unexpectedly, computer (18% Iraq, 16% Baghdad) and network ownership (3% Iraq, 2% Baghdad) are a little lower than the rest of Iraq on the whole.

3.4 FORMS OF BUSINESS SUPPORT

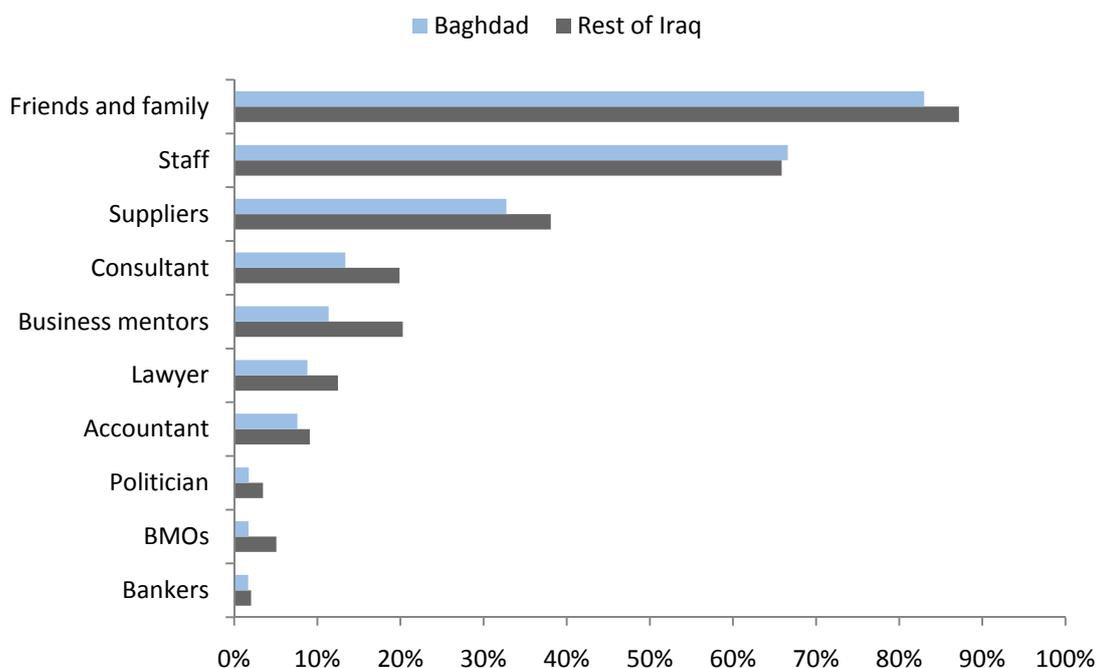
Baghdad SME owners join business and professional organizations at a lower rate than Iraqi businessmen in other regions.

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



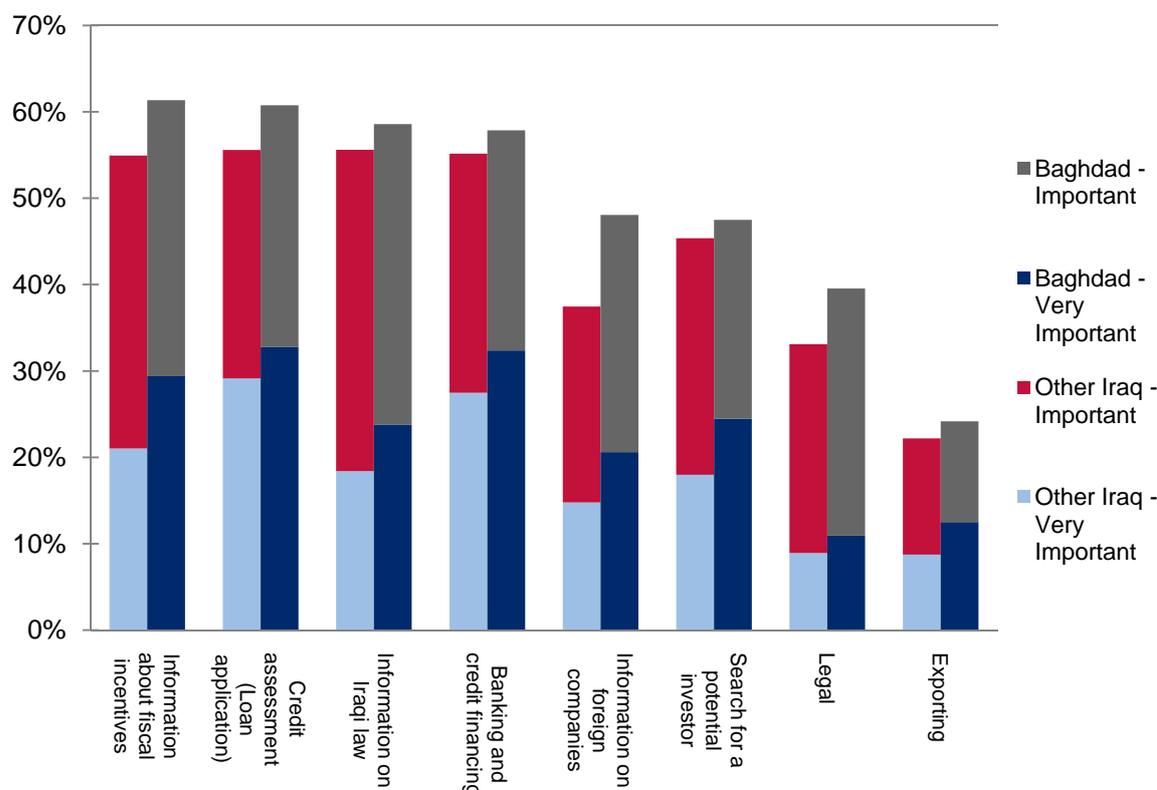
They expect support for networking to develop customer and supplier contacts, to share knowledge, and to build their capacity. They seek advice heavily from friends and family as well as staff, staff a little more than the Iraqi average. Advice sought from others such as from accountants and other specialists, is all less than other Iraqis.

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



Baghdad SMEs do less formal training of their employees and tend to do it in-house. The kinds of BDS they seek to a greater extent than their fellow businessmen elsewhere are across the board numerous. The more striking contrasts are depicted in Figure 3-10. The most highly regarded kinds of BDS services that a BMO can provide include financial information and assistance, legal information and assistance, and exporting and legal consulting.

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



3.5 SPECIAL CONSTRAINTS AND CONCERNS

When asked to name the single most important constraint of doing business in Baghdad, security placed first by far, followed by cash flow and financing and then energy shortages. Regulatory concerns are not high on anyone’s list for the simple fact that lack of enforcement and the presence of corruption that has permeated all levels reduce considerably the felt effects thereof.

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

Iraq			Baghdad		
Concern / Constraint	Weighted Score ¹	Rank	Concern / Constraint	Weighted Score ²	Rank
Energy Shortages	2.451407	1	Security	2.775461	1
Raise finance for growth	2.246803	2	Raise finance for growth	2.295509	2

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

Economic environment	2.069309	3
Security	1.988491	4
Cash flow	1.940409	5
High competition	1.055754	6
Access to business opportunities	0.86624	7
Keep up with new technology	0.763427	8
Employee skill limitations	0.632737	9
Access to market intelligence/ information	0.60844	10
Governmental regulations	0.248849	11

Cash flow	2.242582	3
Energy Shortages	2.075782	4
Economic environment	1.94186	5
Access to business opportunities	0.989174	6
High competition	0.7085	7
Keep up with new technology	0.599439	8
Access to market intelligence/ information	0.54571	9
Employee skill limitations	0.488773	10
Governmental regulations	0.255814	11

Baghdad small business owners make surprisingly less use of the banking system than other Iraqi SMEs and have fewer multiple accounts. Only 8% of Baghdad SMEs reported having a business bank account, compared to 11% of other Iraq SMEs that have business bank accounts. Also, 2% have reported having had loans, compared to 3% of other Iraqi SMEs. This is not to say that banking services are not in demand. 89% of Baghdad SMEs, for example, are interested in long term financing from banks, compared to 78% of other Iraqi SMEs.

4. BAGHDAD FIRM LEVEL CONSTRAINTS

4.1 INTRODUCTION

Firm level constraints discussed here include the following:

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

4.2 ACCESS TO FINANCE CONSTRAINTS

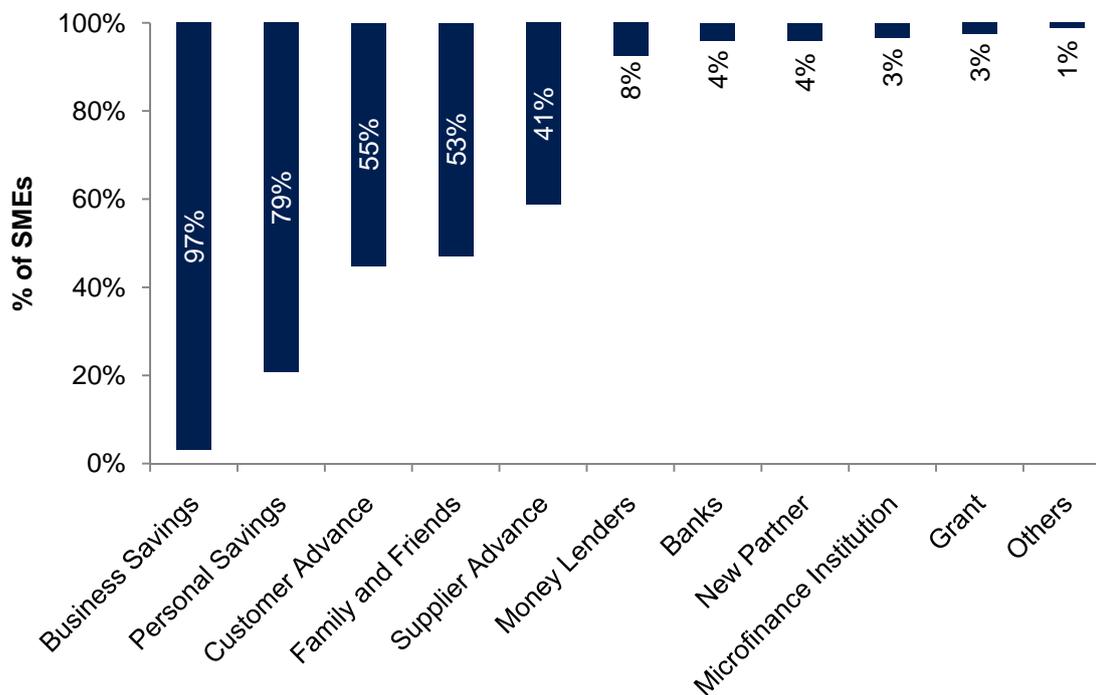
SMEs were asked to highlight utilization of various sources of finance for their business. Overwhelmingly, enterprise owners claimed to self finance through business savings at least on occasion (97%), followed by personal savings (79%), and family and friends (53%).

Trade credit is also a major source of finance with over 55% of enterprises reporting customer advances as a source of credit, and 41% reporting supplier credit as at least an occasional source of finance.

Credit market financing from banks and microfinance institutions is exceptionally low, with 4% and 3% utilization rates respectively². Money lenders as a source of credit fair marginally better than banks and MFIs at 7.5%. Figure 4-1 outlines key sources of business finance for Baghdad based SMEs.

² In a separate question enterprise owners were asked if they ever borrowed from a bank or an MFI, only 2% of enterprises indicated that they had. This appears to contradict the combined 7% utilization.

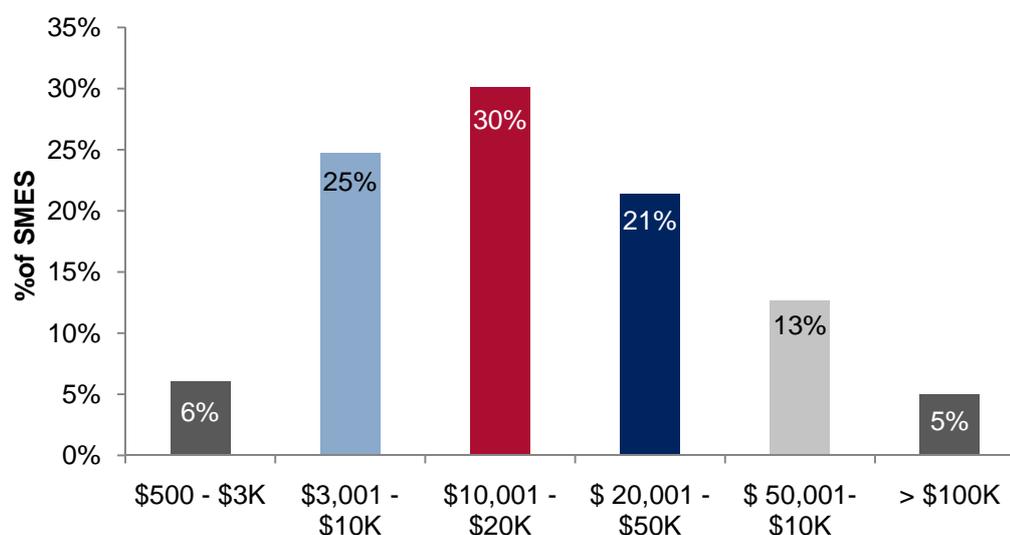
Figure 4-1: SME Sources of Business Finance



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

- Credit needs as indicated by survey results (see Figure 4-2) and discussions with SMEs are primarily working capital requirements generally characterized as minimal in value, and short in tenure. 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.

Figure 4-2: SME Level Financing Need



- SMEs are clearly under-banked and underserved by the formal banking sector. Only 8% of SMEs hold bank accounts. Amongst the main reasons cited as barriers to dealing with banks 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.
- Fully secured lending is still the most predominant form of lending by Iraqi banks. This undermines the ability of many enterprise owners to approach banks for credit facilities. Enterprise owners with prior bank credit experience or who attempted to secure bank credit cited collateral requirements as high as 250% of loan amounts.
- The religious beliefs and practices of SME owners appear to also adversely affect demand for credit market financing. A 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.
- Corrupt practices by banking officials and loan officers are another reason claimed by SME owners for shunning bank credit. Stories of credit officers requesting up to 30% of the principle loan amount in graft to approve loans are not uncommon as indicated during focus group discussions.

- SMEs also cite procedural complications coupled with lack of banking knowledge/experience as a major constraint to dealing with banks and entering the formal credit system. At least 10% of SMEs claim to have approached a banking institution for credit, but were either turned down or put off by the procedures involved, including preparation of financial statements, business plans, and projections.
- Iraqi banking inefficiencies and inaccessibility has created substitute credit channels that are now the norm in industries such as farming, livestock breeding and retail trade. In the case of farming, farmers and land owners borrow from fresh produce/livestock traders against pledges to sell/broker harvests to or through the trader. These arrangements are so well established that mechanisms for debt pooling, transfer, and even arbitration protocols have been established around them. These arrangements are mostly interest free to the farmer and offer incentives that regulated financial institutions such as banks and MFIs will have to compete hard against.

4.2.1 Banking Services

As highlighted above bank penetration rates are exceptionally low amongst SMEs; only 8% of surveyed enterprises claim to hold a business bank account. Over 70% of these enterprises bank with public institutions, namely Al-Rasheed, Al-Rafdayn, and the Agricultural Bank. Common reasoning as to why Baghdad based SMEs prefer public banking institutions over private banks include i) public banks are more accessible by virtue of their branch network, ii) confidence levels in public banks are higher than those for private banks, iii) long standing relationships with state owned banks pre-dating the emergence of private banking in Iraq, and iv) some enterprises claim they are mandated to bank where they do by virtue of sector in which they operate (e.g. farmers overwhelmingly bank with the Agricultural bank), or because of trade links with suppliers, customers, and other business partners force them to bank at the same bank.

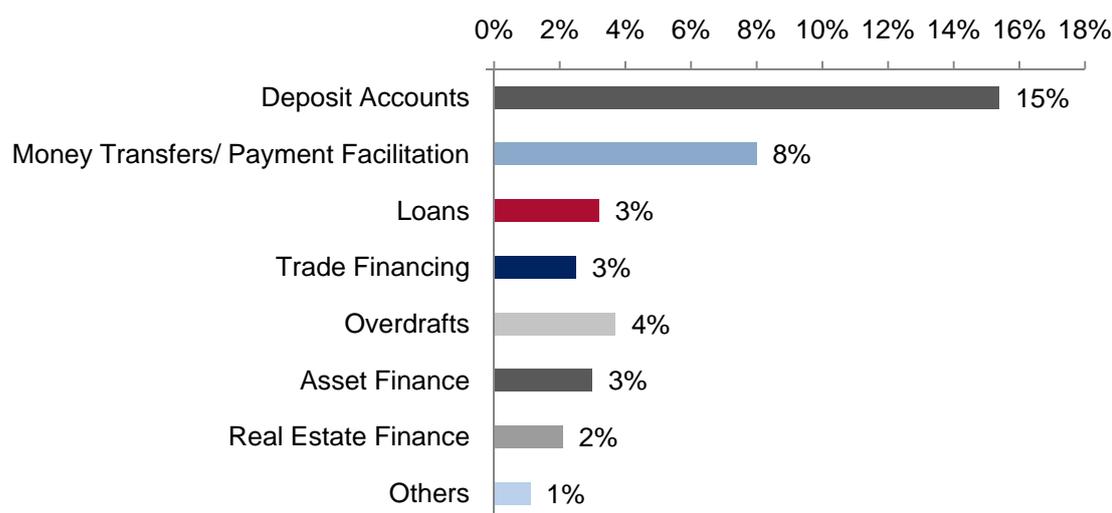
Of the 8% banked enterprises, approximately 23% manage more than one bank account. In most instances SMEs have more than one bank account to make up for limited networking between banks and limited branch networks at the same bank.

Deposit and savings service have the highest usage rates amongst SME banking customers in Baghdad, with an average of 15% of SMEs utilizing this service. This ratio is higher than the 8% account holders highlighted above, however it must be noted that the 8% pertains to business accounts, whilst the 15% is a combination of both personal and business accounts. Out of necessity, many entrepreneurs appear not to make the distinction between business and personal banking, with personal bank accounts utilized towards business needs and vice versa.

Because the vast majority of SMEs are not registered, they are unable to open or maintain business accounts as banks require proof of registration in order to open an enterprise account. The situation is exemplified by a medium sized enterprise owner when quizzed about keeping business and personal bank accounts separate, “...its important for me to keep my business and personal accounts separate, especially since I deposit my government pension in my bank account every month and I would also like to bring my brother into the business as a new partner, however my bank wants me to renew my expired trade registration before opening a company account”.

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

Figure 4-3: SME Banking Services Utilization

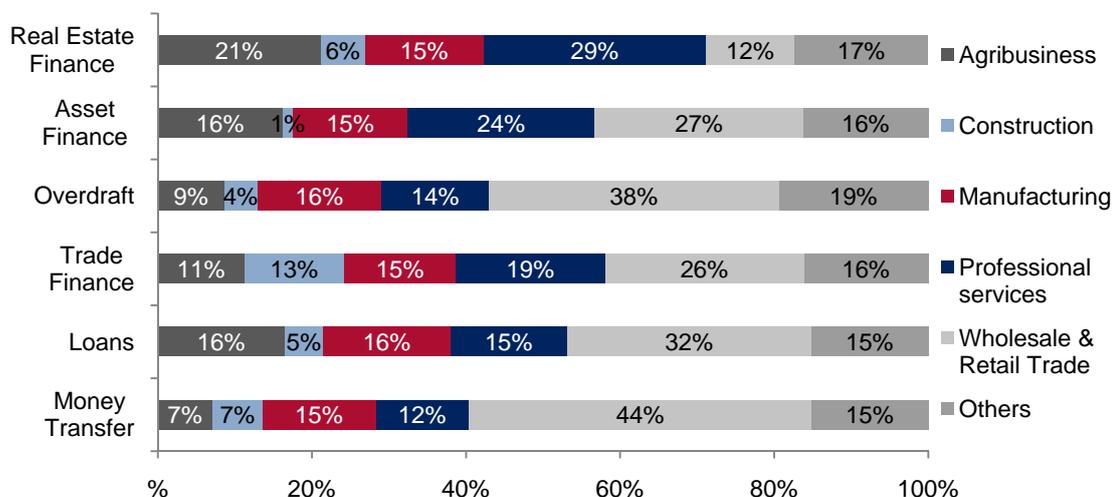


4.2.2 Analysis by Sector

As expected, service utilization rates vary across industries and closely correspond to the financial services needs of each economic sector. Money transfer services, overdrafts, trade finance, asset finance, and loan services are dominated by the wholesale and retail trade sectors by virtue of their need to constantly move funds around and finance trade deals.

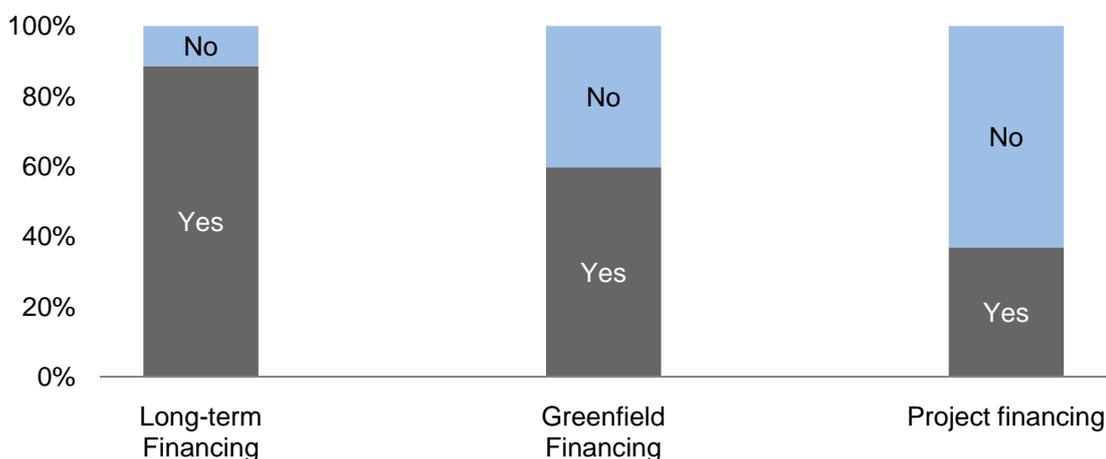
Agribusinesses are significant users of asset financing and real estate financing products to purchase land, and farming equipment. Figure 4-4 highlights service usage by economic sector.

Figure 4-4: Banking Service Utilization by Economic Sector



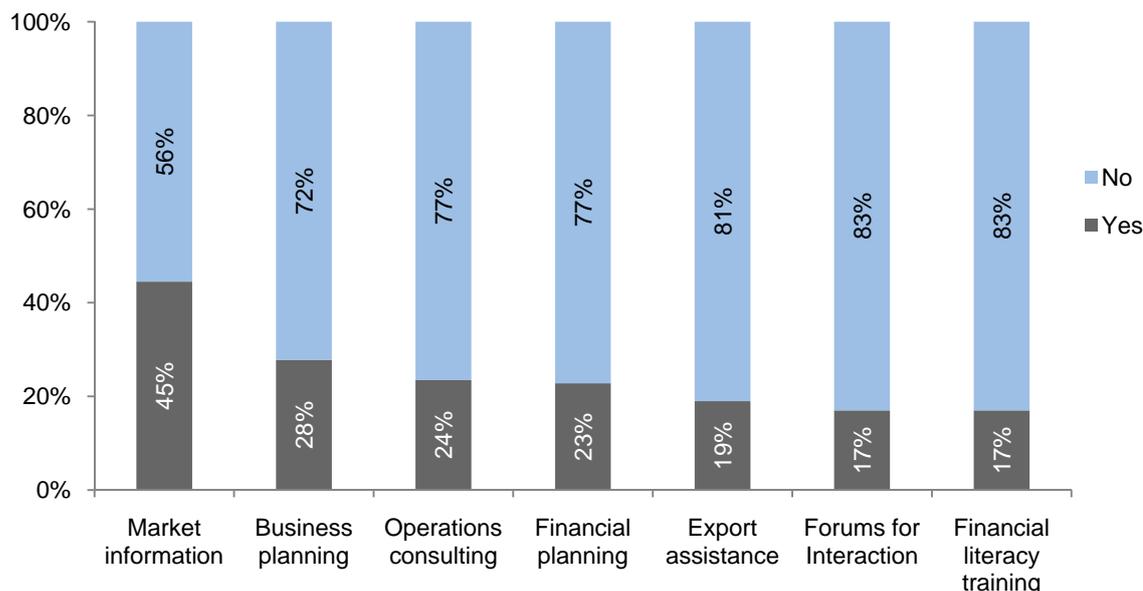
The needs gap for additional financial services offered by banks is significant in long term, greenfield/risk capital, and project finance categories. Almost 90% of SMEs stressed the need for increased long-term finance offerings by banks to finance capital assets and business expansion. Similarly, 60% of the surveyed enterprises indicated demand for greenfield/risk capital finance. Retail, manufacturing, and construction businesses, represented most of the demand for increased project finance products, which is currently in demand by 40% of SMEs.

Figure 4-5: Demand for Additional Bank Financing Services



Value-added (non-financial) banking services are virtually non-existent in Iraq, and Iraqi SMEs are not accustomed to the concept of non-financial banking services. As highlighted earlier less than 2% of SMEs have ever referred to their bank for business advice. However, there appears to be 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 4-6: Demand for Value-Added Banking Services



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

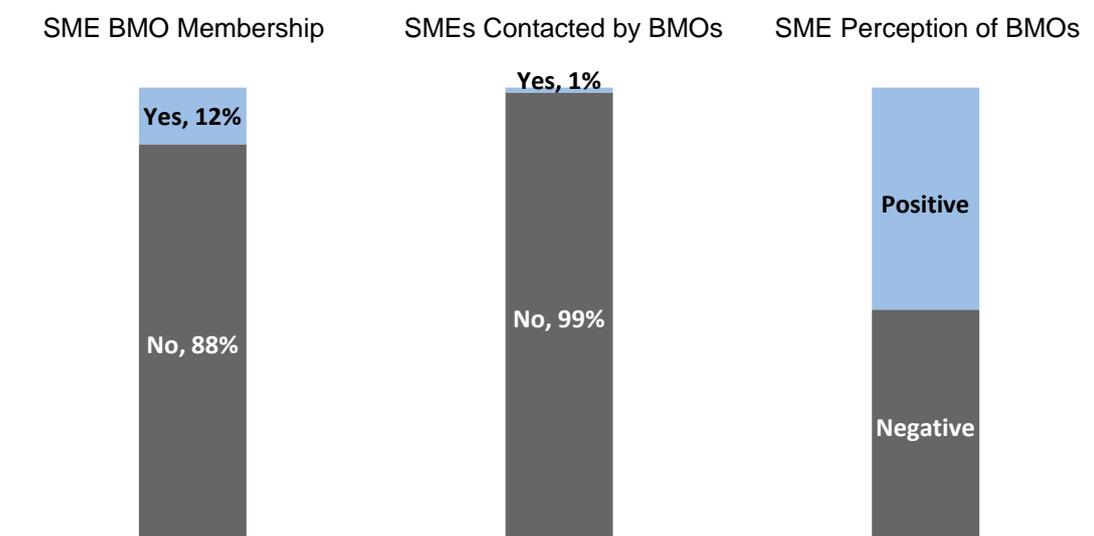
In its current stage of development, SME value-added services may not top the list of banking industry priorities in Iraq, however, the opportunity presented in extending even very basic information and outreach services may have significant impact towards increasing banking penetration rates for non-banked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

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

4.3 SME ORGANIZATION

SME business organization levels in Baghdad are very low. Only 13% of SMEs report membership in business associations and chambers of commerce, with the Baghdad Chamber of Commerce accounting for at least 90% of reported SME business organization. Figure 4-7 below highlights membership levels, BMO outreach, and SME perception towards the benefit of business associations in Baghdad.

Figure 4-7: SME Relations with BMOs



The low penetration rate is hardly justified considering the dynamics of the BMO sector in Iraq. The sector is dominated by formerly government controlled chambers of commerce at governorate levels and operate under a federation of chambers umbrella. Previously, registration for all business was mandatory and often enforced with heavy-hand tactics, which partially explains the highly publicized figure of 250,000³ 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 GoI must hold valid Chamber of Commerce membership.

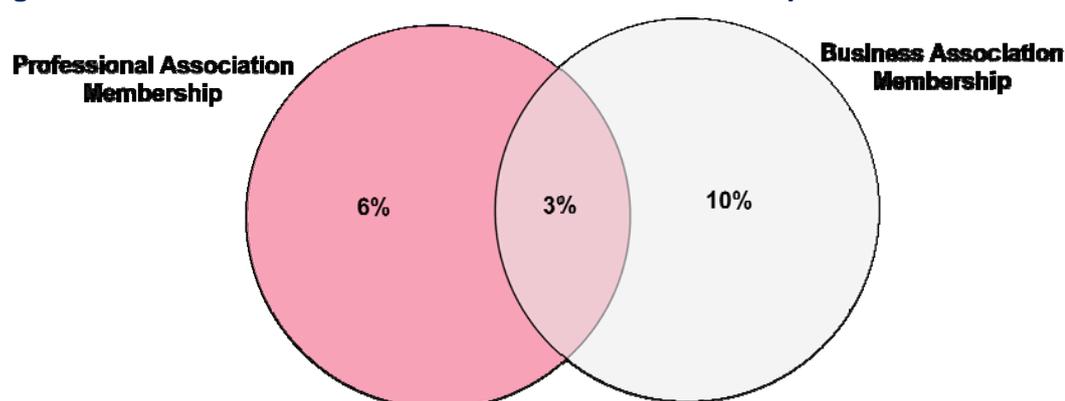
However, it must be noted that in the opinion of many, these Chambers of Commerce played a pivotal role in post-conflict Iraq. Enterprise owners state that with the failing of many state services with the start of the conflict, they come to depend on the Chambers for commercial services including import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

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

³ Figure verbally cited by the chamber leadership.

- Limited outreach by business membership organizations. Only 1.1% 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 4-8 highlights the dynamics between the two types of organizations.

Figure 4-8: BMO vs. Professional Association Membership

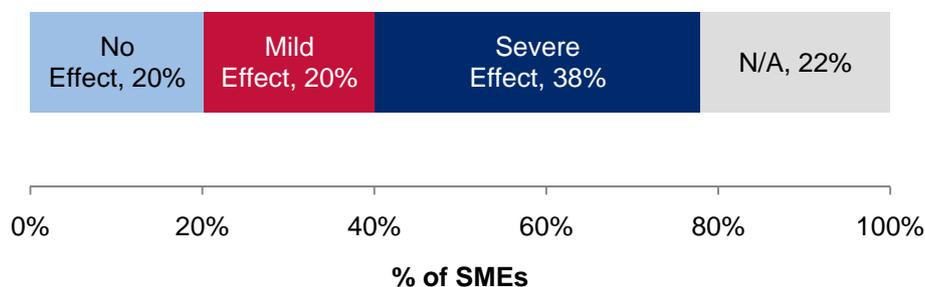


Even with low levels of SME organization highlighted above, 49% of SMEs believe business membership organizations benefit small business. However of the 51% of SMEs that did not believe so and are aware of the concept of BMOs, there was some very harsh criticism.

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

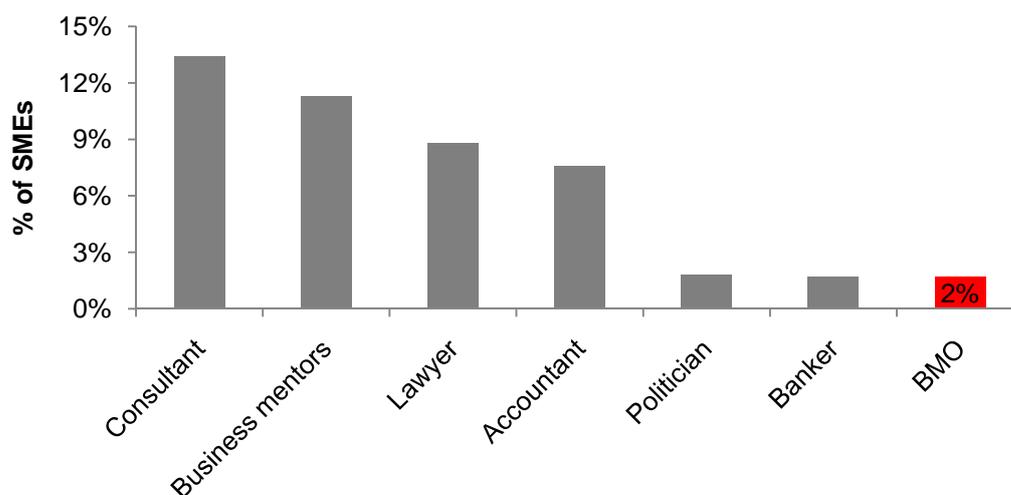
Similar attitudes towards BMOs are reflected by enterprise owners when asked about constraints pertaining to sales and marketing efforts. The majority of SMEs (57.7%) perceived “lack of business association support” to have negative impact on their sales and marketing ability, with almost 40% of enterprises claiming to be ‘severely’ effected by lack of BMO support.

Figure 4-9: 'Lack of Business Association Support' Effect on SME Sales and Marketing Efforts



Business associations also appear to have minimum impact as sources of business advice and problem solving for SMEs. Only 1.7% of SMEs approach business associations to discuss business ideas or resolve issues. In fact more SMEs turn to politicians, government officials, and their bankers than they do to business association for business advice (see Figure 4-10).

Figure 4-10: SMEs: Sources of Advice and Problem Solving



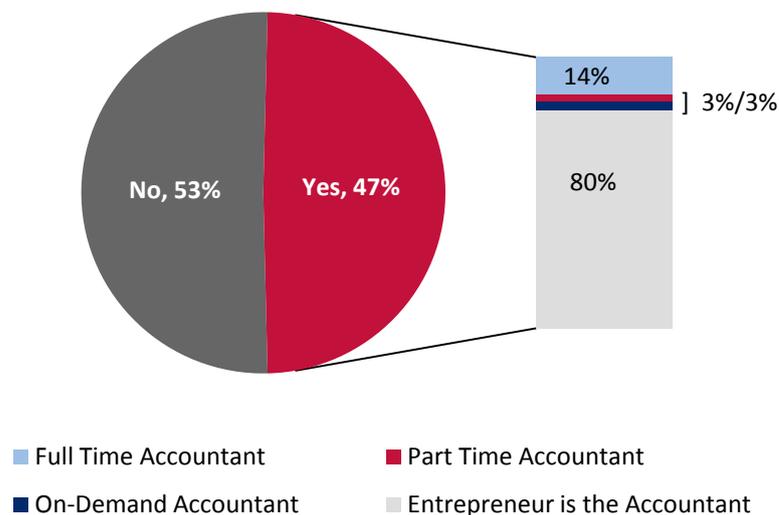
4.3.1 Financial Literacy and Accounting

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 Baghdad based SMEs is very low starting with bookkeeping, capacity to process financial data, and institutional and professional support. Less than 48% have an accountant on staff or maintain their own records. Of the companies that keep records, only 18% depend on either a full

time accountant (14%), a part-time accountant (3%), or an on-demand accountant (3%). The remaining 80% of entrepreneurs that keep records depend on their own ability to keep records as highlighted by Figure 4-11 below.

Figure 4-11: Percent of SMEs Keeping Accounting Records



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

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

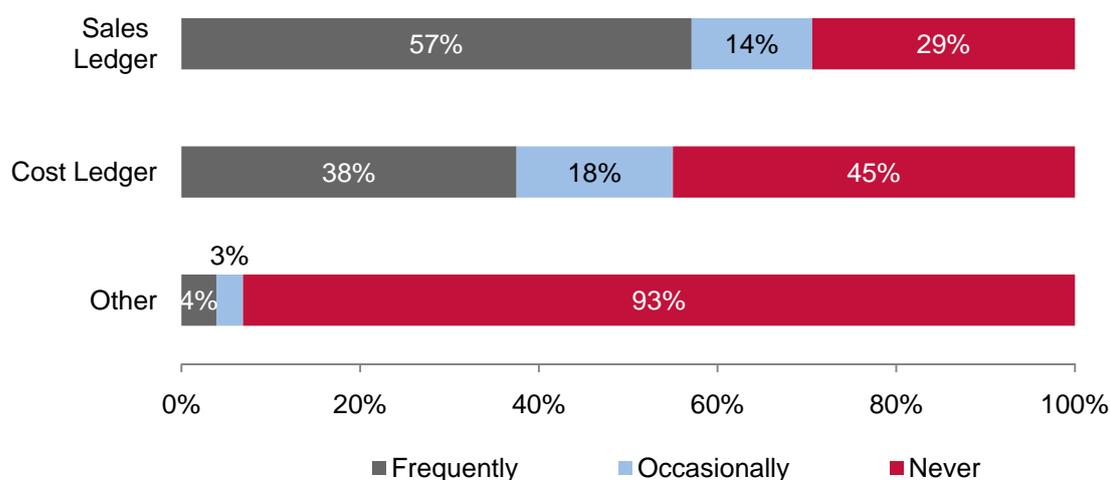
It is not uncommon to hear Iraq enterprise owners debate the cost-benefit of bookkeeping. It’s clearly important to many as highlighted by the quotes presented above, yet others perceive the function and associated process as contextually irrelevant to them personally and to their business objectives. A fabric and ready-made garments retailer explains *“why should I hire an accountant to tell me what I*

already know? My standard of living, and what I am able to provide for my family is the measure of success for my business, not some numbers that mean nothing to me". A female hairdresser and beautician from Baghdad suburbs shares a similar view point *"my measure of success is the number of brides I help prepare [beautify]. I do not need an accounts book"*.

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

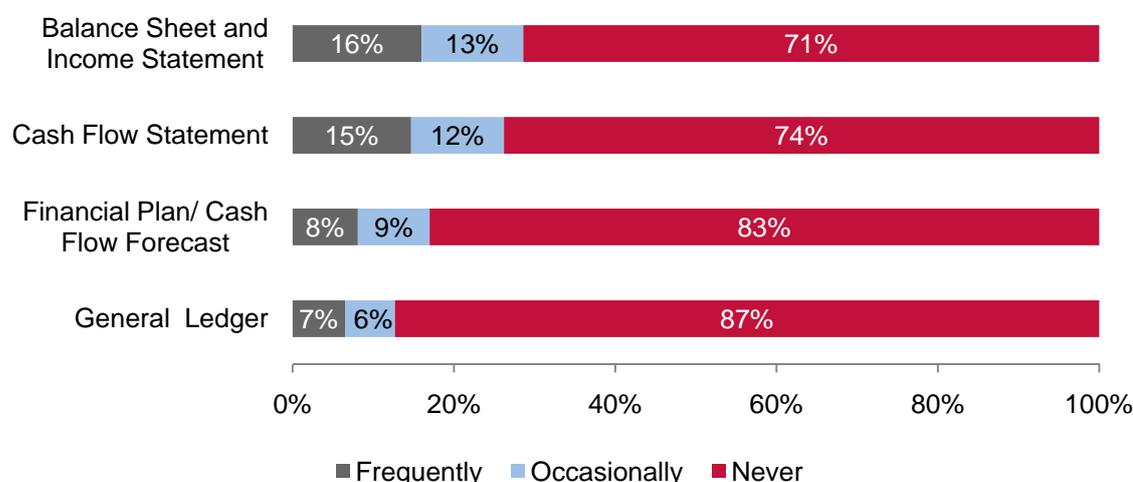
For SMEs that do keep financial records, single entry journals appear to be the most popular. Sales ledgers are propagated by 69% of SMEs, cost ledgers by 55% and only 41% keep a personal/ expense withdrawal ledger. Almost 7% of enterprises keep 'other' types of accounting records which are almost exclusively receivables journals. The reason single entry journals appear to be popular is most likely due to their intuitiveness, simplicity, and reduced error probability.

Figure 4-12: Percent of SMEs Maintaining Single Entry Accounting Records



On more sophisticated bookkeeping and financial reporting, only 13% of SMEs keep a general ledger of accounts. This is surprising considering that 29% of enterprises claim to prepare balance sheet and income statements, and a further 26% claim to prepare cash flow statements at least frequently (see Figure 4-13 below). In general accounting norms, the general ledger of accounts is used towards preparation of the afore-mentioned statements.

Figure 4-13: Percent 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 accountants 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 6% of SMEs have their statements audited (in an audit, preparation of financial statements is the responsibility of the enterprise). However, a significant percentage (82%) of enterprises that hire auditors also depend on them to discuss business ideas and related business issues. Figure 4-14 and Figure 4-15 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 4-14: Audited Financial Statements: % of SMEs

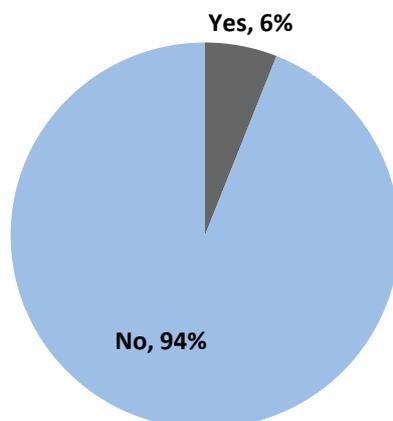
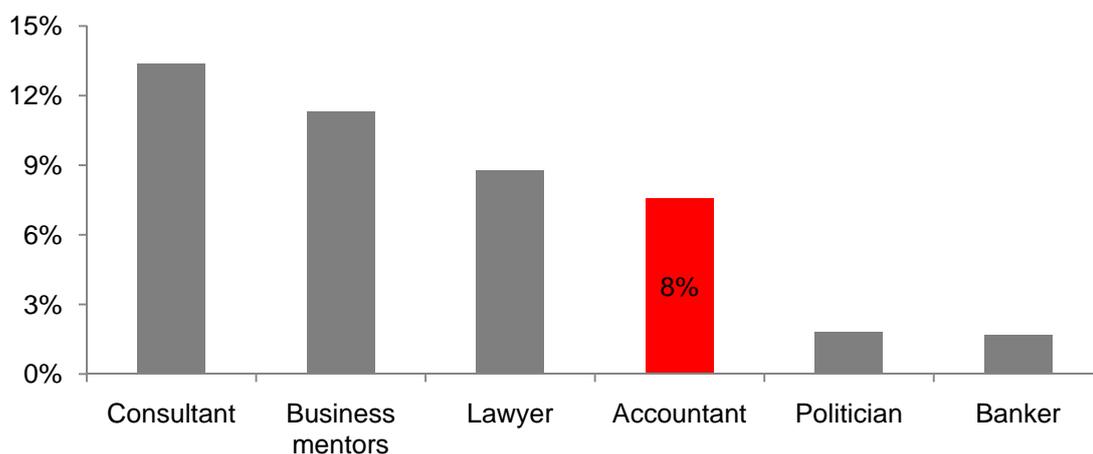
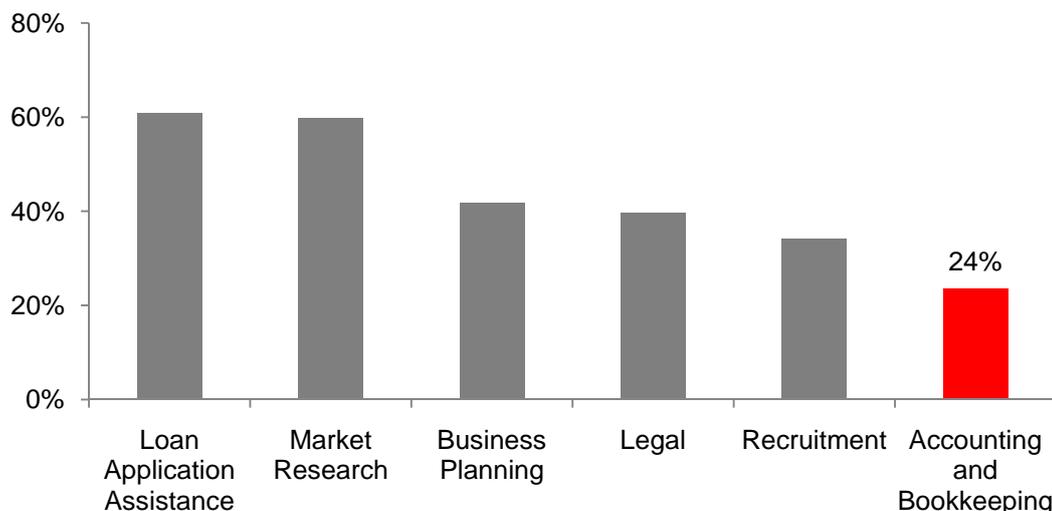


Figure 4-15: SMEs: Sources of Advice and Problem Solving



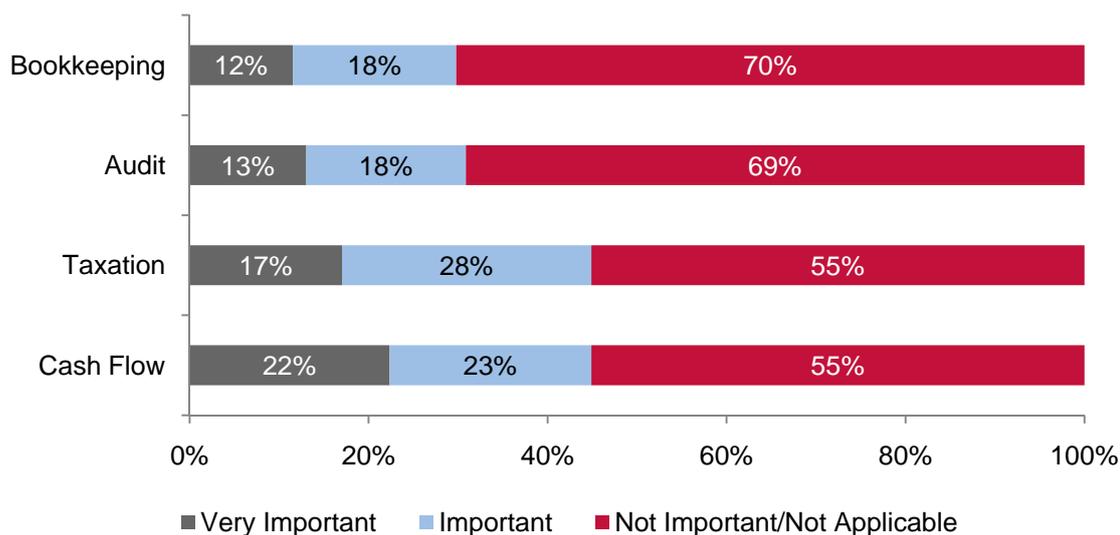
The innate nature of enterprise owners with their accountants and lack of SME awareness as to the importance of sound bookkeeping and fiscal management appears to negatively affect demand for new accounting services. As a result, only 23% of enterprises perceive the provisioning of accounting services through business associations as important. As indicated in Figure 4-16, accounting and bookkeeping services ranked last in a comprehensive list of potential BDS services offered through business associations.

Figure 4-16: Baghdad SME Demand for BDS Services



Accounting and financial literacy training also ranks low on the list of the SME training priorities. Over 70% of enterprises did not care for bookkeeping training or perceived it as non-applicable to their needs. Similarly, SMEs were not overtly enthusiastic about financial literacy training as a value added service by banks. Only 17% of respondents thought that financial literacy training offered by banks would be of use to them.

Figure 4-17: Percentage of SMEs' Demand for Financial Consulting Services from Banks



4.4 INFORMATION AND TECHNOLOGY CONSTRAINTS

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

Table 4-1: Ranking of the Top Sources for News / Information About Business / Customers for SMEs in Baghdad

Source	Weighted Rating ⁴	Baghdad Rank	Iraq Rank
Word of mouth	3.605212	1	1
Customers	2.337858	2	2
Employees	2.007264	3	3
Suppliers	1.217917	4	4
Rival firms	0.85016	5	6
SMS messages	0.655147	6	5
Newspapers	0.258644	7	8
Internet	0.242362	8	9
Television	0.218895	9	10
Business associations	0.183068	10	7
Radio	0.130798	11	11

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

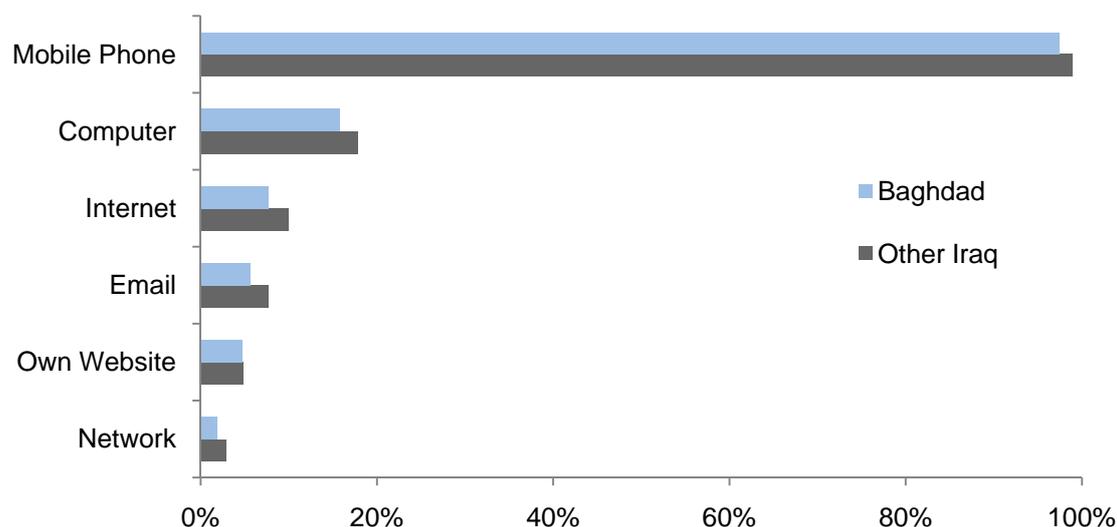
⁴ Weighted ratings were generated by giving ordered weights to the different responses depending on their top five rankings in response to the question, multiplying the responses by these weights and dividing by the total number of responses. A weight of 5 was given to the top ranked response, a weight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

4.4.1 Technology Integration

When comparing with the rest of Iraq, across the board, SMEs in Baghdad are slightly less technologically savvy. Usage of the different modes of information technology are all about the same proportion as other Iraqi companies when compared with one another, but as Figure 4-18 represents, Baghdad companies integrate these modes on average at about a 3% rate less than other Iraqi companies across the board.

8% of Baghdad SMEs use internet to conduct business, 5% use websites, 6% use email, and only 2% have computer networks, which is about 1/8 of all of the SMEs that own computers.

Figure 4-18: Integration of Technology – Iraq and Baghdad



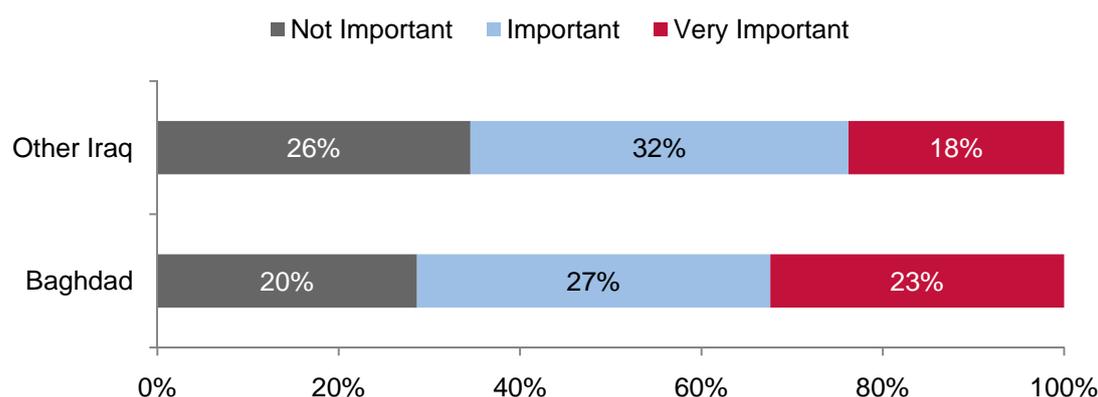
Of the SMEs that use computers, on average Baghdad companies use about as many computers (average 1.95 computers per company) per company as the rest of Iraqi SMEs surveyed (average 2.00 computers per company).

For those that do not use computers, there does not appear to be a sense of urgency when it comes to SMEs equipping themselves with technological know-how. For example, only 49 out of 2,494 companies surveyed in Baghdad indicated that they utilize computer training services, which is only 2%. This is slightly less than the rest of Iraq, reporting approximately 2.5% of SMEs utilizing computer training services at least occasionally.

4.4.2 BMO IT-Related Service Needs

The good news is that SME perception of the role of BMOs in providing these services and other capacity building services in general is slightly higher than the rest of Iraq (see Figure 4-19). There is room for an active BMO to aggressively market computer and other IT training services to SME owners in Baghdad where relevant.

Figure 4-19: Perception of the Importance of BMOs in Building Capacity and Know-How



4.5 MANAGERIAL CONSTRAINTS

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

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

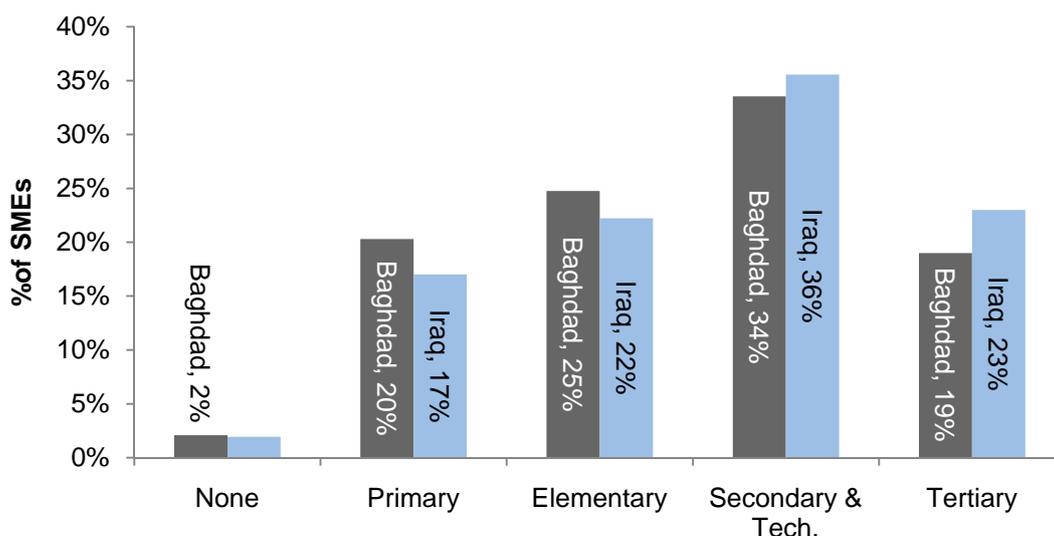
4.5.1 Educational Constraints

Enterprise owners reported a diversified spread of educational attainment. Over 98% of SME owners completed at least some level of formal education, with over 53% having completed at least secondary schooling and 19% more have gone on to

graduate from a university, garnering at least some of the skills necessary to running a successful business.

Results for the rest of Iraq are slightly better in the secondary and higher education categories. This is partially due to significant migration from other Iraqi provinces to Baghdad. It's highly likely that individuals with lesser educational attainment make the journey to Baghdad in search of economic opportunity than those educated enough to secure jobs and livelihoods in their own provinces.

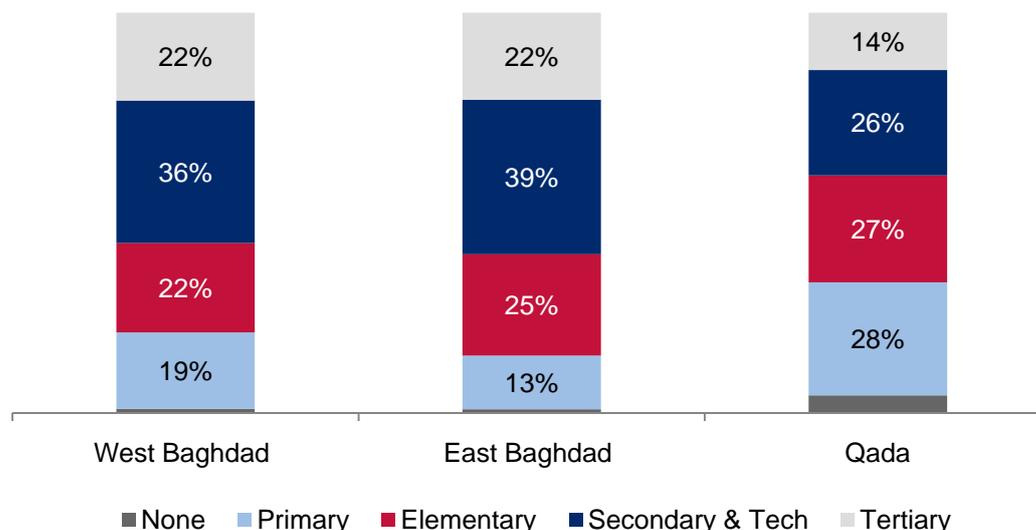
Figure 4-20: SME Owners are Well Educated



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

There appears to be only slight differences between the educational attainment levels of business owners in the three major areas of Baghdad (see Figure 4-21 below). East and West Baghdad both outperform Baghdad Qada areas by virtue of the Qada areas being predominantly rural, i.e. agribusiness oriented and overall less developed.

Figure 4-21: Business Owner Education Levels in Baghdad Sub-Provinces



4.5.2 Technical Knowledge (Cognitive Competence) Constraints

Businesses fail for a variety of causes, many related to the knowledge and experience of owners in their field of business or their general understanding of business principles. Such constraints affect some fields more than others. Although we 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 necessary predict failure. Many businesses have low cognitive competence entry requirements, especially in retail sector, and retail sales to end-users comprises a very large business segment.

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

Figure 4-22: Age by Sector

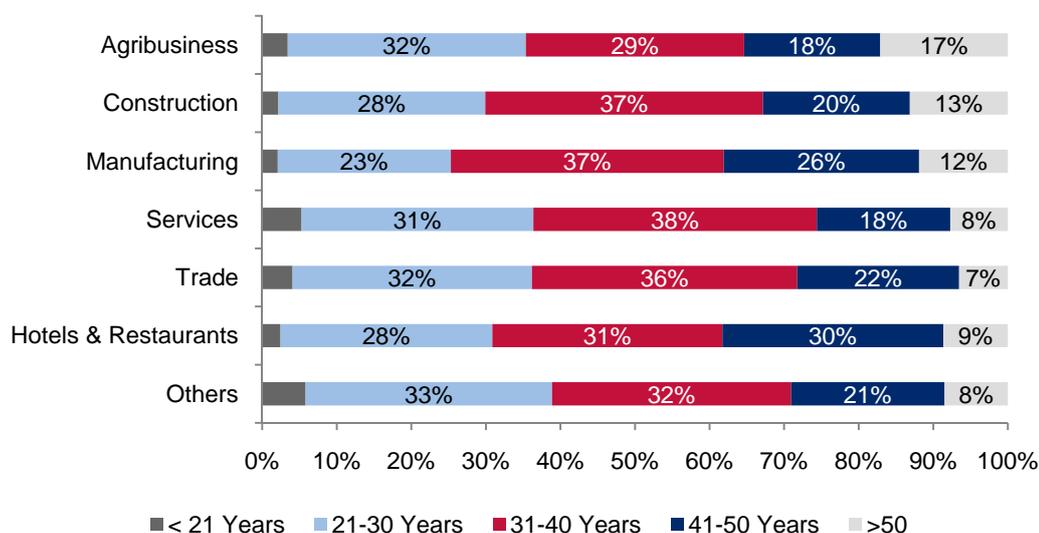
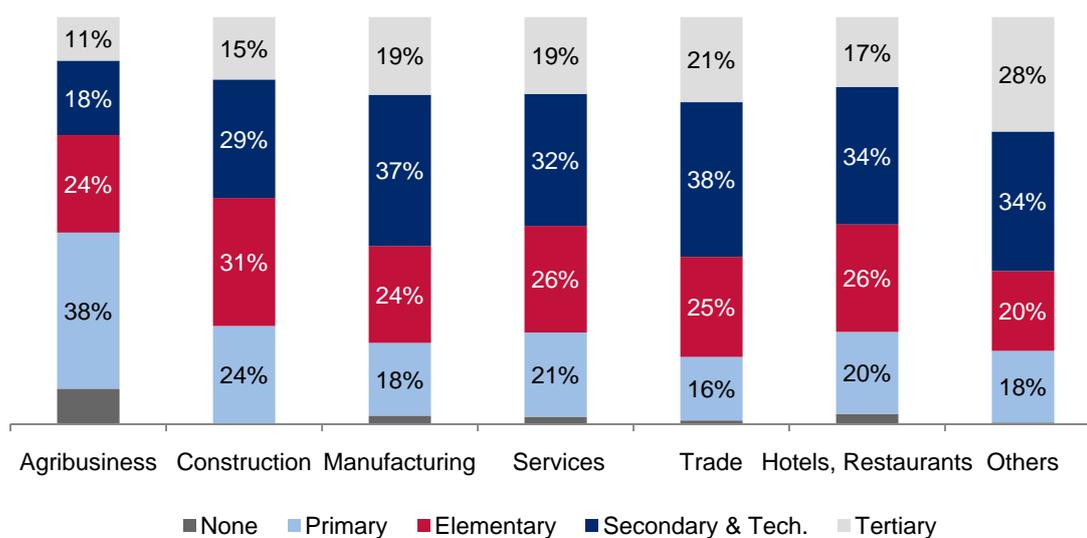
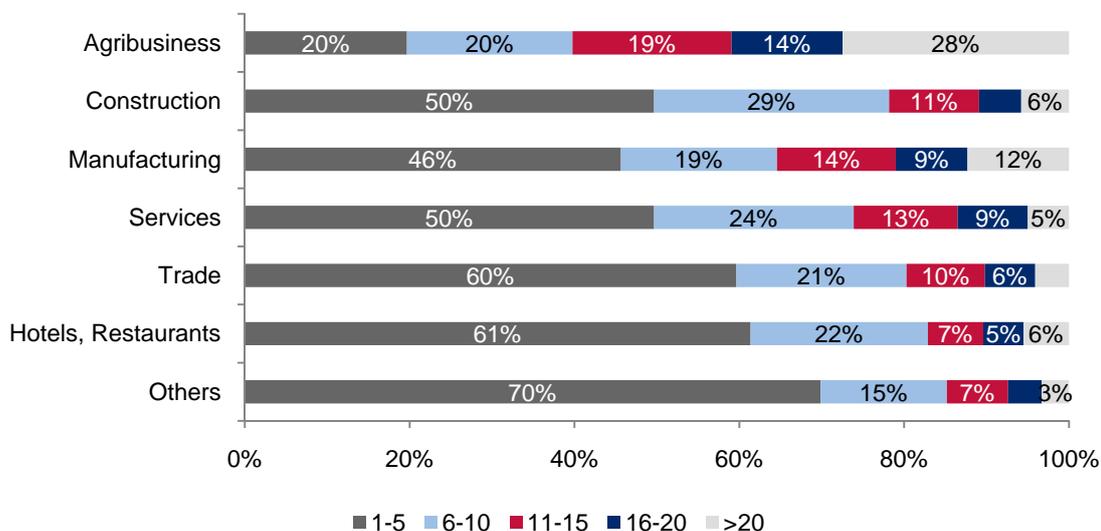


Figure 4-23: Cognitive Competence - Education by Sector



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 4-24: Cognitive Competence - Age of the Business by Sector



4.5.3 Training

Lack of training is a serious SME business constraint throughout Iraq, not just in Baghdad. 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 4-25: Importance of Marketing Training

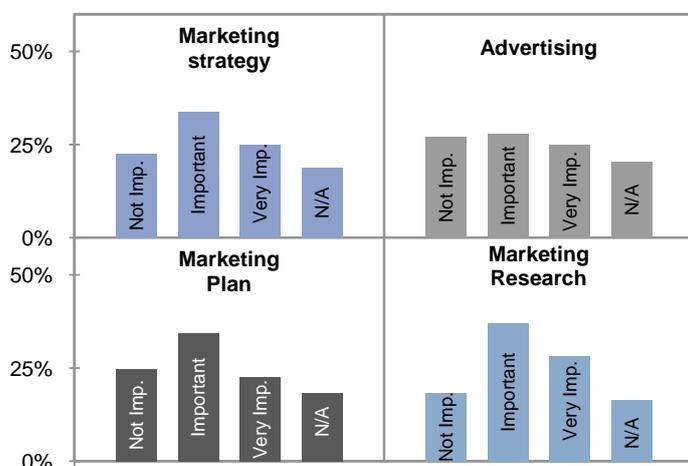
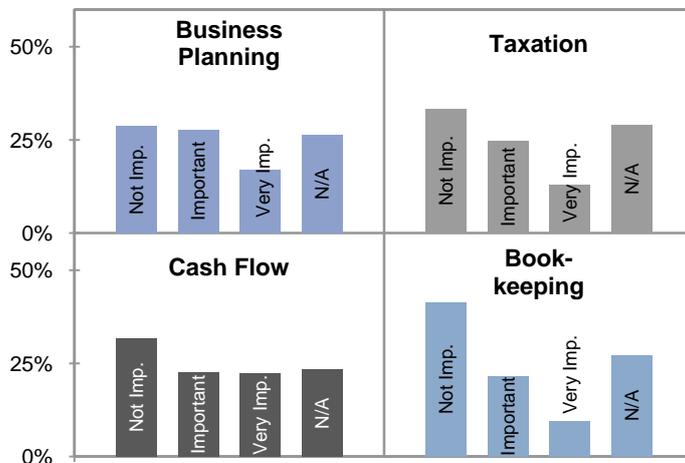
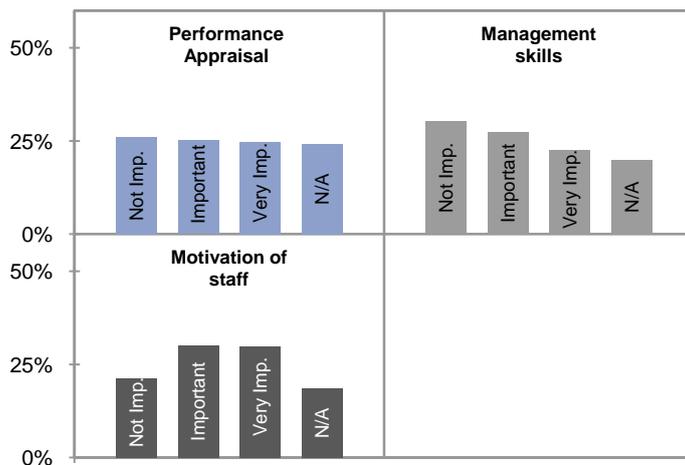


Figure 4-26: Importance of Finance Training



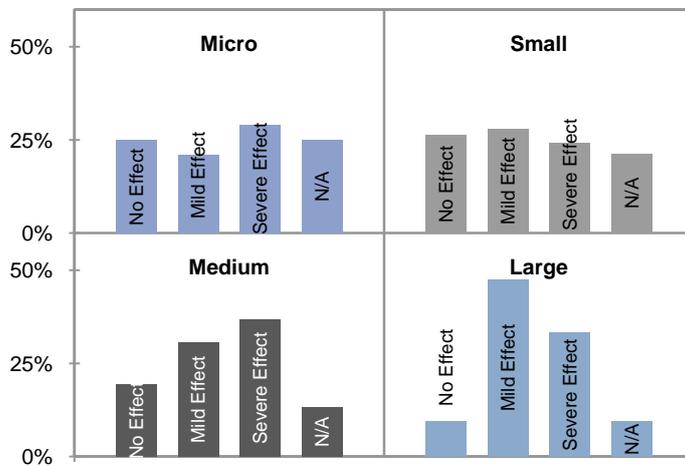
Human resource training fares better in the view of respondents.

Figure 4-27: 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 4-28: 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 4-29: Effect of “Lack of Trained Middle Management”

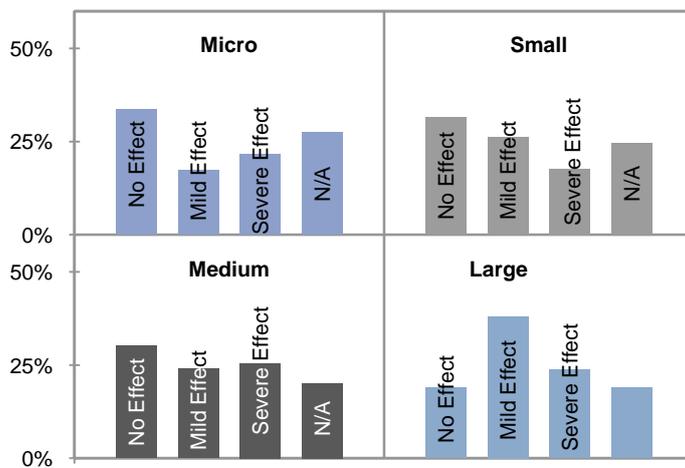
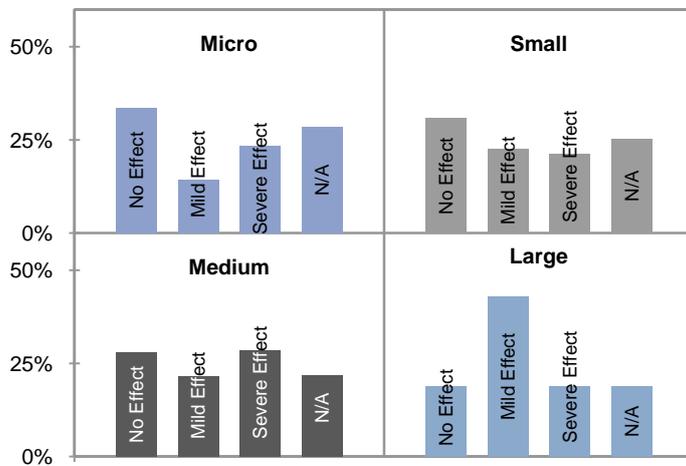


Figure 4-30: Effect of “Lack of Trained Higher Management”



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 4-31: Frequency of Technical Training

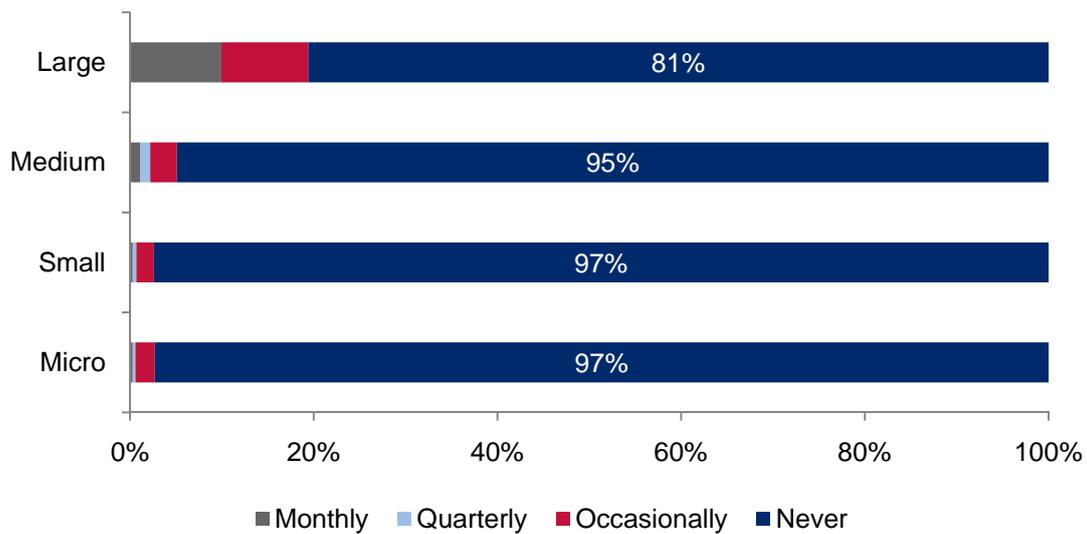
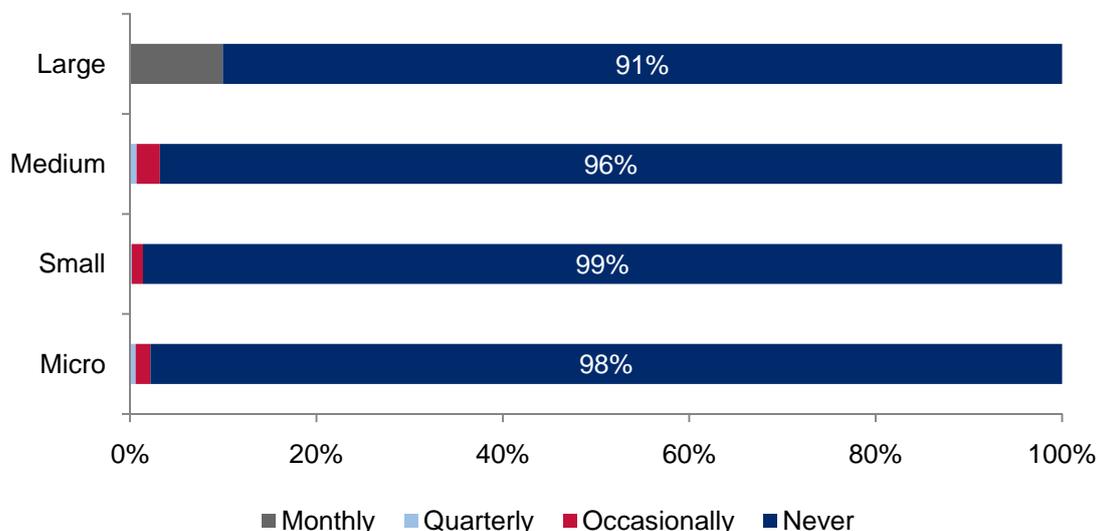
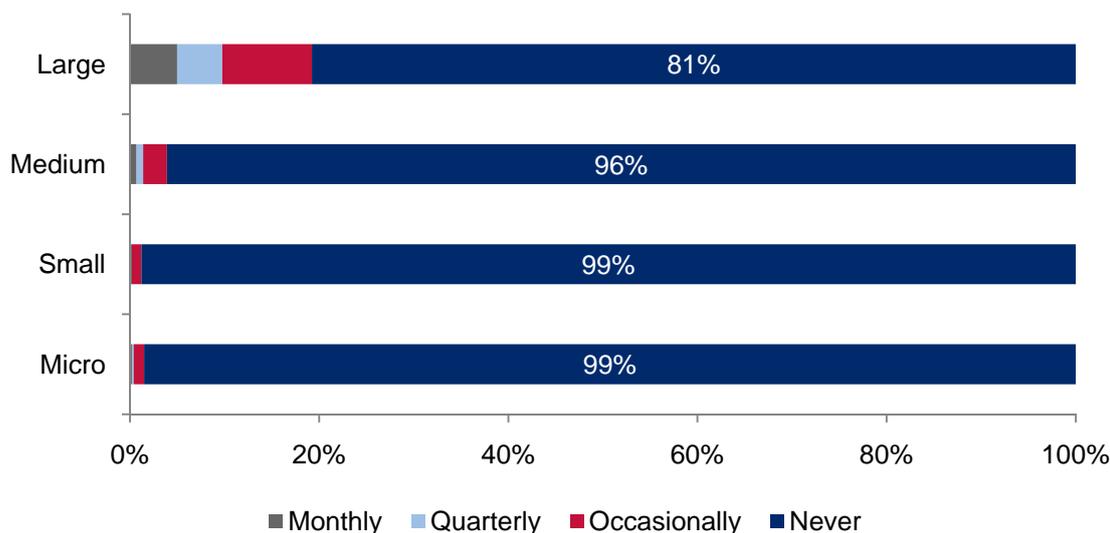


Figure 4-32: Frequency of Computer Training



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 4-33: Frequency of Management Training



4.5.4 Exposure and Attitudes

Trade is a critical element of Baghdad business. It has a long history of being the trading capital of Iraq. It has a strong history in advanced education and a relatively

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

Similarly, attitudes toward 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.

4.6 LABOR MARKET CONSTRAINTS

The majority of SMEs in Baghdad are labor intensive with a high percentage of unskilled workers. The average number of employees is 5.5 employees, 48% of whom are unskilled workers. Manufacturing sector enterprises have the highest average number of employees in Baghdad (nearly 8 employees). Baghdad SMEs tend to be almost equal in labor distribution to their Iraqi peers, except in the case of construction and communications companies, with a lesser average number of employees in Baghdad than in other areas of Iraq.

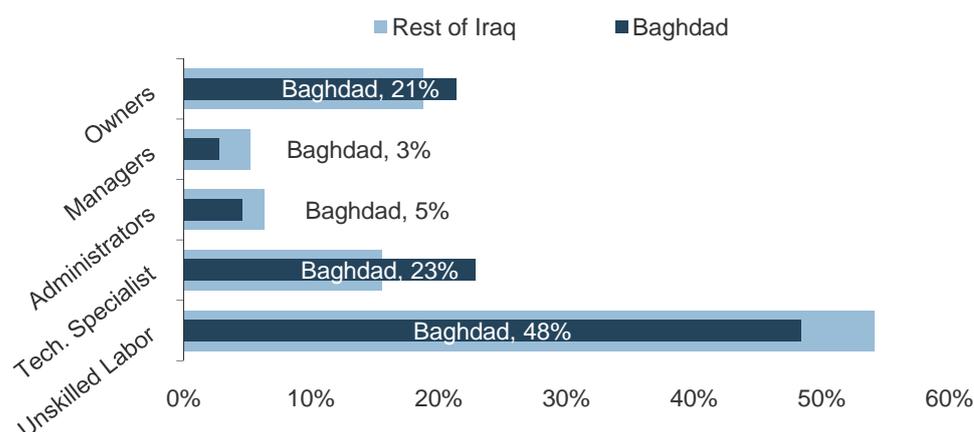
Table 4-2 below compares the average number of employees per economic sector in Baghdad and Iraq.

Table 4-2: Average Number of Employees Per Economic Sector

Sector	Baghdad	Iraq
Manufacturing	7.8	7.4
Hotels, Restaurants and Tourism	7.4	7.7
Construction	7.1	15.5
Agribusiness	6.1	6.1
Wholesale, Retail Trade	4.8	4.5
Electricity, Gas, Oil	4.5	5.2
Professional Services	4.5	4.1
Communications	4.0	6.4

Baghdad’s SME labor force is heavier in the areas of owners and technical specialists and less so in unskilled workers when compared to the rest of Iraq. Unskilled labor is still the highest occupational category representing 48% of all SME labor in Baghdad - this is primarily due to the heavier presence unskilled labor in manufacturing, hotels and restaurants, and construction. There are as many technical laborers as there are owners, representing the second most significant category and 23% of SME employees. Figure 4-34 below highlights the labor composition within SMEs in Baghdad as compared to the rest of Iraq.

Figure 4-34: Labor Composition of SMEs in Baghdad vs. Rest of Iraq



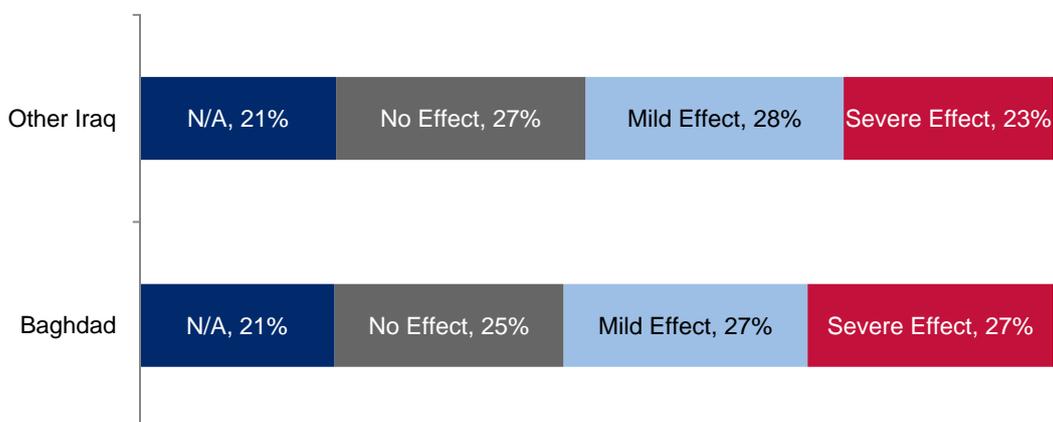
As indicated by Figure 4-35 below, Baghdad SME owners are more affected by ‘lack of qualified technical labor’ compared to the other Iraqi peers, yet the applicability of technical labor is higher in Baghdad by virtue of the ‘not applicable’ category

responses; indication that SME owners are themselves the likely filling a technical labor role. Figure 4-36, a representation of responses to the ‘effects of inadequate vocational training’ yields similar results, with Baghdad SMEs reporting strong effects in response to ‘inadequate vocational training.’

Figure 4-35: Effects of Inadequate Qualified Technical Labor



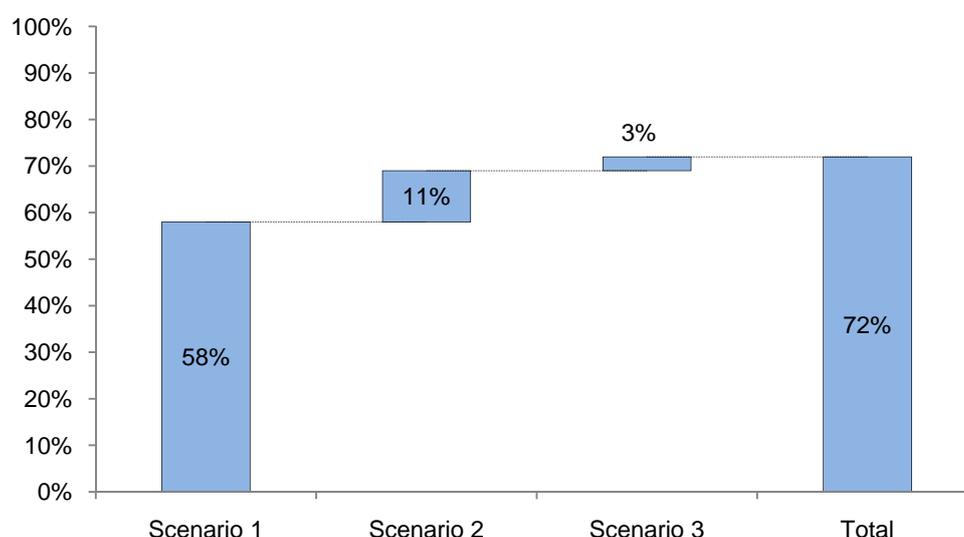
Figure 4-36: Effects of Lack of Tech. (Vocational) Training on Iraqi and Baghdad SMEs



4.6.1 Informality of Labor

The majority of SME labor in Baghdad appears to be informal. Under best case scenario conditions in which we assume only informal / unregistered firms employee informal labor, 58% of Baghdad SME labor is informal. A more realistic assumption, under which 50% of unskilled labor in registered firms is considered informal, increases SME labor informality to 70%. In a third case scenario in which we consider ‘unpaid family members’ employed by registered to be also informal raises labor informality to 72%. The three scenarios are graphically presented below in Figure 4-37.

Figure 4-37: Informality of the Labor Force in Baghdad Under Three Different Scenarios



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

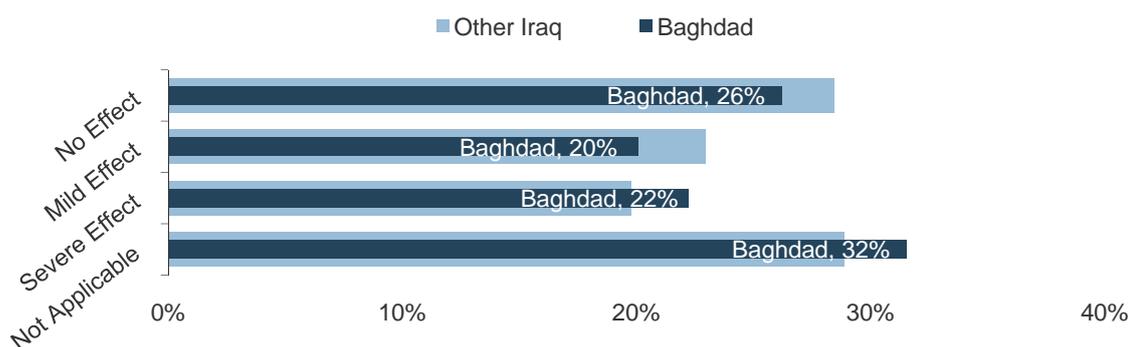
- There are many Baghdad SMEs that operate in the shadow economy. 70% of enterprises are not registered with any government agency thereby affecting the ability of enterprises to secure social security, and other benefits for employees, as generally these benefits require government registration.
- Lack of labor law enforcement. To encourage private sector labor participation, Iraq comprehensively upgraded labor laws in 1987 to mainstream employer-labor relations and guarantee minimum labor benefits (pertaining to severance pay, advance notice of dismissal, leave benefits, social security contributions, etc). Current employment practices within the SME sector and the private sector generally fail to mirror labor law requirements, often without consequence because of general unawareness of the law, and lack of enforcement by the government.
- High unemployment rates limit the options available to SME labor market participants, forcing many of them to lower expectations with regards to employment conditions or forgo them all together.
- Other input constraints over which SME owners have less influence than labor e.g. production inputs, encourage SME owners to cut corners when it comes to employment formality and benefits. Many SMEs claim they can't afford the costs associated with employee formalization, even if they wanted to.
- The prevalence of unpaid family and next of kin social network labor which is informal by definition, also increases labor informality rates. Network labor participation is especially high in Baghdad as compared to

other Iraqi provinces by virtue of the tribal nature of the provinces, and large agricultural industry for which network labor is important.

4.6.2 SME Concerns Regarding Labor

In the opinion of Baghdad SMEs, labor market constraints are slightly more binding than in the rest of Iraq. When asked to rank their most deliberating constraints to growth, Baghdad SMEs ranked labor related concerns next to last in a list of 11 input and output constraints, while Iraqi peers rated the same concerns third to last. In another series of survey questions, an average of 26% of enterprise owners claim to have no labor related constraints at all, which is slightly lower than the rest of Iraq, indicating a greater overall concern that SME owners in Baghdad have for labor constraints. At the same time Baghdad SMEs view labor constraints with much less applicability across the board (32% reported that these constraints were not applicable). This is again most likely due to the heavy presence of retail businesses where the owner is playing the more technical roles. Labor constraint effects are depicted below in Figure 4-38.

Figure 4-38: Effects of Labor Constraints on Iraqi vs. Baghdad SMEs



Enterprises that claimed labor related concerns are mostly worried about compensation outlays to employees, limited employee skill-sets, and the unavailability of supervisory staff. Other concerns that ranked relatively high included hiring limitations and workplace discipline.

Table 4-3 below highlights employee concerns as ranked by Baghdad enterprise owners and their peers in other Iraqi provinces.

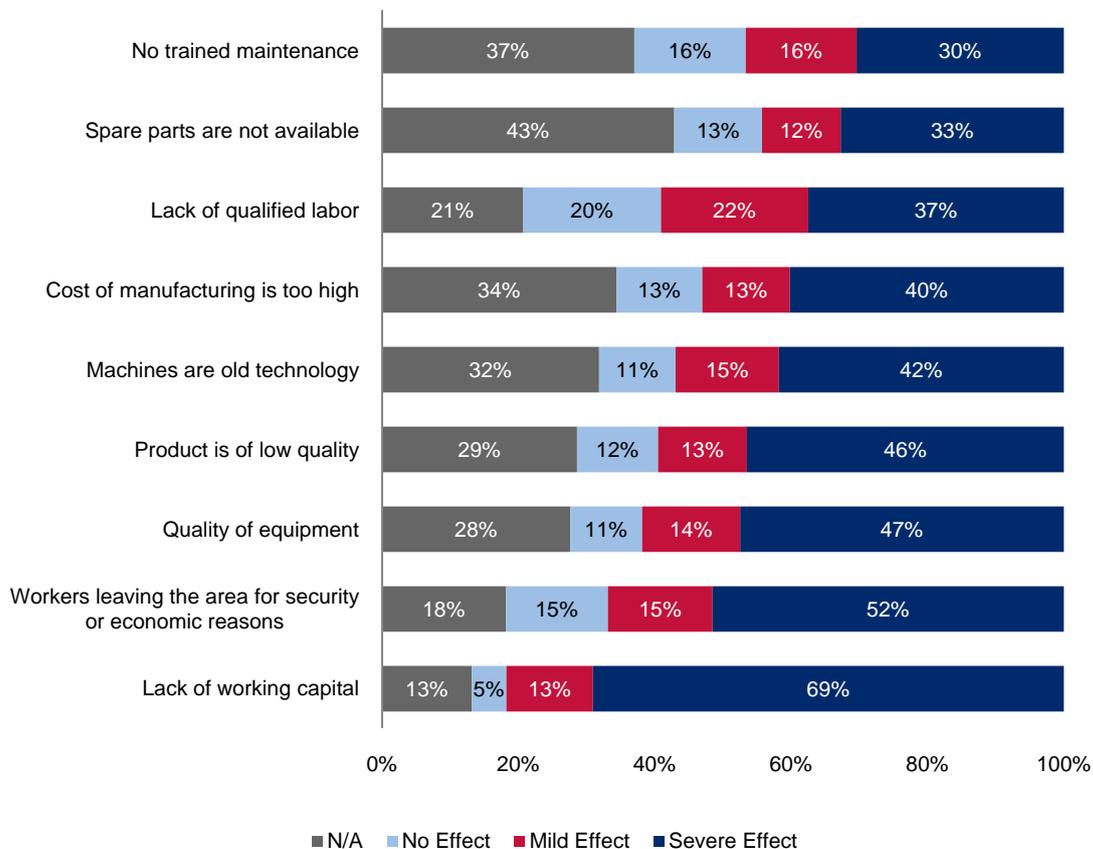
Table 4-3: Concerns Related to Employment Issues for Baghdad SMEs

Employee SME Constraints	Baghdad Ranking	Iraq Ranking
Compensation rates are not justified	1	2
Lack of appropriate skill for the required tasks	2	1
Unable to find component supervisors	3	4
No Issues	4	3
Lack of workplace discipline	5	5
Social security/tax contributions	6	6
Cost of hiring is too high	7	8
Cannot freely choose employees	8	7
Lack of motivation unrelated to job issues	9	9
Employee absenteeism	10	10
Cannot retain employees	11	11

4.7 PRODUCTION CONSTRAINTS

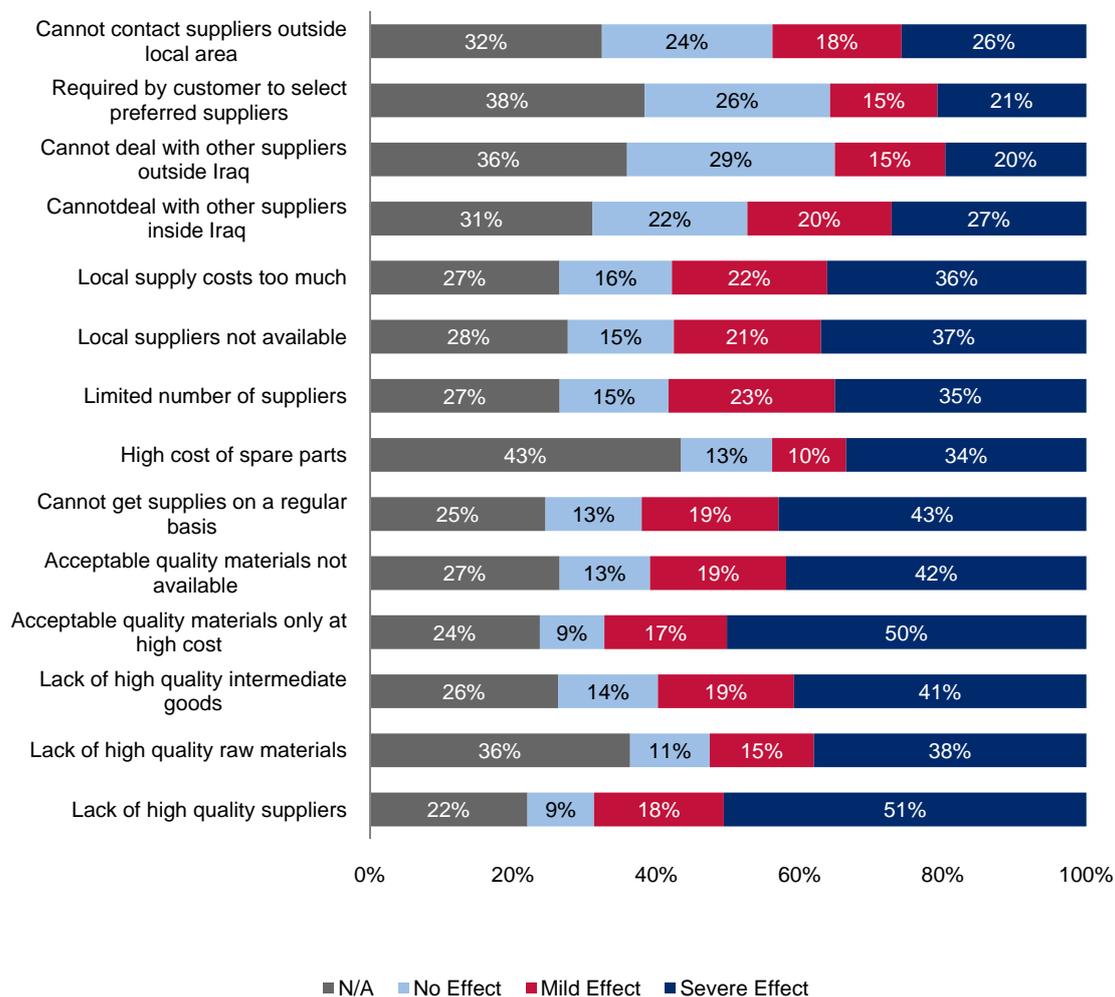
Production constraints on the input side largely pertain to lack of working capital, security impact on labor, equipment, and supply quality issues.

Figure 4-39: Baghdad SME Operational Constraints



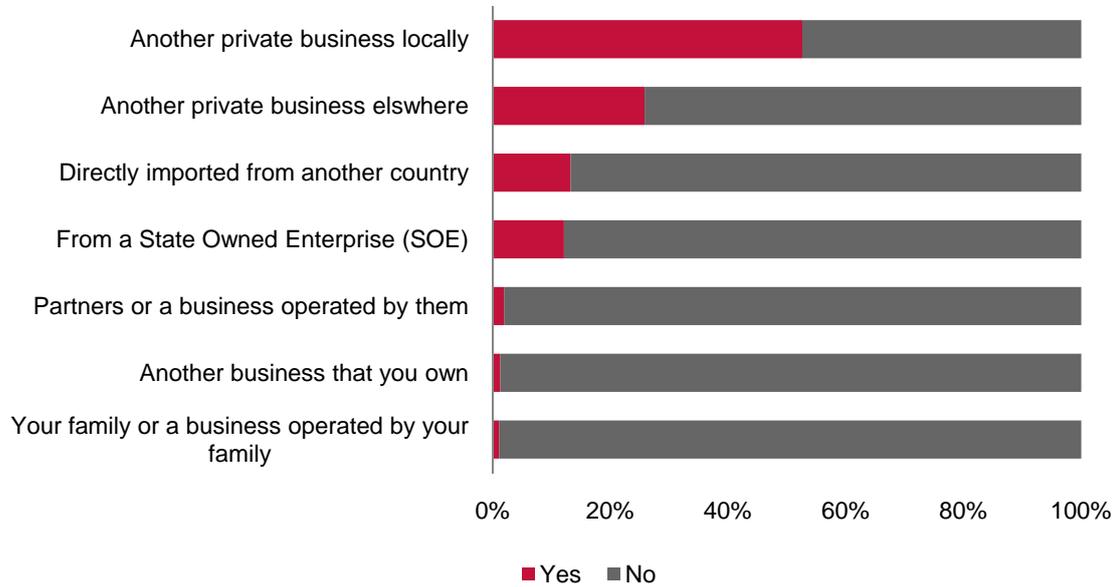
Supply constraints receive particularly high ratings in the areas of lack of high quality supplies and suppliers, high cost of quality supplies, and supply regularity. 69% of Baghdad SMEs suffer from the lack of quality suppliers, 51% of which to a severe degree. High cost of quality materials effects 67% of SMEs, 50% of which to a severe degree.

Figure 4-40: Baghdad SME Supplier Constraints



Baghdad SMEs obtain supplies from private local sources and other private sources elsewhere at a rate that is only slightly higher than the average Iraqi SME in other provinces. Looking within the province, private local supply is the highest source of raw materials followed by private supply elsewhere, imports, and then SOEs (see Figure 4-41 below).

Figure 4-41: Baghdad SME Sources for Raw Materials



5. BAGHDAD ENABLING ENVIRONMENT CONSTRAINTS

5.1 INTRODUCTION

Contained in this section is a discussion of the following:

- Informality / Regulatory Issues
- Infrastructure Constraints
- Security Constraints

5.2 INFORMALITY / REGULATORY ENVIRONMENT

Similar to the rest of Iraq, the majority of SMEs in Baghdad 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 Baghdad, only 30% of enterprises claim to be registered with government agencies. This is identical to the broader set of survey provinces, which reported mean registration figures of 30% (see Figure 5-1 below). However, registration rates within the various areas of Baghdad vary considerably (see Table 5-1 below). Contrary to initial assumptions businesses in the mostly upper-class neighborhoods of West Baghdad have by far the lowest registration rates. East Baghdad rates are almost 50% above the average Baghdad and nation-wide rates. Above average registration in East Baghdad is driven by i) higher concentration of industrial zones and manufacturing firms that tend to register to protect their investments, ii) proliferation of wholesale markets in East Baghdad whose traders are renowned for both international and nation-wide business and whose degree of sophistication may encourage registration iii) service businesses servicing the trade and manufacturing sector such as transportation and which also tend to have higher registration rates, and iv) higher rate of agribusiness enterprises especially farms that also tend to have above average registration rates.

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

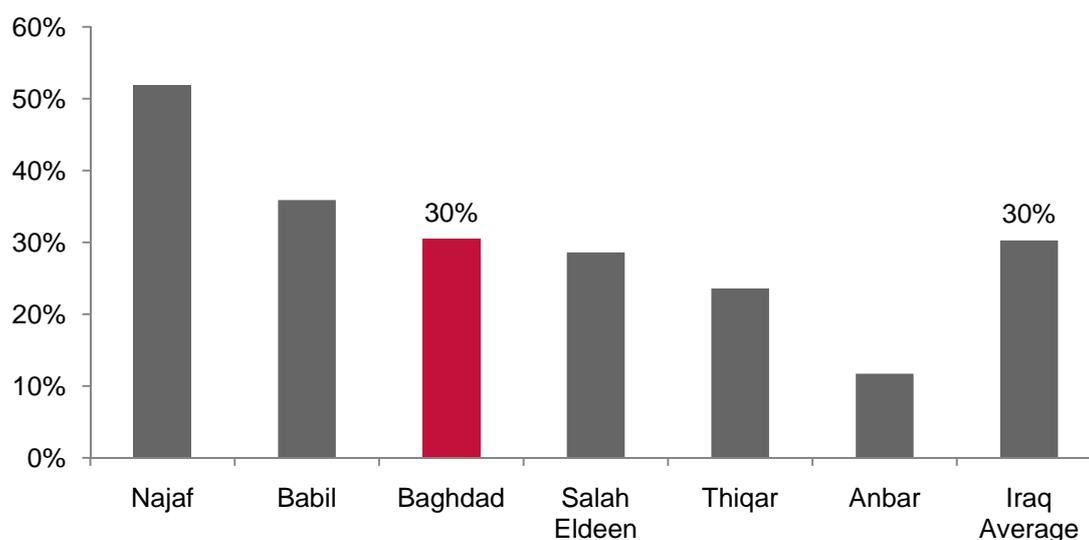


Table 5-1: Registration Rates in Baghdad Areas

Area	East Baghdad	West Baghdad	Baghdad Qada	Iraq Average
Registration Rate	47.2%	17.2%	27.1%	30%

Agribusiness enterprises, specifically farmers have the highest registration rate amongst Baghdad businesses (58%). 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 Baghdad predate the current disorder and would have been compelled to formalize or face dire legal consequences, and iv) much of the farmland in Baghdad was titled to farmers through the government through a process that undoubtedly included registration to complete.

Tailing the agribusiness sector is the transportation sector and the hospitality and restaurant sectors (54%, and 47% respectively). Both industries have high registration rates due to prevailing laws that govern their operation, and the high asset value of the typical business operating in either sector.

Other industries with high registration rates include energy (33%), which is mostly comprised of fuel stations and private electricity generation. Like farms, petrol stations 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 5-2 below highlights survey industries and respective registration rates.

Figure 5-2: Registration Rates by SME Industry

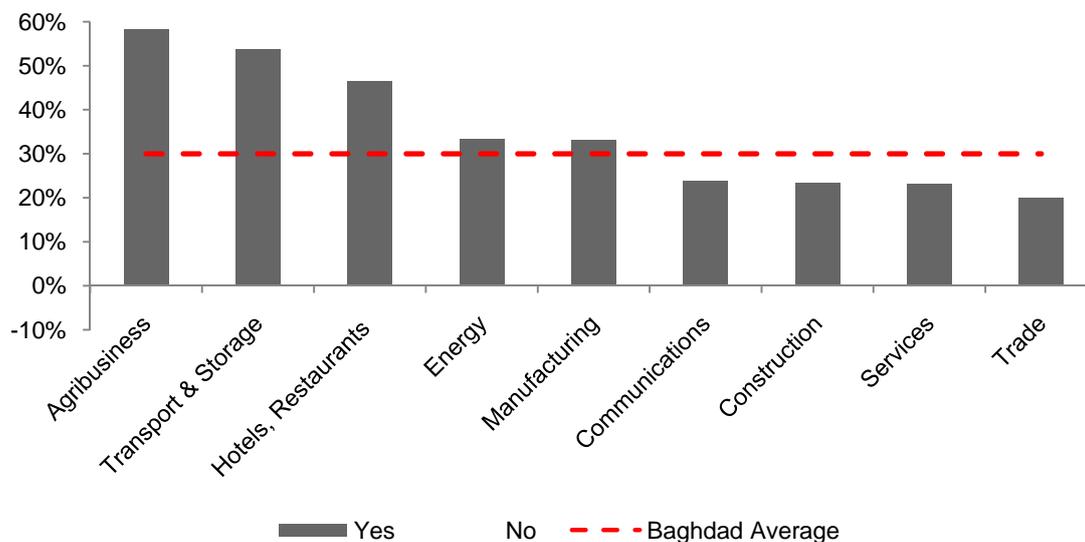
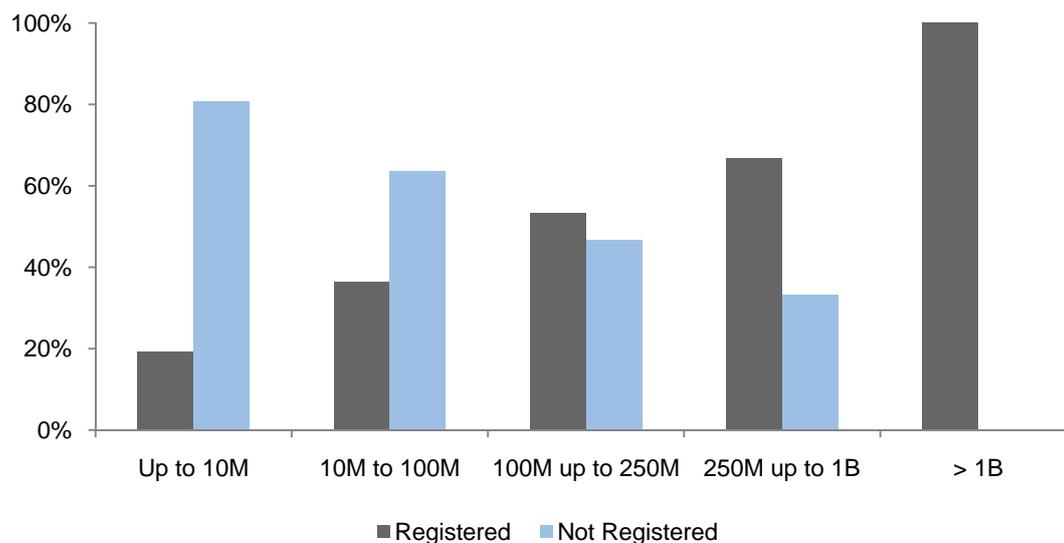


Figure 5-3: Asset Base Registered vs. Informal Firms



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 Baghdad appear to have smaller asset bases than their formal peers. Figure 5-3 above 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.

Table 5-2: Registered and Informal Averages According to Traits

Characteristic	Registered Firms Mean	Unregistered Firms Mean
Number of Skilled Labor Employees	2.24 Employees	1.41 Employees
Number of Unskilled Employees	5 Employees	5.21 Employees
Total Number of all Employees	7.6 Employees	4.5 Employees
Number of Partners	2.5	1.9
Cash as % of Asset Base	30%	34%
Receivables as % of Asset Base	11%	12%
Fixed Assets as % of Asset Base	12.5%	7%

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

The research team has no specific Baghdad 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, amateur / 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 Baghdad 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 Baghdad 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 alluded to similar reasoning.

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

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 verses 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 notwithstanding, it 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

46 different FG discussions were held in Baghdad – 15 for specific industries in West Baghdad, 15 for industries in East Baghdad, and 16 for the Baghdad Qada area industries (see Table 2-4, Table 2-5, and Table 2-6 for a detailed breakdown by industry). During these FG discussions, companies spoke about issues that hindered them in the enabling environment and suggested laws or regulations that needed to be changed for reasons pertinent to them. Many suggestions were made regarding regulations governing imports, quality control issues, establishment of agencies to offer services and supervision over sub-industries and industries, and imposed government taxes and fees.

Table 5-3 below represents common issues that were mentioned across the industry, communications, construction, TH&R, agriculture, transport, and professional services focus groups that were held in Baghdad. The issues are listed along with the number of times they were raised in the FG discussions, and by which industry.

Table 5-3: Cross-Sector Suggestions for Legal Reform

	General	Detailed Description	Frequency
1	Trade and Manufacturing Protection / Government Quality Control	There must be quality control measures established and enforced on imported products.	Mentioned 33 X (industry 12, communications 4, construction 5, TH&R 1, agriculture 8, transport 1, prof. services 2)
2	Access to Government Supported Finance	Government should establish a system for the provision of lower-interest loans to businesses with easier collateral and guarantee requirements.	Mentioned 27X (construction 3, TR&H 5, agriculture 1, communications 4, industry 7, transport 2, agriculture 5)
3	Property Rights / Lease Holder Rights	There must be an amendment of existing laws, or a drafting of new laws, that protect the renter from the exploitation of the landlord through the unfair increase of rent on an arbitrary basis.	Mentioned 18 X (industry 6, construction 2, TH&R 3, communications 4, agriculture 1, prof. services 2)
4	Trade and Manufacturing Protection / Government Quality Control	There must be a tax imposed on imported products.	Mentioned 12 X (construction 4, TH&R 1, communications 2, industry 4, agriculture 1)
5	Security-Related	Ministry of interior security rules that hinder	Mentioned 11 X

	Procedures and Rules	the transport of goods must be amended.	(transport 2, industry 4, construction 1, TH&R 1, agriculture 3)
6	Private Sector Advocacy	Establish industry-specific societies that represent the interests of and advocate for businesses.	Mentioned 10 X (agriculture 4, industry 4, prof. services 2)
7	Government Imposed Taxes and Fees	Taxes should be reduced or repealed.	Mentioned 9 X (industry 3, transportation 2, communications 1, TH&R 1, agriculture 1, prof. services 1)
8	Security-Related Procedures and Rules	Ministry of interior security rules that prevent consumer access to places of businesses (such as rules that prevent customers parking in front of stores) must be amended.	Mentioned 9 X (transport 2, communications 2, industry 3, TH&R 1, prof. services 1)
9	Government Imposed Taxes and Fees / Eliminate Corruption	Tax enforcement must be transparent, clear, and understood by and applied to all, not seemingly random and at the discretion of the inspector, as is often currently the case.	Mentioned 6 X (industry 3, TH&R 1, transportation 1, construction 1)
10	Access to Finance / Eliminate Corruption	Access to finance must be transparent – calling for the enactment of laws for the reduction of corruption in the loan application and award process.	Mentioned 6 X (industry 4, agriculture 2)
11	Security-Related Procedures and Rules / Eliminate Corruption	Corruption among police for extortion at checkpoints and for protective services must be eliminated.	Mentioned 6 X (industry 4, transportation 1, prof. services 1)
12	Streamlining Bureaucratic Procedures / Eliminate Corruption	Corruption must be eliminated in the issue of licenses for operation.	Mentioned 6 X (industry 3, TH&R 1, transportation 1, agriculture 1)
13	Industry Subsidies	Government should subsidize fuel prices for fuel purchased by Iraqi businesses.	Mentioned 5 X (transportation 2, TH&R 2, communications 1)
14	Trade and Manufacturing Protection / Government Quality Control	Procedures and rules for establishment of oversight and quality control in local work and production must be established.	Mentioned 4 X (communication 1, construction 1, TH&R 2)
15	Streamlining Bureaucratic Procedures / Eliminate Corruption	Administrative corruption in governmental evaluation committees that give tenders to contracting companies must be eliminated.	Mentioned 3 X (construction 2, light industry 1)

16	Government Imposed Taxes and Fees / Eliminate Corruption	Municipality tax on businesses should be eliminated (<i>daribat al-mehna</i>) or reduced.	Mentioned 2 X (prof. services 1, industry 1)
17	Streamlining Bureaucratic Procedures	Requirements for obtaining visas to visit or enter Iraq must be made easier.	Mentioned 2 X (transportation 1, TH&R 1)
18	Eliminate Corruption	Eliminate corruption in the enforcement of Baghdad Municipality rules and regulations regarding street advertisements.	Mentioned 2 X (communications 1, construction 1)

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

Table 5-4: Construction Suggestions for Legal Reform

	General	Detailed Description
1	Property Rights / Zoning	The law stipulating that the area of a residential plot of land must be 200sq.m in order to receive a certificate of ownership and estate loan should be amended - the proposed area should be 100sq.m. instead.
2	Licensing	Laws and routine measures regarding building licenses should be repealed.
3	Zoning	The requirement to remove ceilings on the front of construction materials shops should be cancelled.
4	Quality Control / Eliminate Corruption	The laboratories (Ministry of Housing, Baghdad Municipality) that provide quality control testing for construction materials such as bricks and cement will only test the materials if the business owners pay bribes.

Table 5-5: Industry Suggestions for Legal Reform

	General	Detailed Description
1	Importing	Laws of industrial development should be established to give shop owners special import licenses for aluminum and other raw materials.
2	Access to Finance	Loan amounts should be higher, as the highest loan currently available is \$19,000 USD, which is not enough.
3	Industry Protection and Subsidy	New laws supporting business infrastructure and development should be legislated, covering the following: advertising, business training and protecting local production.
4	Access to Finance	There is no government support for the furniture and wood industry, and commercial banks have stopped granting loans to the owners of these companies.
5	Transparency in Government Procedures	Unpredictable laws regarding custom tariffs on imported raw materials adversely affect the prices of these materials, resulting in lower revenues.
6	Transparency in Government Procedures	Laws relevant to this sector are not clear, and other laws that were favorable to factory owners, such as the one that stipulates "eviction of factory owners will not be possible except with the approval of the bank and the industrial development office," have been repealed.
7	Anti-Trust	Raw materials and their prices are controlled by the merchant, and there is no regulation of these merchants.

8	Anti-Trust	The merchants monopolize the import of raw materials, clothes, and spare parts, and the state makes no effort to limit the monopolies.
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Table 5-6: TH&R Suggestions for Legal Reform

	General	Detailed Description
1	Streamlining Bureaucratic Procedures	Measures for getting a license to practice should be easier.
2	Quality Control	Support measures in terms of qualifications for employees working in the tourism industry, as well as supervision and control on restaurants should be enforced.
3	Eliminate Corruption	Enforcement of cleanliness and municipal services.
4	Streamlining Bureaucratic Procedures / Eliminate Corruption	Administrative corruption in the form of extortion, taking bribes and money from citizens in order to process papers or approvals under complex system of red tape, must be eliminated

Table 5-7: Agriculture Suggestions for Legal Reform

	General	Detailed Description
1	Transparency in Government Procedures	Enactment of clear measures regarding the contracts of nursery owners with the state in which they guarantee their continuous business.
2	Transparency in Government Procedures	Enactment of clear measures and instructions organizing work.
3	Industry Protection and Subsidy	Public services of water and electricity should be available, and special ration should be given to owners for their business to be active.
4	Industry Protection and Subsidy	Subsidize the prices of fertilizers and animal feed.
5	Property Rights / Government Imposed Taxes and Fees	Revoke the law imposing taxes on the transfer of ownership of agricultural lands from father to son.
6	Property Rights	In the field of poultry production, law no. 35 under which the land contract between the farmers and the state is determined, is unjust which includes the established except in large areas – renewal of contract annually against amount of money paid by the farmers demands that law no. 35 be cancelled and replaced by law no. 171, which is more flexible and under which the lands are rented for long periods of time.
7	Eliminate Corruption	Farmers suffer from the unfair distribution of water among the farmers under the supervision of municipal councils or the judicial council.
8	Property Rights	Amend the laws concerning lease of government lands.

Table 5-8: Transportation Suggestions for Legal Reform

	General	Detailed Description
1	Public Integrity, Government Quality Control	Taxi drivers should be given special badges to serve as designation that they have a unique status on the street.

2	Property Rights	Traffic laws should be amended in coordination with taxi drivers.
3	Industry Protection and Subsidy	The government should loan and/or sell taxi cabs to drivers and let them pay on an instalment plan.
4	Eliminate Corruption	Eliminate payment of bribes to the staff of the Public Authority for Private Transport in garages (bus and public transport stations) throughout Baghdad in order to get permission or enter the garage. Also, wages are not fixed, and if the driver receives more than the amount of his fares, he can only enter the garage after paying a bribe.
5	Streamlining Bureaucratic Procedures / Eliminate Corruption	Eliminate corruption in the traffic department procedures for buying and selling cars, which are complicated.
6	Industry Protection	Amend traffic laws to allow the owners of private cars to work as taxi drivers for a short period until they can replace their cars with modern taxis.
7	Streamlining Bureaucratic Procedures / Eliminate Corruption	Administrative corruption in the administration of tariffs must be eliminated

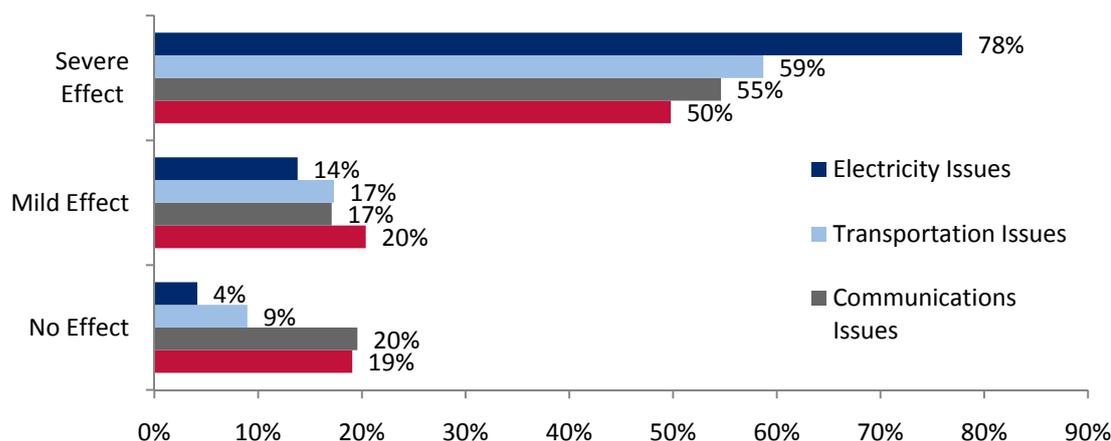
Table 5-9: Communication Suggestions for Legal Reform

	General	Detailed Description
1	Quality Control	The government should establish companies in the field of communication, and reliance on private enterprises should be avoided.
2	Quality Control	Network services provided by some current cell phone service providers and internet are very poor.
3	Industry Specific	Create a law to grant a license for the free frequency (G.H.2.4).

5.3 INFRASTRUCTURE CONSTRAINTS

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

Figure 5-4: Comparison of Aggregate Effect of Main Infrastructure Issues on SMEs in Baghdad



The above chart demonstrates the issues regarding infrastructure that most severely impact SMEs in Baghdad. As is depicted, the impact of electricity shortages, rates, availability, etc is much greater than other issues, although for every area, over 50% of all businesses are severely affected. 78% of SMEs are severely affected by electricity issues, with an additional 14% affected but to a lesser degree – a total of 92% of businesses. The figures in the chart above represent the means of the frequencies of the different areas of infrastructure impact in the questionnaire. Development of the electricity sector and provision of electricity to businesses in Baghdad would impact positively almost every business, allowing for the removal of a most crippling hindrance meaning that the business is able to be that much more successful. The resulting effect would most certainly result in increased employment and production across the board.

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

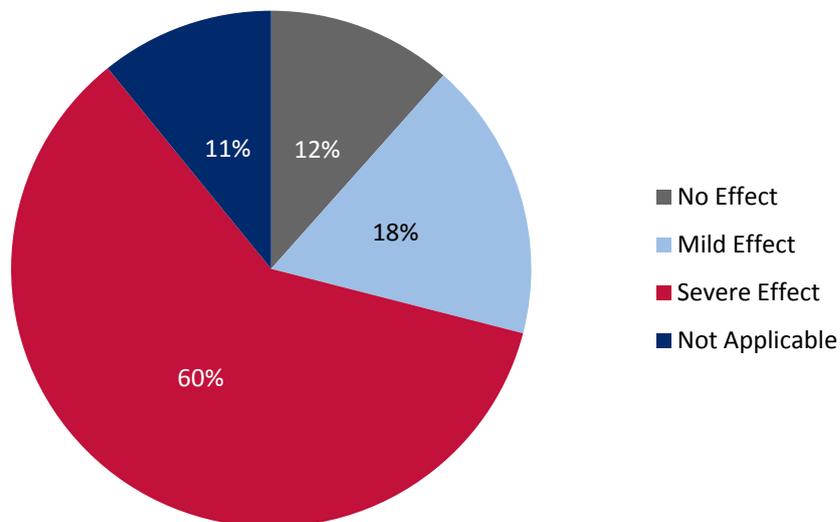
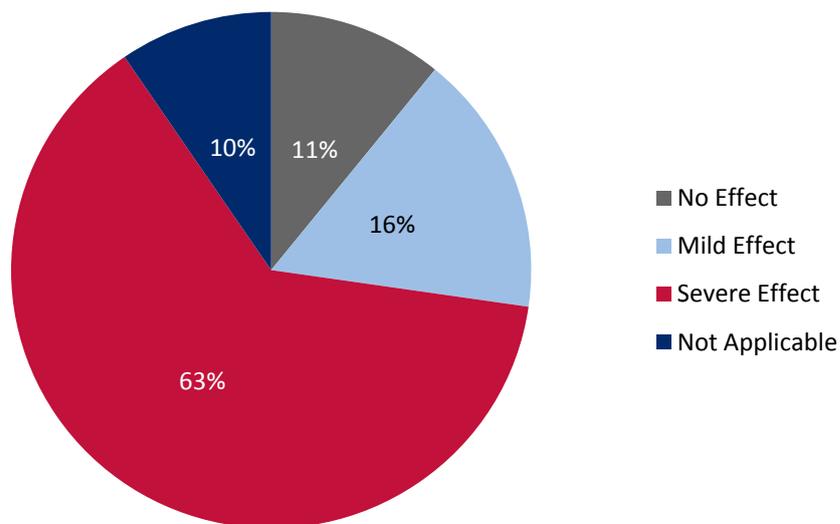


Figure 5-6: Effect of Infrastructure Issues on SMEs: Baghdad



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, the a slightly greater percentage of businesses in Baghdad are severely impacted by the same issues that businesses in Iraq in general are, and within a 3% margin, the same holds true for the percentages of businesses that are mildly affected and not at all affected by infrastructure issues.

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

Sector	Issue	Rating ⁵	Baghdad Rank	Iraq Rank
Electricity	Unreliable supply	2.760145	1	1
Electricity	High rates	2.732315	2	2
Electricity	Phase supply not available	2.705386	3	3
Transportation	Security	2.694444	4	9
Electricity	Poor service quality	2.636766	5	5
Telecom	Inadequate cell phone coverage	2.622035	6	6
Transportation	High rates	2.616961	7	4
Electricity	Corrupt utilities	2.553097	8	8
Electricity	High cost of backup power	2.531804	9	7
Transportation	Poor availability	2.444668	10	10
Telecom	High rates	2.256029	11	11
Water	Water supply is intermittent	2.124446	12	12
Water	Water quality is poor	2.059629	13	13
Transportation	Cannot send products to certain areas	1.923139	14	17
Telecom	Land line telephone service does not exist or is inadequate	1.920016	15	14
Telecom	Poor wire line service	1.906715	16	15
Transportation	Cannot obtain supplies from certain areas	1.901006	17	16
Transportation	Lack of storage facilities	1.600725	18	18

The infrastructure issues that affect businesses in Baghdad are broken out in Table 5-10 above and ranked according to degree of importance of “weighted effect.” The top issue is clearly electricity followed by transportation, telecom and water. Four of the top 5 ranked infrastructure constraints in Baghdad are electricity related. Notice the placement of security and its position of importance at 4th versus its position in other provinces at 9th.

⁵ 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.

5.3.1 Electricity Issues

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

Hindrance / Constraint	Baghdad Score ⁶	Baghdad Rank	Iraq Rank
Security	2.775461	1	4
Raise finance for growth	2.295509	2	2
Cash flow	2.242582	3	5
Energy Shortages	2.075782	4	1
Economic environment	1.94186	5	3
Access to business opportunities	0.989174	6	7
High competition	0.7085	7	6
Keep up with new technology	0.599439	8	8
Access to market intelligence/ information	0.54571	9	10
Employee skill limitations	0.488773	10	9
Governmental regulations	0.255814	11	11

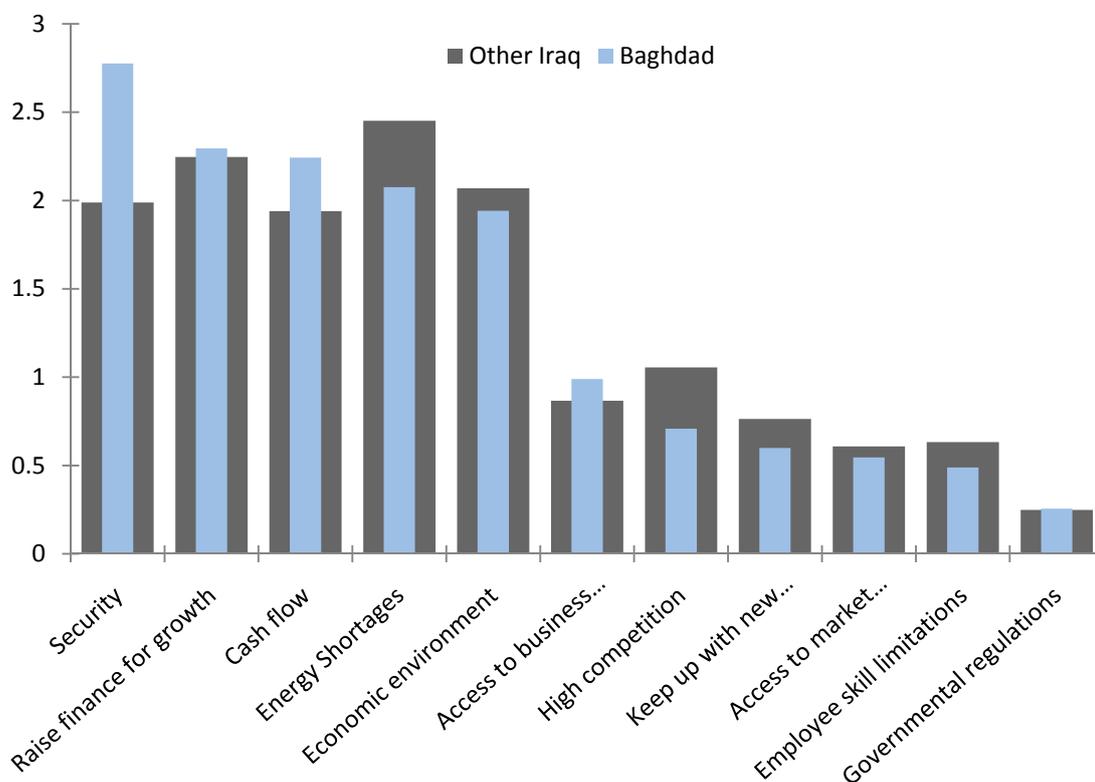
Energy shortages, as an infrastructure constraint, are ranked the number four constraint by people in Baghdad, compared to the rest of Iraq, which ranks it as number one. Baghdad SMEs rank security as their number one issue. When weighing all of the responses of surveyed SMEs in Iraq to the question that asks them to rank their top 5 constraints, security demonstrates a greater overall rating and weight than any other constraint in Baghdad (see Figure 5-7 below), but this does not diminish the acuteness of the impact felt by Baghdad SMEs from electricity constraints in particular. Figure 5-8 below demonstrates that in all areas of electricity constraints, Baghdad SMEs rate impact greater than their counterparts in other parts of Iraq.

This would lead one to believe that the intensity with which Baghdad SMEs deal with constraints in Baghdad is much greater than in the provinces. Electricity issues are more severely felt in Baghdad than other areas, even though its rank is 4th in order of hindrance intensity below security and finance considerations. Security and financing constraints are that much more intensely felt due to their place above

⁶ Weighted score is generated by weighting the frequency of responses for ranking of 1 with a weight of 5, ranking of 2 with a weight of 4, ranking of 3 with a weight of 3, ranking of 4 with a weight of 2, and ranking of 5 with a weight of 1. The weighted frequencies for each ranked response were then totaled and added together to produce one ranking containing all issues.

electricity, which is already impacting Baghdad SMEs more severely than other Iraqi SMEs.

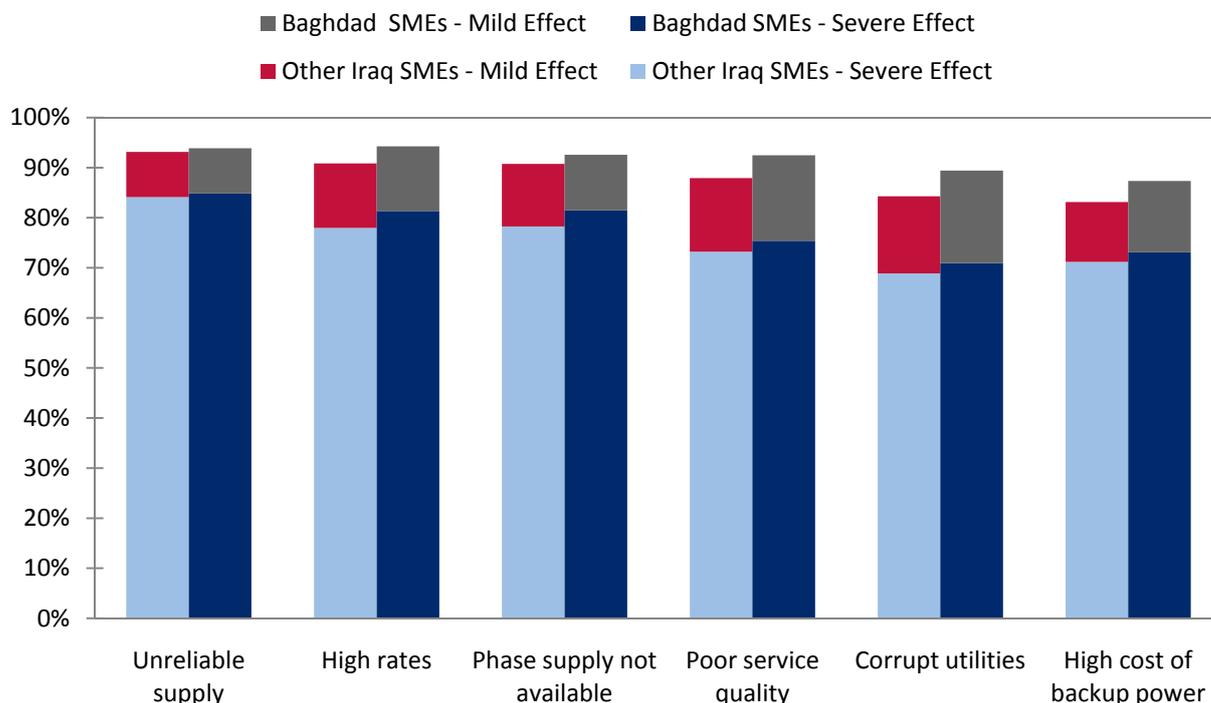
Figure 5-7: Weighted Ranking⁷ Comparisons for SME Constraints in Iraq and Baghdad



Among all of the different varieties of issues that affect energy supply, the most concerning are unreliability – the inability to predict when electricity will be available and when it will not, and the high energy rates followed by lack of phase supply. 85% of Baghdad SMEs are severely affected by the lack of predictability, 81% by high rates, and 81% of them are severely affected by lack of phase supply. Figure 5-8 below illustrates the intense effect that the different electricity issues have on Baghdad SMEs, comparing them to the rest of Iraqi SMEs. In all cases, both severe and mild effects of the various electricity constraints are reported as greater by Baghdad SMEs than by other Iraqi SMEs.

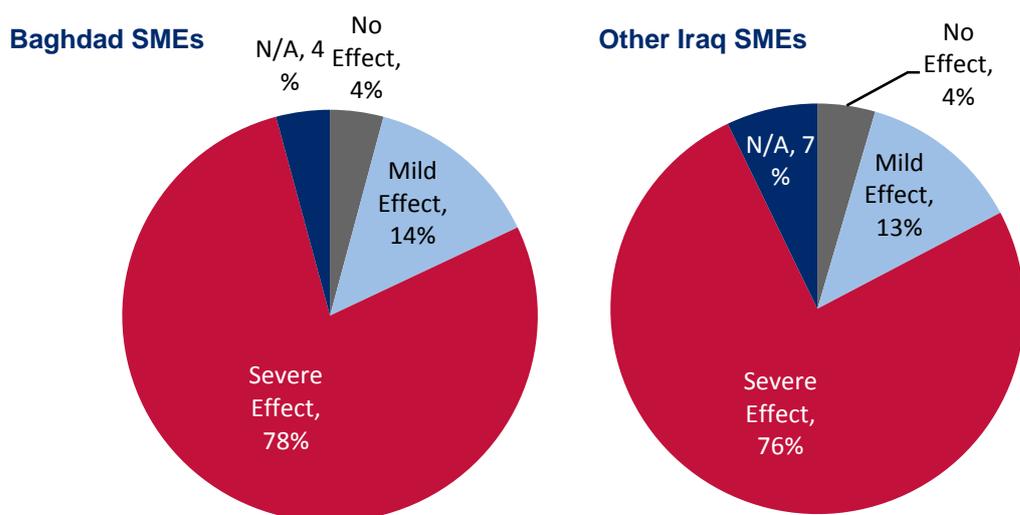
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Figure 5-8: Electricity Constraints – Baghdad and Iraq



A mean figure of 78% of all Baghdad SMEs are severely affected by electricity issues, with an added additional 14% that are affected to a lesser degree. A total of 92% of all Baghdad SMEs are affected by this constraint, compared to 89% Iraqi wide.

Figure 5-9: Mean Effect of Electricity Issues on Baghdad and Iraq SMEs



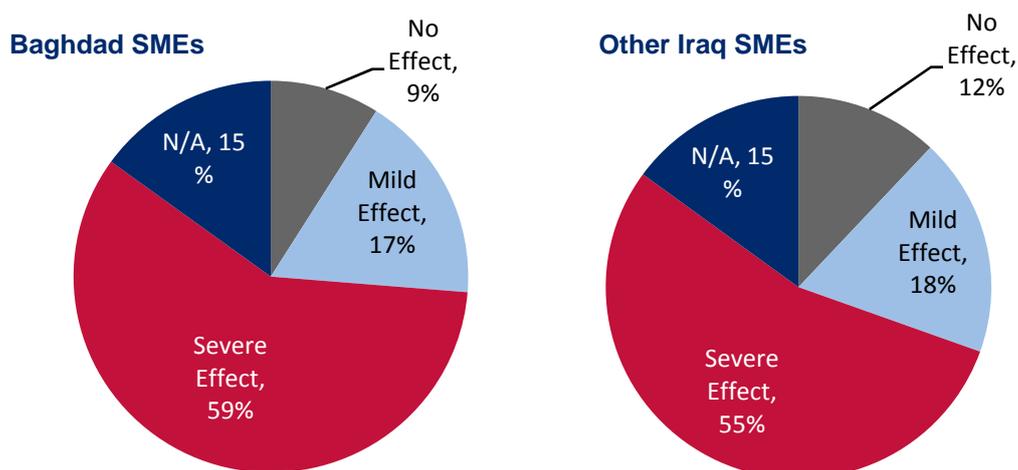
Of the 46 focus groups that were conducted in Baghdad, electricity issues were the most commonly mentioned infrastructure issue. Many focus groups reported mentioning of electricity shortages as a main problem the participants face.

5.3.2 Transportation

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

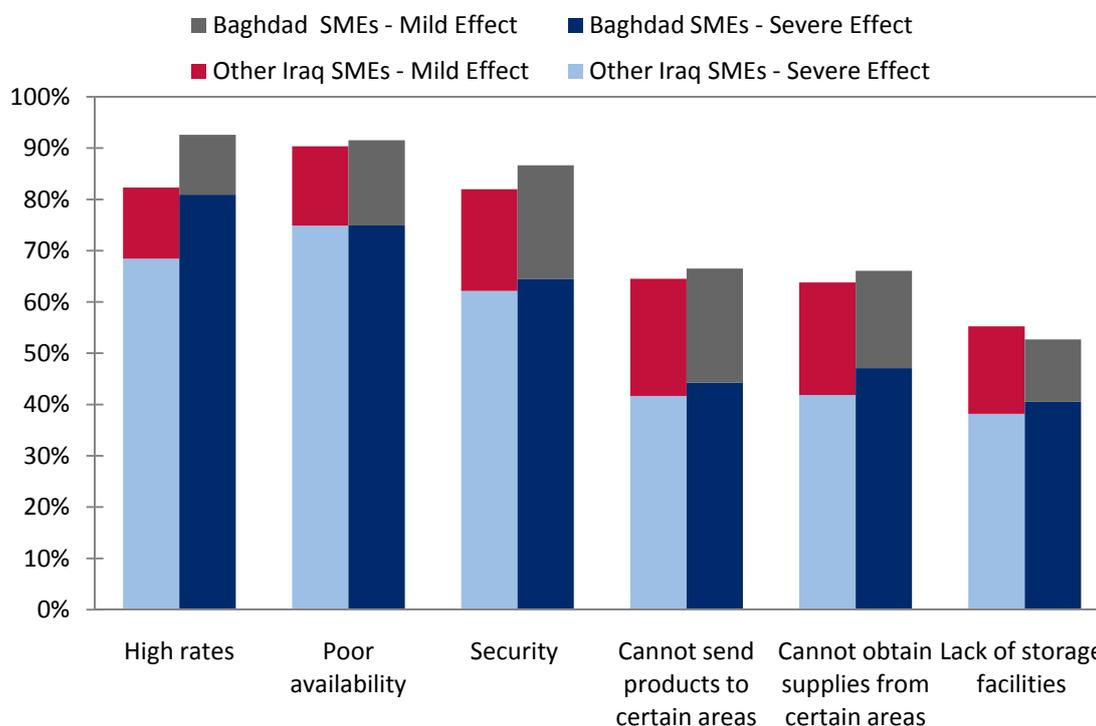
A total of 59% of SMEs are severely impacted by transportation deficiencies, while 17% are mildly impacted. The total percentage of SMEs impacted by inadequate transportation availability is 76%. This total is slightly less than the percentage of impacted SMEs on the national scale. This is reflected in Figure 5-10 below.

Figure 5-10: Effect of Transportation Issues on Businesses - Iraq and Baghdad Comparison



The most prevalent issue for Baghdad SMEs regarding transportation is the high cost, followed by poor availability, from both of which over 90% of SMEs complain (see Figure 5-11 below). Security, as relates to transportation, is third.

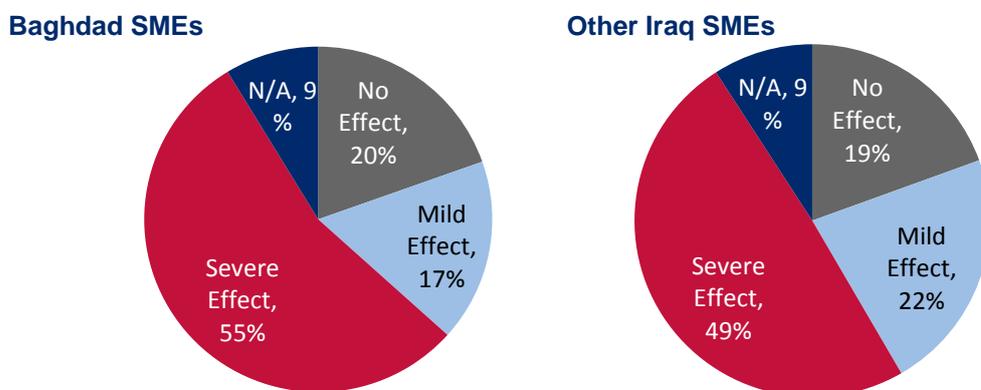
Figure 5-11: Effect of Different Kinds of Transportation Issues on Baghdad SMEs



5.3.3 Communication

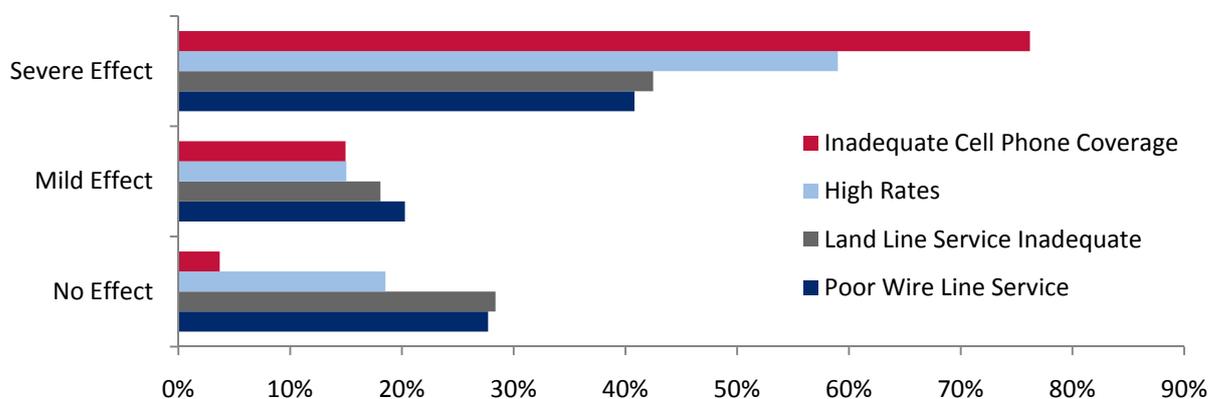
Communication inadequacies are cited as the third most severely impacting of all infrastructure issues, but still remaining fairly high. 55% of all SMEs say that they are severely impacted by communications issues. This is 6% higher than the other SMEs in Iraq. A significant number of SME owners have become more dependent upon cell phone provision and therefore are not so affected by other forms of telecommunication infrastructure.

Figure 5-12: Effect of Communication Issues on Businesses - Iraq and Baghdad Comparison



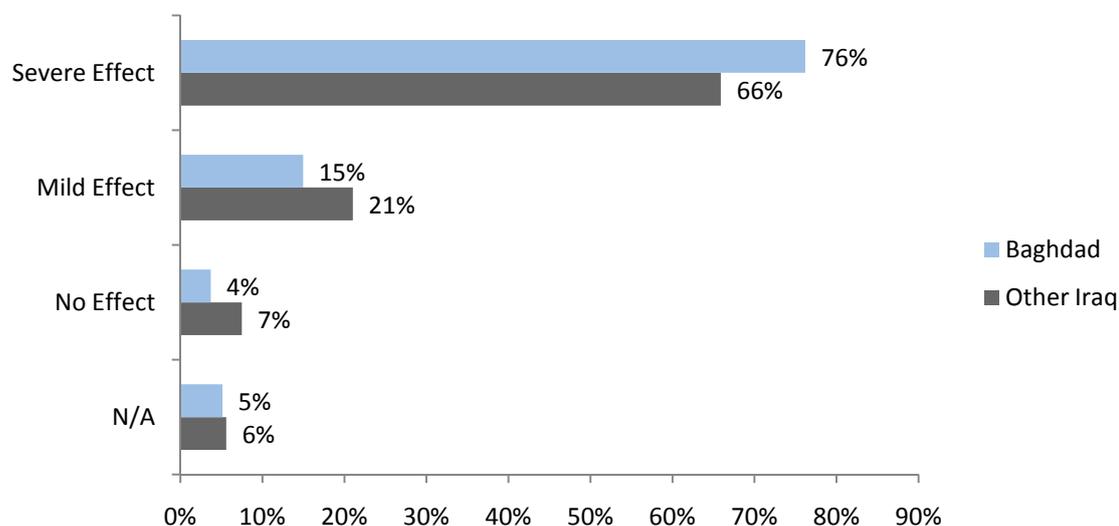
Cell phone service inadequacies and their affect on SMEs are perhaps the greatest concern of all communications issues. A much greater percentage of Baghdad SMEs are affected by Cell Phone Coverage issues in particular (see Figure 5-13 below).

Figure 5-13: Communications Issue Effects on Baghdad SMEs



Altogether, 91% of SMEs are affected by inadequate cell phone coverage (see Figure 5-14 below), which brings this particular issue regarding communications to the level of concern of electricity as a whole.

Figure 5-14: Effect of Inadequate Cell Phone Coverage on Baghdad and Iraq SMEs



5.3.4 Water

Water issues are the least most important infrastructure concern that affects SMEs in Baghdad. The overall impact of this issue is significantly greater than the impact of this issue on SMEs in the rest of Iraq. 50% of Baghdad SMEs are severely affected by water issues, a total of 70% who are affected either severely or mildly. With regards to this issue only are Baghdad SMEs (only slightly) less affected than their counterparts in other places in Iraq (see Figure 5-15 below). Intermittent water supply and water quality are pretty much equal to one another as the issues that determine this mean measure, with intermittent supply effect only slightly higher than quality (see Figure 5-16 below).

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

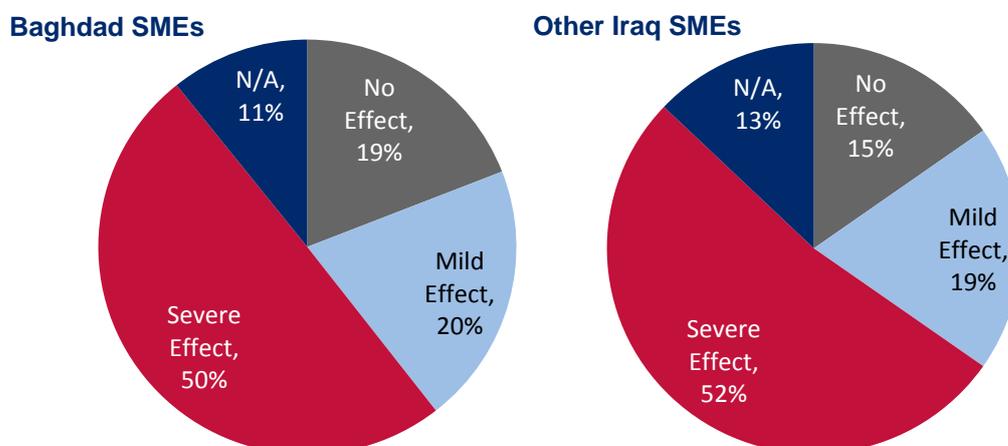
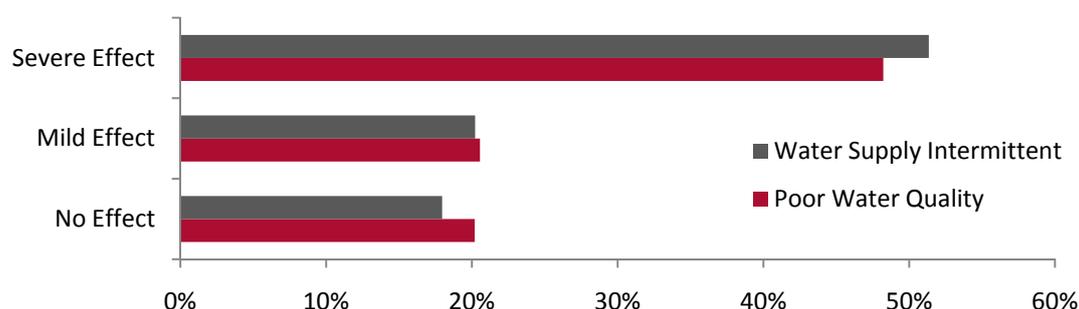


Figure 5-16: Water Issue Effects on Baghdad SMEs



5.4 SECURITY CONSTRAINTS

The Baghdad business environment is more volatile than the rest of Iraq. Security is rated as the number one concern on the aggregate ranking of 11 different top constraints by Baghdad SMEs, whereas the rest of Iraqi SMEs see security further on down as the number four constraint. Security is the most concerning issue to SMEs in Baghdad.

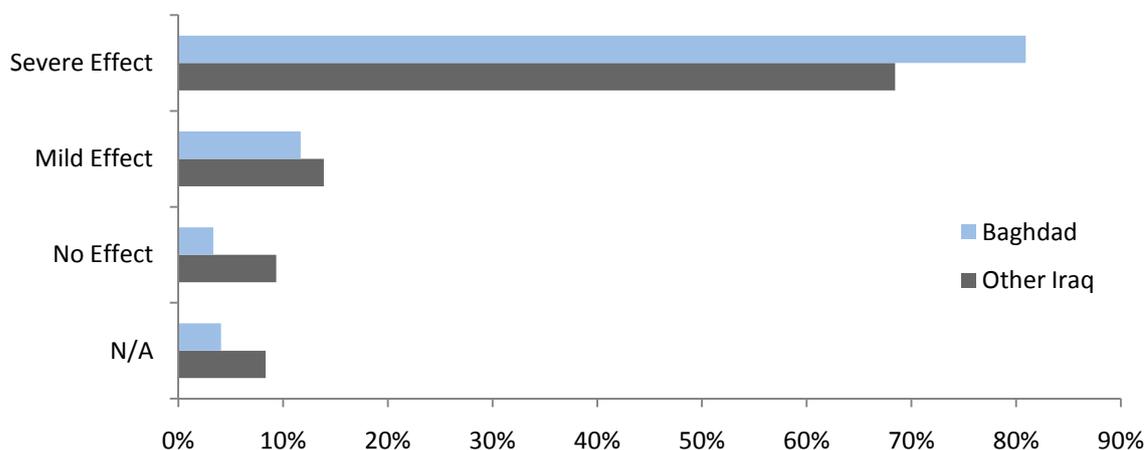
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Cash flow	2.242582	3	5
Energy Shortages	2.075782	4	1
Economic environment	1.94186	5	3
Access to business opportunities	0.989174	6	7
High competition	0.7085	7	6
Keep up with new technology	0.599439	8	8
Access to market intelligence/ information	0.54571	9	10
Employee skill limitations	0.488773	10	9
Governmental regulations	0.255814	11	11

Over 80% of Baghdad SMEs report that they are severely affected by security issues (see Figure 5-18 below). The two charts below give a good picture of the effect of security on Baghdad SMEs versus other Iraqi SMEs. Baghdad SMEs report a severe effect of security on business to a much greater degree than the rest of Iraq

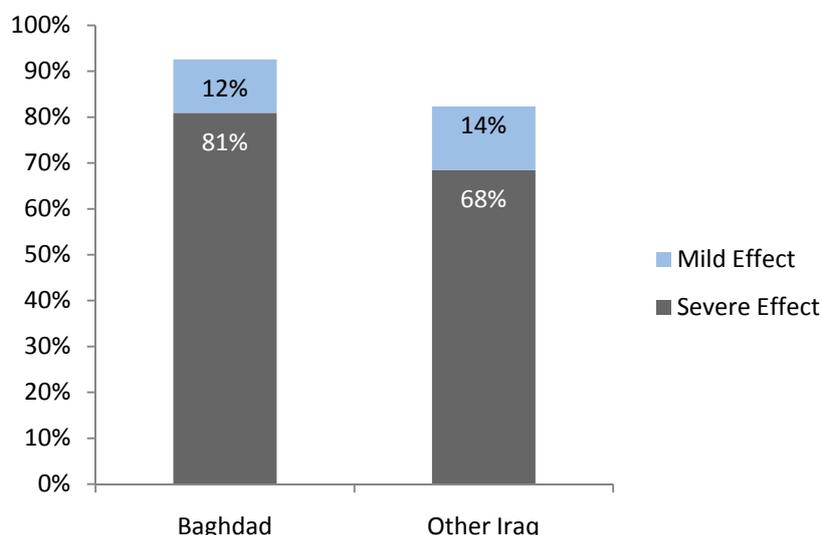
does. The overall percentage, including those that are mildly affected, is 11% higher than what other Iraqi SMEs report (93% vs. 82%).

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



	N/A	No Effect	Mild Effect	Severe Effect
Baghdad	4%	3%	12%	81%
Other Iraq	8%	9%	14%	68%

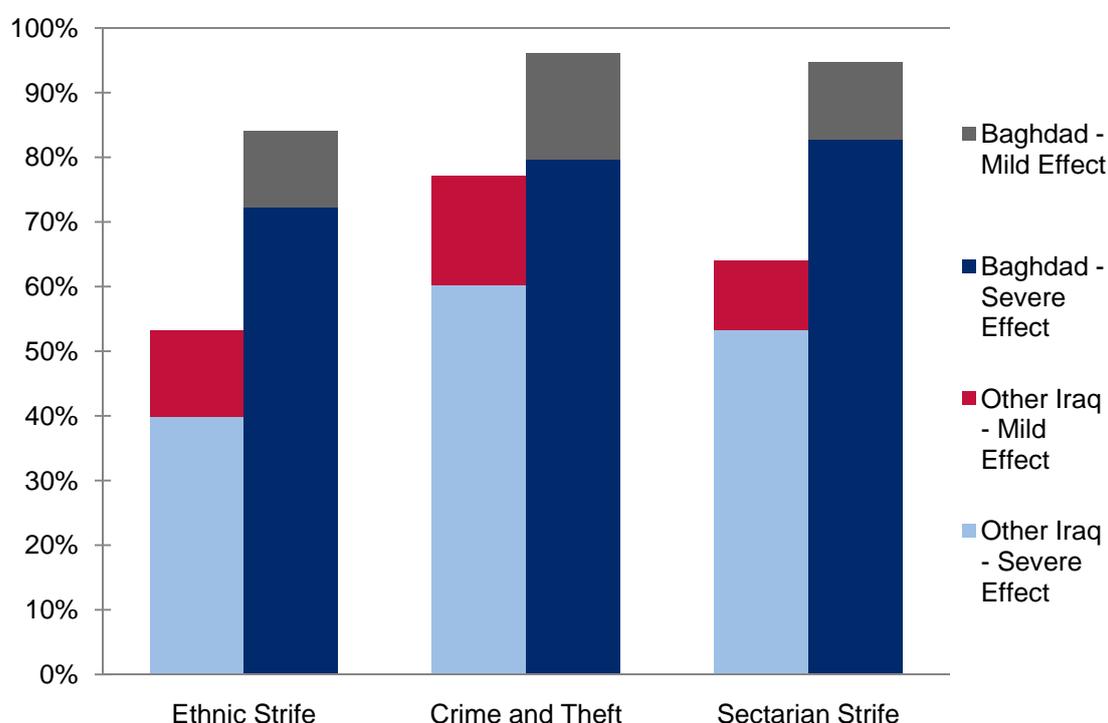
Figure 5-18: Effect of Security Concerns on SMEs - Iraq and Baghdad Comparison



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

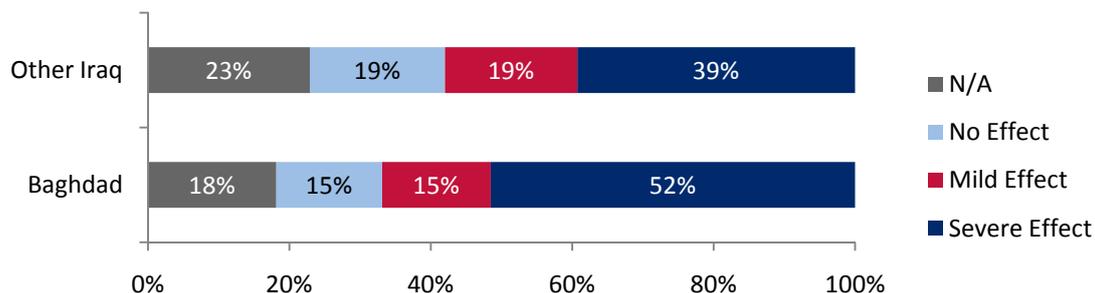
The case in Baghdad is much worse than the rest of Iraq when it comes to issues of sectarian and ethnic strife, which is the opposite from somewhere like Najaf, for example. This is primarily because of the extremely diverse nature of the ethnic and sectarian make-up of the Baghdad community – an intense conglomeration of many different ethnicities, political views, and religions all in one concentrated area. Over 80% of all Baghdad SMEs indicated that they are severely impacted by sectarian strife and crime and theft (see Figure 5-19 below). A total of 96% are affected either severely or mildly by crime and theft, and the same for a total of 95% by sectarian strife.

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



With regards to labor, Baghdad SMEs are affected by shifts in labor due to security issues, as would be expected. In some cases, only certain people with certain ethnicities can work or live in certain areas. This means that even if the SME owner does not prefer to segregate, job preference sometimes is forced to favor an employee based on ethnicity, due to ability to work in a specific area where the business may be located. 50% of SMEs still claim to be severely affected by workers leaving the area due to security concerns, an additional 15% on top of that mildly affected (see Figure 5-20).

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



Strangely, and this same phenomenon is repeated in other provinces like Babil and Anbar, Baghdad businesses, even with the highest level of security constraints in the country, are looking less to the government for security improvements (see Figure 5-21 and Figure 5-22 below). Citizens of Baghdad are apparently pleased with the efforts of the Iraqi Government, with only 14% out of all SMEs surveyed indicating that they are dissatisfied (12% dissatisfied, 2% very dissatisfied) with the government’s ability to guarantee security. Strangely, 64% are satisfied and even 22% are *very* satisfied with what the government is doing in Baghdad 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 5-21: Baghdad SME Satisfaction with Government Provision of Security

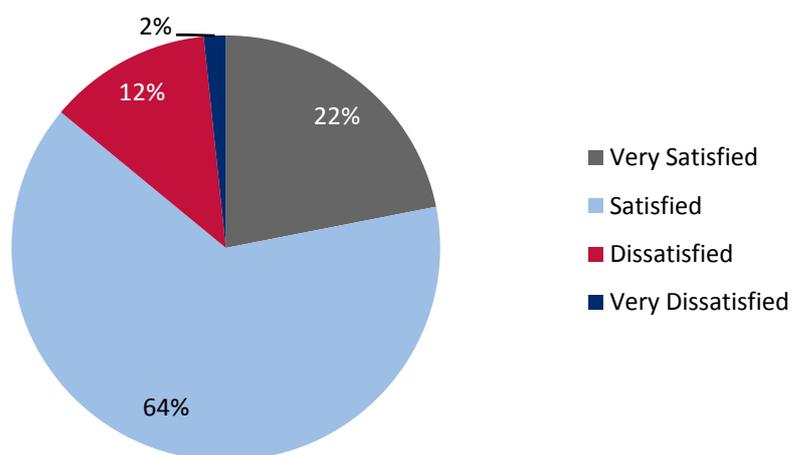
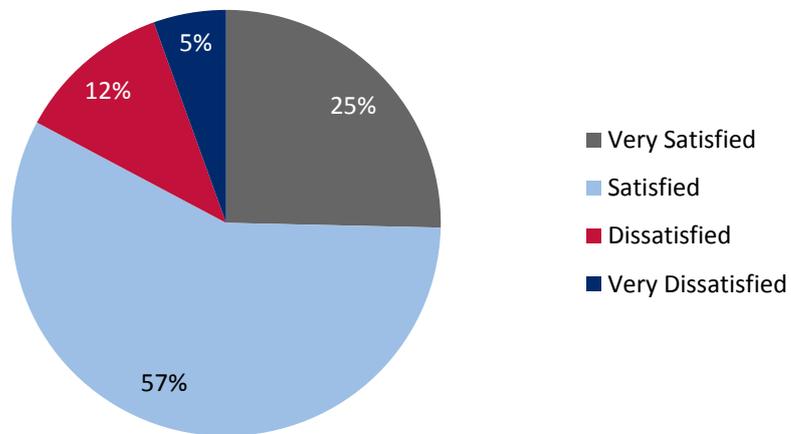


Figure 5-22: Rest of Iraq SME Satisfaction with Government Provision of Security



6. BAGHDAD IN FOCUS – DETAILED LOOK INTO FOUR IMPORTANT SUB-SECTORS

6.1 INTRODUCTION

Four main areas representing the dynamic concentrations of SME business presence in Baghdad are grain producers (mostly in the Qada areas), light manufacturers, tourism, hotel and restaurant businesses, and wholesale traders. The research team examined each interview with the goal of comparing answers of the representatives from the constituent firms with those of Baghdad businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Baghdad at the sector and sub-sector level.

Table 6-1: Four Concentrations of Sub-Sectors and Firms in Baghdad

FIRM LEVEL	SUBSECTOR LEVEL	SECTOR LEVEL
Grains Growing	Agriculture	Agribusiness
Light Manufacturing	Light Manufacturing	Manufacturing
Tourism, Hotels, & Restaurants	Tourism	Services
Wholesale Trade	Wholesale and Retail Trade	Trade

Since both the business sectors and the minimum number of interviews were prescribed, and the process only partially randomized, the research advances no claim that the sample represents an actual percentage make-up of these business that exist in Baghdad in any larger sense. However the technique of over-sampling did allow for a broader perspective than otherwise would have been possible and the results may be taken as heuristic and actually representative of what are believed to be the main sub-sectors in Baghdad. 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 GRAIN PRODUCERS

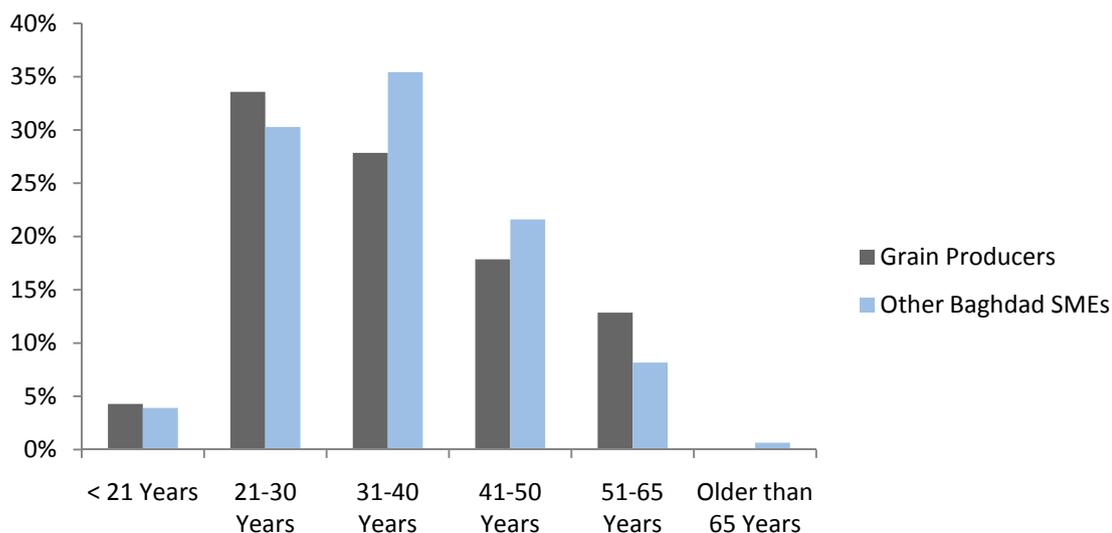
This section contains observations about SMEs in the Baghdad province that produce grain. This group consists of 140 businesses that are basically farmers, a large portion of which have landholdings, and are located in the surrounding areas of Baghdad (the Baghdad Qada areas). Grain producers have been chosen as a special subsector to highlight in this report for the reason that they represent a significant stake in the economy relating to employment and actual production. The following characteristics of these subsector companies are mentioned due to the fact that they are unique, and differ from other Baghdad SMEs in a fairly significant degree. Characteristics that are shared by grain producers with the rest of Baghdad

SMEs to the same degree are not highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

6.2.1 General Characteristics

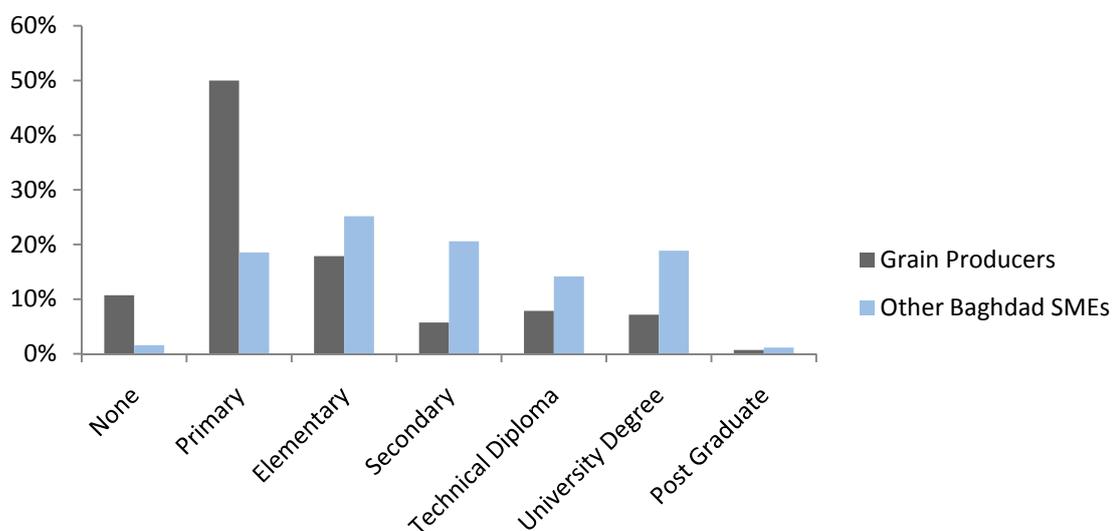
Grain producer SME owners are on average slightly older than other SME owners in Baghdad (see Figure 6-1).

Figure 6-1: Age of Business Owners



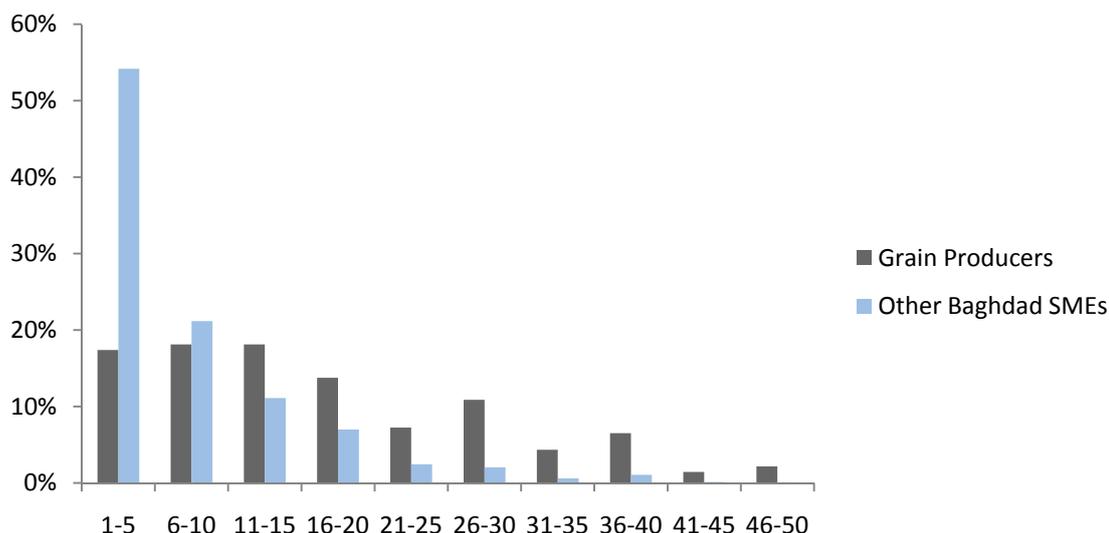
Education levels of the grain business owners are expectedly lower across the board than that of other SME owners. Approximately 90% of grain producers, however, do have at least a primary school education (see Figure 6-2 below).

Figure 6-2: Education of Business Owners



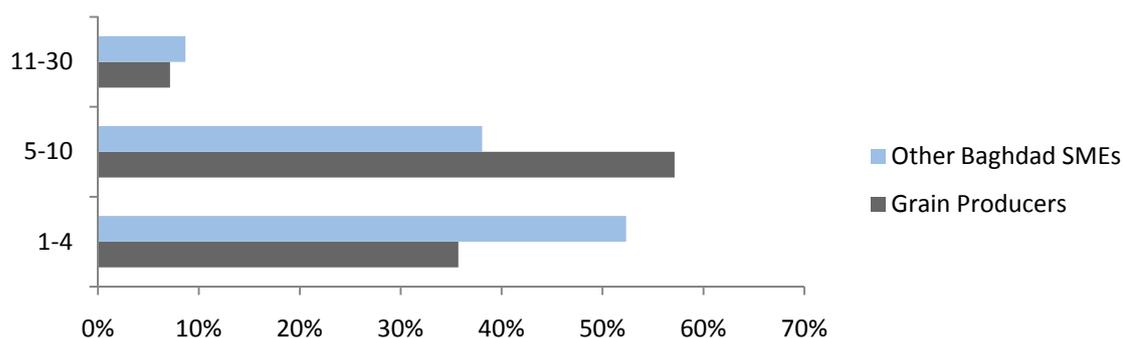
Grain producer SMEs are on average older establishments. The overwhelming majority have been established before the fall of the previous regime, whereas the majority of other SMEs in Baghdad have been established after the fall of the previous regime. The variances are depicted below in Figure 6-3.

Figure 6-3: Age of Business



Grain producers employ on average more employees than their other SME counterparts throughout the Baghdad province (see Figure 6-4). 80% of grain producing SMEs reported that their business activities are seasonal. Moreover, 30% reported that their employment is seasonal (vs. 18% in other Baghdad SMEs). No grain producing SMEs use employment agencies (0%).

Figure 6-4: Numbers of Employees

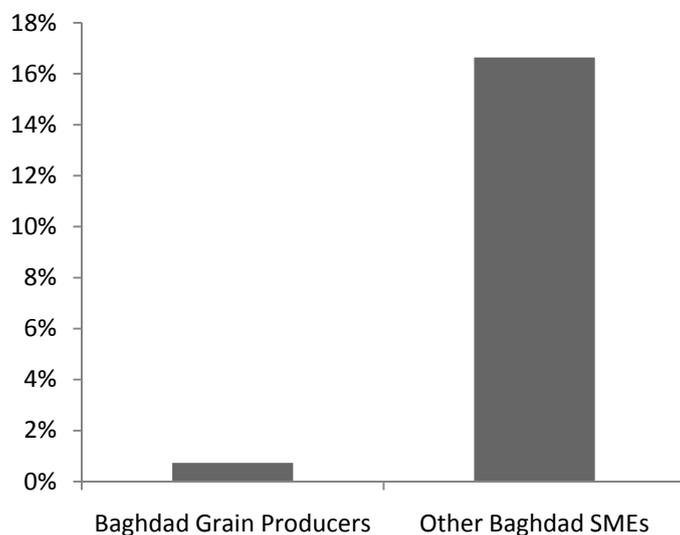


83% of grain producers are family owned businesses, compared with 55% of other Baghdad SMEs that are family owned.

With the exception of mobile phone network service firms, grain producing companies are not technologically prone. Only 1 out of 140 businesses uses a computer (0.7%) to conduct business. This compares to an average of 17% for other

Baghdad SMEs that use computers. See Figure 6-5 below. None (0%) use internet, or any other computer-related technology for business purposes.

Figure 6-5: Percent of Businesses with Computers

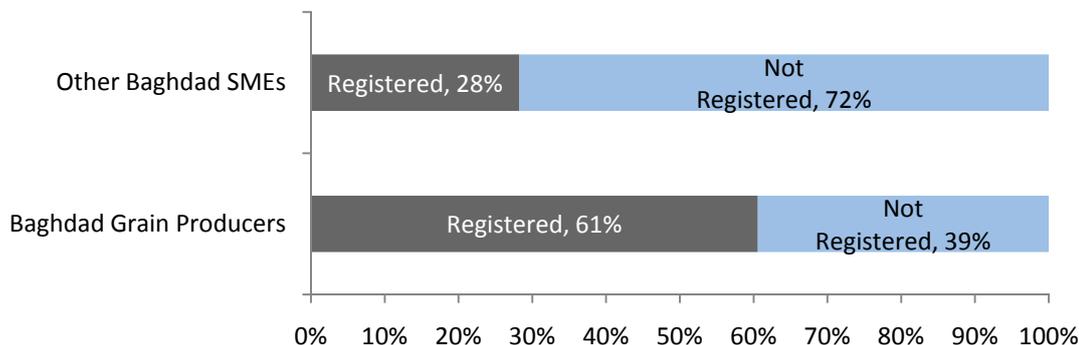


6.2.2 Formality / Informality

Registration rates of grain producers are particularly high, when compared to other Baghdad SMEs (see Figure 6-6 below). In the case of Baghdad, this cannot be attributed to the fact that they are primarily doing business with the government or government establishments and therefore need to be registered. SOEs and government (see Figure 6-9) are actually very low on the list of top customers for grain producers.

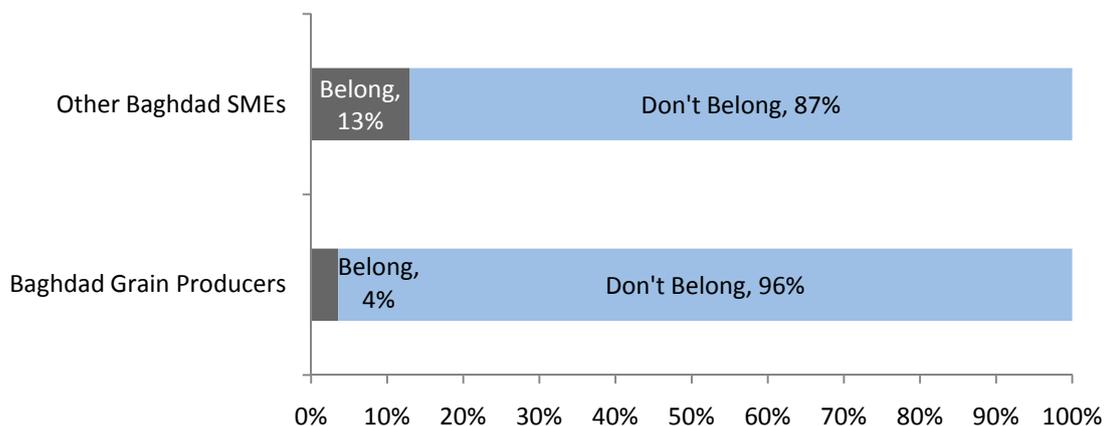
This is somewhat different from the case of agricultural SMEs in Najaf and Babil. For example, registration rates were very high for these subsectors as well as their dealings primarily with the government. In the case of Baghdad, high registration rates among grain producers may be attributed to the fact these businesses are mostly older when registration was strictly enforced. In addition, they were most likely registered at a time when subsidies were in place and government was indeed the primary customer.

Figure 6-6: SME Registration



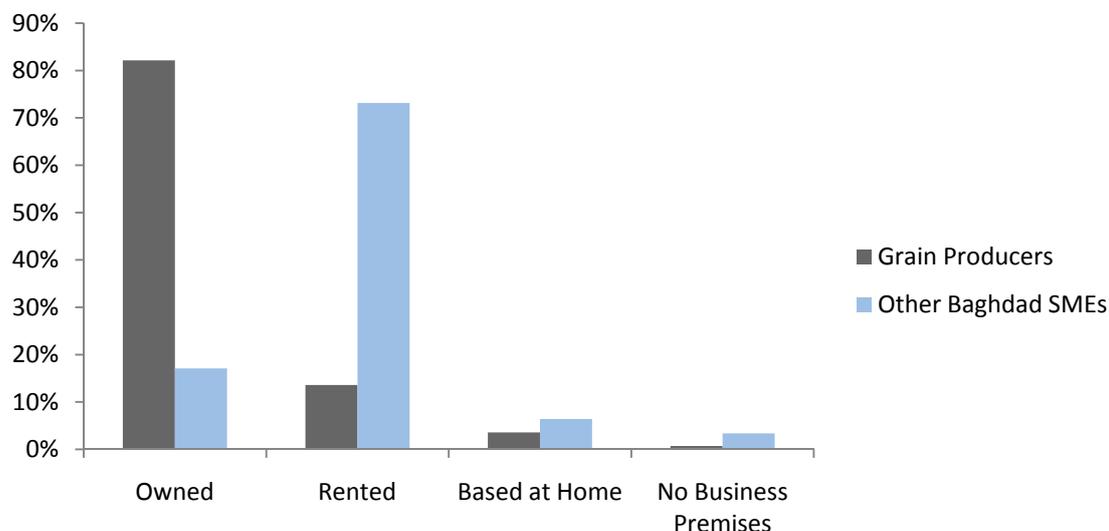
Another factor of formality indication is membership in BMOs. Very few grain producers actually belong to BMOs (see Figure 6-7).

Figure 6-7: BMO Membership



A third factor in formality/informality is business location. Over 80% of grain producers own their land on which they produce. A total of 14% of grain producers rent land. Almost the opposite is true for the rest of Baghdad SMEs on average (see Figure 6-8). This is to be expected, given the importance of land in the production of grain.

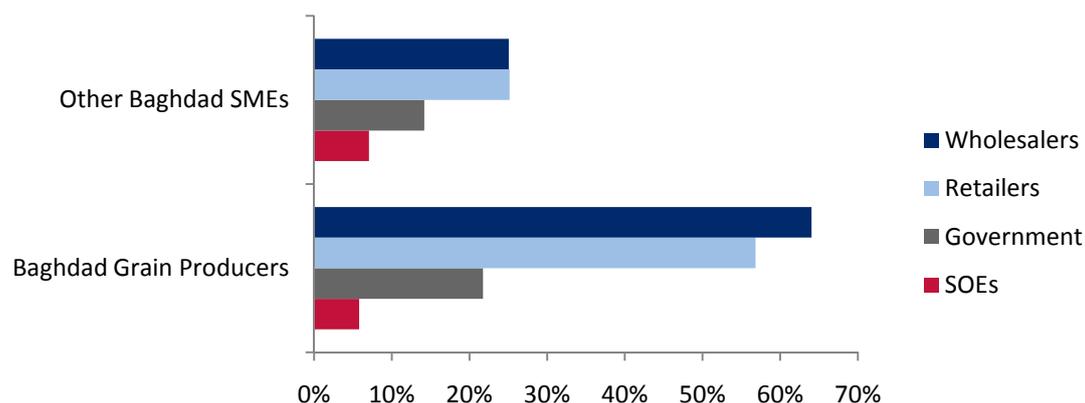
Figure 6-8: Business Premises Location



6.2.3 Customers and Sales

Grain producers in Baghdad sell mainly to the private sector, which is different from the case in Najaf and Babil where SOEs and the government are main buyers. Wholesalers and retailers form the majority of the buyers for their products. In addition, over twice as many grain producers sell to wholesalers and retailers than any other Baghdad SMEs (see Figure 6-9 below).

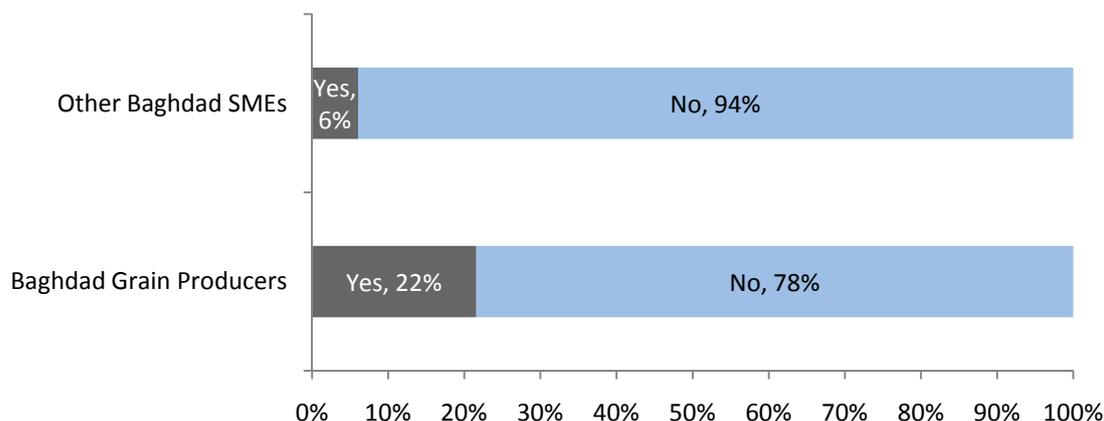
Figure 6-9: Main Customers



Although only 6% of grain producers reported SOEs as a main customer, over 22% have done business with them, which is more than other SMEs in Baghdad (see Figure 6-10 below). It is evident that more would like to do business with SOEs, but are unable to at this time. A total of 67% of grain producer SMEs indicated that they had difficulty in “getting the business” when dealing with SOEs. This may indicate that agricultural SOEs either buy from only certain sources, through which they run

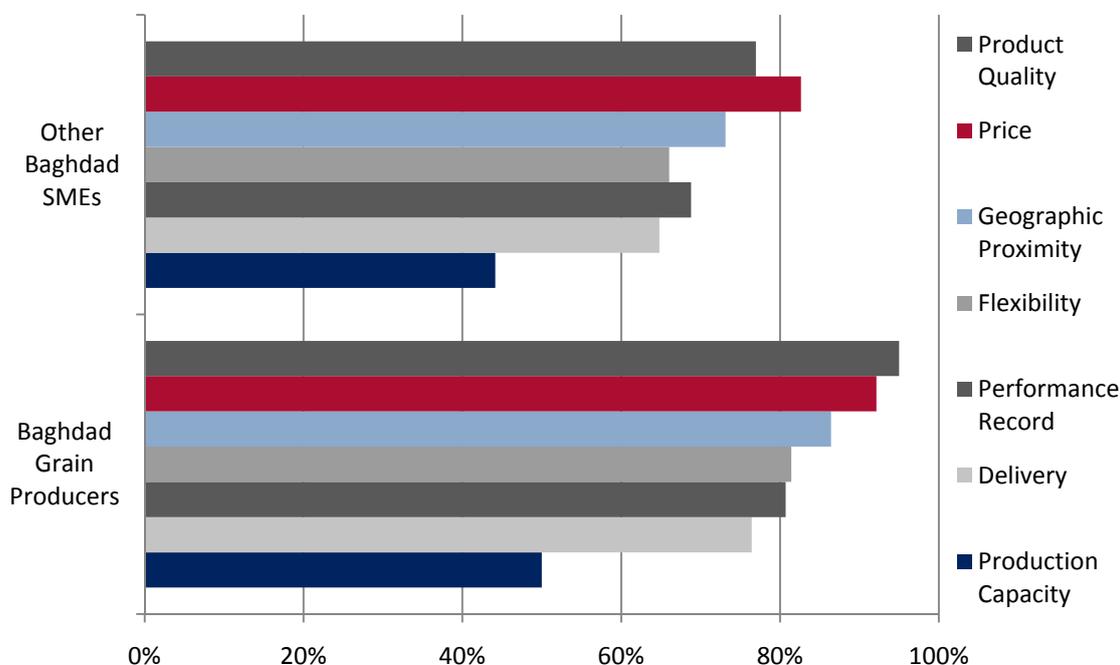
all of their contract purchasing, or they only buy a certain quantity. Grain producer difficulty in securing business with SOEs is to a higher degree than for other Baghdad SMEs (at only 58%).

Figure 6-10: Have SMEs Been Able to Sell to SOEs?



Grain producers perceive that SOEs are looking at factors such as product quality, price, proximity, delivery, flexibility, past performance, and capacity to a greater degree than do other businesses in Baghdad. Variances in perception as to the importance of these factors when doing business with SOEs are depicted below in Figure 6-11.

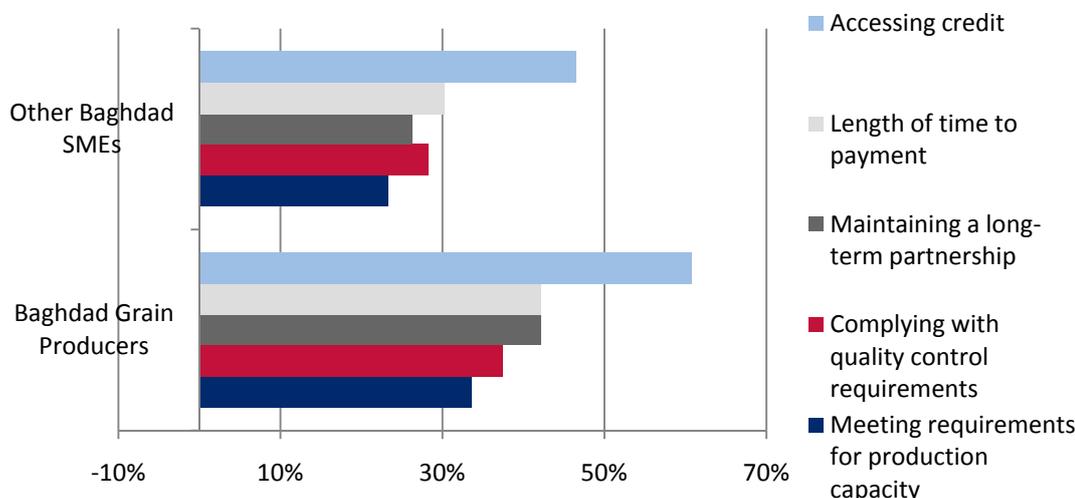
Figure 6-11: Perception of What is Important to SOEs



Grain producers have greater difficulty in dealing with SOEs when it comes to accessing credit, waiting for payment, maintaining the relationship long-term,

complying with quality control requirements, and meeting requirements for production capacity. See Figure 6-12 below.

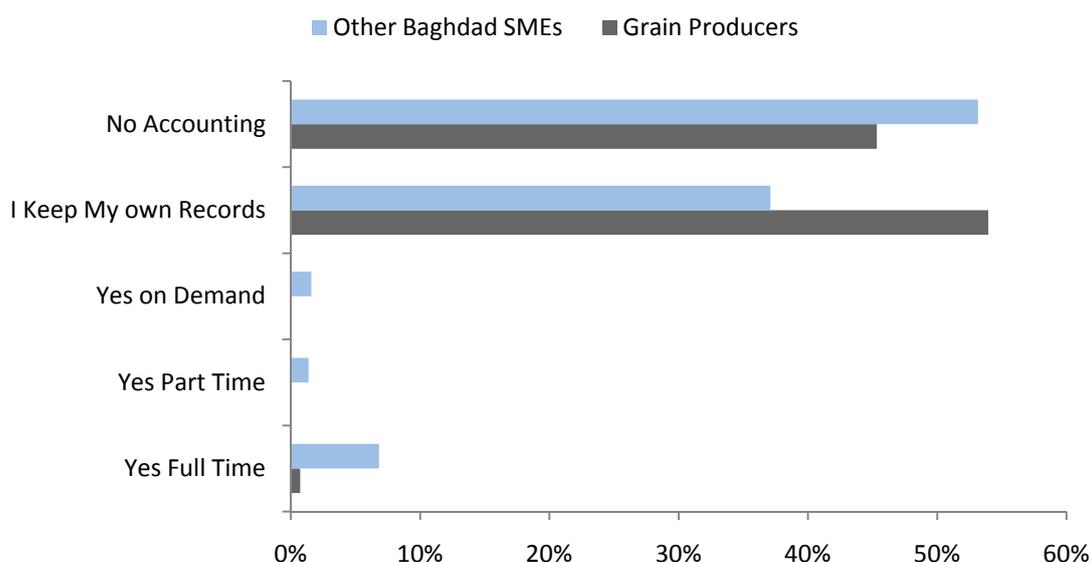
Figure 6-12: Challenges in Dealing with SOEs



6.2.4 Accounting and Financial Practices

Only 1 grain producing company out of 140 has a full time accountant. No other grain producing SME in Baghdad uses an accountant. A total of 54% of grain producer owners report that they keep their own records. A total of 45% do not practice formal accounting. Despite the fact that other Baghdad SMEs have full time, part time, and on demand accountants on staff, a higher percentage of other Baghdad SMEs (53%) report keeping no accounting records. The variances are depicted below in Figure 6-13.

Figure 6-13: SME Accounting Practices



19% of grain producers use bartering as a method of payment – compared to 4% of other Baghdad SMEs. None (0%) use bank or money exchange office transfers, while roughly 4% of other Baghdad SMEs use these methods of payment.

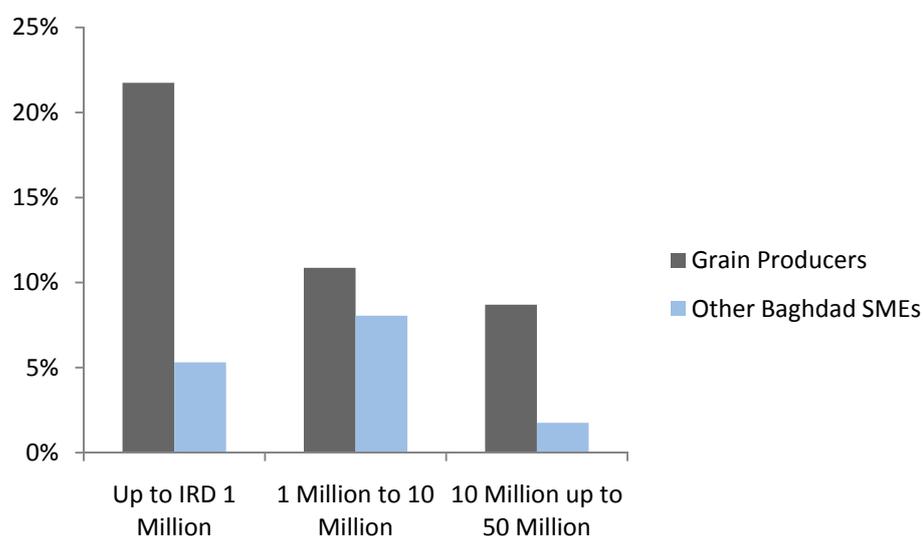
On sources for financing, grain producers seek out financing from different kinds of sources at approximately the same rate as other Baghdad SMEs. The exception is in regards to customer and supplier advances. Grain producers rely on customer advances at a rate 15% greater than other Baghdad SMEs (69% vs. 54%) and on supplier advances at a rate 23% greater than other Baghdad SMEs (63% vs. 40%).

Only one (1) grain producer (0.7%) out of 140 has a business bank account. A total of 9% of other Baghdad SMEs hold business bank accounts. The bank at which the one grain producer has the account is a government-owned bank.

Despite the low bank account utilization rates, 3% of grain producers report having taken loans from banks or MFIs previously, compared to only 2% of other SMEs in Baghdad. The loans were for between 5 and 10 Million ID (equivalent to \$4,500 to \$9,000 US), and from government banks (the Agricultural Bank) and institutions, such as the ministries of Agriculture and Labor.

Current debt among grain producers is actually much higher across the board than that of other Baghdad SMEs. This is consistent with the higher loan rates as mentioned above (see Figure 6-14 below).

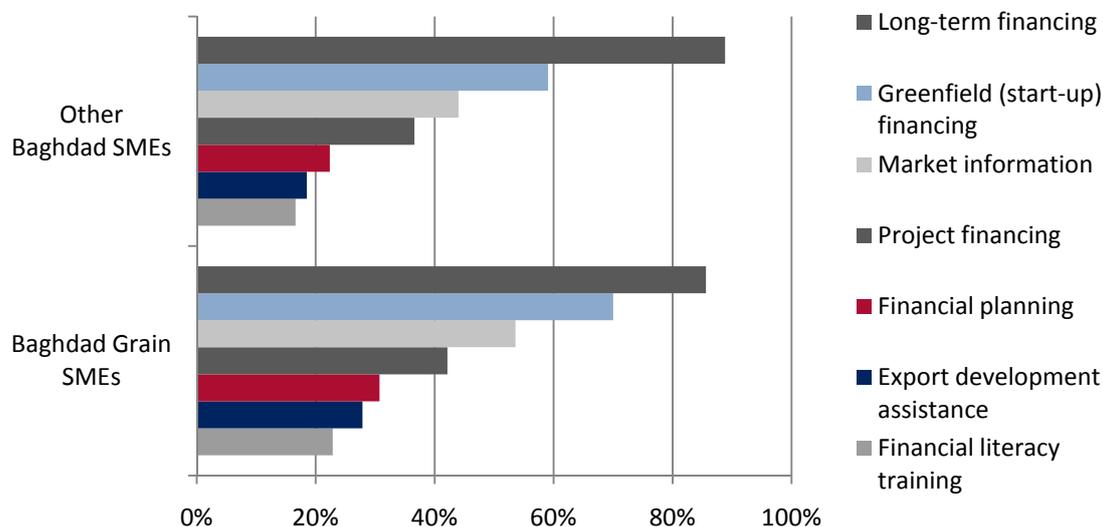
Figure 6-14: SME Current Debt



Demand for long-term financing is very high (86%) amongst grain producing SMEs, but surprisingly 3% less than demand among other Baghdad SMEs. All other financing products, including start-up financing and project financing are demanded more by grain producing SMEs (see Figure 6-15 below). Grain producing companies are also interested in other bank services, such as market information, financial

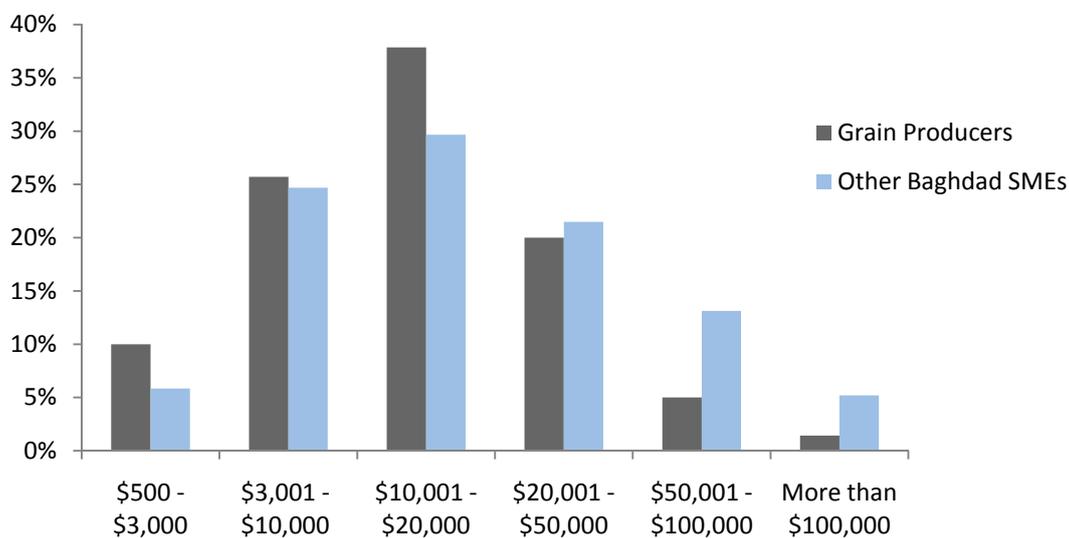
planning, export development assistance, and financial literacy training to a greater degree than other Baghdad SMEs.

Figure 6-15: SME Demand for Banking Services



Grain producers are more in need of financing in the range of \$3,000 to \$20,000 USD. This is to a greater degree than other SMEs in Baghdad. Demand is less, on the other hand, in the categories above \$20,000 USD (see Figure 6-16 below).

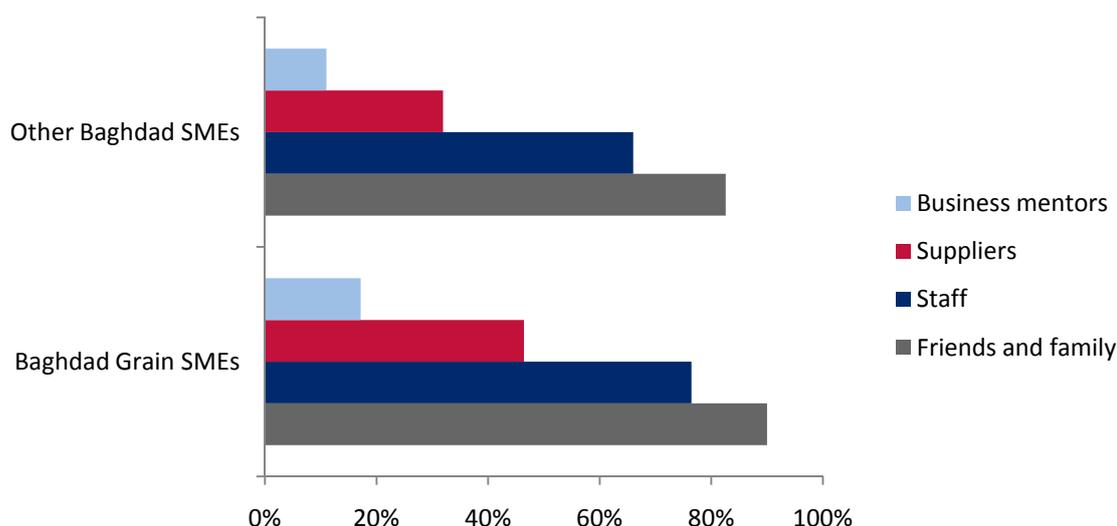
Figure 6-16: SME Financing Needs



6.2.5 BMOs and Sources of Building Capacity

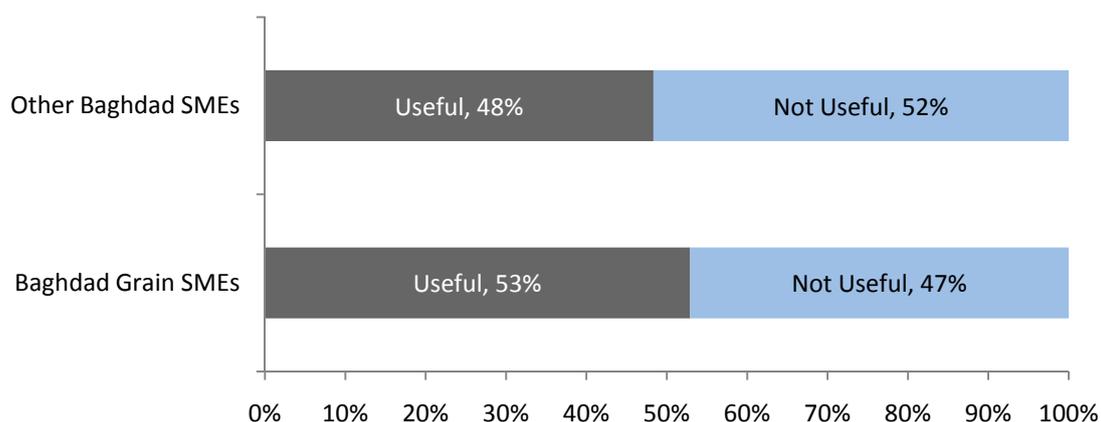
Grain producing SMEs seek advice to a greater degree from friends and family, staff, suppliers, and business mentors compared to other Baghdad SMEs (see Figure 6-17 below).

Figure 6-17: SME Sources of Business Advice



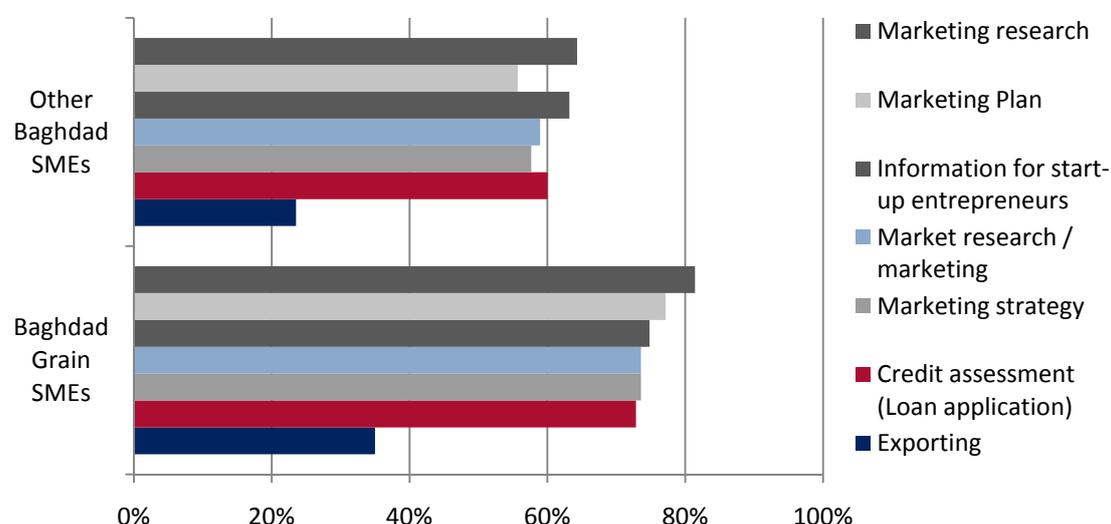
Although fewer grain producing SMEs are members of BMOs (only 4%, see Figure 6-7), more grain producing SMEs see BMOs as useful, as depicted below in Figure 6-18. None of the grain producers have ever been contacted by a BMO (0%).

Figure 6-18: SME Perception of BMOs



Grain producing SMEs look to BMOs with a unique disposition towards needing marketing assistance, as well as information for start-ups and assistance on loan applications. There is a sizeable difference in the levels of demand that grain producers have for marketing research, marketing plan, marketing, marketing strategy development, and export assistance than that of other Baghdad SMEs, as depicted below in Figure 6-19.

Figure 6-19: BMO Services that SMEs Desire



6.2.6 Constraints

Security is less of a constraint in the Baghdad Qada areas than it is in the city districts of Baghdad. Financial and energy constraints are the most pressing issues facing grain producers in the Baghdad province, as depicted below in Table 6-2.

Table 6-2: Ranked Hindrances to SME Business Growth

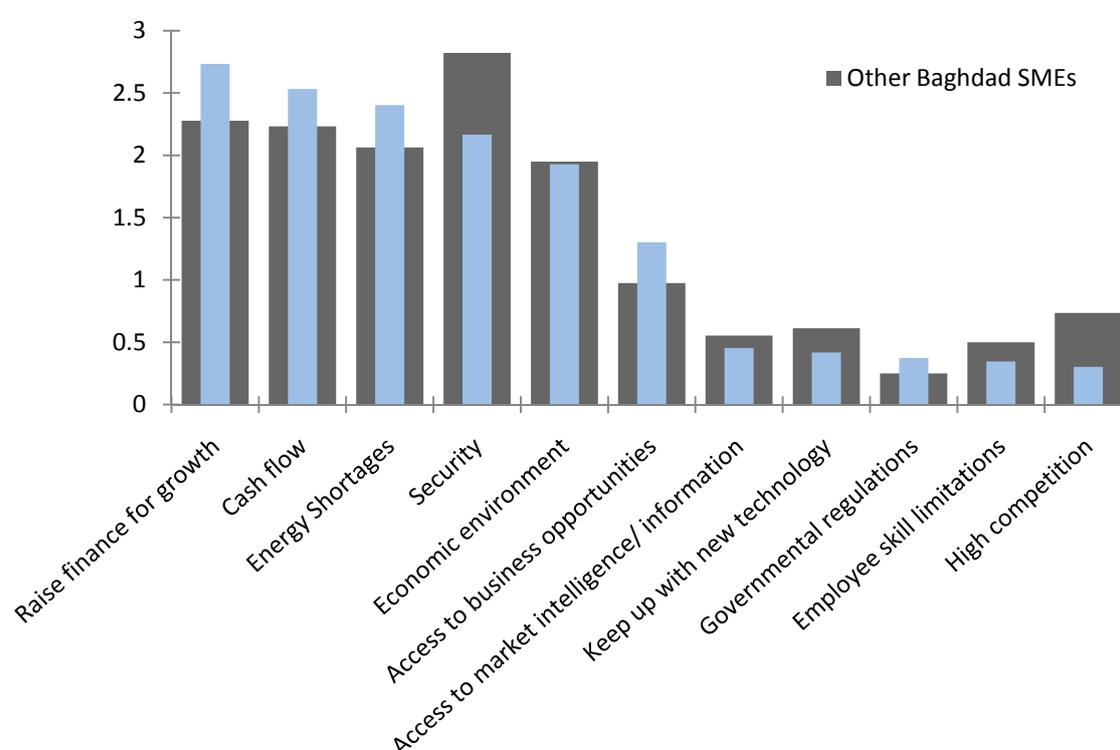
Hindrance	Weighted Score ⁸	Grain Producer Rank	Other Baghdad SME Rank
Raise finance for growth	2.73381295	1	2
Cash flow	2.532374101	2	3
Energy Shortages	2.402877698	3	4
Security	2.165467626	4	1
Economic environment	1.928057554	5	5
Access to business opportunities	1.302158273	6	6
Access to market intelligence/ information	0.45323741	7	9
Keep up with new technology	0.417266187	8	8

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

Hindrance	Weighted Score ⁸	Grain Producer Rank	Other Baghdad SME Rank
Governmental regulations	0.374100719	9	11
Employee skill limitations	0.345323741	10	10
High competition	0.302158273	11	7

The degree to which security is a concern among other Baghdad SMEs, even outweighs the degree to which financial constraints are ranked among grain producing companies (see Figure 6-20 below).

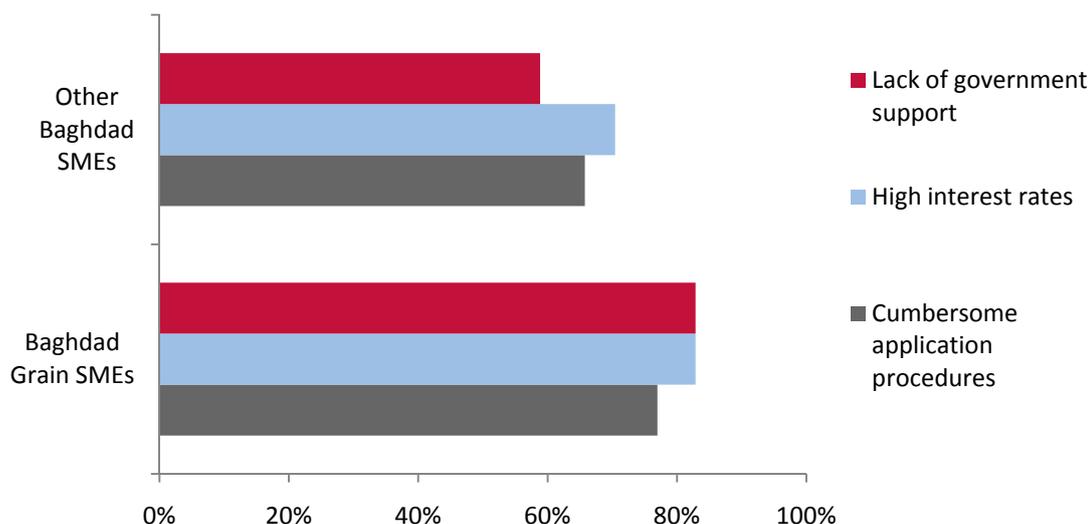
Figure 6-20: SME Hindrance Ranking Weights in Descending Order⁹



No matter where the location, access to credit is always a highly ranked constraint amongst almost all kinds of SMEs throughout Iraq. With regards to grain producing SMEs, they particularly feel the weight of this constraint, and especially in the areas of high interest rates charged by existing finance institutions, as well as the complexity of the application procedure, more so than do other SMEs in Baghdad, as depicted in Figure 6-21 below.

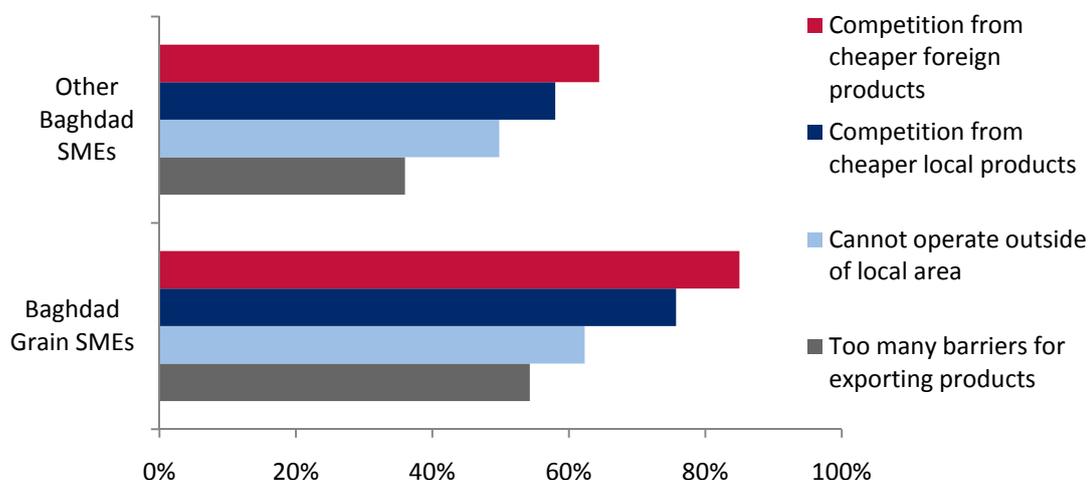
⁹ See footnote 8 above.

Figure 6-21: SME Financial Constraints



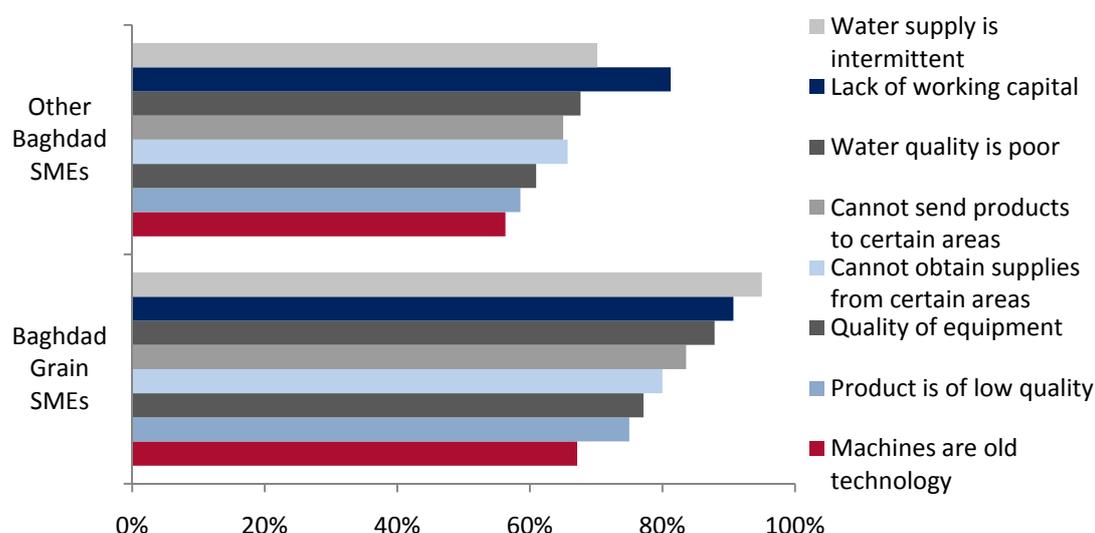
Grain producing SMEs also feel certain marketing constraints more than other SMEs in Baghdad, chief among which are competition, being constrained to certain areas, and barriers to export (see Figure 6-22).

Figure 6-22: SME Marketing and Competition Constraints



Water is the greatest concern, and much more so among grain producers than among other kinds of SMEs in Baghdad. Constraints that prohibit movement are also more heavily felt, as well as issues with outdated agricultural equipment, new versions of which cannot be obtained for lack of financing. These constraints are depicted below in Figure 6-23.

Figure 6-23: SME Operational and Infrastructure Constraints



6.2.7 Baghdad Grain Producers Summary

A Review of Constraints

Multi-level constraints experienced by grain producing SMEs in Baghdad:

- **Access to Finance** – Loans and other means of financing are not available at reasonable interest rates, repayment periods, and collateral requirements.
- **High Management and Service Costs** – Banking is almost nonexistent for SMEs. This constrains the financing of equipment purchase. It affects every part of the growth and distribution cycle.
- **Lack of Financial Literacy** – Without ability to control accounting and payments effectively, grain producers will not be able to expand business or access credit.
- **Water and Electricity** – Security is not the dominant issue, but electricity and water are two scarce resources for grain producers who are in need of both to ensure that their crops are irrigated.
- **Equipment** – Equipment is either not available or equipment on-hand is extremely difficult to maintain due to age and shortage of spare parts.. This constraint relates back to lack of financing, which is needed to purchase new equipment.

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

- Offer training and consulting services to help farmers understand loan application procedures
- Offer training in basic accounting practices and financial literacy

- Create private sector oriented BDS, to take advantage of cultural Baghdad business norms.
- Leverage already existing awareness and appreciation for IT integration into business practices to further develop SME IT-related skills through training.
- Provide accounting services for year-end close-outs.
- Provide loan application assistance.
- Aggressiveness and diversification in financing represents an opportunity at the firm and sector level. An intermediary can help prepare farmers for bank loans. In addition, they can assist potential collaborators in barter relationships, or can facilitate payment support from suppliers or wholesale purchasers can create an intervention that is both productive for the economy and lucrative for the BMO or DBS provider.

6.3 A CLOSER LOOK AT LIGHT MANUFACTURING SMES

This section contains observations about SMEs in the Baghdad province that are classified as light manufacturers. They include the following categories of businesses:

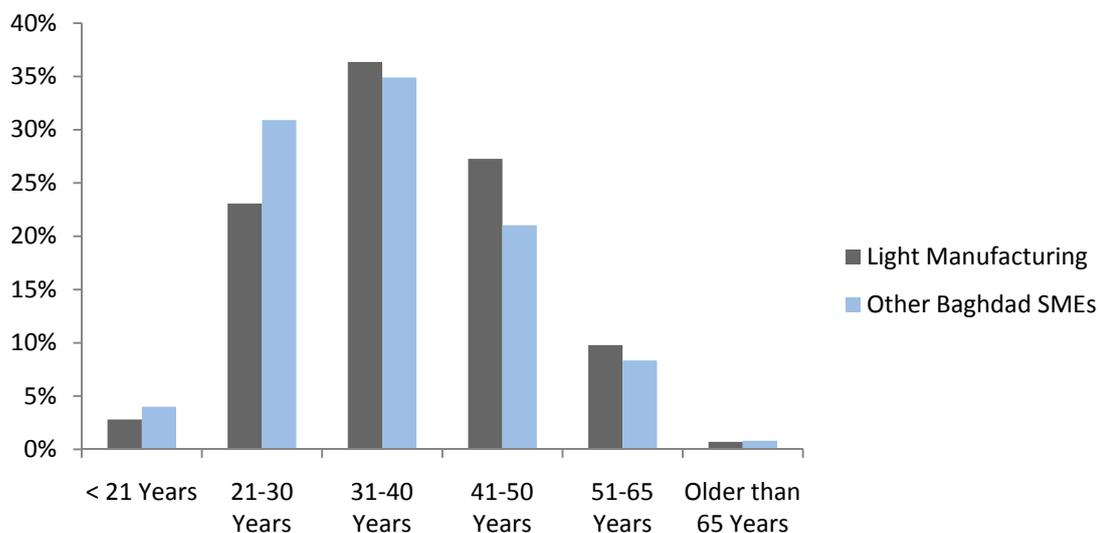
Metal Fabrication	32%
Carpentry	28%
Others	19%
Tailors	8%
Water Bottling	6%
Plastics	5%

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

6.3.1 General Characteristics

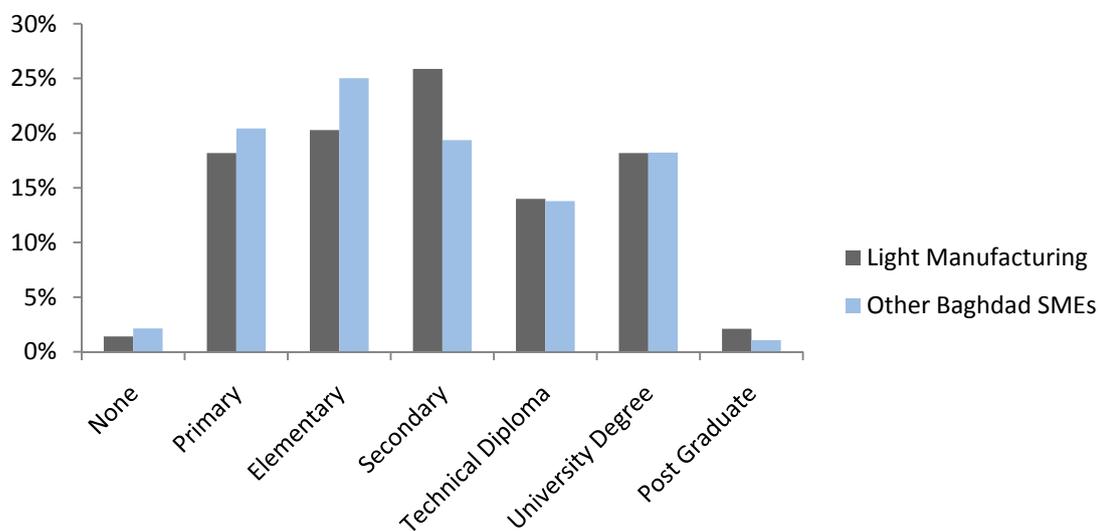
The average age of light manufacturing business owners is slightly younger than that of other SME business owners in Baghdad, as depicted in Figure 6-24 below.

Figure 6-24: Age of SME Business Owners



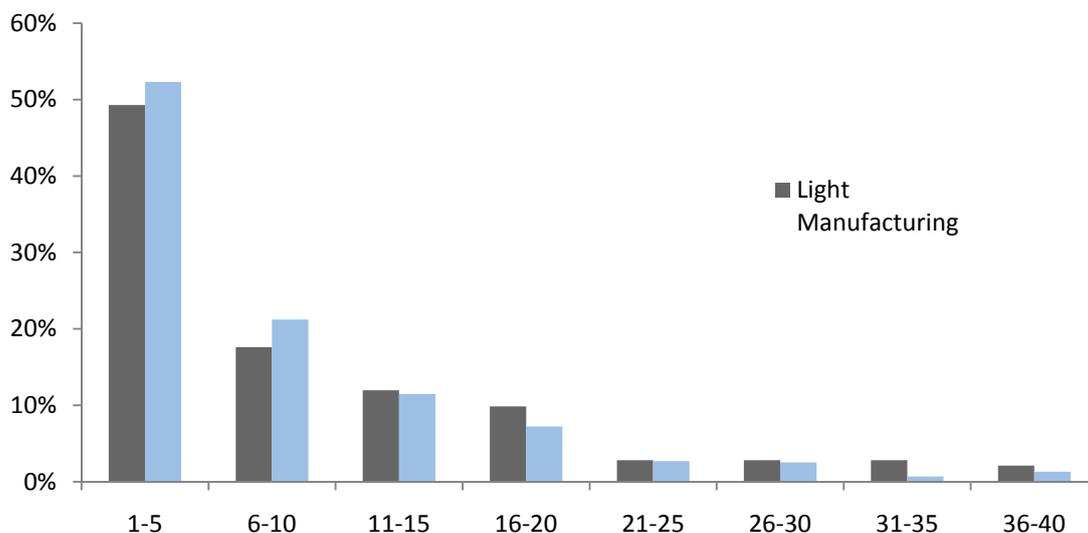
Female participation in light manufacturing in Baghdad (8%) is twice as high as in other business categories (4%). Education levels of SME owners tend to be slightly higher than other SME owners (see Figure 6-25 below).

Figure 6-25: SME Owner Education Levels



Differing from grain producers, nearly half of light manufacturing businesses were established in or after 2004, after the fall of the previous regime, as depicted below in Figure 6-26.

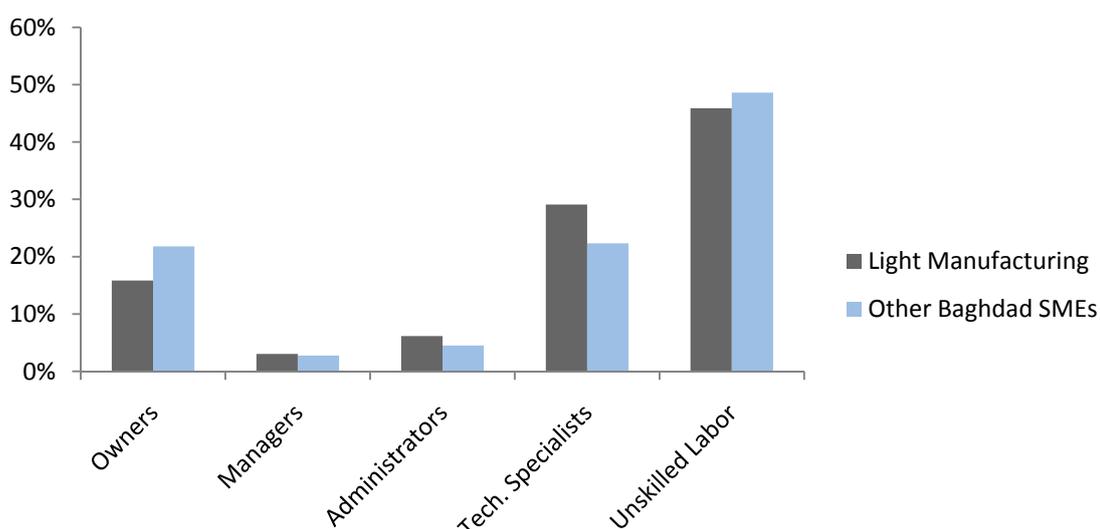
Figure 6-26: Age of Business



6.3.2 Labor

Light manufacturing on average employs more employees at 7.4 per company. Average number of employees employed by other Baghdad SMEs is 5.4 per company. Light manufacturing SMEs employ slightly higher percentages of unskilled labor, as would be expected, than other SMEs in Baghdad (see Figure 6-27 below).

Figure 6-27: SME Division of Labor

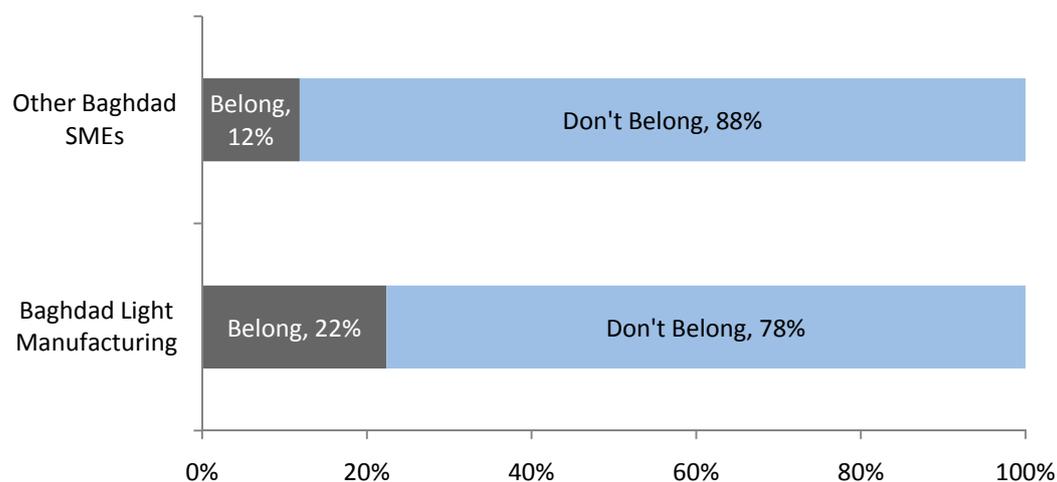


85% of light manufacturing companies provide in house training to employees, compared to 62% of other SMEs in Baghdad.

6.3.3 Formality / Informality

On formality issues, registration rates are nearly the same – 32% for light manufacturers, and 30% for other Baghdad SMEs. Light manufacturing business membership in BMOs is nearly twice that of other SMEs in Baghdad (see Figure 6-28).

Figure 6-28: BMO Membership Rates

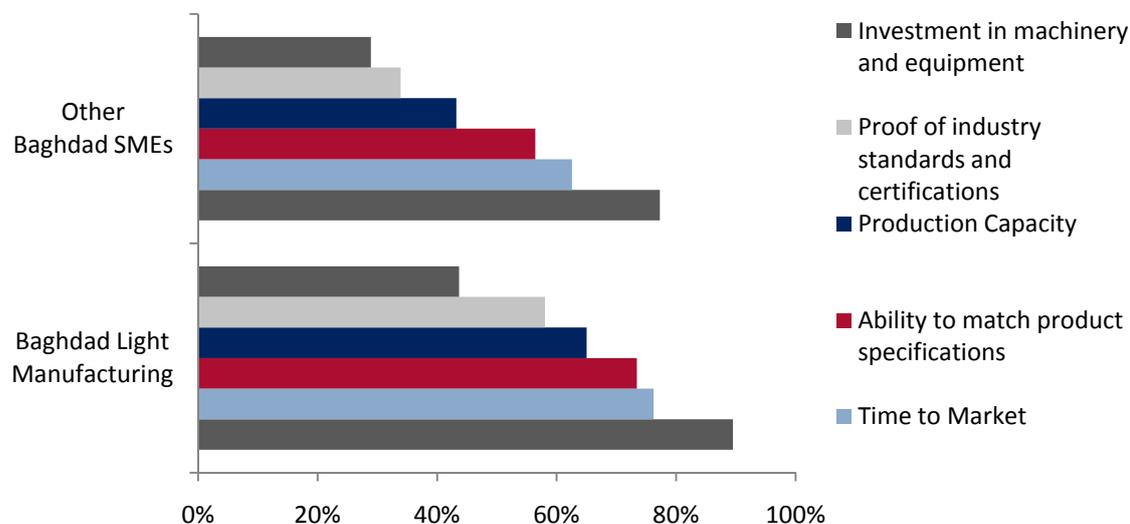


6.3.4 Customers

On connecting with customers, 50% of light manufacturing SMEs find trade fairs useful, compared with 22% of other Baghdad SMEs.

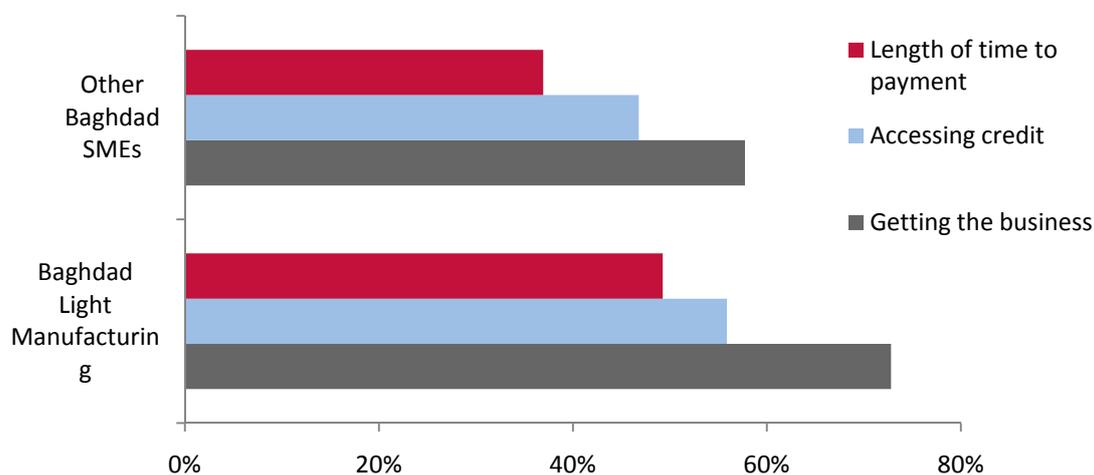
A total of 9% of light manufacturers sell to SOEs. A total of 7% of other SMEs in Baghdad sell to SOEs. The issues in Figure 6-29 below are those that are perceived as more important by light manufacturing companies than they are by other SMEs in Baghdad.

Figure 6-29: SME Perception of What is Important to SOEs



It is clear that more light manufacturing businesses wish to do business with SOEs, and at a greater rate than other Baghdad SMEs. Figure 6-30 demonstrates a main obstacle for light manufacturers is obtaining new business, to a degree of almost 15% greater than other Baghdad SMEs. Other issues that are difficulties for light manufacturers in doing business with SOEs include accessing credit and the length of time it takes to receive payment once a sale is made.

Figure 6-30: SME Difficulties in Doing Business with SOEs

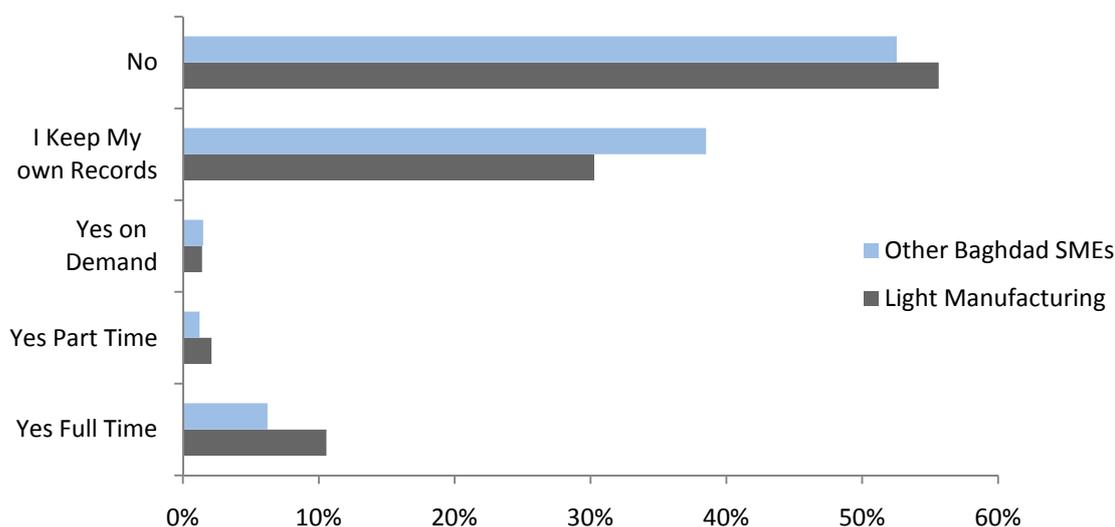


6.3.5 Accounting and Financial Practices

More light manufacturing companies employ accountants, while at the same time, more of them also do not keep records, when compared to other SMEs in Baghdad,

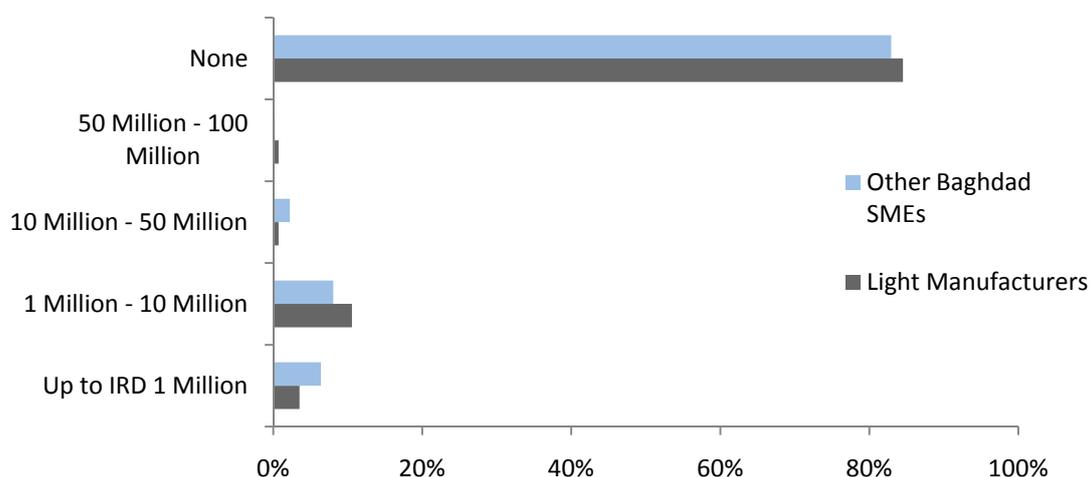
as demonstrated in Figure 6-31 below. A lesser number of SMEs whose owner keeps their own records allows for the discrepancy.

Figure 6-31: Baghdad SME Accounting Practices



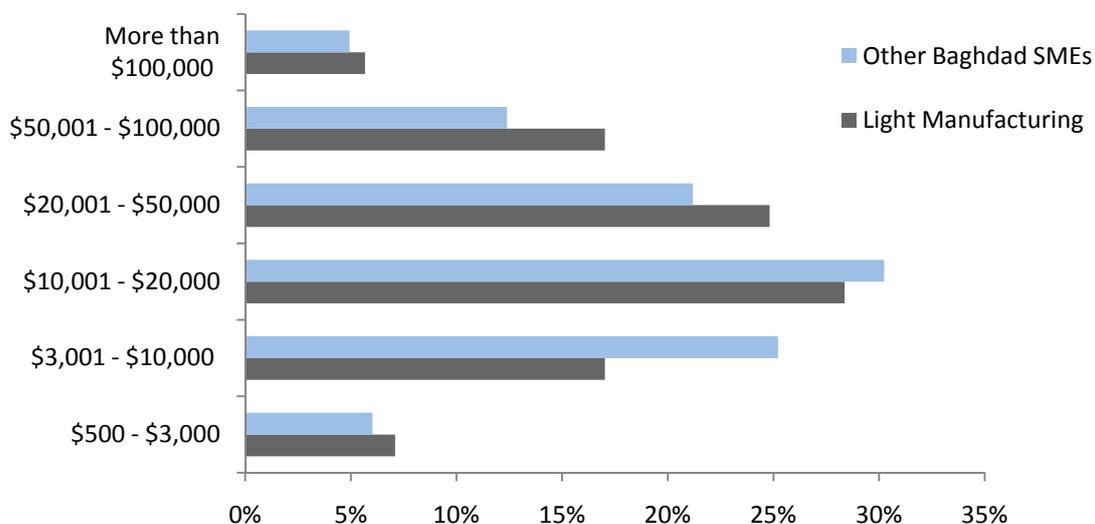
Twice as many (3.6%) light manufacturing businesses as other SMEs in Baghdad (1.8%) have had loans from banks or MFIs. Current levels of debt among light manufacturers is somewhat randomly distributed, and nearly averages out to the same levels as other Baghdad SMEs with outstanding debt (see Figure 6-32 below).

Figure 6-32: Level of SME Debt



As is always the case, demand for financing is high. A total of 92% of light manufacturers demand it, even more than the 88% of other Baghdad SMEs that want the same. For those that are desirous of financing, they have indicated their needs as follows in Figure 6-33. Light manufacturing financing needs are for amounts somewhat greater than other Baghdad SMEs, which is different from the trend seen among grain producers.

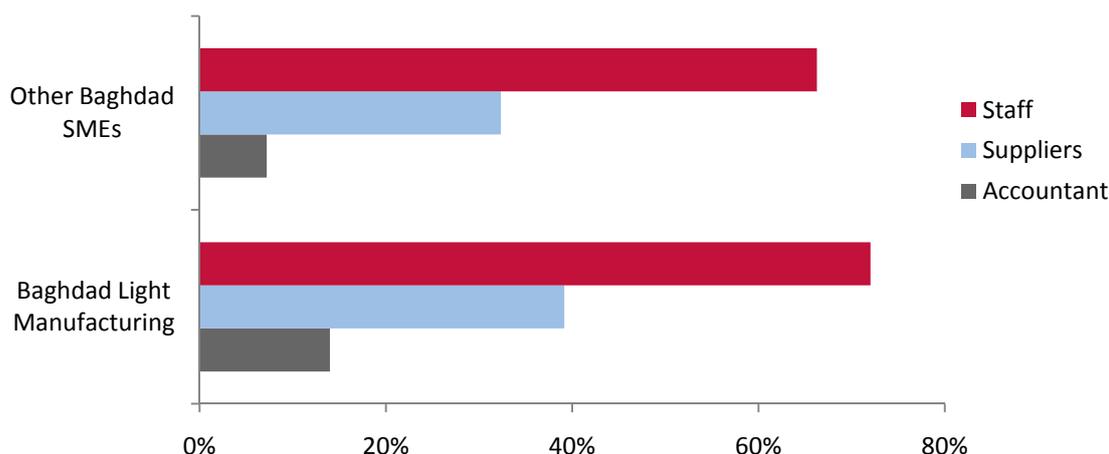
Figure 6-33: SME Financing Needs



6.3.6 BMOs and Employment Agencies and Their Services to SMEs

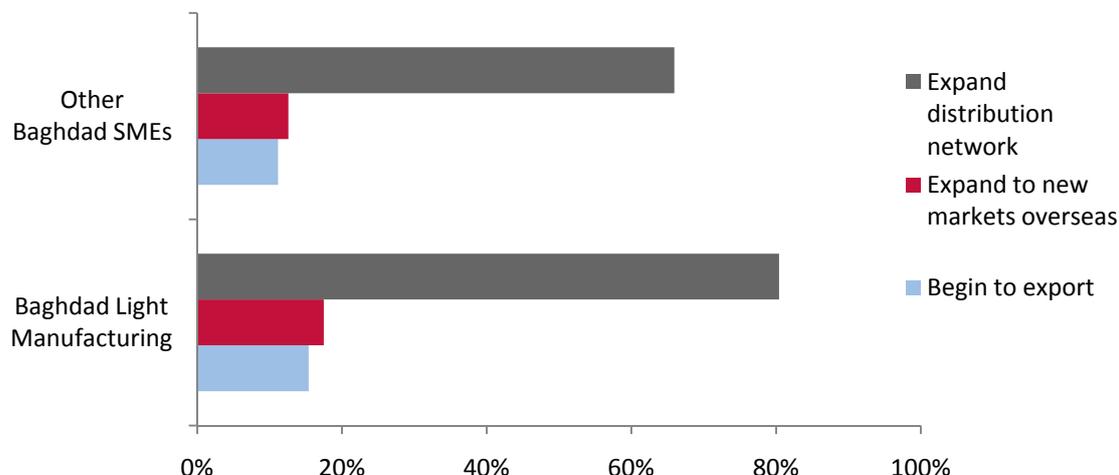
There is no significant difference in the level at which light manufacturers seek advice from BMOs compared to other SMEs in Baghdad doing the same. Light manufacturers tend to seek out advice more from staff, suppliers, and accountants than other SMEs in Baghdad do (see Figure 6-34). This may be for the reason that supply tends to be more of a key issue for manufacturers than other businesses, as well as accountants are employed to a greater degree by light manufacturers.

Figure 6-34: Sources of SME Business Advice



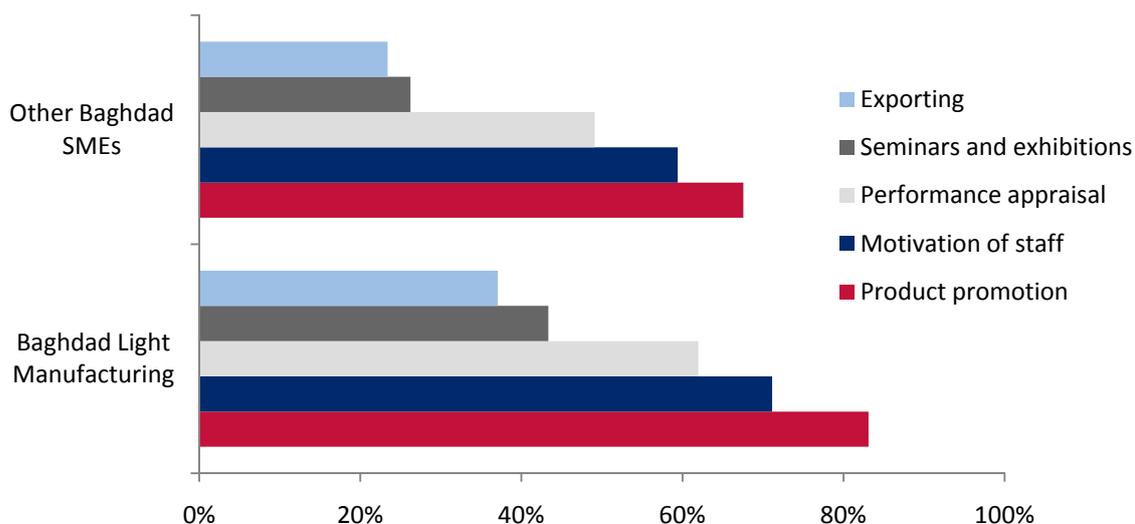
Strategies for improving business for in 2010 for light manufacturers includes exploring expansion opportunities and international markets (see Figure 6-35 below).

Figure 6-35: SME Strategies to Grow Business for Next Year



Light manufacturers are especially interested in seminars and exhibitions and exporting assistance services provided by BMOs. A total of 43% of light manufacturing companies cited seminars and exhibitions as important services, compared to 26% of the rest of Baghdad's SMEs. This is one of the few subsectors that has sought after this service in particular. Likewise, 37% of light manufacturers were interested in exporting assistance, versus 23% of the rest of Baghdad SMEs. Light manufacturers also want assistance in promoting their products to a greater degree than other Baghdad SMEs. In addition, they are concerned with HR and employee related issues, such as how to motivate and appraise staff (see Figure 6-36 below).

Figure 6-36: SME Demand for BMO Services



Light manufacturers see employment agencies as slightly more useful than other Baghdad SMEs (see Figure 6-37), and are also willing to pay for their services at a slightly higher rate (see Figure 6-38).

Figure 6-37: SME Perception of the Usefulness of Employment Agencies

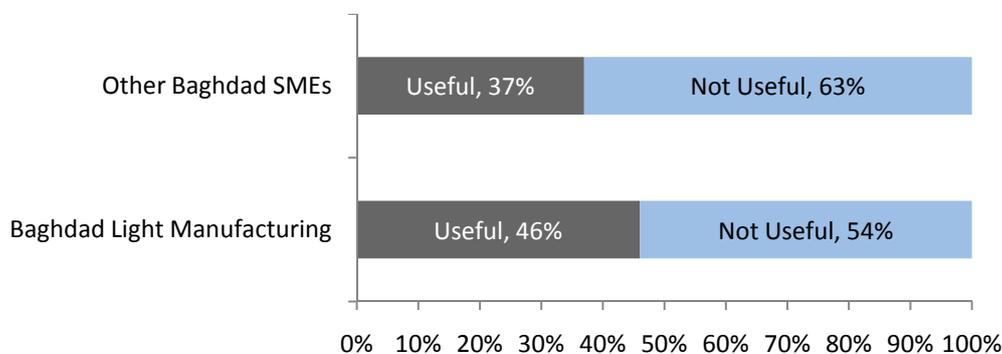
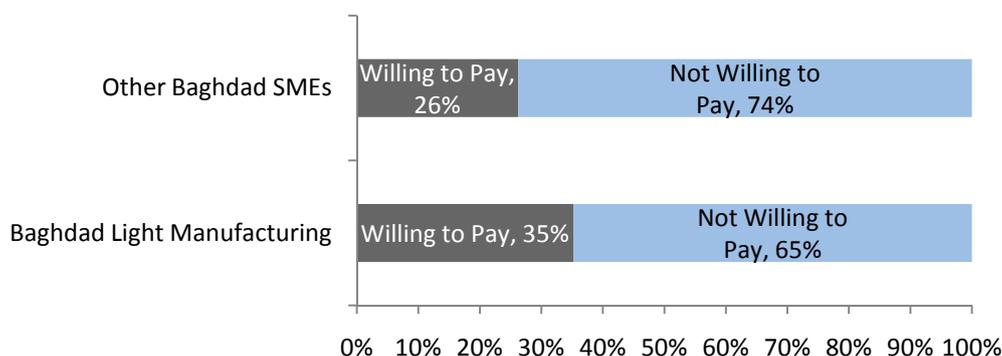


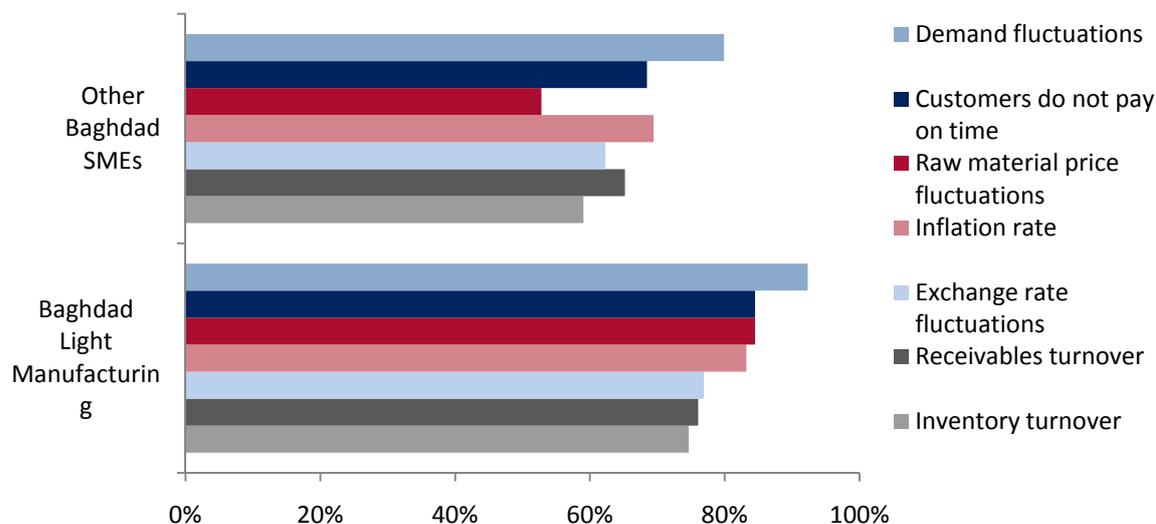
Figure 6-38: SMEs Willing to Pay for Employment Agency Services



6.3.7 SME Constraints

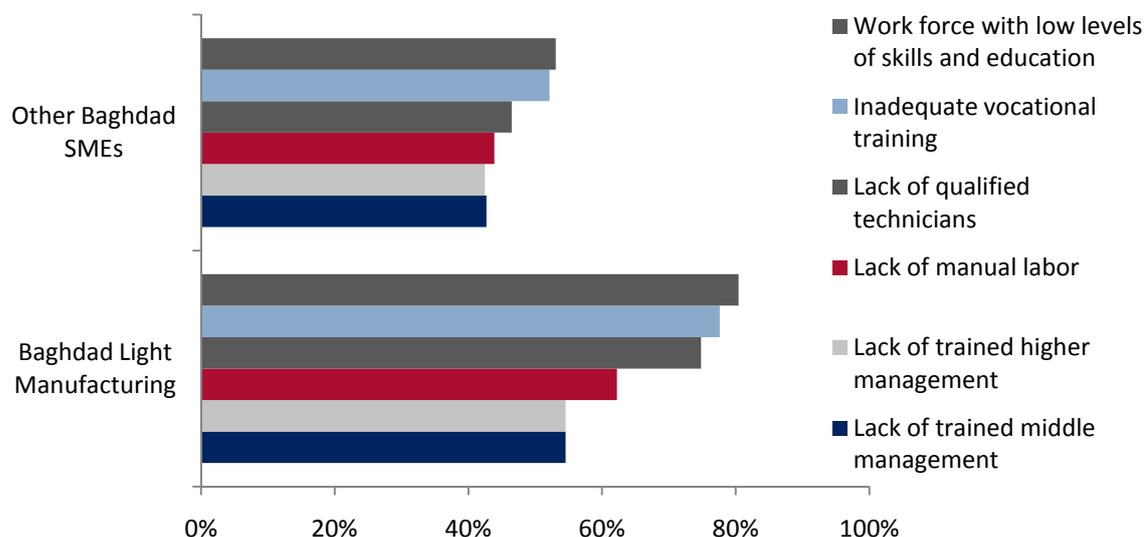
Light manufacturing SMEs encounter financing constraints more or less to the same degree as other Baghdad SMEs. They are somewhat uniquely and particularly constrained with issues involving cash flow, however. Figure 6-39 demonstrates differences in cash flow constraints between light manufacturing and other Baghdad SMEs. The most substantial difference is in how light manufacturing companies are affected by raw material price fluctuations.

Figure 6-39: Percent of SMEs Affected by Cash Flow Constraints



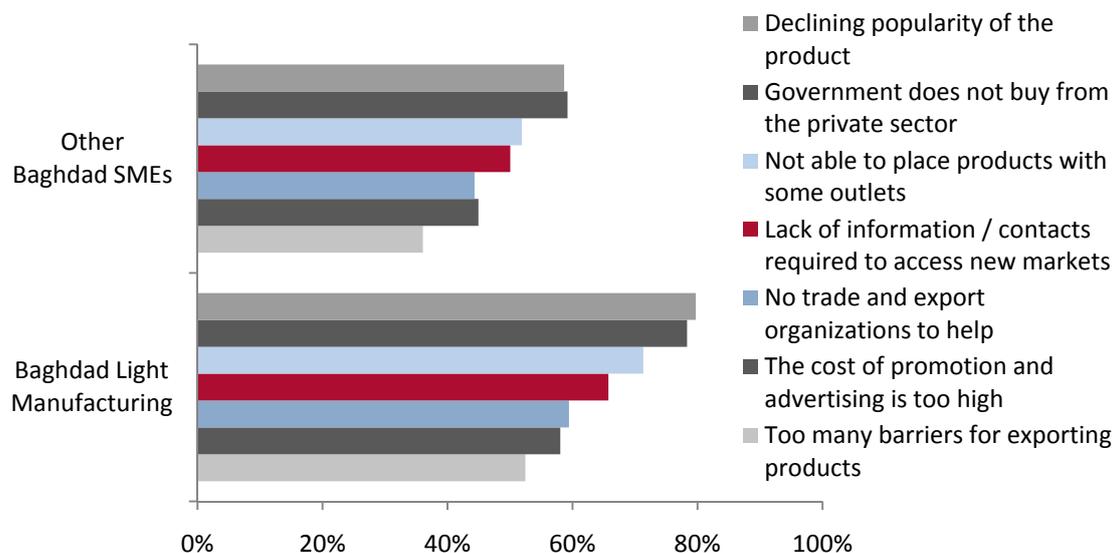
Another area where light manufacturers are particularly affected is with regards to labor issues. Training and qualifications are particularly sensitive issues among staff, as shown below in Figure 6-40.

Figure 6-40: Percent of SMEs Affected by Labor Constraints



Areas where light manufacturing SMEs are affected by marketing constraints are outlined below in Figure 6-41. Light manufacturing sees declining popularity of their products as well as lack of government purchasing from the private sector as particularly severe issues, with differences of almost 20% between the light manufacturing and other SMEs in Baghdad.

Figure 6-41: Percent of SMEs Affected by Marketing Constraints



Supply constraints affect light manufacturers more than other SMEs in Baghdad. Lack of quality and high costs are the major themes. These issues affect light manufacturers sometimes up to 30% more than other SMEs in Baghdad. Differences and effects are depicted below in Figure 6-42.

Light manufacturers rely heavily on local private supply (see Figure 6-43). It is no surprise that quality issues are at stake with local supply, as enforcement of any quality control measures is minimal.

Figure 6-42: Percent of SMEs Affected by Supply Constraints

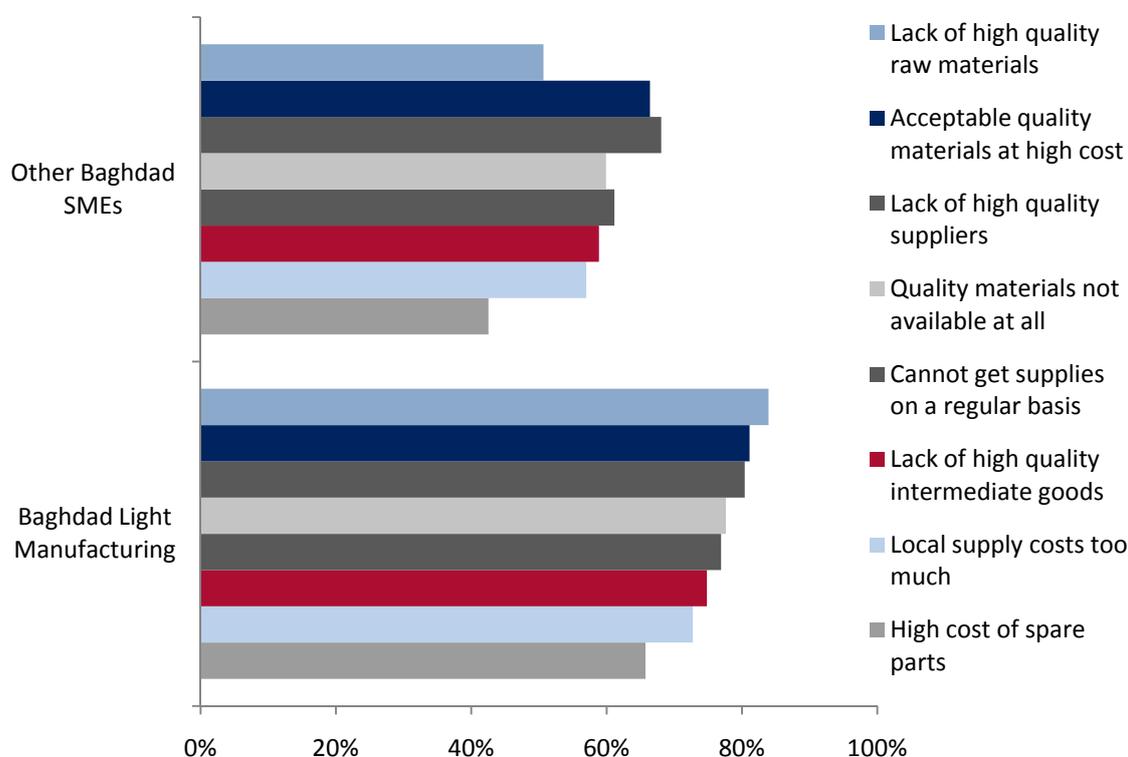
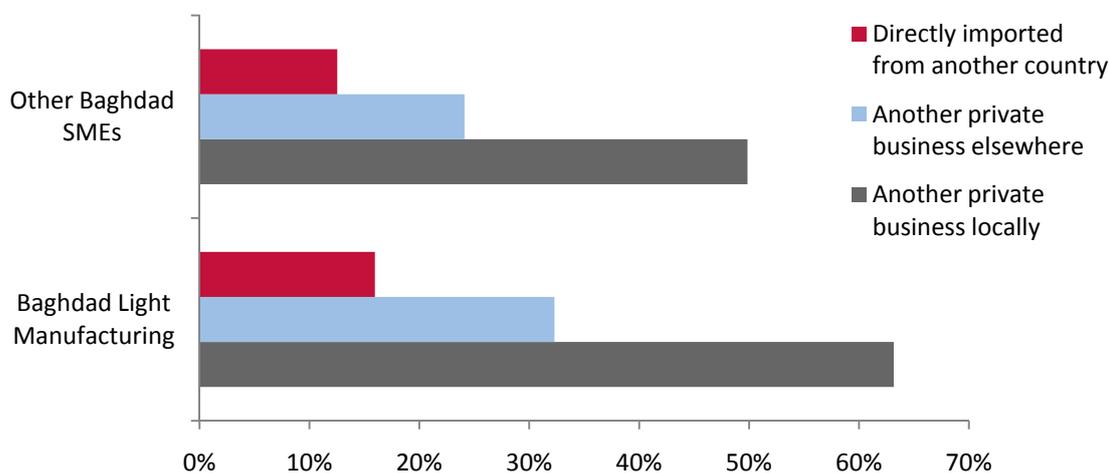
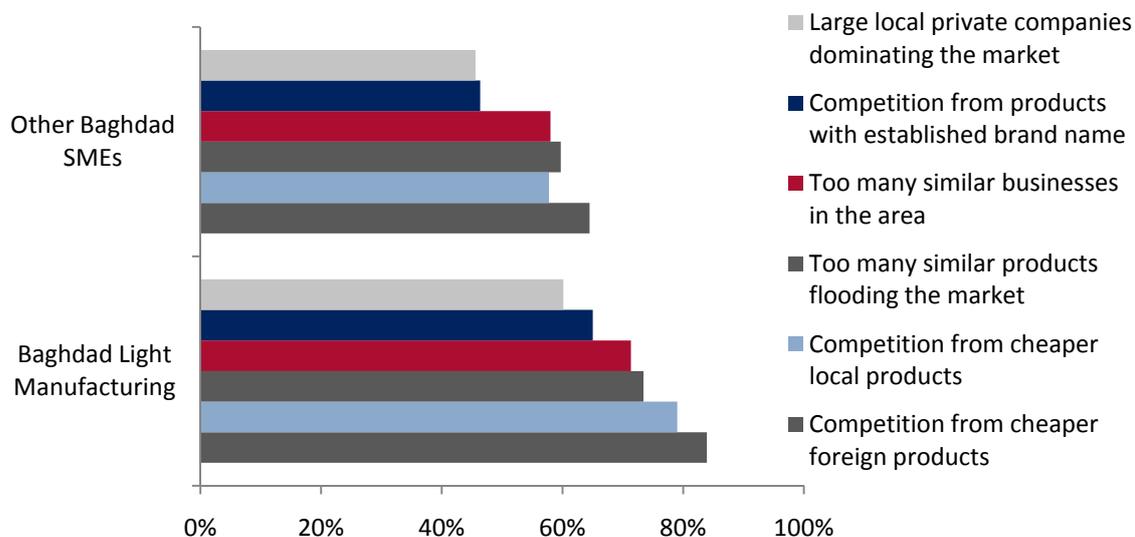


Figure 6-43: Sources for Raw Materials



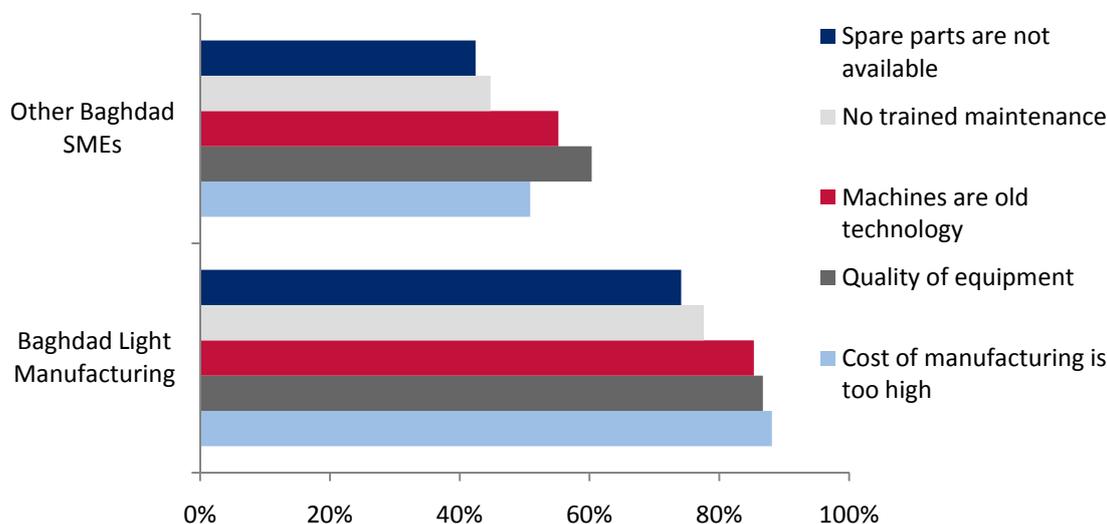
As would be expected, light manufacturers keenly feel the effects of competition, especially from Chinese and other cheap imported products that compete directly against their products. This variance, along with other competition issues, is depicted below in Figure 6-44.

Figure 6-44: Percent of SMEs Affected by Competition Constraints



Equipment and machinery, as well as the parts and qualified personnel to maintain them are a final sensitive point for light manufacturers, as depicted in Figure 6-45 below.

Figure 6-45: Percent of SMEs Affected by Production Constraints



6.3.8 Summary of Baghdad Light Manufacturing SMEs

A Review of Constraints

- **Access to Finance** – high interest rates, short loan duration, and stringent collateral requirements keep manufacturers from obtaining financing for badly needed equipment and raw materials.

- **Lack of Government Support / Protection** – Manufacturers often cite the lack of government support for their industrial activities and demand protection from imported competition. Whether or not the government adopts any kind of version of a protectionist policy towards imports, the difficulty in the areas of competition constraints still face light manufacturers in Baghdad.
- **Access to Export Markets** – Light manufacturers looking to expand their distribution and sales opportunities into other countries lack the ability to connect with customers and distributors abroad.
- **Competition** - competition that these firms face both on a local and international (imports) scale. Imports flood the market with no quality control restrictions placed on them, pushing out local production.
- **Equipment** – Equipment is old and there is limited ability to invest in new equipment that must be imported without financing support. Due to the fact that equipment is out-dated, there are other issues including lack of spare parts and effects of poor equipment on production quality.
- **Lack of Skilled and Unskilled Labor** – Due to fierce competition, Baghdad industrialists are not able to pay the salaries that are required to retain qualified workers, and more qualified workers are interested in other jobs – preferring higher paying government jobs with less work over private-sector industrial employment.
- **Supply** – Local market sources do not import high quality inputs. Manufacturers often either lack the resources to obtain supplies outside the country on their own or are not able to pay for them.
- **Electricity** – All manufacturers are affected by lack of electricity – steady current, three-phase supply and general availability. Without state power, industrialists rely solely on local power generation, which often cannot produce adequate levels or currents of output in order to allow the factory to produce at full capacity.

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

- Loan packaging assistance, helping manufacturers to understand bank requirements and navigate the application procedures.
- Marketing development assistance in the areas of accessing new markets and exporting. There is already a willingness and recognition from rice and grain producers that BMOs can provide useful services in developing capacity and know-how. Overcoming this constraint will impact firm, sector, and BEE issues. As a part of this process, quality certification may create predictability in export markets.
- Going along with export assistance, there is even a need for import-substitution assistance that can assist Iraqi industrialists with bringing packaging and marketing material quality up to international standards in order to compete with imports on levels that are otherwise compromised
- Formalization and expansion of management training by BMOs and BDS deliverers, along with marketing and finance training represents product

improvement as a source of sustainability for the helping institution, and operates at every level of activity.

- On a policy level, BMOs can advocate for legislation that imposes at least some degree of protection for local industry. This can be in the form of quality control restrictions, which solves an issue that is most cited by not only industrialists, but all kinds of businesses in the FG discussions.
- On an organizational level, BMOs can lead in the organization of coalitions advocating for adjustment in the provision of electric current to industrial areas in order to provide manufacturers with a steady stream of 3-phase power at certain times of day in order to bring factory production up to capacity. An increase in power and therefore capacity will mean an increase in product and revenues, and will also necessitate the hiring of additional workers.

6.4 A CLOSER LOOK AT TOURISM, HOTEL AND RESTAURANT SMES

This section contains observations about tourism, restaurant and hotel SMEs in the Baghdad province. They consist of a group of 163 businesses that are spread throughout Baghdad, mostly in the East and West Baghdad areas. Tourism, Hotel and Restaurant (TH&R) businesses have been chosen as a special subsector to highlight in this report for the reason that they represent a significant stake in the economy relating to employment and actual production. They form a unique cluster of SMEs. At present, the focus of tourism in Baghdad is mostly on religious sites in Kadhamiya and other parts of Baghdad that are visited by Shia pilgrims, in addition to service of hotels and restaurants to the local population.

As far as the kinds of constraints and characteristics that are unique to this cluster, nothing particularly stands out. In contrast to the agribusiness grains subsector that has already been explored, the TH&R businesses and business issues are more or less the same as those that are generally applied to the aggregate Baghdad SME community.

That said, items that did appear slightly unique to this business cluster have been mentioned in this section. Characteristics that are shared by TH&R with the rest of Baghdad SMEs are not necessarily highlighted in this section as they have already been addressed in Chapters 3, 4, and 5.

6.4.1 TH&R General Characteristics

TH&R business owners are slightly younger than the average of other SME owners in Baghdad (see Figure 6-46). The enterprises themselves are also younger (see Figure 6-47).

Figure 6-46: Age of Baghdad SME Owners

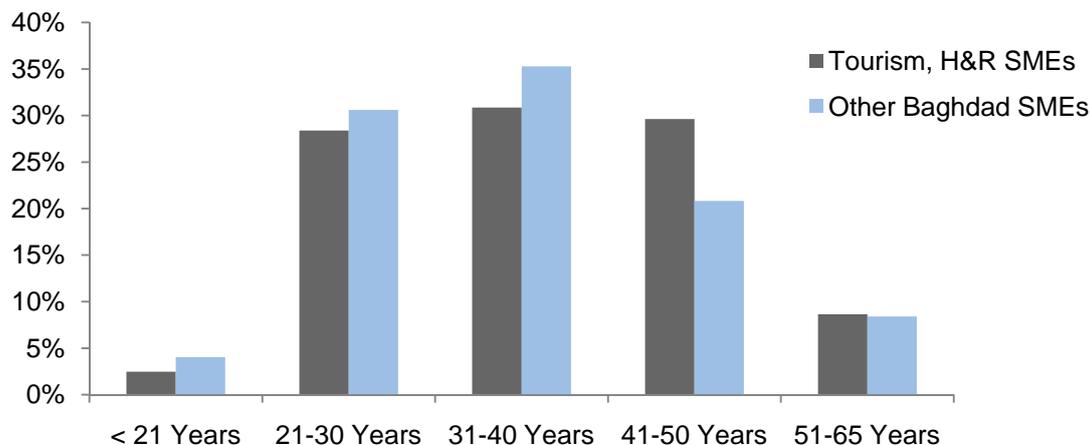
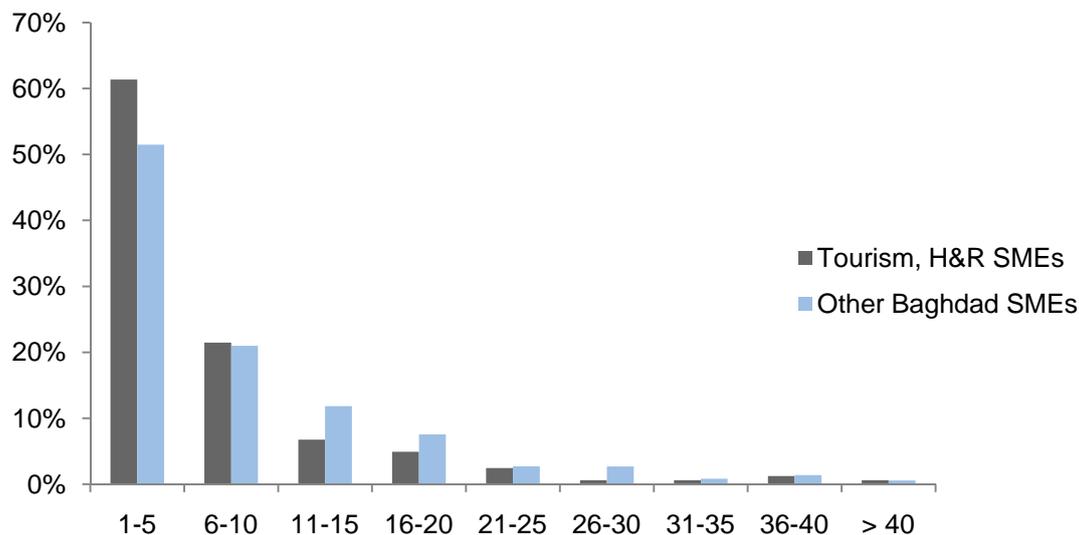
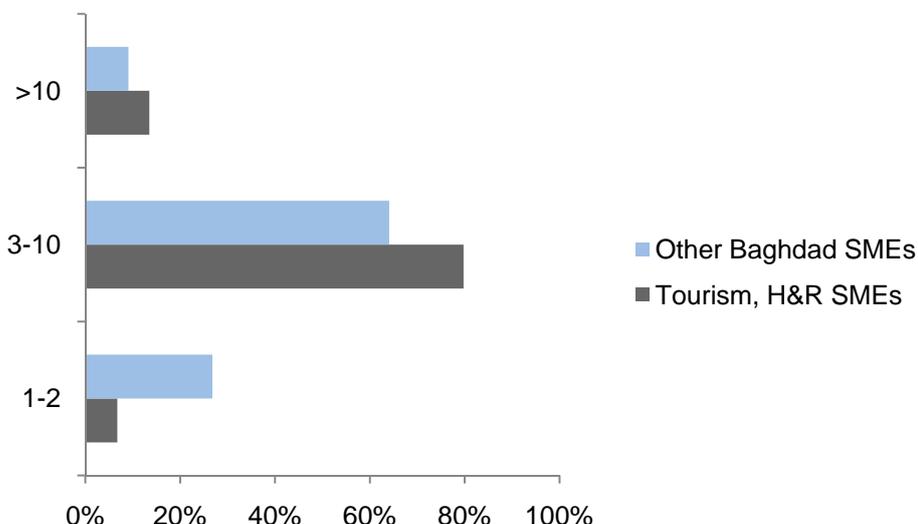


Figure 6-47: Baghdad SME Age of Enterprise



TH&R Businesses in Baghdad tend to employ slightly larger number of employees, which would be expected, given the fact that most of the enterprises serve a larger number of people at one time thus necessitating a larger number of service staff (see Figure 6-48 below).

Figure 6-48: Baghdad SME Numbers of Employees



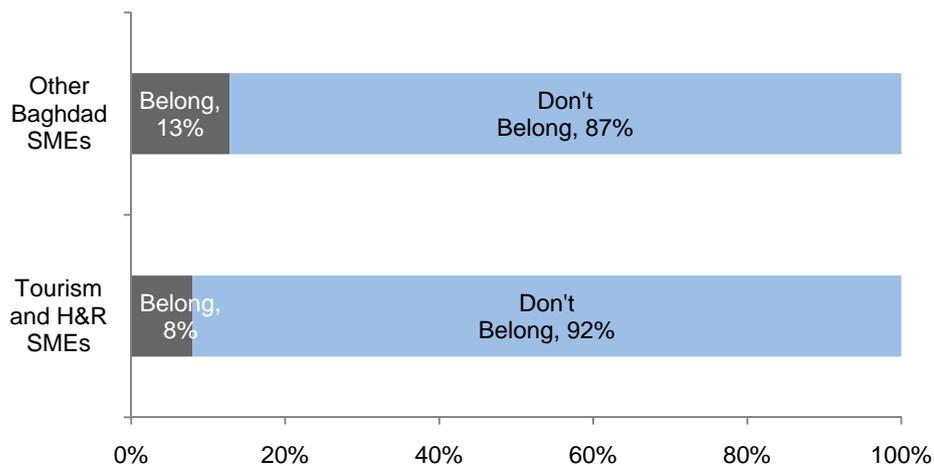
One area where TH&R SMEs distinguish themselves is formality. As has been seen in other provinces, more TH&R firms are registered with the government compared to the average registration rates of types of firms in the province (see Figure 6-49). This is mainly because of the heavier concentration of government follow-up with restaurants and hotels.

Figure 6-49: SME Government Registration



Although more TH&R firms are registered, less are members of BMOs, when compared to other SMEs in Baghdad (see Figure 6-50).

Figure 6-50: BMO Membership



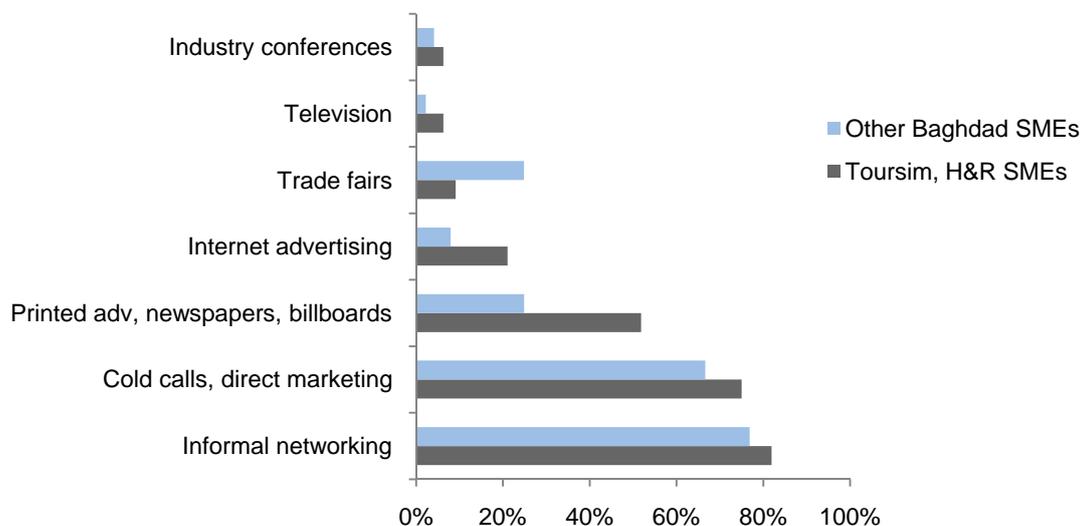
6.4.2 Customers

A total of 34% of TH&R SMEs mentioned that their primary business serves “tourists.” This is compared with only 8% of other Baghdad SMEs that indicated the same.

Surprisingly, more TH&R SMEs indicated that their business was not seasonally fluctuating – to a greater degree than other Baghdad SMEs; only 40% of other Baghdad SMEs indicated that their business was not fluctuating, while 50% of TH&R businesses indicated the same.

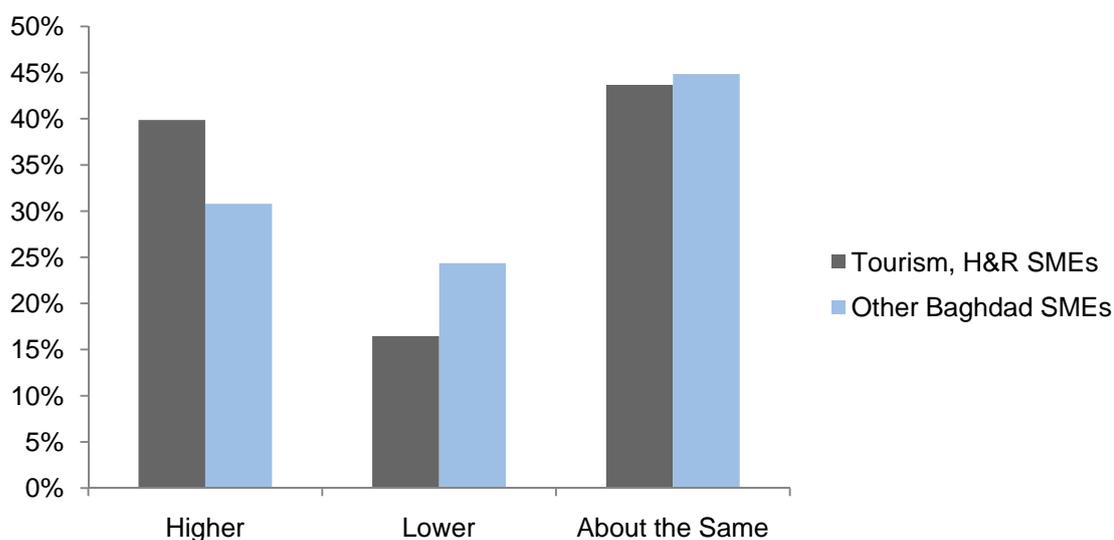
TH&R businesses are more interested in advertising through print, street advertisements, direct marketing and even internet avenues than other SMEs in Baghdad, as demonstrated in Figure 6-51 below.

Figure 6-51: Effective Ways for SMEs to Reach Customers



TH&R companies indicated higher sales turnover this last financial year than did other SMEs in Baghdad (see Figure 6-52 below).

Figure 6-52: Sales Turnover in the Last Financial Year



To the greatest degree, Baghdad TH&R firms rely on word of mouth, other customers, employees and suppliers for information about customers. Below in Table 6-3 is a ranking of the importance of different sources of information regarding customers for TH&R firms compared with other firms in Baghdad. TH&R businesses seek out customers in a similar manner as other businesses in Baghdad.

Table 6-3: Sources for Customer Information

Source	Weighted Score	TH&R Rank	Other Baghdad Rank
Word of mouth	4.149398	1	1
Customers	3.137131	2	2
Employees	2.324504	3	3
Suppliers	1.622988	4	4
Rival firms	0.772621	5	5
SMS messages	0.718862	6	6
Newspapers	0.255587	7	8
Radio	0.248476	8	11
Internet	0.216674	9	7
Television	0.204641	10	10
BMOs	0.1812	11	9
Others	0.167917	12	12

6.4.3 Employee Issues

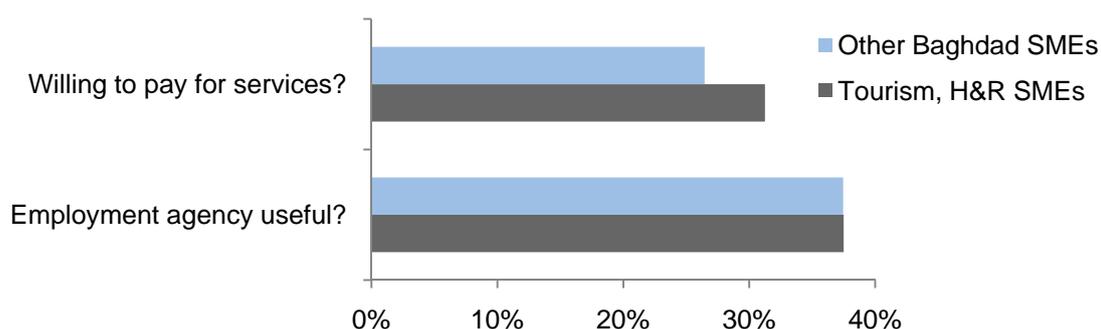
TH&R businesses view employee concerns more or less the same as their fellow colleague SMEs in Baghdad, only with less concern for finding appropriate skills. TH&R firms rated “lack of appropriate skill for the required tasks” as a lesser concern than did other Baghdad SMEs in general (see Table 6-4 below).

Table 6-4: SME Issues Concerning Employees

Employee Concern	Weight	TH&R Rank	Other Baghdad Rank
Compensation rates are not justified	1.343817	1	1
Lack of workplace discipline	0.831989	2	4
Unable to find component supervisors	0.734677	3	3
Lack of appropriate skill for the required tasks	0.705645	4	2
No issues	0.702419	5	5
Social security / tax contributions	0.613172	6	6
Cannot freely choose employees	0.413441	7	8
Cost of hiring is too high	0.252419	8	7
Employee Absenteeism	0.15	9	10
Lack of motivation unrelated to job issues	0.127688	10	9
Cannot retain employees	0.116398	11	11

Three times as many TH&R businesses use employment agencies (7.4% vs. 1.9%) than is the case with other Baghdad SMEs. Seven times as many (7.4% vs. 0.7%) indicated that they were aware of companies that provided employment services in their area. A total of 38% of TH&R (to the same degree as other SMEs in Baghdad) indicated that they would find employment agency services useful, and a higher percentage of them were willing to pay for these services (see Figure 6-53 below).

Figure 6-53: SME Interest in Employment Agencies



6.4.4 Accounting and Banking Practices

TH&R businesses are slightly more accounting savvy than other Baghdad businesses; they are less bank-friendly, however. 9% more TH&R businesses than other Baghdad businesses have full time accountants (see Figure 6-54 below), which is almost three times as many. The opposite is true, however, with regards to bank usage. Three times *less* TH&R businesses use banks for transfers, and almost 4 times *less* TH&R businesses have had a loan from a bank or an MFI.

Fewer use bank transfers (1/3 the Baghdad average) – 1.2% vs. 3.8%. Only 1 TH&R company out of 161 ever had a loan (0.6%), compared with 2.0% of other Baghdad SMEs, and the amount was for 10,000,000 ID (see also Figure 6-55). Half as many TH&R SMEs have business bank accounts (see Figure 6-56).

Figure 6-54: SME Accounting Practices

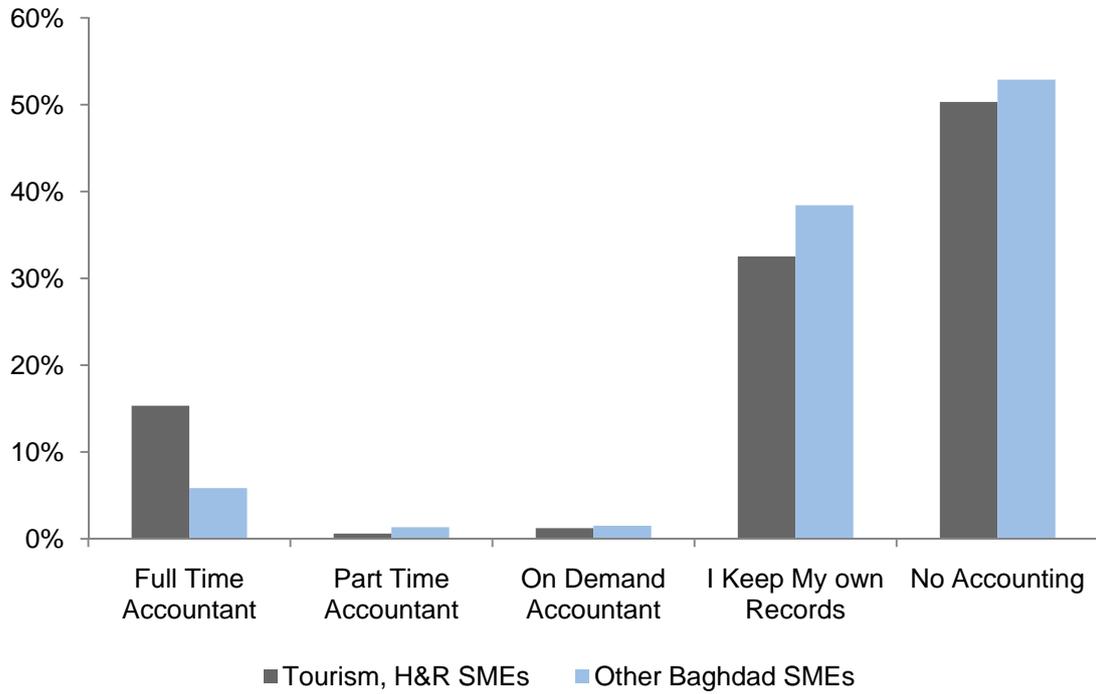


Figure 6-55: Use of Banks for Financing New Work

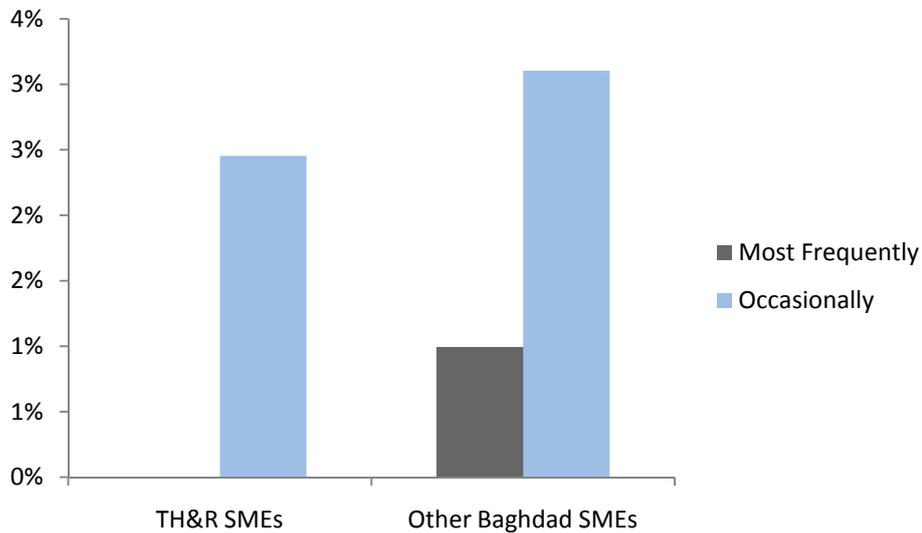
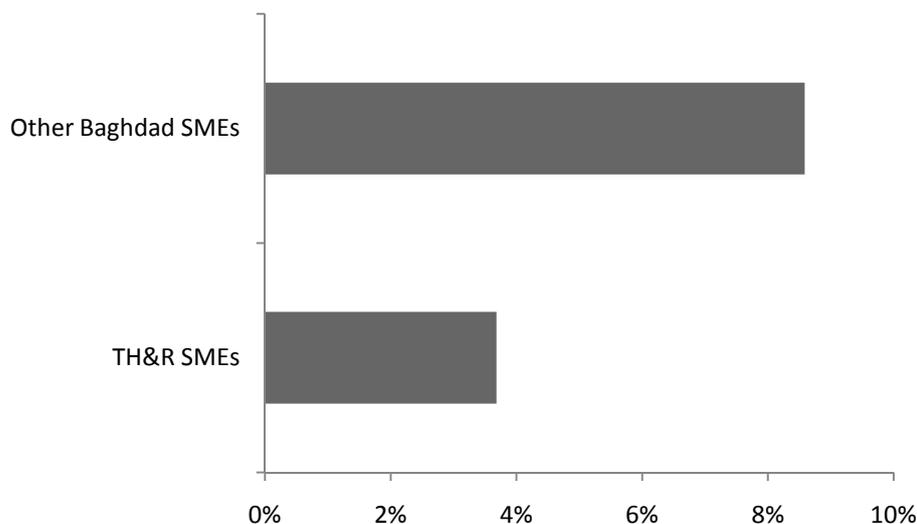


Figure 6-56: Number of Companies with Business Bank Accounts



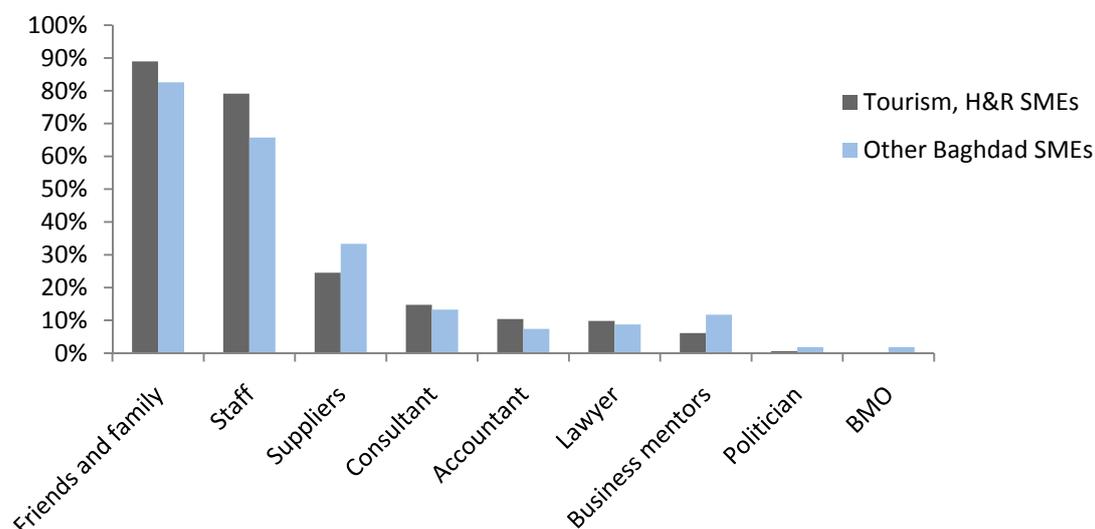
All that responded with Iraqi government banks, and none at private banks.

As is always the case, a vast discrepancy exists between numbers of companies that utilize financing and numbers of companies that are demanding financing, albeit to a less degree than other firms in Baghdad. A total of 87% of TH&R firms indicated that they were interested in long-term financing – 2% less than the rest of the Baghdad SMEs. Only 21% were interested in project financing, compared to 38% of the rest of the Baghdad SME community.

6.4.5 BMOs

Virtually no TH&R company seeks business advice from BMOs (see Figure 6-57). Fewer of them (when compared with other Baghdad SMEs) are members (see Figure 6-50) and fewer still believe BMOs are useful at all – 47% vs. 49% of the rest of Baghdad.

Figure 6-57: Sources of Business Advice



When asked which services provided by BMOs would be useful, TH&R SMEs responded to all mentioned services that they would be as equally or less interested in them than other Baghdad SMEs were. Only slight exception was advertising – 5% more TH&R SMEs thought that advertising was an useful service that a BMO could provide, 57% vs. 52% of the rest of Baghdad SMEs.

6.4.6 Constraints

When asked to rank main constraints that the SME community encounters, TH&R businesses responded more or less as other Baghdad SMEs, but with noted higher regard for the effect of energy shortages on their businesses, within the top five ranked responses (see Table 6-5 below).

Table 6-5: Hindrances to SME Business Development

Hindrance	Weighted Score	TH&R Rank	Other Baghdad Rank
Security	3.000000	1	1
Energy shortages	2.447853	2	4
Raise finance for growth	2.134969	3	2
Cash flow	2.079755	4	3
Economic environment	1.907975	5	5
High competition	0.852761	6	7
Access to business opportunities	0.840491	7	6

Employee skill limitations	0.503067	8	10
Access to market intelligence / information	0.441718	9	9
Governmental regulations	0.404908	10	11
Keep up with new technology	0.343558	11	8
Others	0.042945	12	12

When asked to rank the degree to which a number of different constraints affect them, TH&R businesses responded almost always, to each kind of constraint, with an equal or lesser degree of concern than other Baghdad SMEs in general. Finance constraints and infrastructure constraints (Figure 6-58 and Figure 6-65) are the only areas where some responses from TH&R companies were higher than those of other Baghdad SMEs. The notable areas of unique TH&R constraints are in access to finance, collateral requirements, large down payments on lease holdings (Figure 6-58) and electricity, water, and telephone service issues (Figure 6-65).

Other areas of constraints, including cash flow, marketing issues, competition, labor, supply, and operational issues (Figure 6-59 through Figure 6-64 below) affect TH&R businesses to a less degree than they do other Baghdad SMEs in general.

Figure 6-58: Access to Finance Constraints

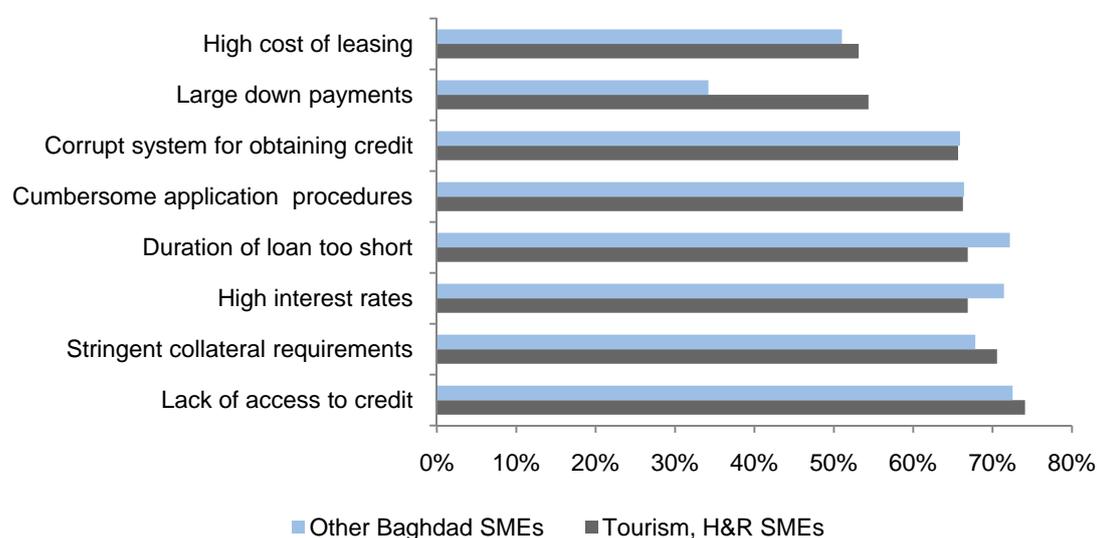


Figure 6-59: Cash Flow Constraints

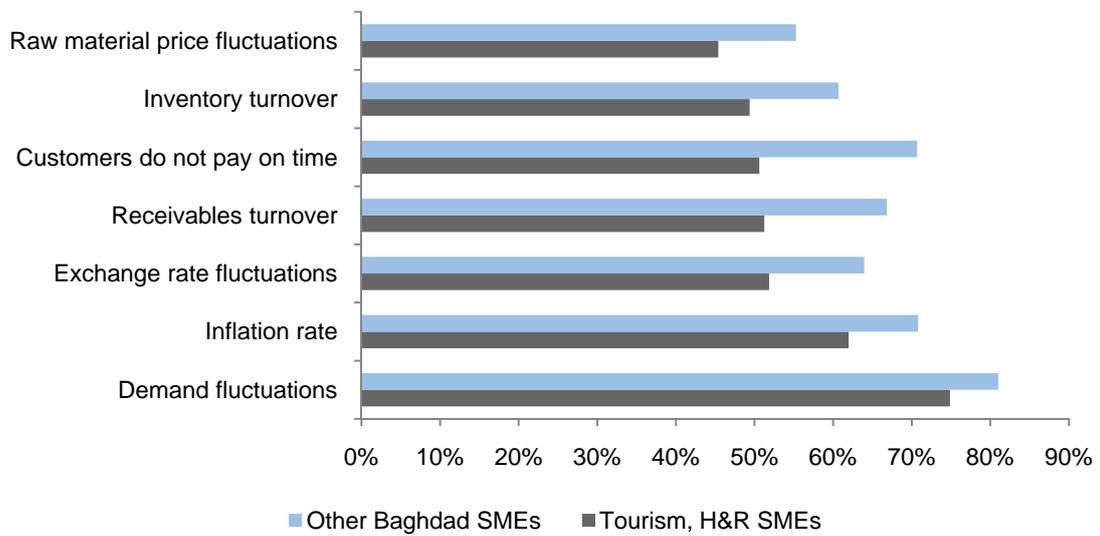


Figure 6-60: Labor Constraints

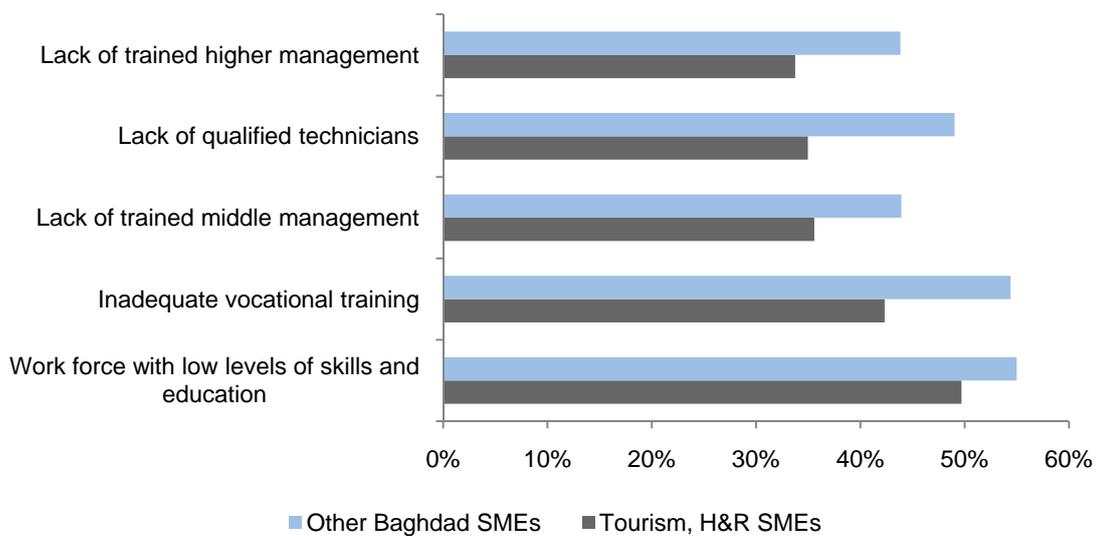


Figure 6-61: Marketing Constraints

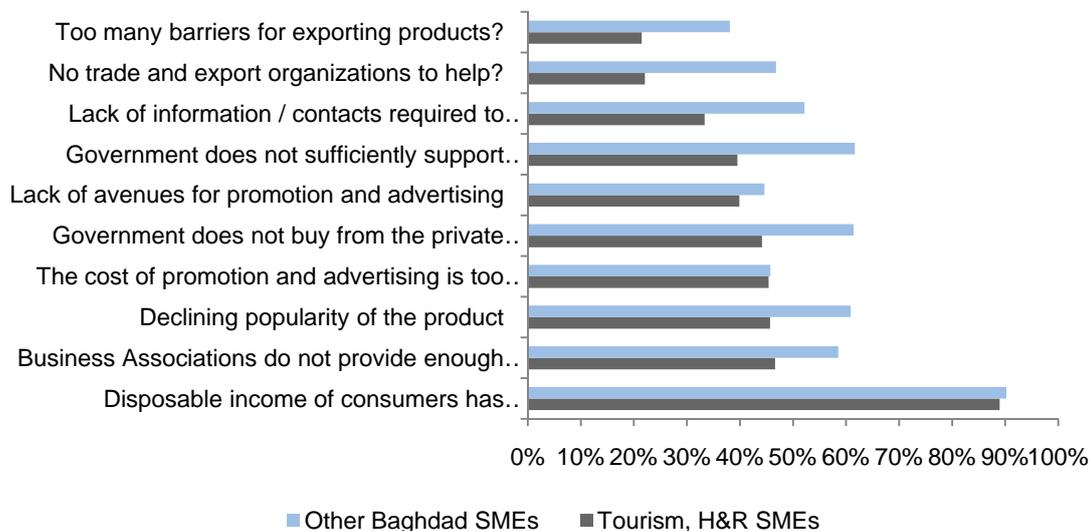


Figure 6-62: Supply Constraints

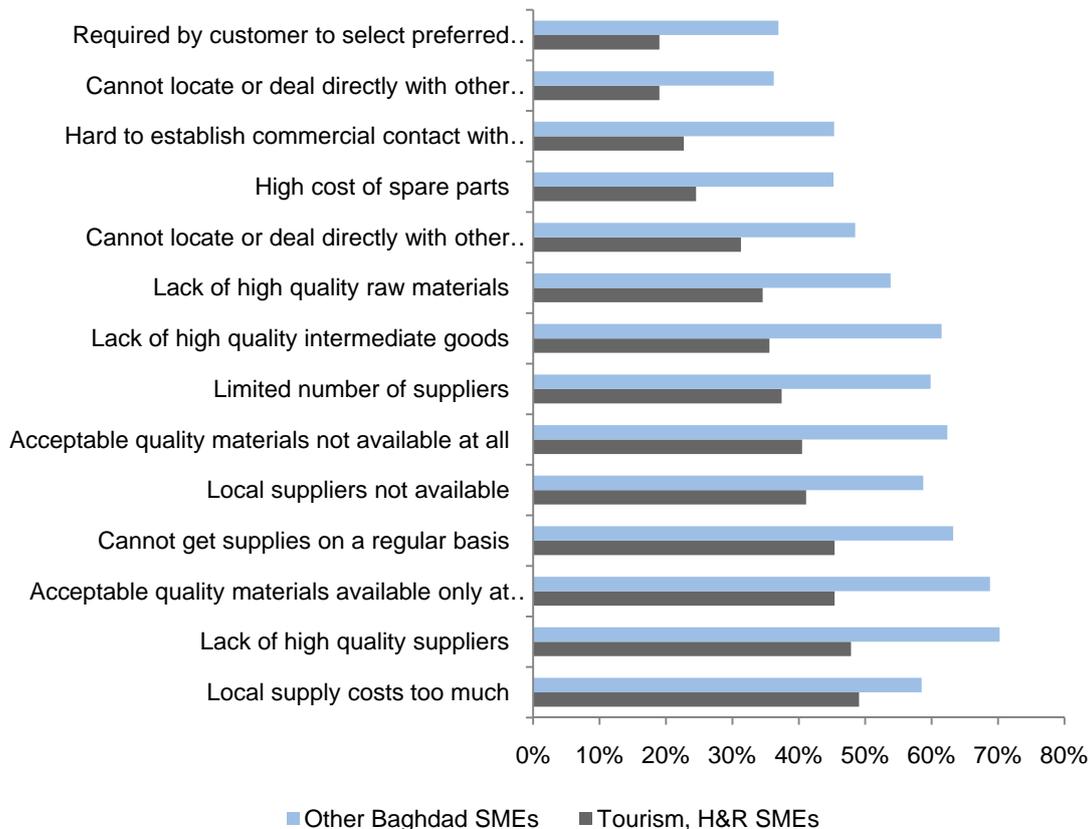


Figure 6-63: Competition Constraints

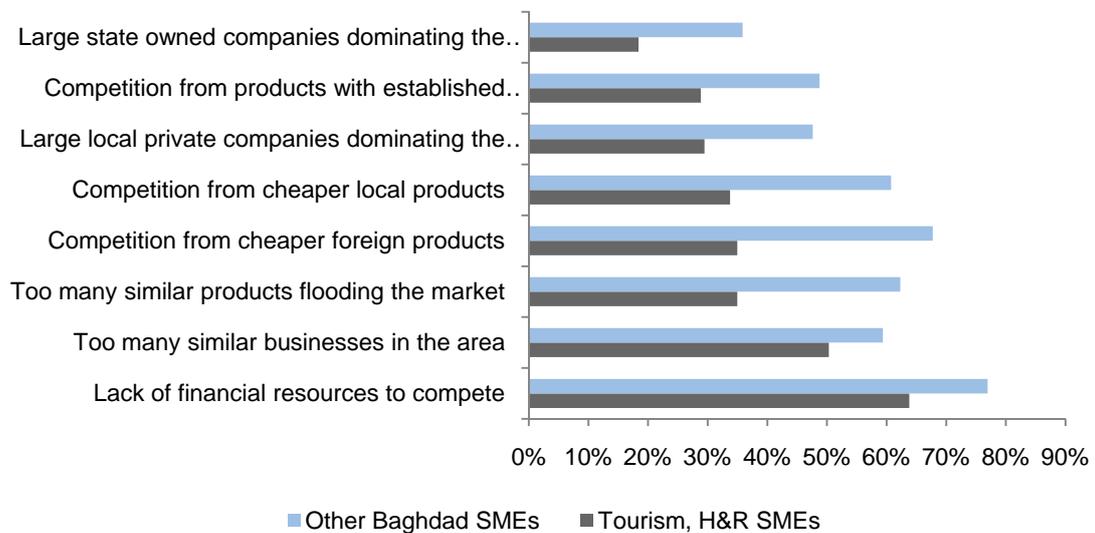


Figure 6-64: Operational Constraints

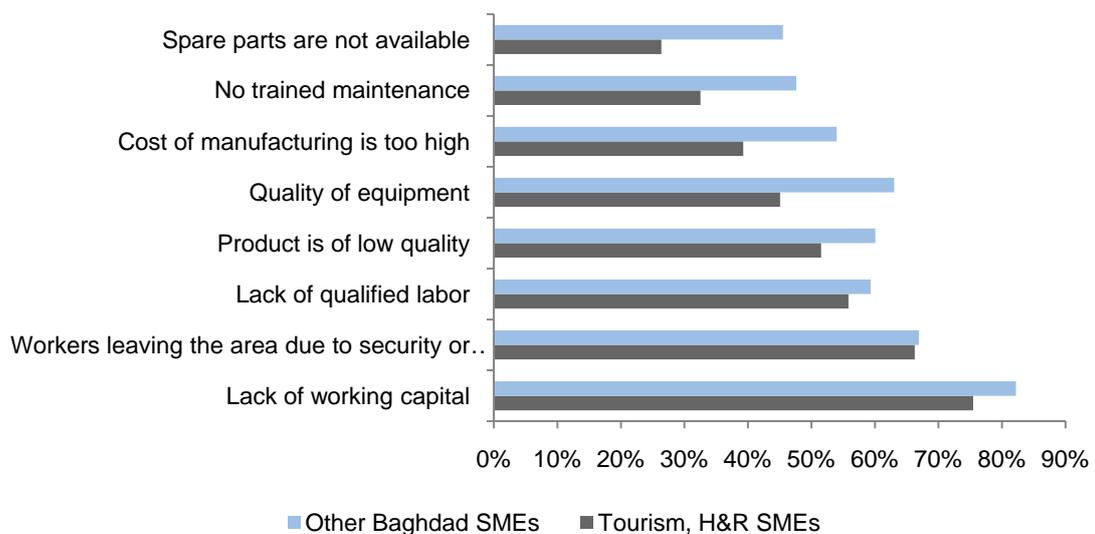
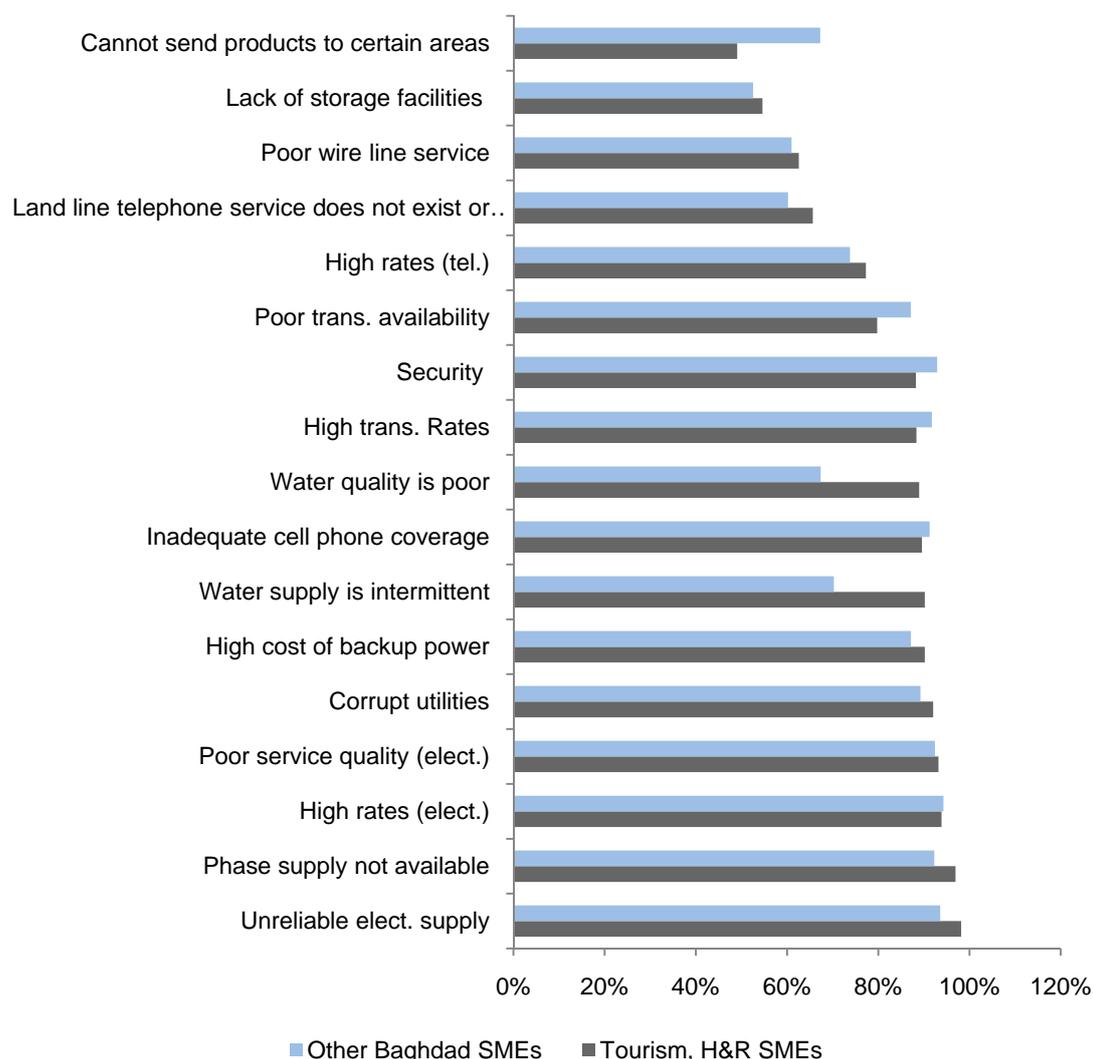


Figure 6-65: Infrastructure Constraints



6.4.7 Summary of Baghdad TH&R SMEs

A Review of Constraints

- **Access to Finance** - high interest rates, short loan duration, and stringent collateral requirements affect most TH&R SMEs as constraints severely or mildly impacting business. Overall access to credit, corruption, cumbersome application procedures, and lack of experience are also significant factors.
- **Government Taxes and Fees** – Tourism, hotel, and restaurant establishments are all more prone to visits from health and tax inspectors than other kinds of SMEs, thus they are forced to operate with greater degrees of formality, whether they wish to do so or not. This exposes them to

numerous taxes and fees that other registered businesses avoid paying due to their lower public profile.

- **Energy and Water Shortages** – Many TH&R establishments complain from constant cuts in electric power and availability of quality water supply.

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

- TH&R companies are interested in both print and internet advertising and believe that there is value in these avenues in reaching customers. Efforts can be made to offer consulting and design services for TH&R companies to assist them in their marketing efforts.
- Loan packaging assistance, helping companies to understand bank requirements and navigate the application procedures.
- Employment services can be offered to TH&R companies that indicated they are willing to use employment agencies, with a great number of them indicating they would pay for said services.

6.5 A CLOSER LOOK AT WHOLESALE TRADE SMES

This section contains observations of 142 wholesale trade SMEs in the Baghdad. In order to understand the specific issues that established, formal, wholesale traders faced, the dataset was filtered in order to include wholesale trade businesses with a unique set of true variables including the following:

- Businesses that are involved in trading activities
- All (100%) registered with the government
- Located in East Baghdad where the major wholesale markets (Shorja, Jamila, and Bab Al-Sharjy) are all located
- Are small, medium and large in size (they have more than 2 employees)

Businesses with these characteristics in Baghdad are dealing with the realities of government awareness concerning their business. They all have to deal with the government on a regular basis, whether it is through payment of taxes, paying customs fees, or licensing their businesses or goods.

These businesses have been chosen as a special subsector to highlight in this report as they represent a significant stake in the economy relating to employment and actual production. The following characteristics of these subsector companies are mentioned because they are unique, and differ from other Baghdad SMEs in some fairly significant degree. Characteristics that are shared by grain producers with the rest of Baghdad SMEs to the same degree are not highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

6.5.1 General Characteristics

Wholesale trade business owners tend to be slightly older and a slightly more educated than other Baghdad SME owners (see Figure 6-66 and Figure 6-67). The wholesale trade businesses are older and more well-established than other businesses in Baghdad in general (see Figure 6-68).

Figure 6-66: Age of Business Owner

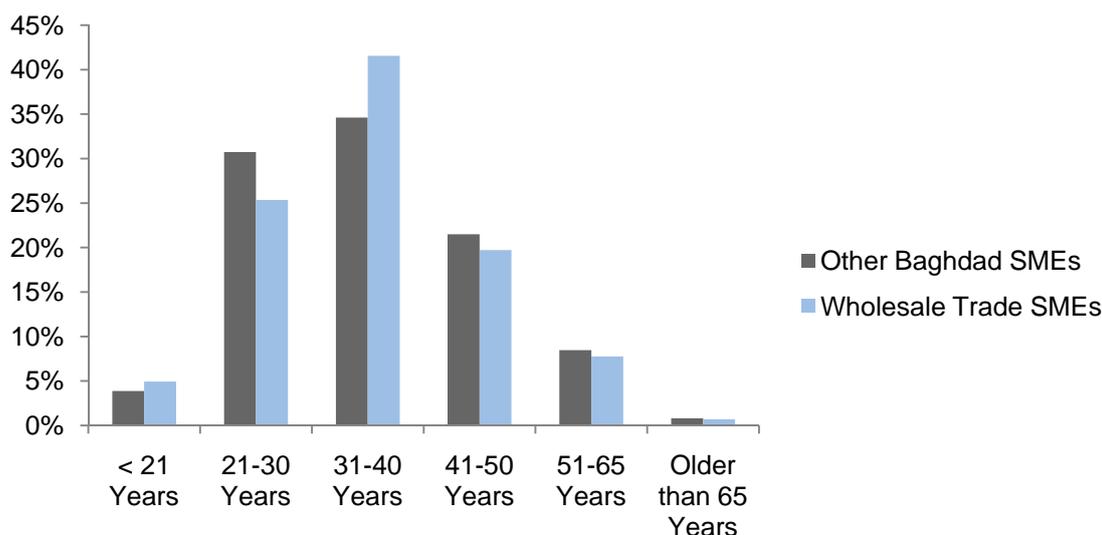


Figure 6-67: SME Owner Education

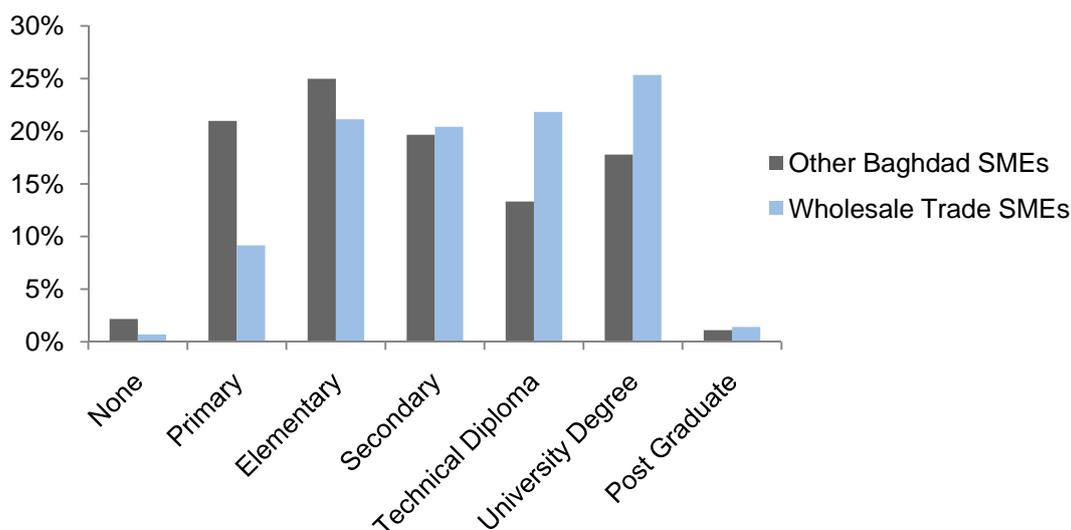
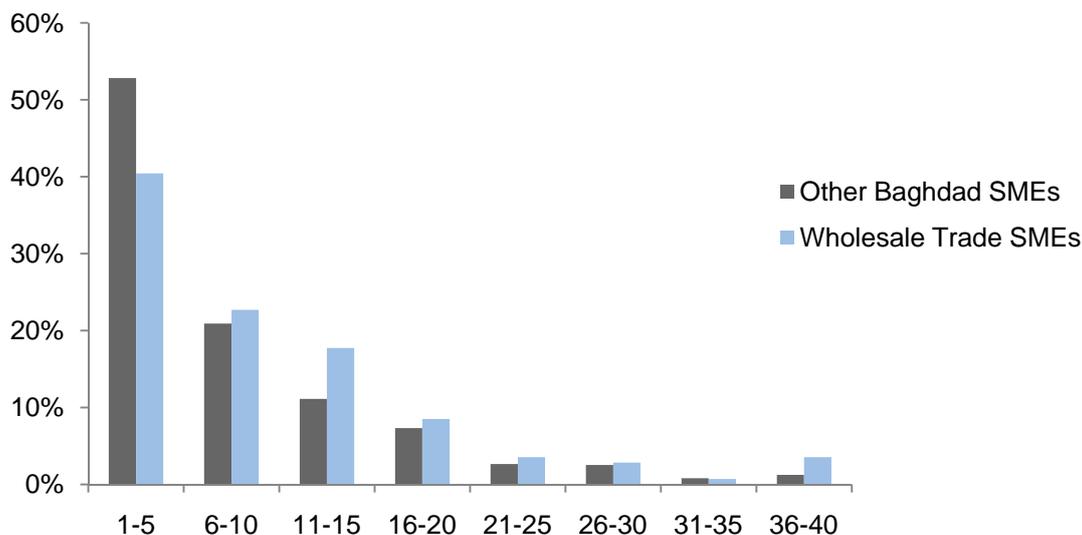
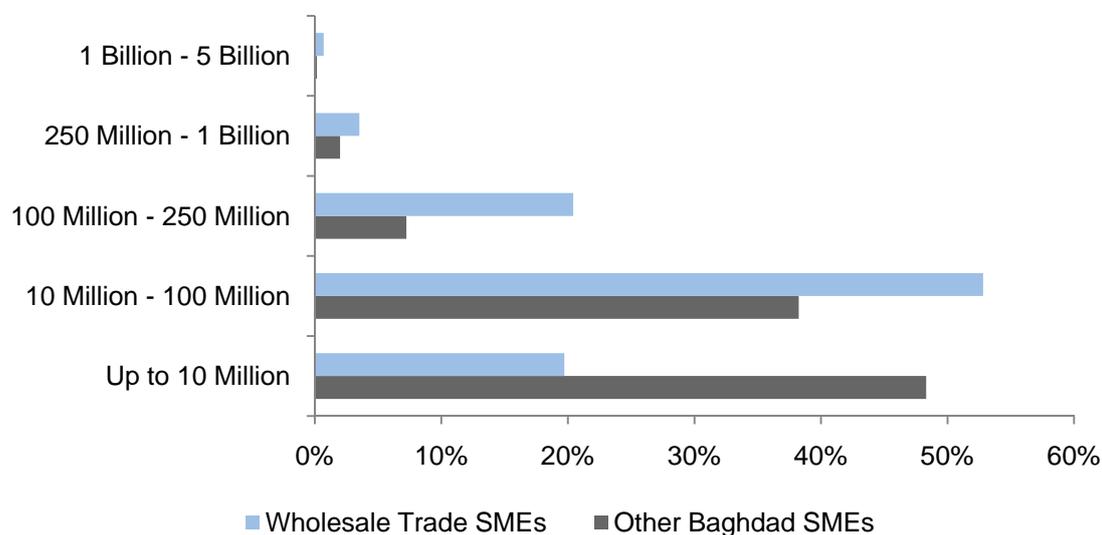


Figure 6-68: Age of Businesses



As well as being older and run by more educated managers, wholesale trade SMEs are on average larger in terms of asset base than other Baghdad SMEs. More than 80% of wholesale businesses have assets in excess of 10 Million ID (\$8,500 US), almost 25% above 100 Million (\$85,000 US) – see Figure 6-69.

Figure 6-69: Size of Assets (in Iraqi Dinar)

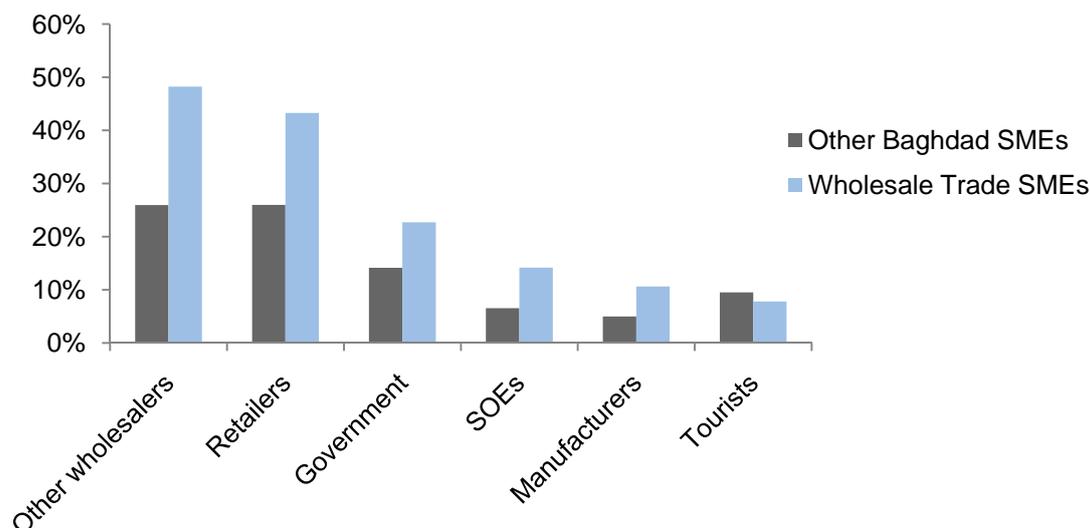


Most of the wholesale trade asset base is more liquid and moveable – in inventory, receivables and cash, and less in land, vehicles, and equipment, as would be expected.

6.5.2 Customers and Sales

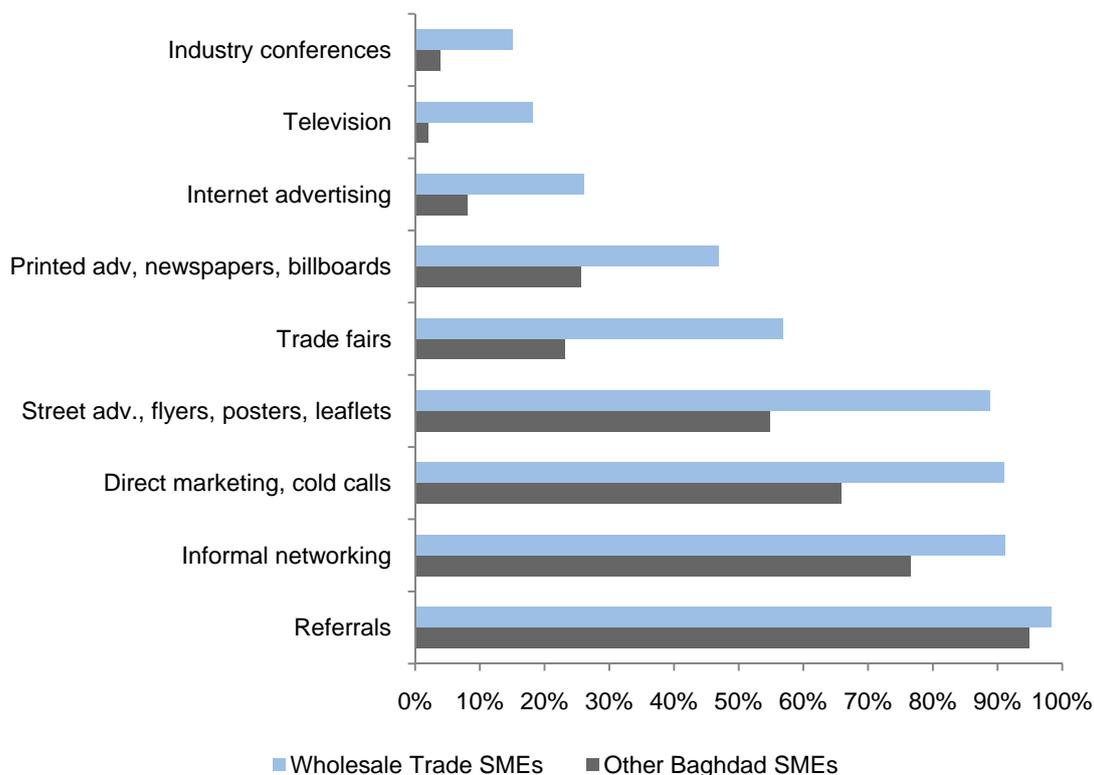
Wholesale trade businesses deal mostly with other wholesalers and retailers as customers, a fair deal more than other businesses in Baghdad in general. They also serve SOEs as customers at a rate twice that of other Baghdad SMEs (see Figure 6-70 below).

Figure 6-70: Main Customers



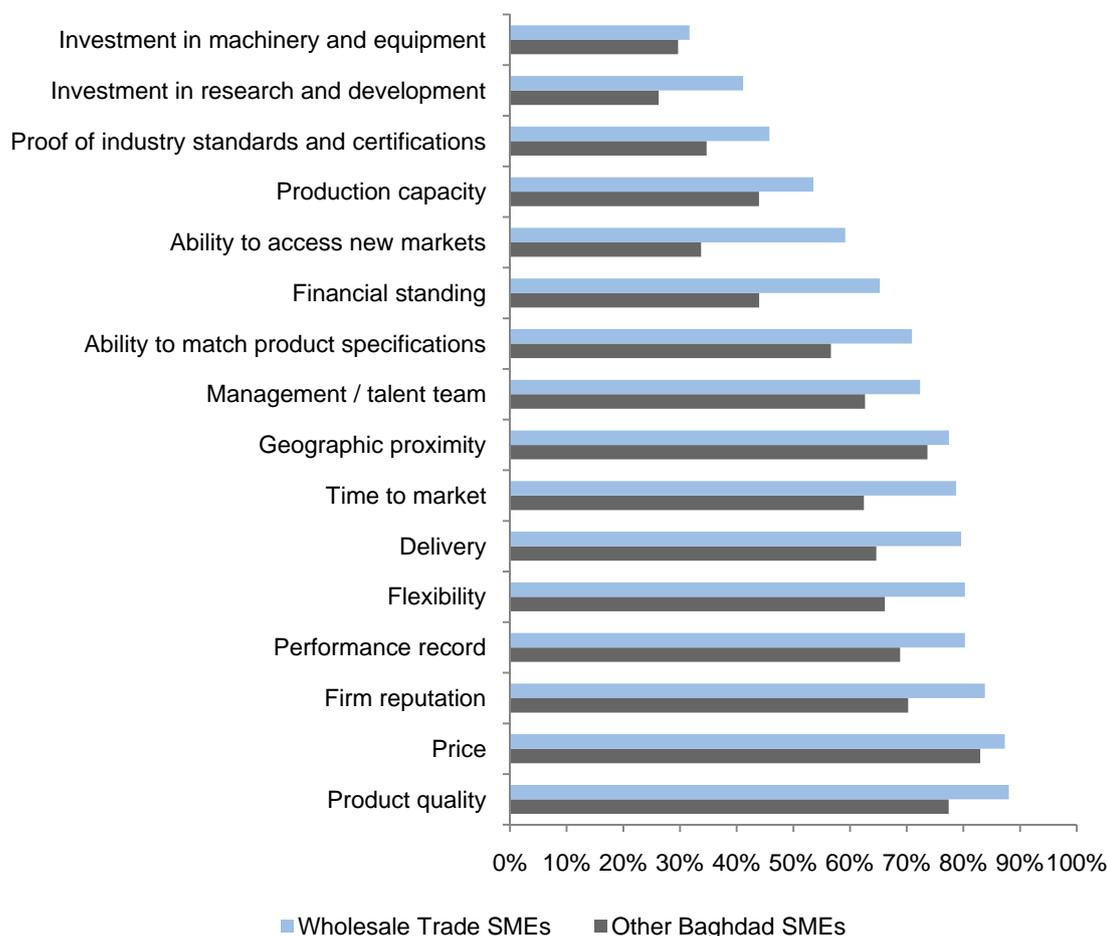
Wholesale trading companies are a great deal more innovative when reaching out to new customers. As is common with other companies in Baghdad and throughout Iraq in general, wholesale trading establishments use referrals more than other methods to connect with new customers. Apart from referrals, which is used by almost all wholesalers and other Baghdad SMEs alike, wholesale trade SMEs use informal networking, direct marketing, street advertisements, trade fair attendance, and just about every other kind of marketing medium a great deal more than other Baghdad SME counterparts use them, sometimes twice to five times as much. Wholesale traders, for example, are the only consistent group that uses television advertising at any significant rate. Internet advertising as well as industry conferences are also much more advanced marketing avenues utilized as well by wholesale traders, all depicted below in Figure 6-71.

Figure 6-71: Connecting with Customers



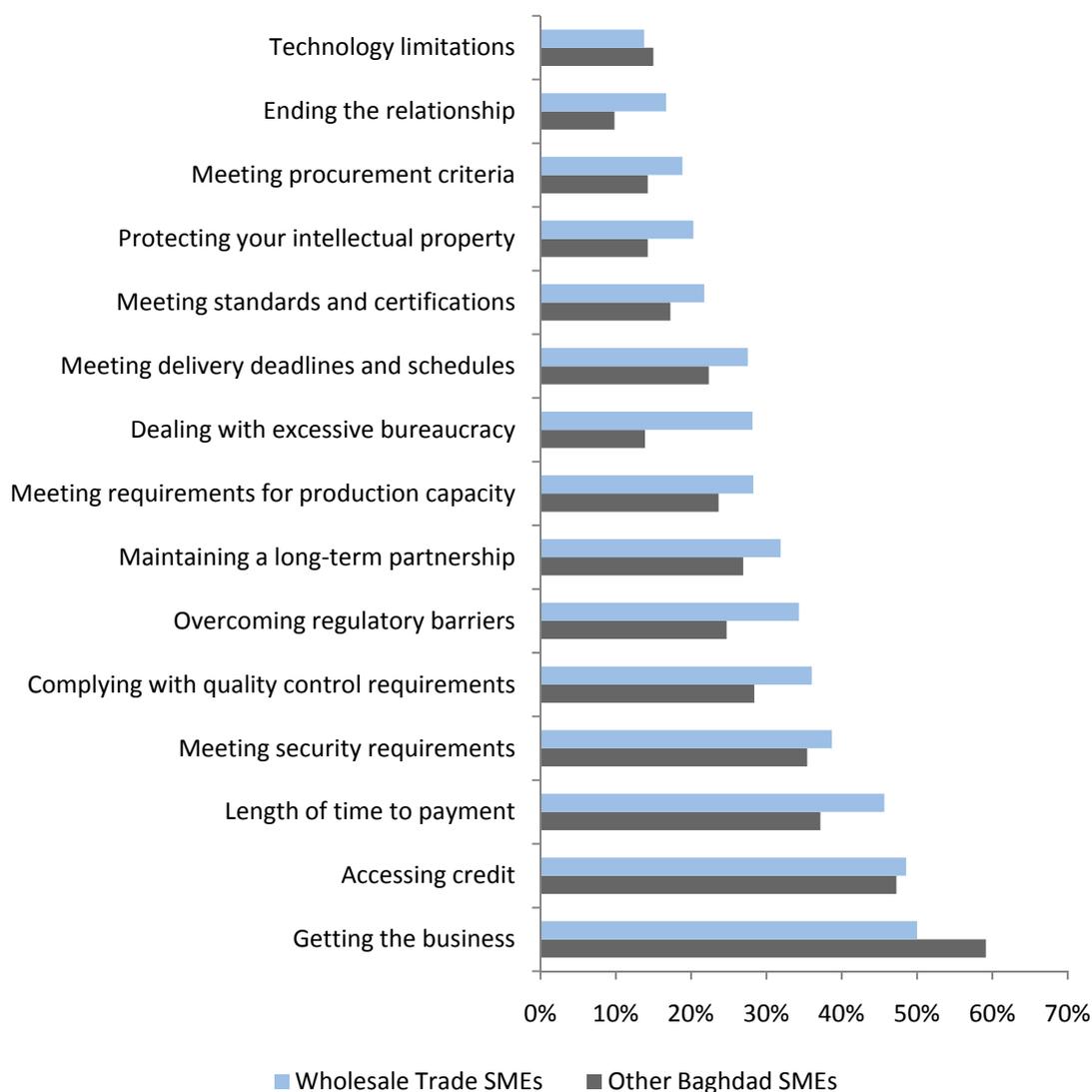
As mentioned above, almost twice as many wholesale trading businesses regard SOEs as main customers when compared with other Baghdad SMEs. A total of 9% of wholesale trade companies have done business with SOEs, which is 2% higher than other Baghdad SMEs doing business with SOEs. Wholesale trade perceptions of factors that are important when doing business with SOEs are somewhat more honed than other business’ perceptions may be, with the exception of agribusinesses. The wholesale trade companies for the most part regard the same factors for doing business with SOEs as important in almost the same order as other Baghdad SMEs, but to a greater degree, almost uniformly across the board (see Figure 6-72 below).

Figure 6-72: SME Perception of Important Factors for Doing Business with SOEs



Wholesale trade’s biggest issue when doing business with SOEs is the same as all others, but to a 10% lesser degree (see Figure 6-73 below). All other issues that companies face when doing business with SOEs are more keenly felt by wholesaler traders, perhaps because they have a better understanding of the actual issues they deal with once they have entered the business relationship with the SOE.

Figure 6-73: Challenges to Doing Business with SOEs



Wholesale trade SMEs do a somewhat larger business volume than other Baghdad businesses on average. Over 50% of wholesale trade companies reported a turnover of at least 10 Million ID (equivalent to \$8,500 USD) in 2008, compared with less than 30% of other Baghdad SMEs at the same level. Almost 20% of wholesale trade companies indicated returns of over 100 Million ID (equivalent to \$85,000 USD), grossly unmatched by other Baghdad SMEs, as depicted in Figure 6-74 below.

Sales turnover among wholesale trade SMEs has actually gone down slightly compared to other Baghdad SME returns, according to what these companies indicated as depicted in Figure 6-75 below. Similar percentages of both wholesale trade companies and other Baghdad SMEs reported an increase in sales turnover

during the last year (approx. 30%), with slightly more wholesale trade companies reporting a decrease in turnover.

Figure 6-74: Sales Turnover in 2008

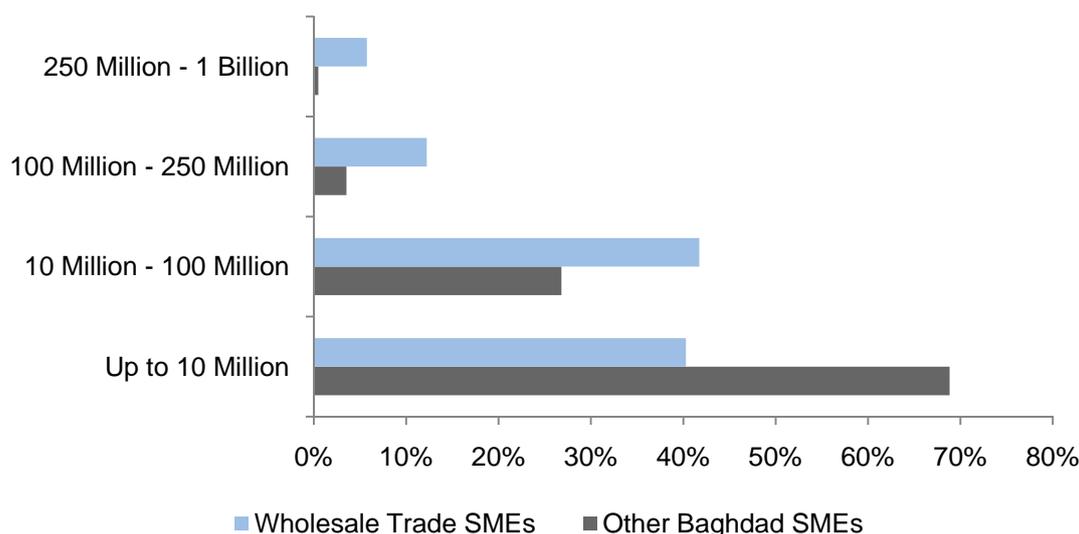
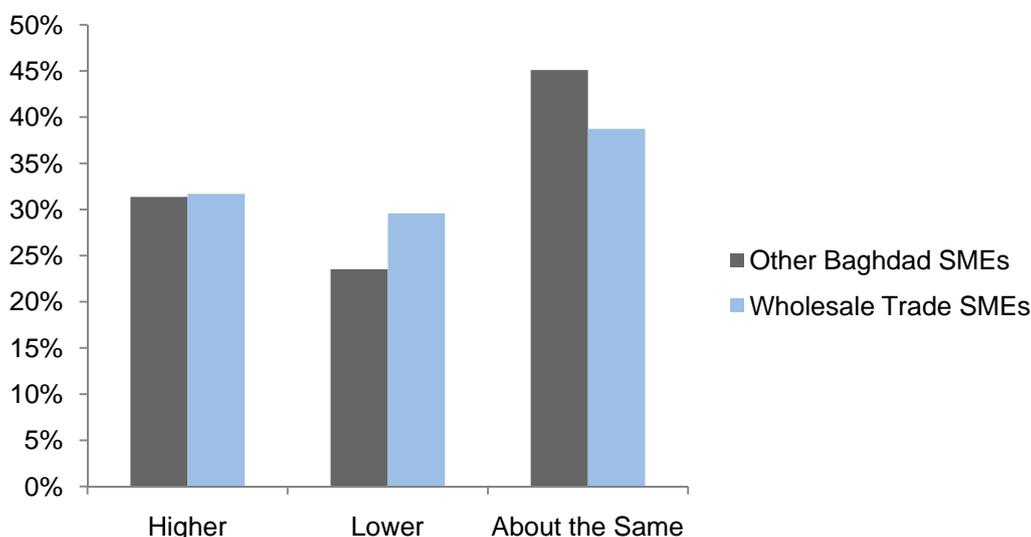
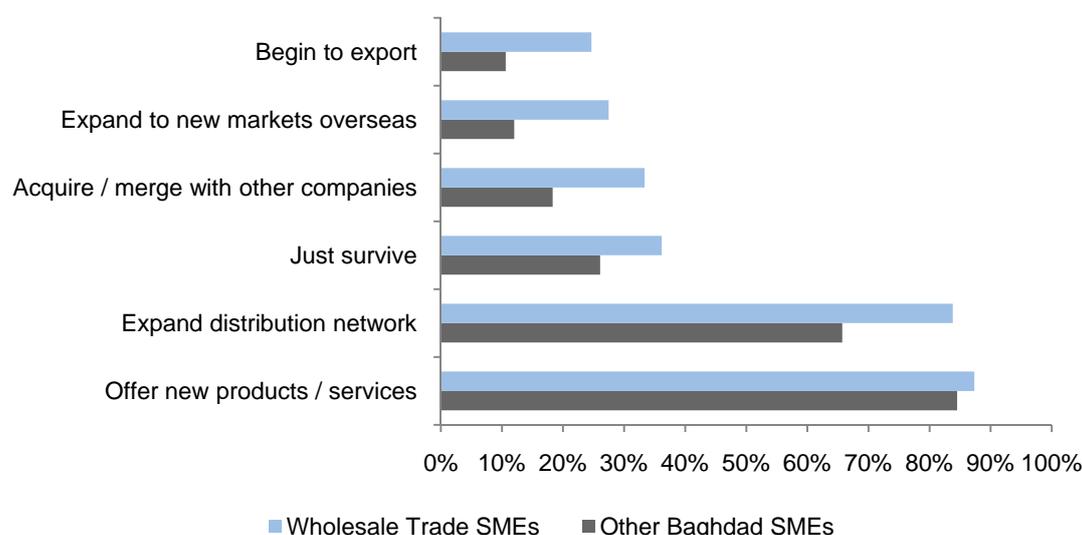


Figure 6-75: Sales Turnover This Year Difference from Last Year



Wholesale trade companies indicate a more active approach to increasing business in the coming year, as is depicted below in Figure 6-76. Almost 90% are considering new product lines and wanting to expand existing distribution networks. Other Baghdad SMEs are following along the same lines, but not to the degree that wholesale trade companies are. Wholesale companies are also considering merging with other companies and expanding sales to outside of the country, at a rate almost twice as high as for other Baghdad SMEs.

Figure 6-76: Strategy to Expand Business during the Coming Year



6.5.3 Employees

Wholesale trade SMEs rank unjustified compensation rates as their highest employee-related concern, which is shared as the number one concern for employers by the Baghdad SME community in general (see Table 6-6 below). Lack of competent supervisors is second, followed closely by social security and tax contributions, whereas other Baghdad SMEs, particularly with regard to social security fees and taxes, are not as concerned. The reason for wholesale trade’s high concern for social security and tax contributions is due to the fact that 100% of the wholesale traders in this sample are registered and therefore maintain their own unique identity in the eyes of the central government. Lack of the appropriate skill for a specific task is a concern other Baghdad SMEs have that wholesale trading companies do not hold as high.

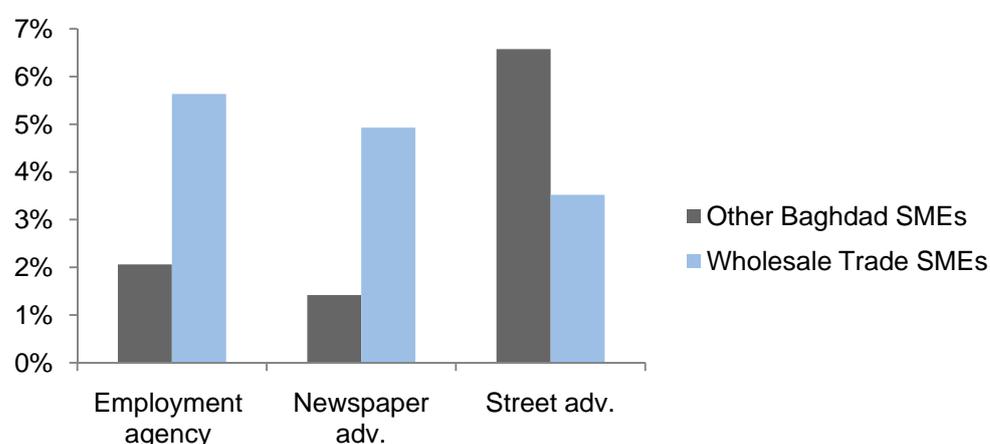
Table 6-6: SME Employee Concerns

Issue	Weighted Score	Wholesale Trade Rank	Other Baghdad Rank
Compensation rates are not justified	1.336737	1	1
Unable to find component supervisors	0.861948	2	3
Social security / tax contributions	0.728236	3	6
No issues	0.614651	4	5
Lack of appropriate skill for the required tasks	0.610672	5	2
Lack of workplace discipline	0.58752	6	4

Cannot freely choose employees	0.397787	7	8
Lack of motivation unrelated to job issues	0.295091	8	9
Cost of hiring is too high	0.20901	9	7
Employee absenteeism	0.162266	10	10
Cannot retain employees	0.129569	11	11

On employee recruitment, 96% of wholesale companies seek out new employees through traditional word of mouth. Aside from this, wholesale trade companies use alternative methods such as employment agencies and newspaper advertisements a great deal more than other Baghdad SMEs (see Figure 6-77 below).

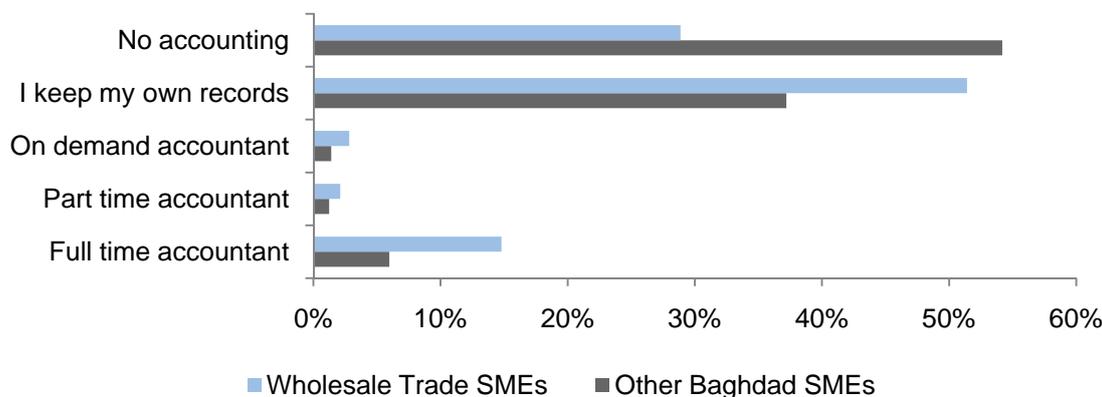
Figure 6-77: Methods Used to Seek Out New Employees



6.5.4 Finance, Accounting and Banking Practices

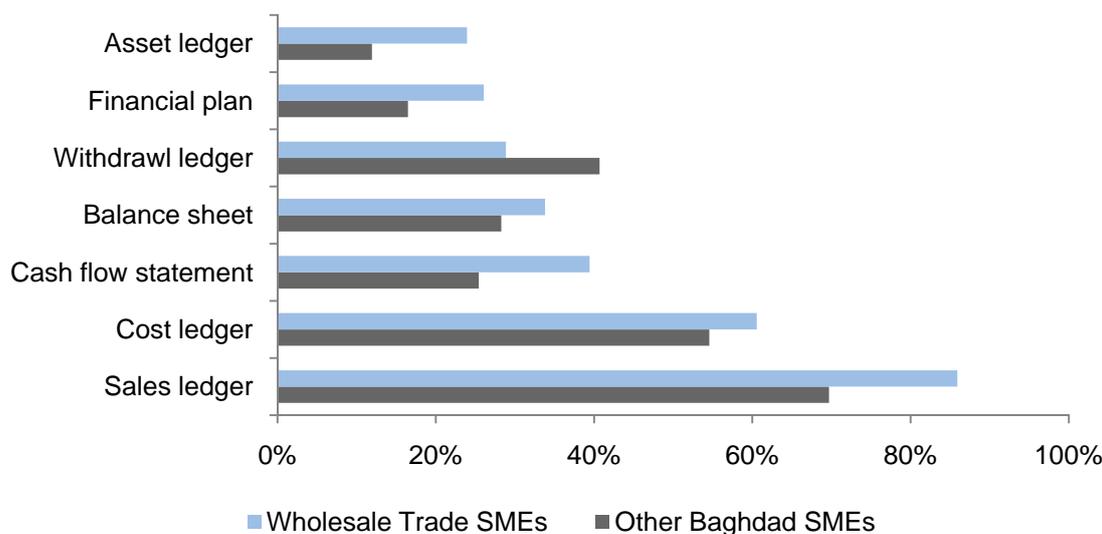
Wholesale trade companies are much more financially savvy than their Baghdad SME counterparts. This is expected given their higher rate of turnover and larger asset base, requiring more sophistication in the financial management of the business. About twice as many wholesale trade businesses have accountants on staff, either full or part time, than other Baghdad SMEs.

Figure 6-78: Accounting Practices



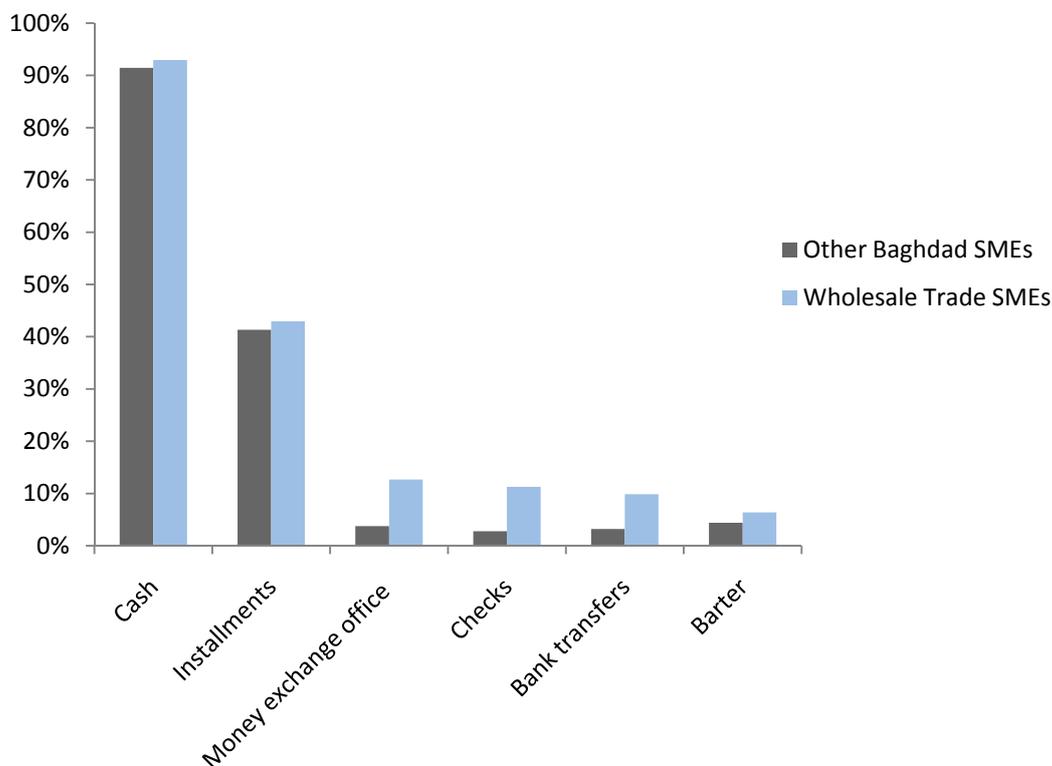
Wholesale trade business' use of accounting tools is similarly more sophisticated than that of other Baghdad SMEs. A significantly higher percentage of wholesale companies are using sales ledgers, cost ledgers, cash flow statements, balance sheets, asset ledgers, and financial plans more than other Baghdad SMEs.

Figure 6-79: Use of Accounting Tools



In terms of making payments, most wholesale companies still use cash, more or less to the same degree as other Baghdad SMEs, as well as utilizing payments in installments, again almost to the same degree as other Baghdad SMEs (see Figure 6-80 below). Aside from this, almost three times as many wholesale trade companies make payments using checks, money exchange offices, and even bank transfers. Wholesale trade companies are forced to become more sophisticated in this manner due to the fact that a sizeable portion of their business is done with sources of goods outside of Iraq.

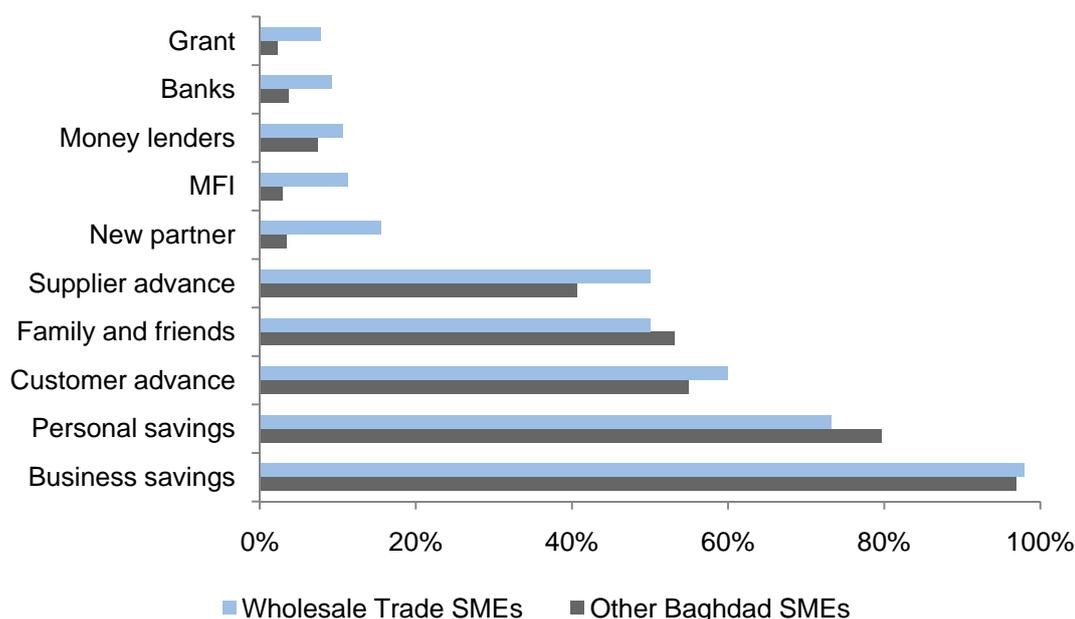
Figure 6-80: Methods of Making Payment



A total of 21% of wholesale trade companies have business bank accounts, compared with only 7% of other Baghdad SMEs, which are three times as many. A total of 29% of those who have accounts have their accounts at private banks, compared with only 9% of other Baghdad SMEs that have their accounts with private banks. This bank usage rate may be one of the highest in the country, and much higher than any other sector.

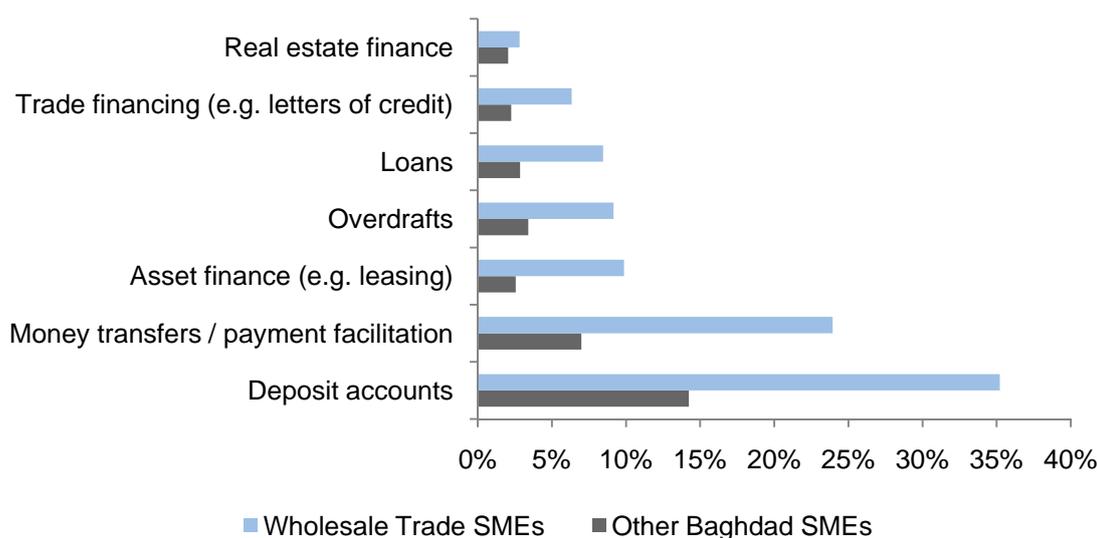
More than twice as many wholesale trade SMEs rely on banks for financing and in sourcing funds than other Baghdad SMEs (see Figure 6-81 below). Also, three and even four times as many seek financing from MFIs and through adding additional partners.

Figure 6-81: Sources of Financing



4% of wholesale trade companies report actually having had loans from banks or MFIs, compared with 2% of other Baghdad SMEs. In a separate question about different kinds of bank services that SMEs desire; wholesale trade companies demonstrated a significant difference in their usage of all kinds of banking services, sometimes three-fold that of other Baghdad SMEs (see Figure 6-82 below).

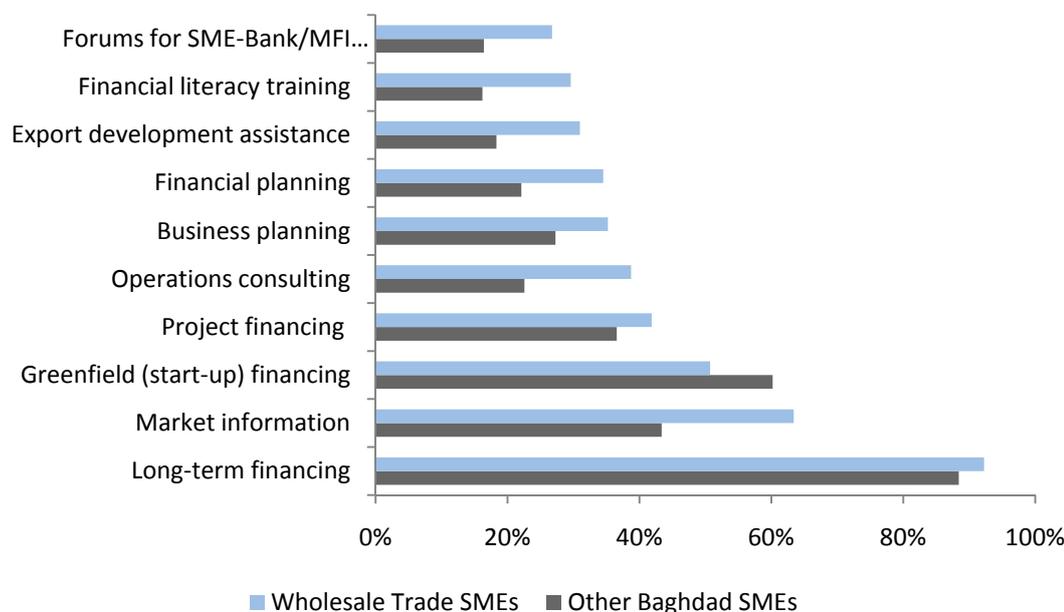
Figure 6-82: Banking Services Utilization



Apart from banking services already utilized, as is always the case, an incredibly large and high percentage of firms indicated that they were interested in long term financing – over 90% of wholesale trade companies, versus the 4% that have actually had loans from banks up to now. Aside from this service, wholesale trade

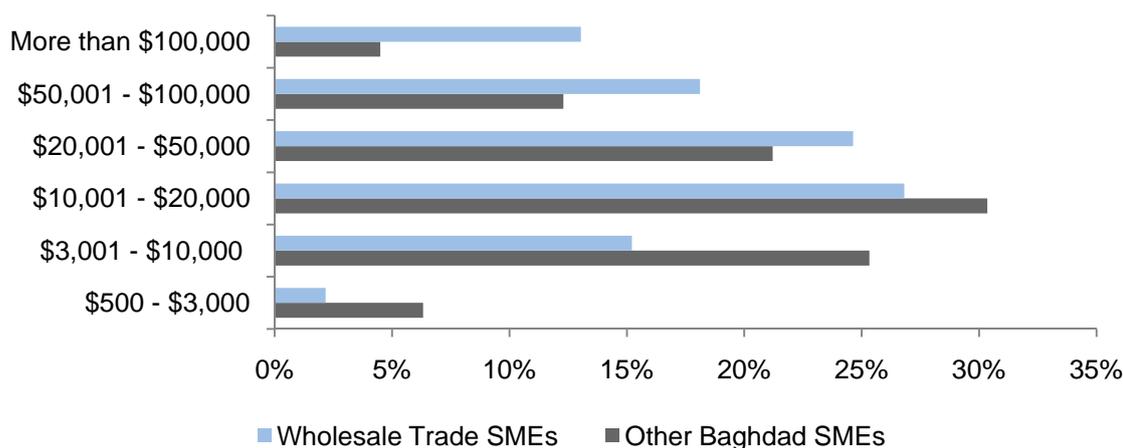
companies are also interested in market information, start-up financing, and project financing, in addition to a number of additional value-added services that banks could offer with a higher degree of interest than other Baghdad SMEs (see Figure 6-83 below).

Figure 6-83: SME Demand for Banking Services



Most wholesale companies that are interested in long-term finance indicated needs for financing at above \$20,000. This is where over 50% of wholesale trade company financing needs lie as indicated, and is depicted in Figure 6-84 below.

Figure 6-84: SME Financing Needs

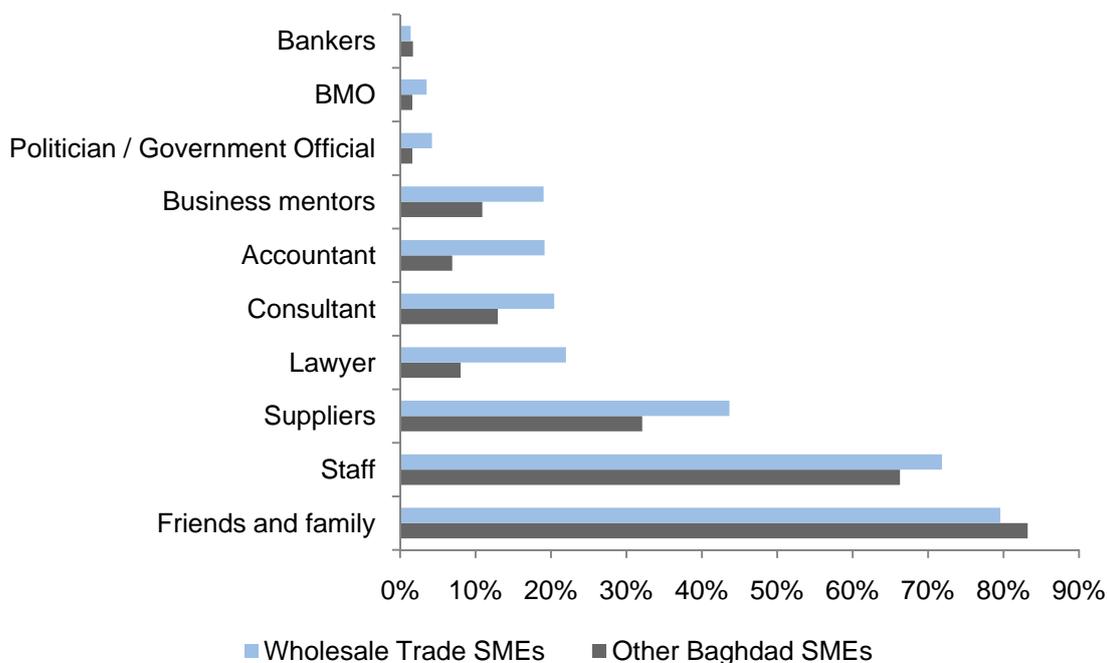


6.5.5 BMOs

When seeking advice for business decisions, almost no wholesale trade companies consult with their BMOs – only 2%, compared to 80% who consult with friends and

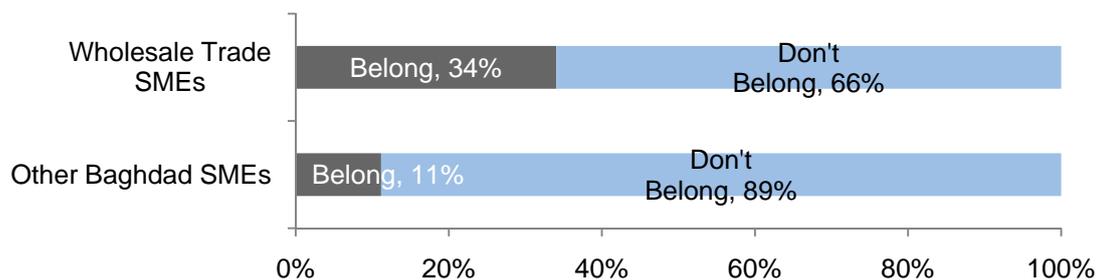
family. That said, wholesale trade companies, true to their more sophisticated nature, seek friends and family advice less than other Baghdad SMEs, and look to other professional consultants more than other Baghdad SMEs do (see Figure 6-85 below).

Figure 6-85: Sources of Business Advice



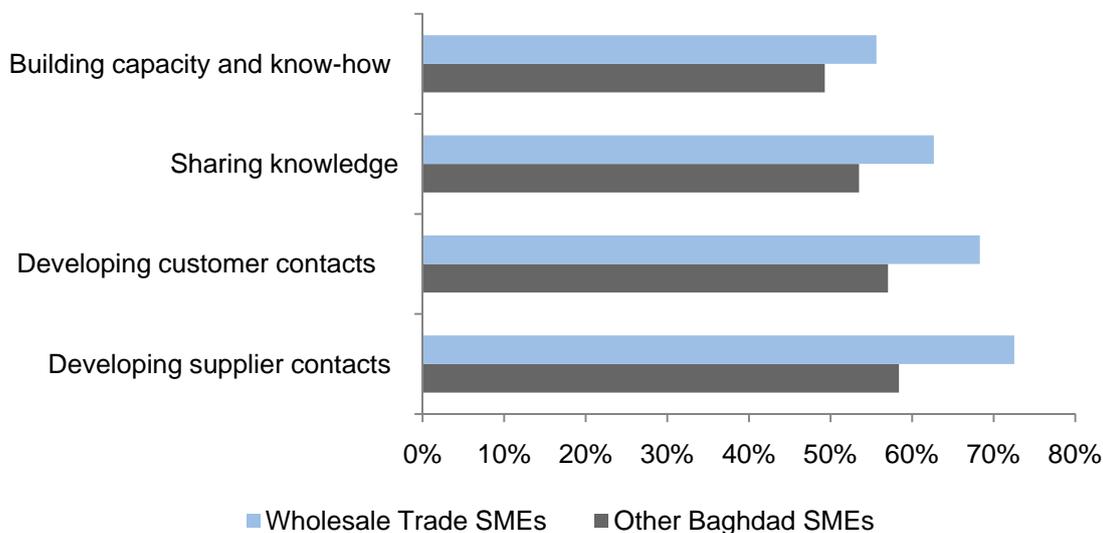
Despite the low indicators in Figure 6-85 above, three times greater a percentage of wholesale trade businesses are members of BMOs when compared to other Baghdad SMEs (see Figure 6-86 below).

Figure 6-86: BMO Membership



Approximately 50% of wholesale trade companies believe that BMOs play a useful role. They are particularly interested in the services that BMOs provide in the areas of capacity building and networking with customers and suppliers (see Figure 6-87 below).

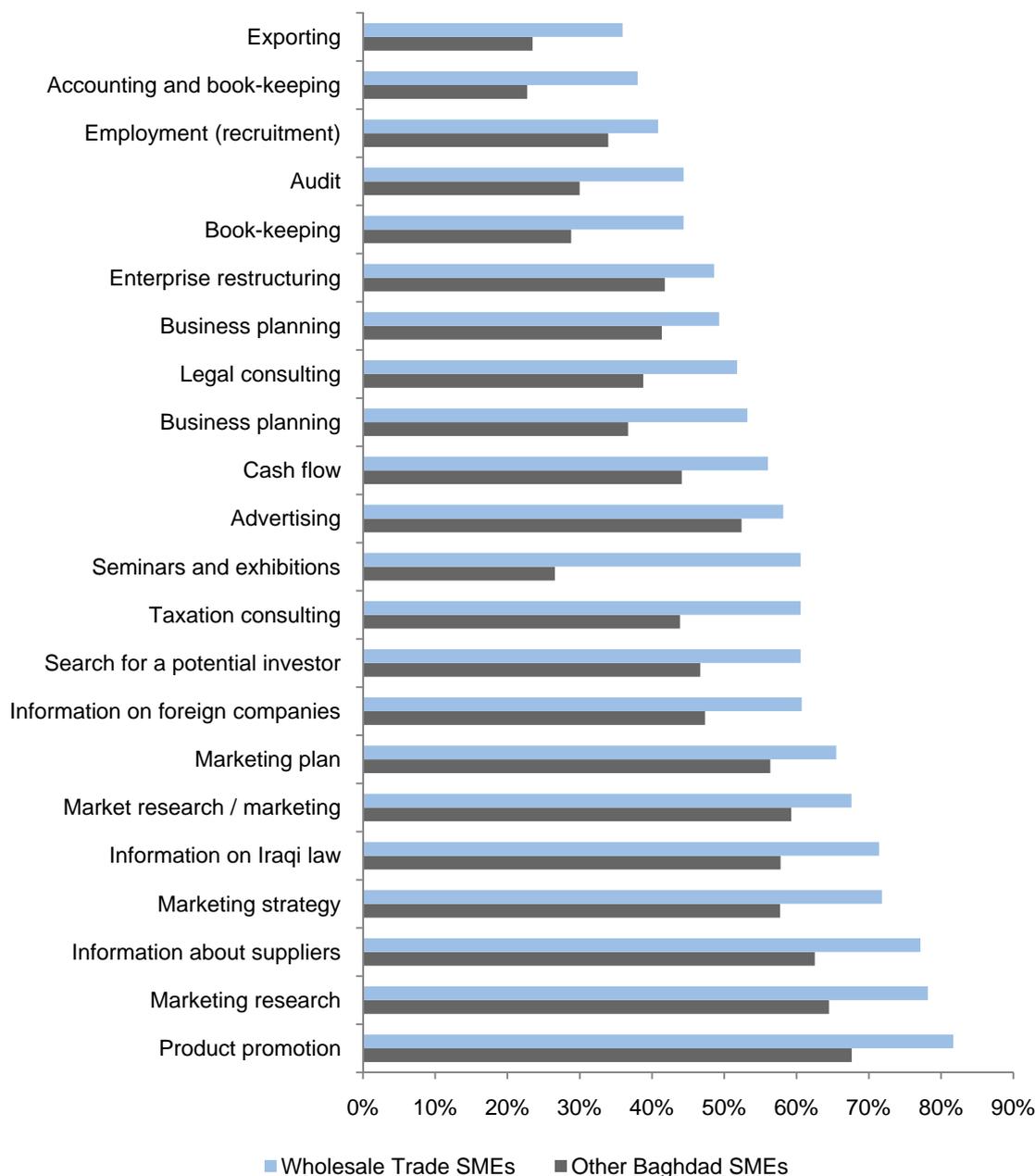
Figure 6-87: Perception of Usefulness of BMOs in Certain Fields



As for active BMO outreach, 2% of wholesale traders have been contacted by BMOs, in comparison with 1% of other SMEs in Baghdad. This may be a result of wholesale companies that have been in operation longer and are more well-known.

Wholesale trade companies are interested in just about any service that a BMO can provide, and to a great deal more than other Baghdad SMEs would be interested, as indicated in Figure 6-88 below. Particularly, it seems wholesalers are looking for seminars and exhibitions, somewhat uniquely, as this service is significantly less important for other Baghdad SMEs.

Figure 6-88: SME Perception of Important Services for BMOs to Offer



6.5.6 Constraints

Security and financial constraints are at the top of the list of concerns for wholesale trade SMEs, as they are for other Baghdad businesses. There are no significant differences in the way SMEs in Baghdad have ranked their top constraints, as demonstrated below in Table 6-7.

Table 6-7: Top Hindrances to Business Development

Hindrance	Weighted Score	Wholesale Trade Rank	Other Baghdad Rank
Security	3.00000	1	1
Cash flow	2.21831	2	3
Raise finance for growth	1.964789	3	2
Economic environment	1.852113	4	5
Energy Shortages	1.802817	5	4
Access to business opportunities	1.190141	6	6
High competition	1.056338	7	7
Access to market intelligence/ information	0.78169	8	9
Keep up with new technology	0.478873	9	8
Employee skill limitations	0.302817	10	10
Governmental regulations	0.295775	11	11

Specific areas of constraint, in comparing with other Baghdad SMEs, impact Baghdad wholesale trade companies to a significantly greater degree, and across the board in a number of issues pertaining to a particular area of constraints. For example, cash flow constraints (Figure 6-90 below) impact wholesale trade in a number of areas significantly more than they do other Baghdad SMEs. The same thing is true for marketing (Figure 6-92), supply (Figure 6-93), competition (Figure 6-94), some operational constraints (excluding those having to do with equipment) (Figure 6-95), and some infrastructure constraints (Figure 6-96) – particularly those having to do with communications and transportation.

Access to finance (Figure 6-89) and labor constraints (Figure 6-91), on the other hand, are shared to more or less a similar degree by wholesale trade and other Baghdad SMEs alike.

Figure 6-89: Percent of SMEs Affected by Access to Finance Constraints

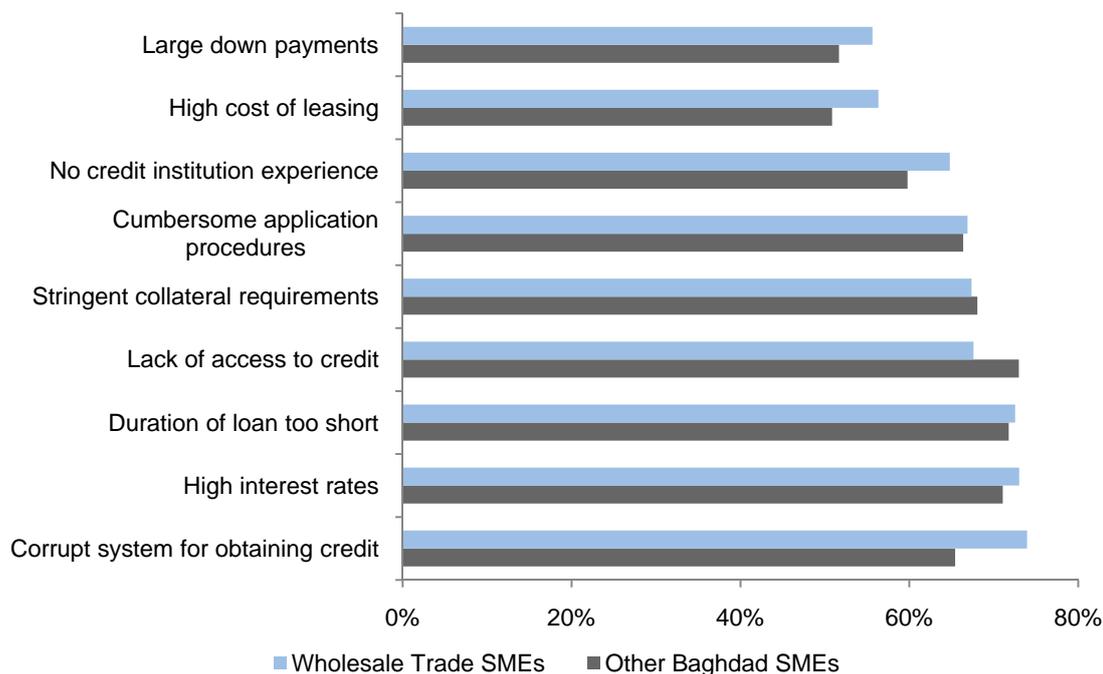


Figure 6-90: Percent of SMEs Affected by Cash Flow Constraints

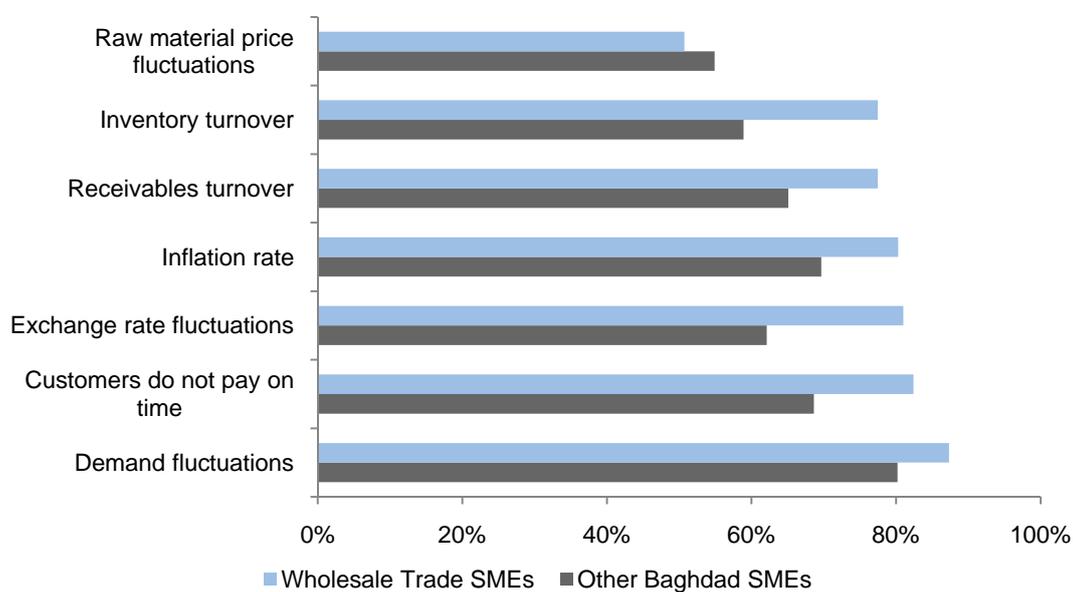


Figure 6-91: Percent of SMEs Affected by Labor Constraints

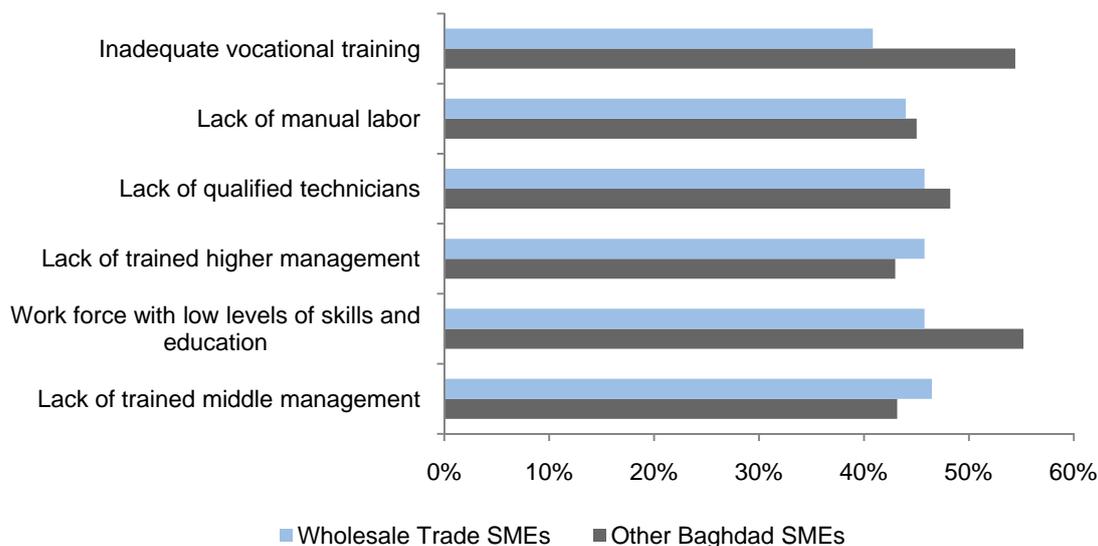


Figure 6-92: Percent of SMEs Affected by Marketing Constraints

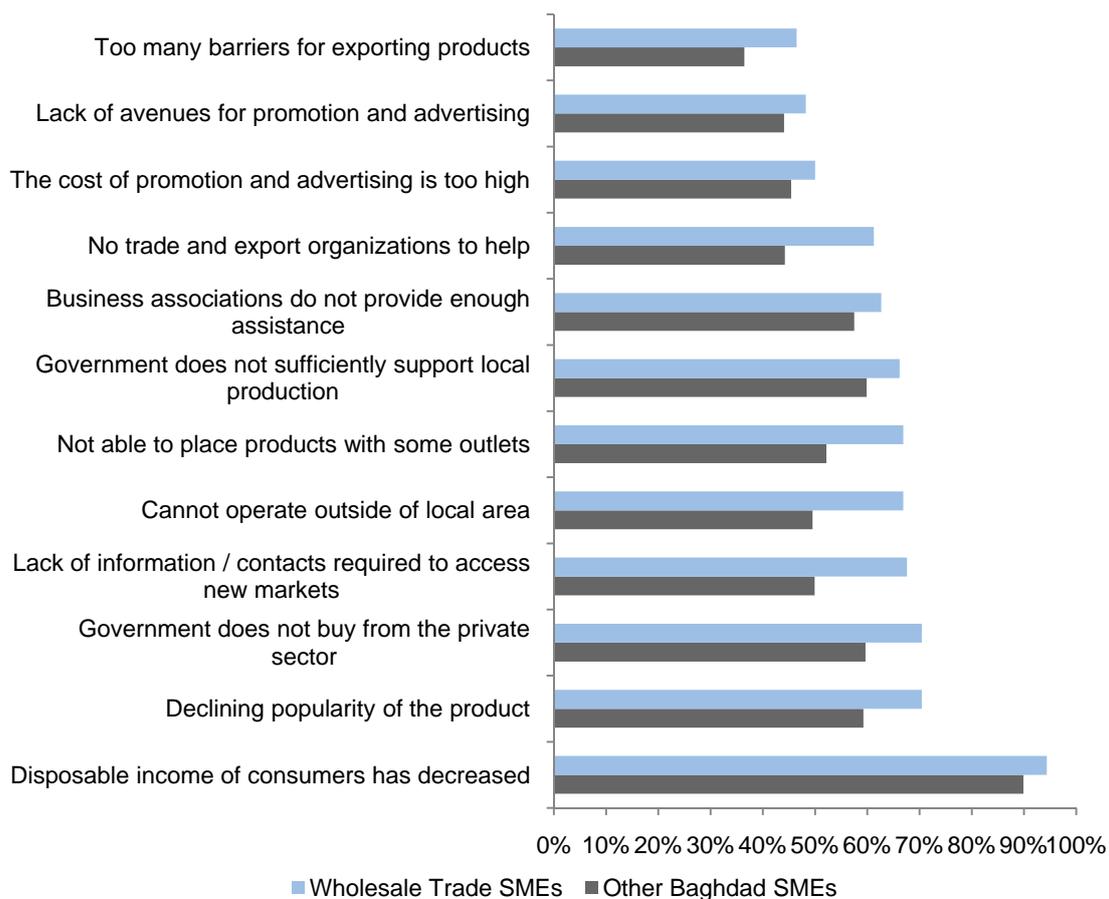


Figure 6-93: Percent of SMEs Affected by Supply Constraints

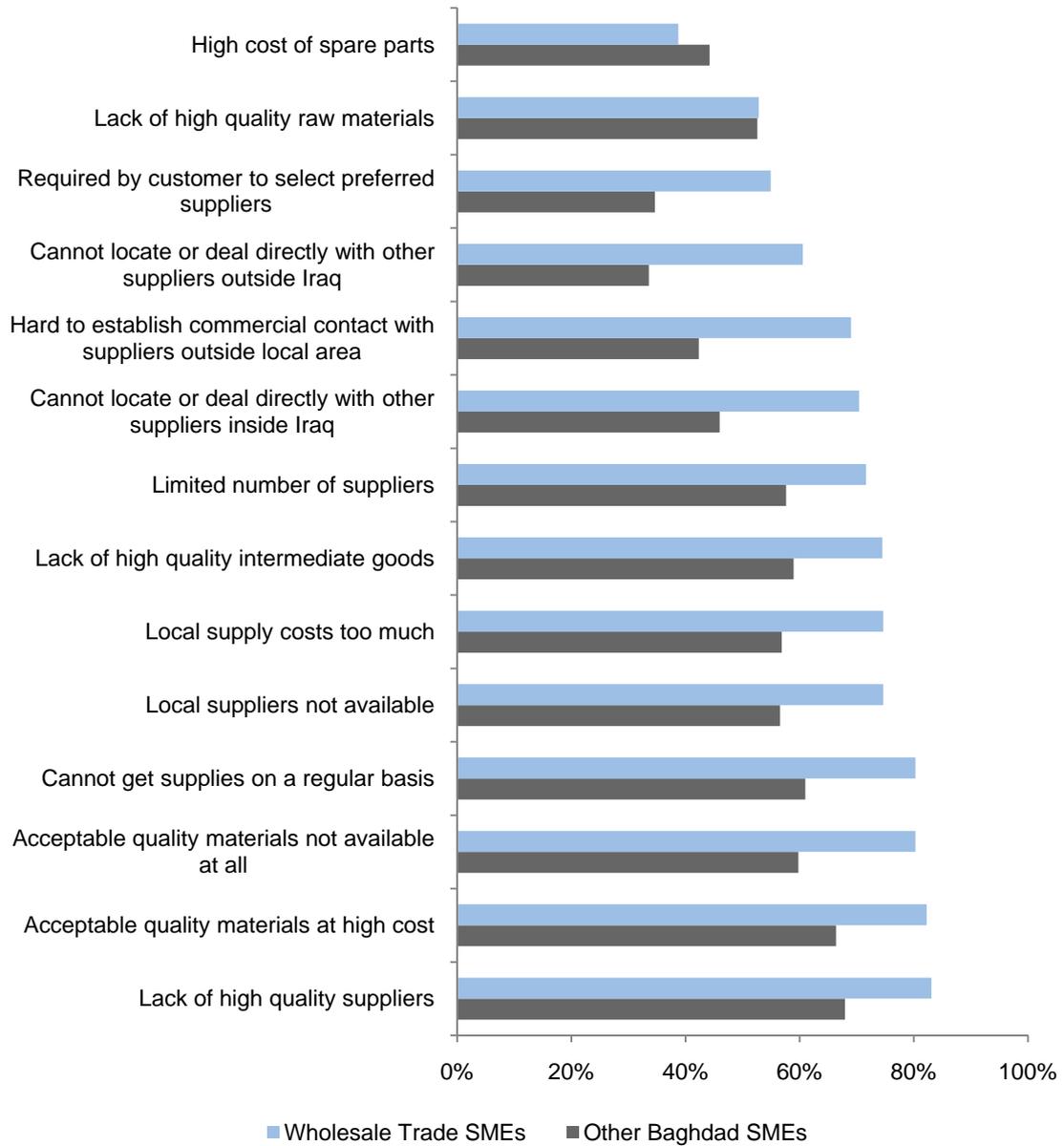


Figure 6-94: Percent of SMEs Affected by Competition Constraints



Figure 6-95: Percent of SMEs Affected by Operational Constraints

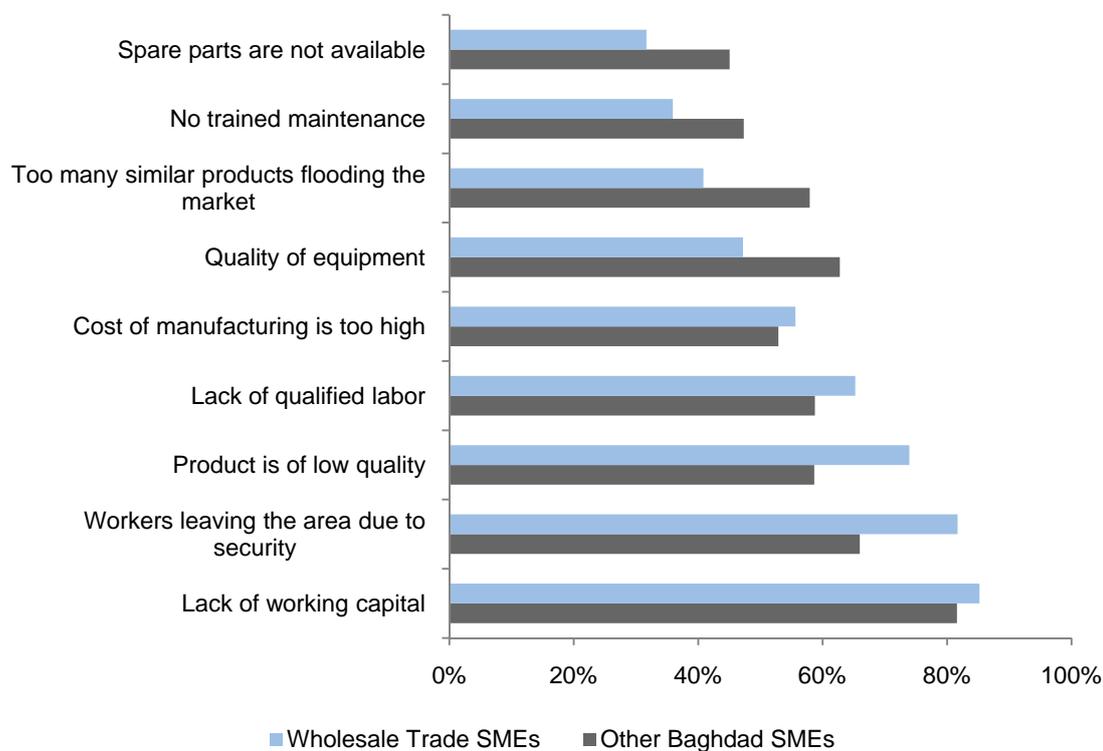
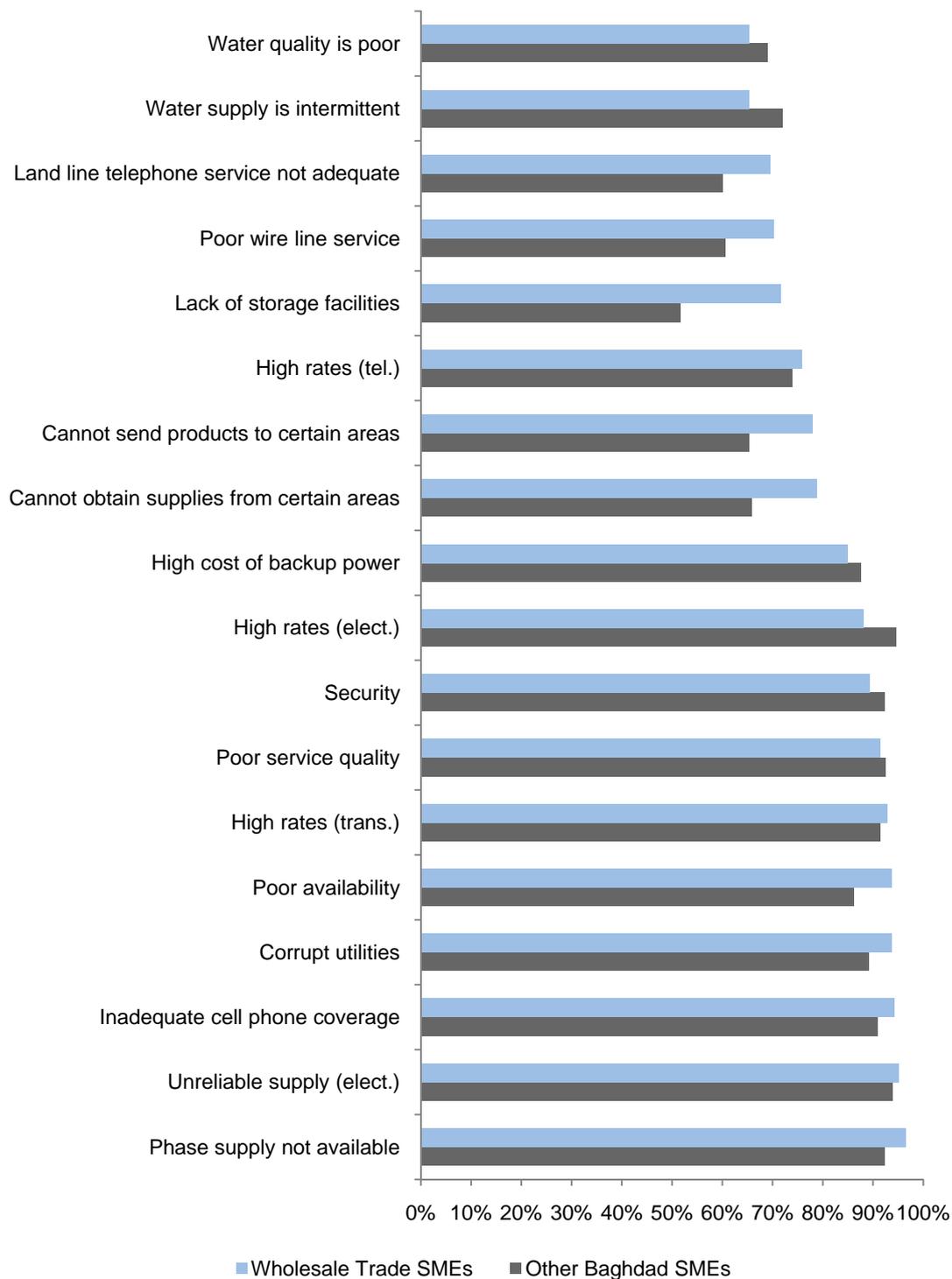


Figure 6-96: Percent of SMEs Affected by Infrastructure Constraints



In addition to the areas mentioned above, wholesale trade SMEs are also impacted by legal and procedural issues having to do with various operational aspects of

business. These aspects include the importation of goods and dealing with purchasing goods from abroad, where businesses feel the pains brought on by inflation, tariffs, and non-transparent laws and procedures more keenly than other businesses would. Figure 6-97 below highlights some of the areas that affect wholesale trade companies to a greater degree than they do other Baghdad SMEs.

Figure 6-97: Percent of SMEs Affected by Legal and Monetary Constraints



6.5.7 Summary of Baghdad Wholesale Trade SMEs

A Review of Constraints

- **Access to Finance** - high interest rates, short loan duration, and stringent collateral requirements affect most wholesale trade SMEs as constraints severely or mildly impact business. Overall access to credit, corruption, cumbersome application procedures, and lack of experience were also significant factors.
- **Cash Flow** – Late customer payments and other issues strain cash flow, and without access to reasonable financing, business turnover is forced to slow down.

- **Access to New Markets** – Wholesale traders lack sufficient contacts and information needed in order to access new markets.
- **Competition** – Competition that these firms face among each other and with other imported products is strong.
- **Security** – Security issues greatly affect the movement of goods, and ability to meet deadlines.
- **Communications and Transport Infrastructure** – Handicaps in these areas greatly affect the ability to move goods and coordinate their movement.

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

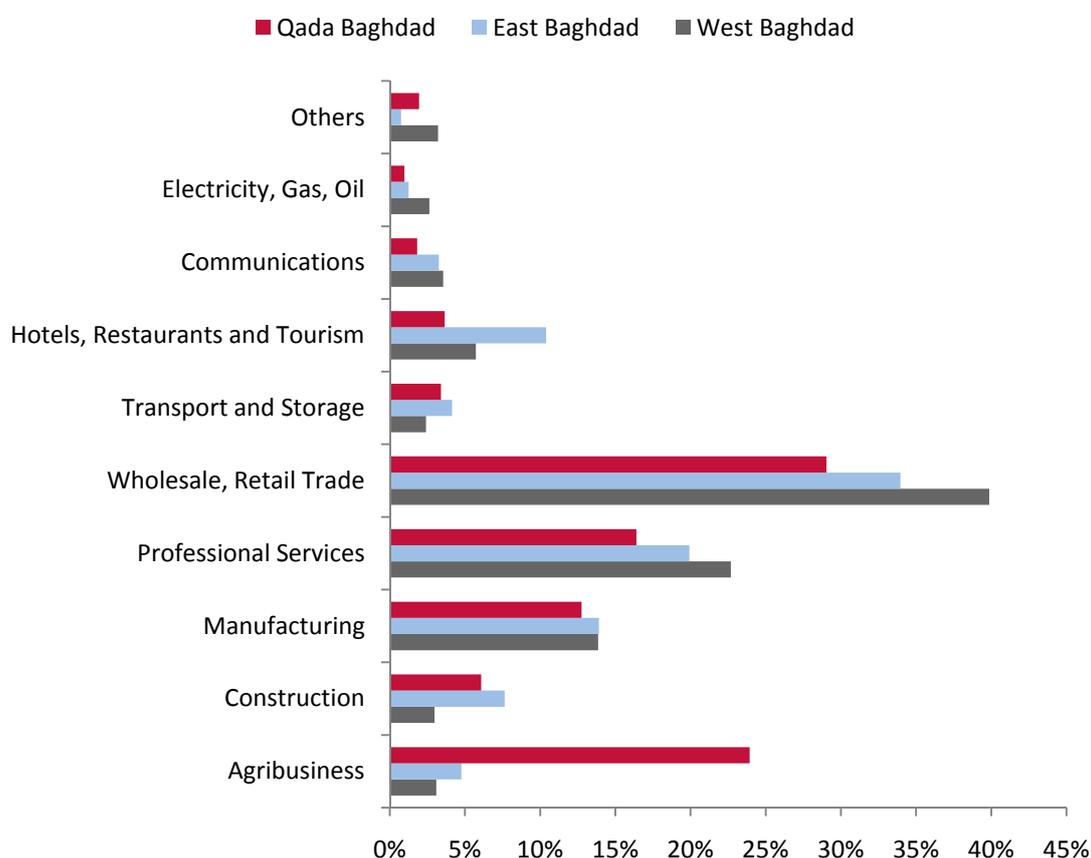
- Aggressiveness and diversification in financing represents an opportunity at the firm and sector level. An intermediary can help prepare applications for bank loans, can help introduce potential collaborators in trade relationships, or can facilitate payment support from suppliers or wholesale purchasers can create an intervention that is both productive for the economy and lucrative for the BMO or DBS provider.
- Offering of all kinds of value-added banking services including increasing financial literacy, financial planning, and other services that wholesalers are interested in to a degree much greater than that of other SMEs
- Marketing development assistance in the areas of accessing new markets and exporting.
- Marketing consultation services in the areas of promotion and advertising, as indicated are avenues that wholesale trade companies use more than others in reaching customers.
- Organization of trade events and delegations to trade events abroad would benefit wholesale traders in assisting them to connect with customers.
- Formalization and expansion of management training by BMOs and BDS deliverers, along with marketing and finance training represents product improvement as a source of sustainability for the helping institution, and operates at every level of activity.

7. Variances Between Major Areas in Baghdad Province

7.1 SECTOR MAKEUP AND BASIC SME CHARACTERISTICS

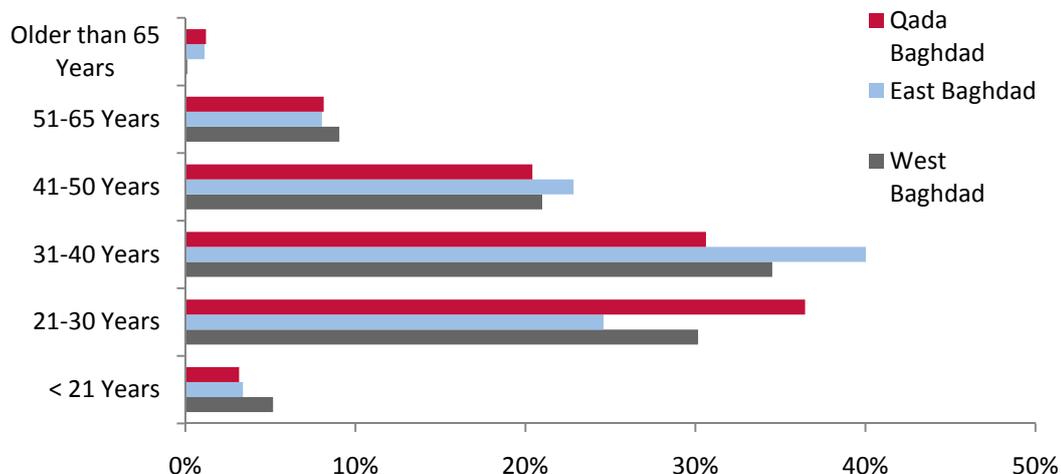
In all three geographic areas in Baghdad, the breakdown of business surveyed were mainly in the wholesale and retail trade sectors, followed by professional services. In the Baghdad Qada areas, a large percentage of businesses surveyed were agricultural. As well, in East Baghdad a significant number of more tourism-related companies were surveyed than in other areas. These differences are highlighted below in Figure 7-1.

Figure 7-1: Breakdown of Sectors Surveyed in Three Major Baghdad Areas



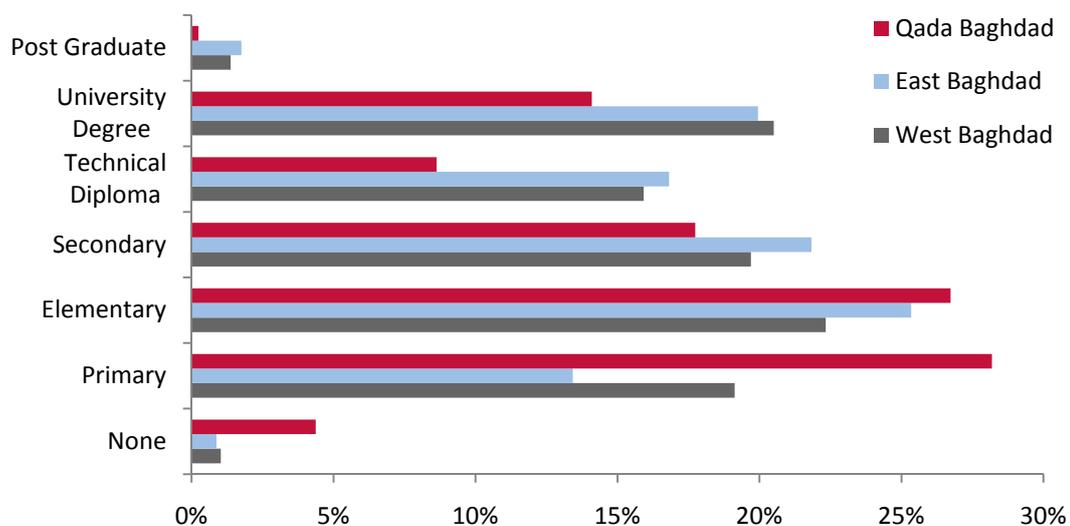
In East Baghdad and West Baghdad, the largest concentration of SME owners fall in the 31-40 age range. In the Baghdad Qada areas, however, the largest concentration of SME owners is in the 21-30 age range (see Figure 7-2 below).

Figure 7-2: Age of SME Owners



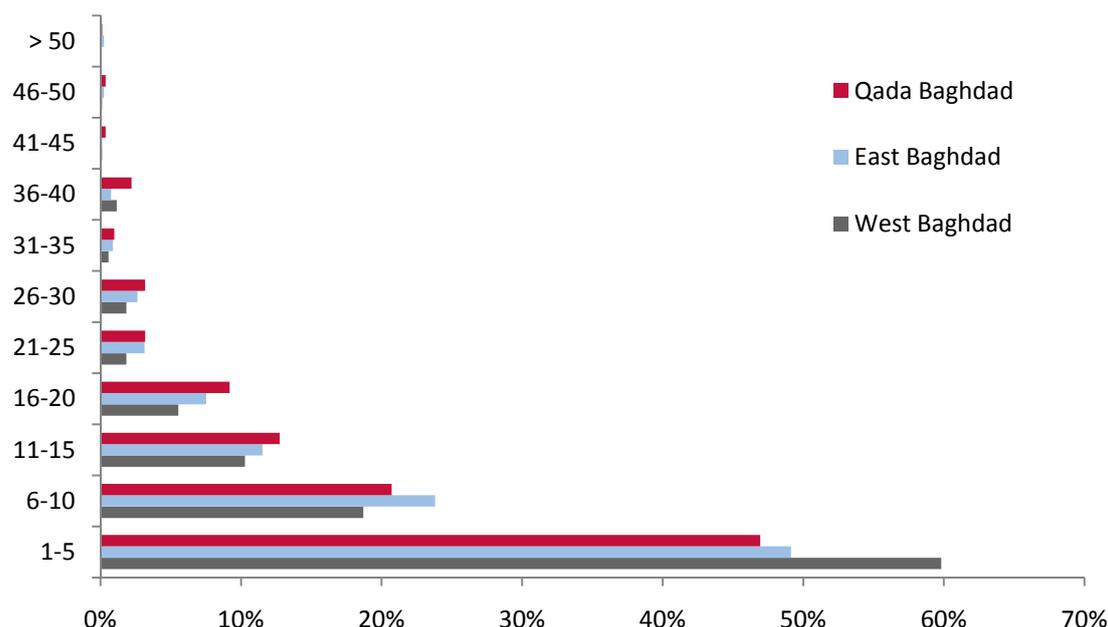
The greatest percentage of Baghdad Qada business owners only have a primary or elementary education. East Baghdad and West Baghdad are more evenly spread between elementary and university education levels (see Figure 7-3 below).

Figure 7-3: SME Owner Education Level



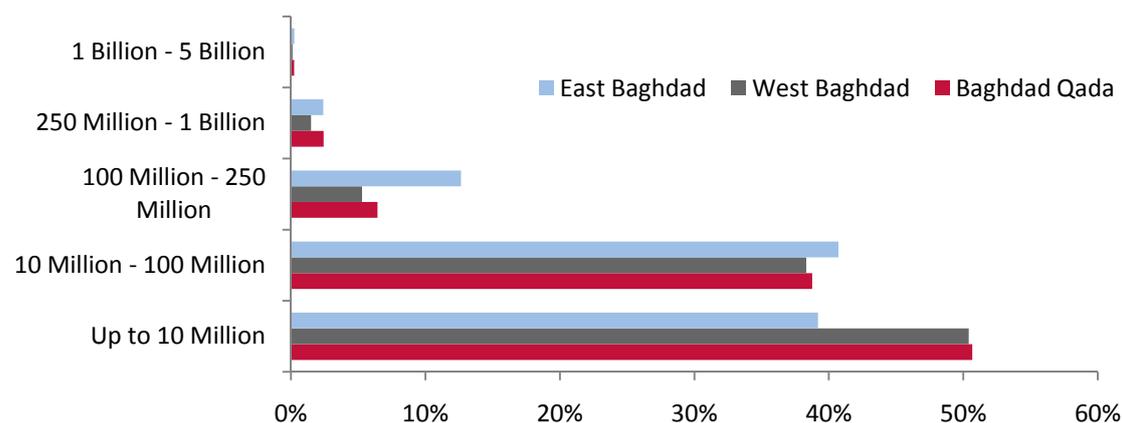
Although it remains true across all areas in Baghdad that the highest concentration of SMEs are only between 1 to 5 years in age, there are significantly more West Baghdad businesses in the 1-5-year business age range than any other area's SMEs, and less of the same in almost all other age ranges (depicted in Figure 7-4 below).

Figure 7-4: Age of Business



East Baghdad businesses have on average a greater asset base than SMEs in other areas of Baghdad. There are almost twice as many companies in the 100 Million ID (US \$90,000) to 250 Million ID (US \$220,000) range than there are companies from any other area in Baghdad. Consequently, there are less numbers of East Baghdad businesses in the lowest asset base value category (see Figure 7-5 below).

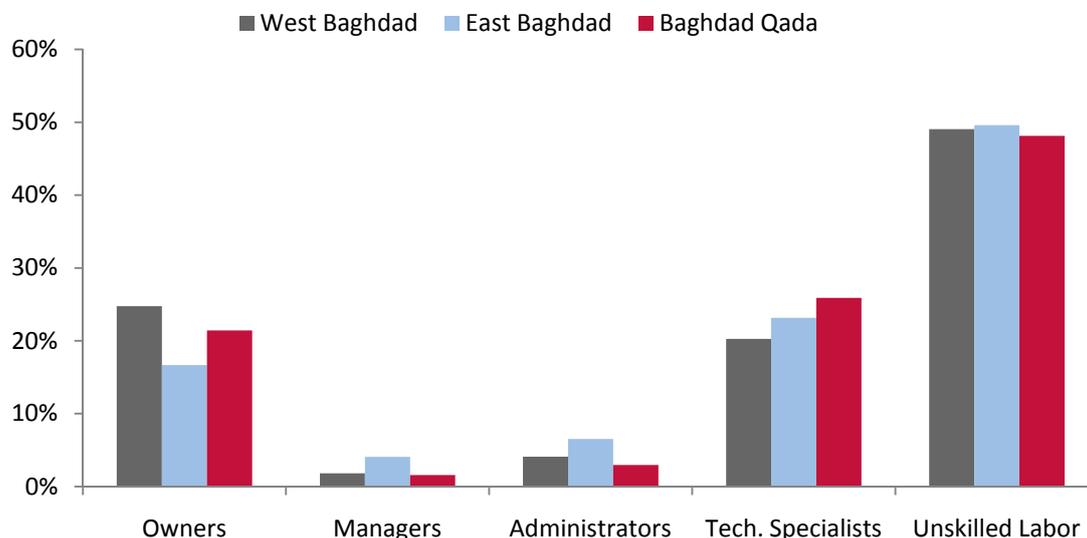
Figure 7-5: SME Asset Size (in Iraqi Dinar)



Labor category breakdowns across the board are relatively even. There are small differences in numbers of technical specialists employed by SMEs as well as numbers of owners (see Figure 7-5 below). The greater percentage of technical specialists in the Baghdad Qada areas is most likely due to the heavy portion of agricultural SMEs that were sampled, and the lower percentages of owners in East

Baghdad because of a much higher number of employees per company on average, thus bringing the ratio of owners to employees down somewhat.

Figure 7-6: Division of Labor



East Baghdad SMEs employ significantly more employees than the other areas at an average of 7.3 employees per company. West Baghdad employs 4.7 employees per company, and the Baghdad Qadas employ 5.4 employees per company on average. Baghdad Qadas have more sole ownerships (90%) than West Baghdad (85%) and East Baghdad (82%).

East Baghdad businesses, with higher average education levels of owners, practice integration of IT into their business practices at a greater rate than businesses in other areas do, as is depicted in Figure 7-7 and Figure 7-8 below.

Figure 7-7: SME Computer Utilization

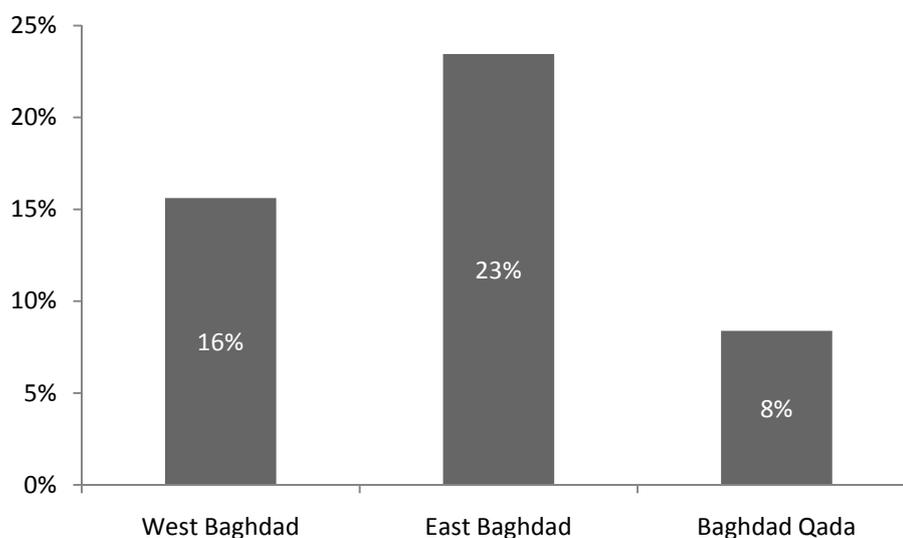
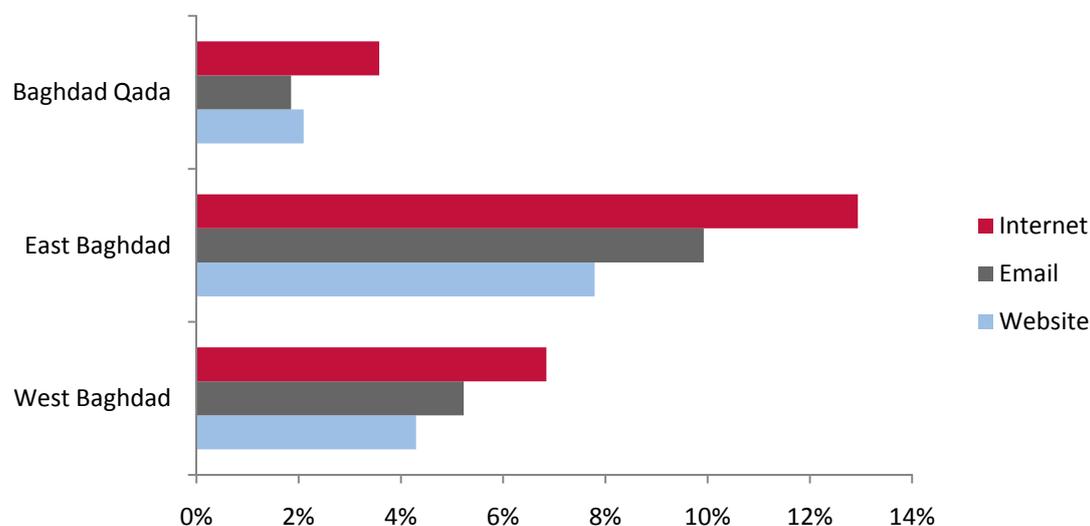


Figure 7-8: SME Modes of IT Integration



Internet and email usage as well as website ownership among East Baghdad businesses is nearly double that of west Baghdad businesses and nearly triple that of Baghdad Qada businesses.

7.2 FORMALITY / INFORMALITY

East Baghdad businesses are registered at a rate nearly twice that of Baghdad Qada businesses and nearly three times West Baghdad businesses (see Figure 7-9 below). Higher registration rates among Baghdad Qada businesses can most likely be attributed to the heavy agribusiness sample. On the whole agribusinesses have higher registration rates due to land ownership and sales restrictions. The vast difference between East Baghdad and West Baghdad business registration rates, however, is not so easily explained. It can somewhat be attributed to more restaurants and hotels in East Baghdad, as was the case in Najaf, which are subject to more heavy enforcement of regulated activities as well as government quality control.

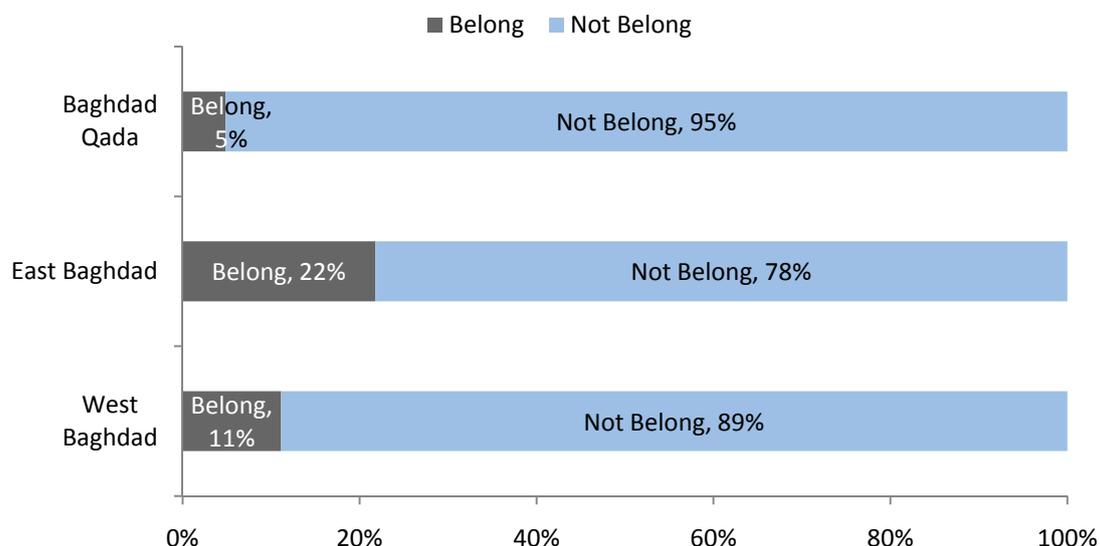
Figure 7-9: SME Government Registration



Another factor indicating formality is membership in business membership organizations. The same trend of more businesses in East Baghdad belonging to BMOs is repeated. In this case, however, East Baghdad BMO membership rates are twice as high as East Baghdad, and three times as high as the Baghdad Qada areas, as depicted below in

Figure 7-10.

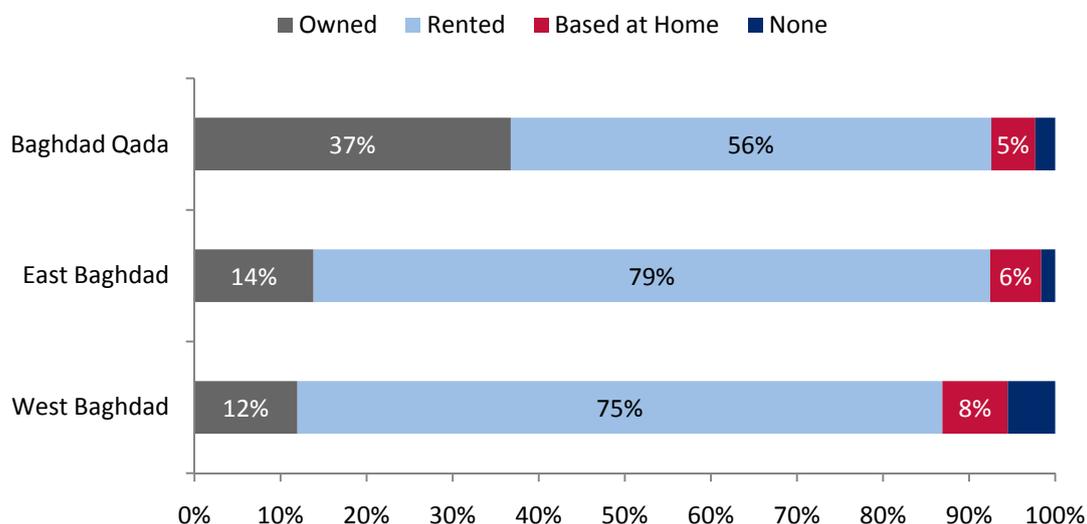
Figure 7-10: SME Membership in BMOs



With regards to business premises location, another factor indicating formality, Baghdad Qada businesses have the highest ownership rate by far, given the high number of agricultural producers surveyed, and between owned property and rented

property, all three areas are relatively even. Only in West Baghdad are businesses based at home or without business premises slightly more than the other two areas (see Figure 7-11 below).

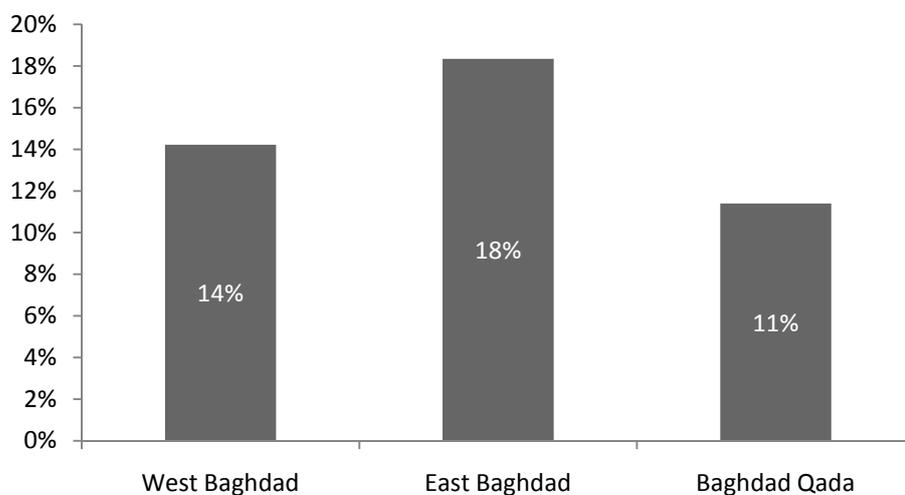
Figure 7-11: SME Business Premises Location



7.3 CUSTOMERS

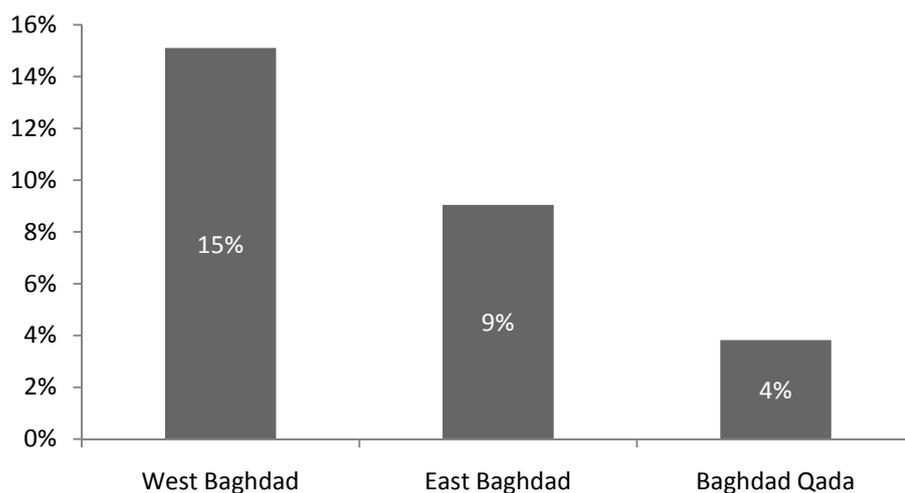
The low percentage of SMEs that reported government as the main customer in the Qada areas is surprisingly low, given that the opposite was true in places like Babil and Najaf, where government and SOEs represented a major portion of the customer base.

Figure 7-12: Percentage of SMEs with Government as Main Customer



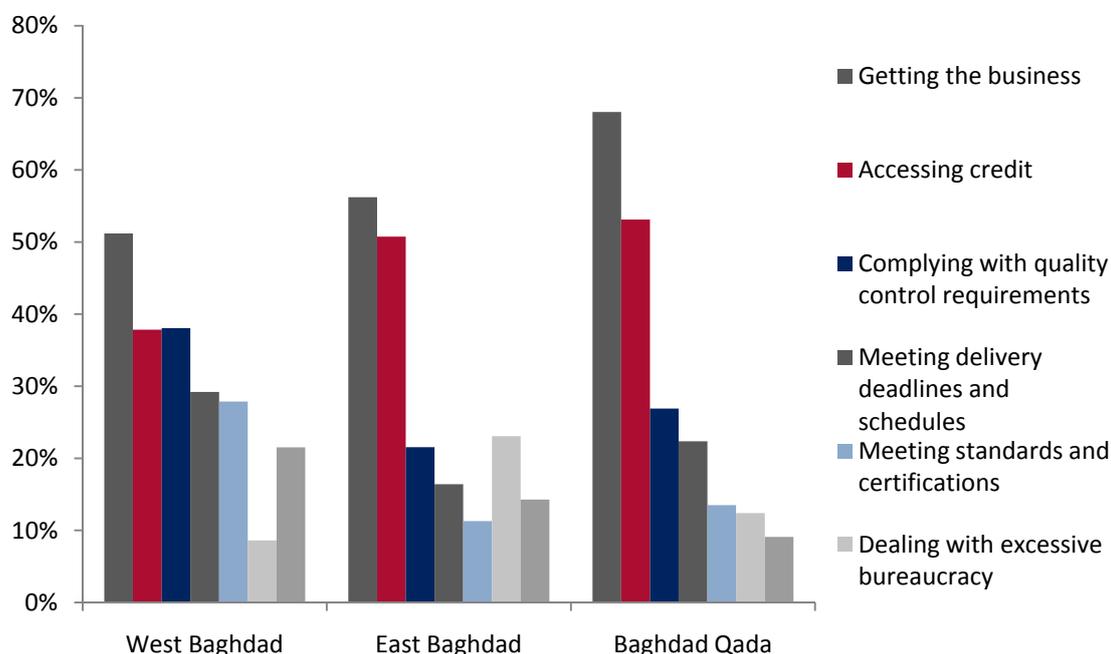
Another interesting phenomenon is that tourists are part of a higher customer base in West Baghdad, at a rate of just under twice as much as East Baghdad. However, the number of tourism-related business including hotels and restaurants in East Baghdad is nearly twice the amount of those in West Baghdad, which is the exact opposite (see Figure 7-13 below).

Figure 7-13: Percentage of SMEs with Tourists as Main Customer



A total of 8% of businesses in West Baghdad indicated that a main customer was an SOE, while the same is true for 9% of businesses in East Baghdad, and again only 4% in the Baghdad Qada areas, again, despite what has been true in other provinces in Iraq, given that a large portion of the Baghdad Qada sample is agrarian. With this in mind, Baghdad Qada area businesses reported a greater degree of difficulty in accessing credit and securing business, with regard to their SOE business activity (see Figure 7-14).

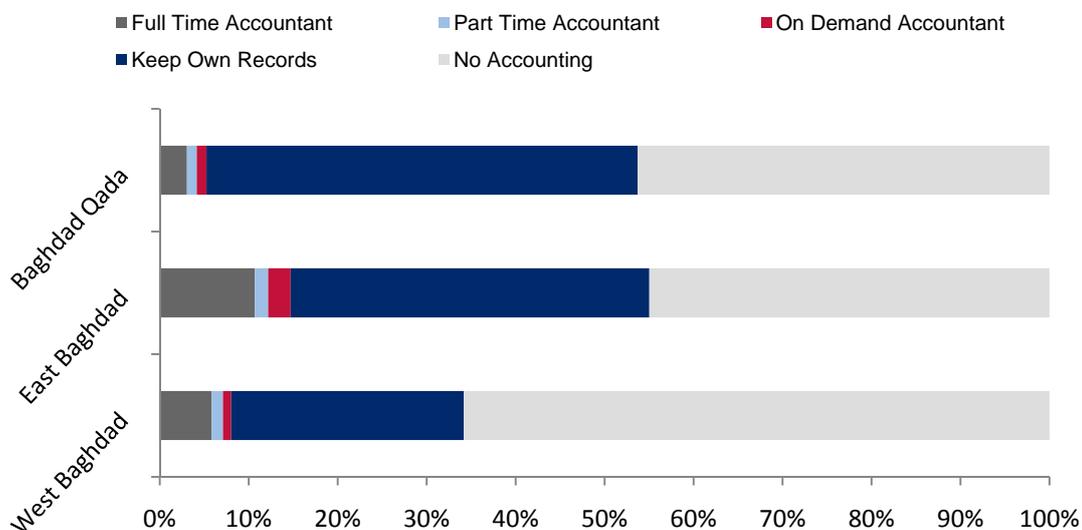
Figure 7-14: Percent of SMEs That Have Difficulties in Doing Business with SOEs



7.4 ACCOUNTING PRACTICES AND FINANCIAL PERFORMANCE

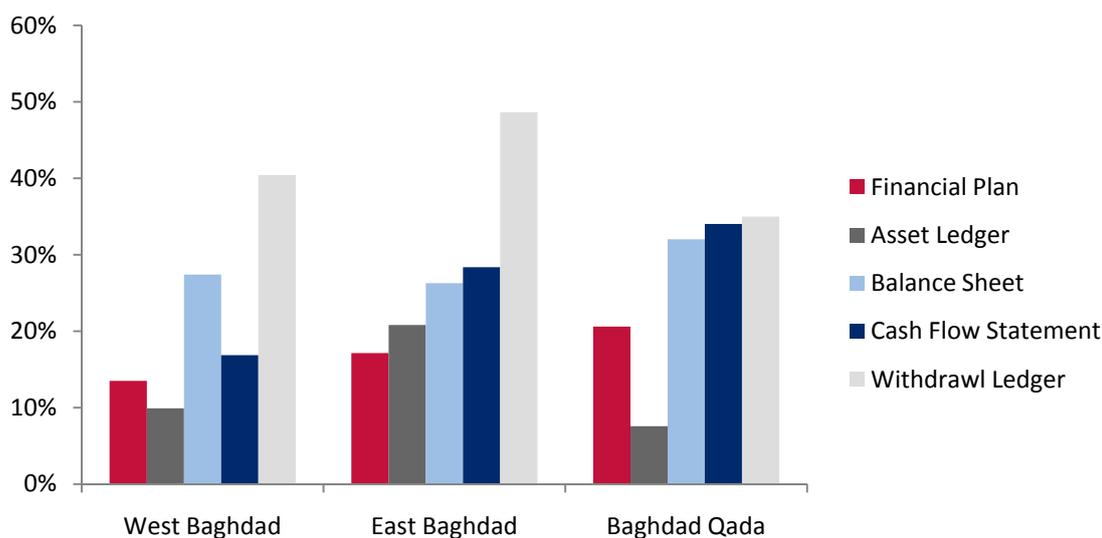
East Baghdad businesses are more sophisticated when it comes to financial practices in general. They more heavily invest resources into record keeping and accounting. A total of 16% reported having at least an on demand accountant, the majority of which have a full time accountant. Only 45% of East Baghdad businesses use no accounting services, compared to 46% in the Baghdad Qada areas, which is surprisingly higher than the 66% in West Baghdad, demonstrated in Figure 7-15 below.

Figure 7-15: SME Accounting Staff and Practices



The same trend is reflected in utilization of some accounting tools which are withdrawal (expense) and asset ledgers. Aside from this, however, and again surprising, the Baghdad Qada businesses report a higher use of other kinds of accounting tools than both East and West Baghdad businesses. Cash flow statements, balance sheets, and financial plans are used more by Baghdad Qada businesses than businesses in other areas in Baghdad. This is depicted in Figure 7-16 below.

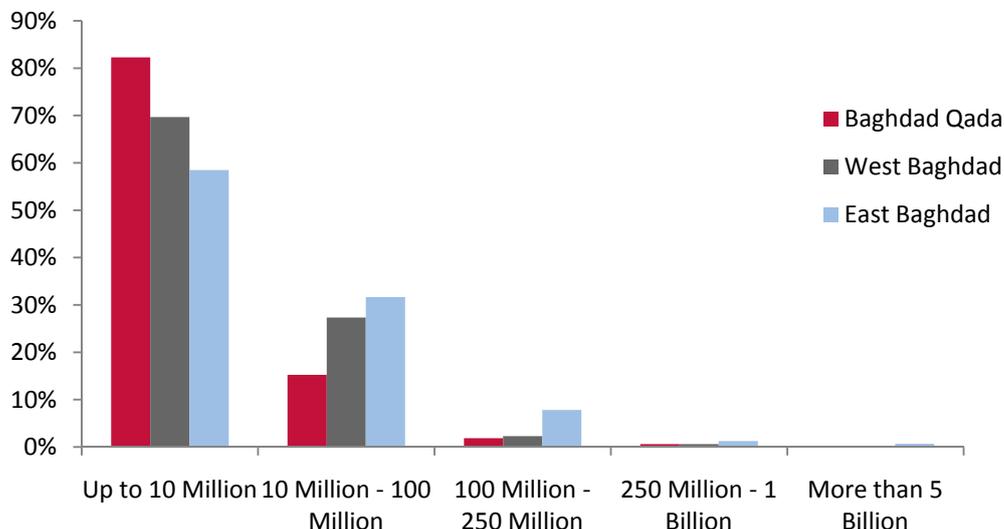
Figure 7-16: SME Use of Accounting Tools



East Baghdad SMEs with their higher sophistication in accounting practices reported higher returns than SMEs in other areas over the last two years in the 10-100 Million ID, the 100-250 Million ID and the 250 Million to 1 Billion ID ranges, which might be

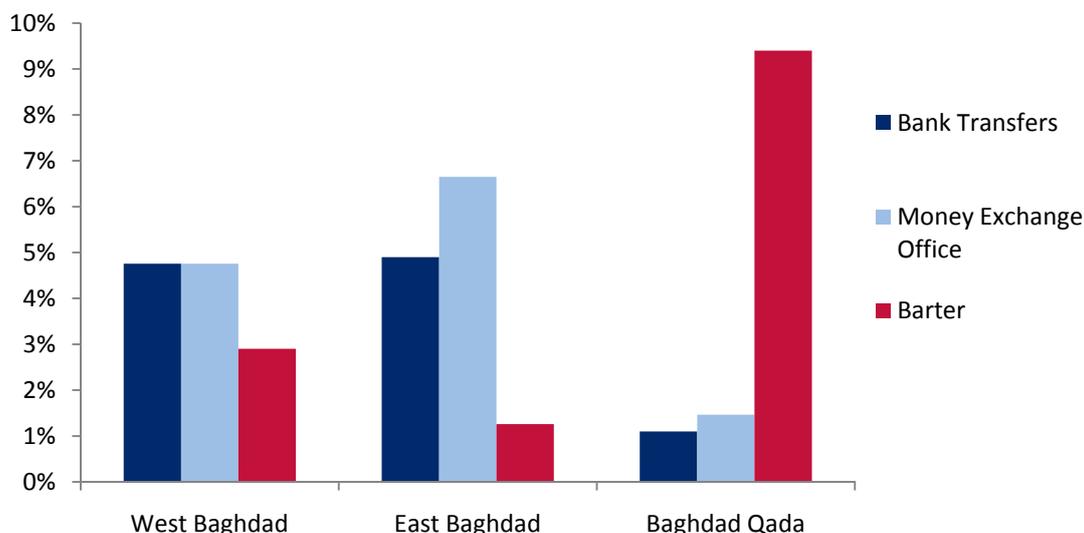
an indication that higher education, higher integration of IT and higher accounting sophistication pays off (see Figure 7-17 below).

Figure 7-17: SME Sales Returns for Last Two Years (2007)



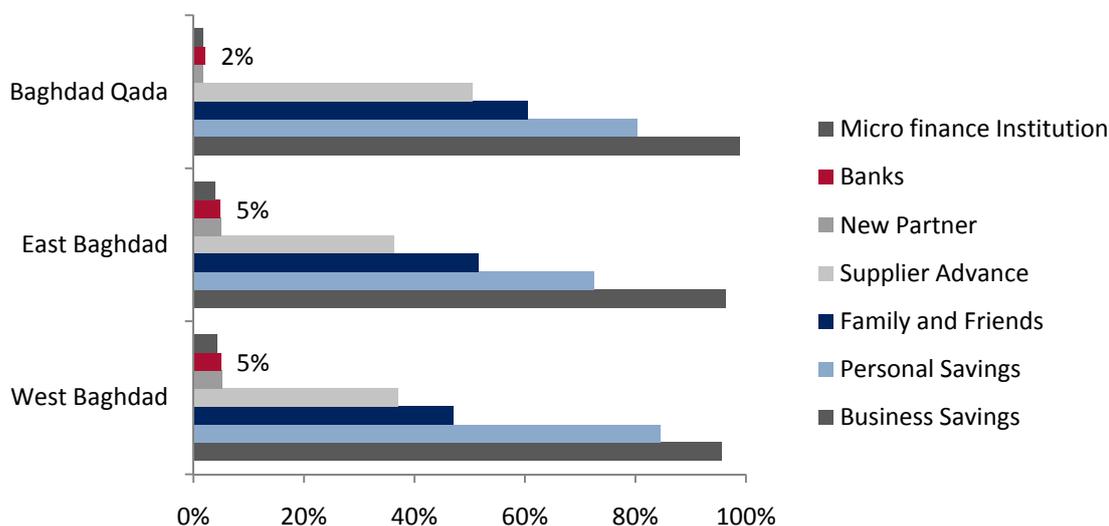
Cash is still the preferred method of making payments, with 95% of West Baghdad payments, 91% of East Baghdad payments, and 88% of Baghdad Qada area SME payments made in cash. This said, there are some interesting differences in usage of bank transfers, money exchange offices and bartering between the three Baghdad areas. Whereas bartering, for example, is almost non-existent in other Baghdad areas, almost 9% of SMEs use bartering as a method of payment in exchange for services or goods in the Baghdad Qada areas (see Figure 7-18 below). In addition, as would be expected given the somewhat remedial forms of exchange that Baghdad Qada enterprises are using, use of bank transfers and money exchange services in the Baghdad Qada areas is very low, almost non-existent. The highest rate of utilization for money exchange services among the Baghdad area SMEs were those in East Baghdad, again reflecting a more financially sophisticated SME base.

Figure 7-18: SME Methods of Making Payments (Excluding Cash)



Regarding financing, West Baghdad SMEs match East Baghdad SMEs in their rates of bank service utilization. Above 95% of SMEs in all areas in Baghdad use business savings as a form of financing. Figure 7-19 below depicts the differences in SME sources of financing between the different areas in Baghdad.

Figure 7-19: SME Sources of Business Financing



Bank utilization rates with regard to deposit accounts are the highest in East Baghdad (see Figure 7-20). Those businesses that do have business accounts in East Baghdad have more accounts on average (see Figure 7-21). Both of these factors reinforce the fact that SMEs in East Baghdad are more financially sophisticated.

Figure 7-20: SMEs With a Business Bank Account

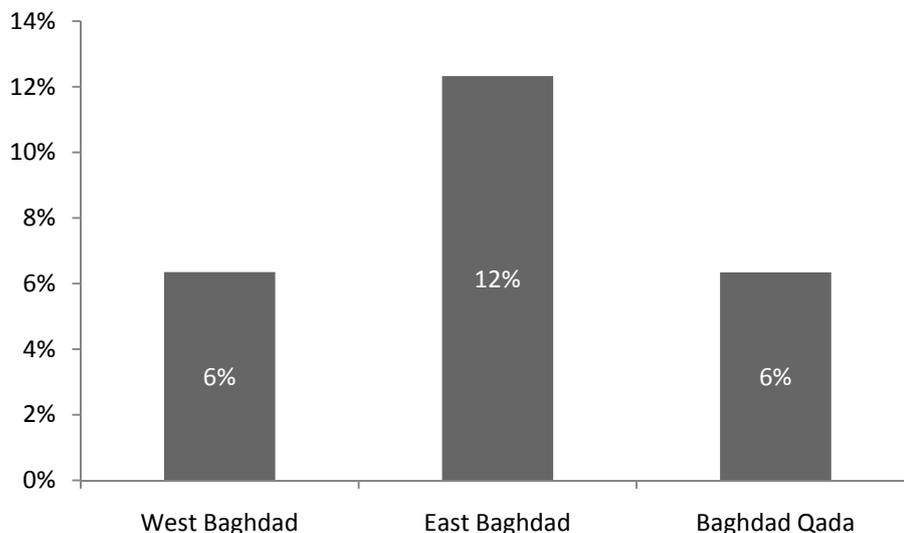
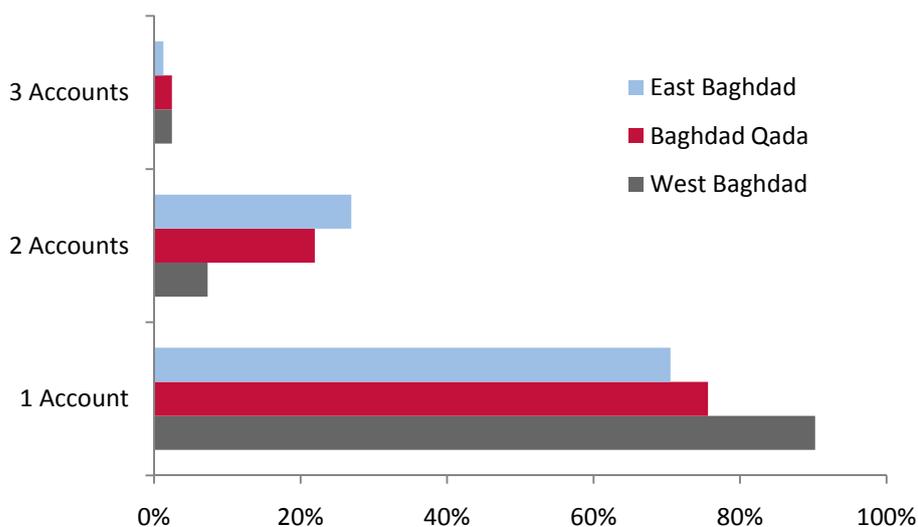


Figure 7-21: Numbers of Business Bank Accounts



SMEs in all areas use government banks more than private banks. West Baghdad businesses are the greatest proponents of government banks (see Figure 7-22 below). Among those that provided responses with regards to private banking East Baghdad indicated to the greatest degree their usage of private banks. This is worth noting given the sophistication that East Baghdad banks have shown in other areas of accounting and financial practices, lending credence to the greater effectiveness of private banks to meet the needs of a more financially sophisticated market (see Figure 7-23 below).

Figure 7-22: SMEs with Government Bank Accounts

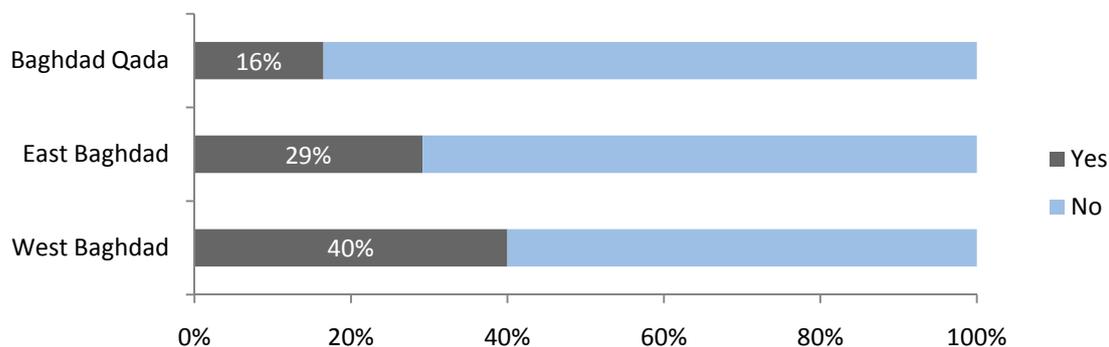


Figure 7-23: SMEs with Private Bank Accounts



Across the board in all areas, between 1% and 3% of SMEs indicated they have had loans from a bank or MFI. Demand for long term financing, however, as is always the case, is much, much higher than actual utilization rates, by almost 90%. Interesting to note is East Baghdad SME slightly higher demand for long term financing, and Baghdad Qada areas slightly higher demand for project financing (usually more short-term in nature). This is depicted in Figure 7-24 below. Baghdad Qada businesses are also looking for slightly less the amount in financing, the highest concentration of need at under \$10,000 in value, whereas the highest concentration of need for East and West Baghdad SMEs is in the \$10,000 - \$20,000 range (see Figure 7-25 below).

Figure 7-24: SME Demand for Value-Added Banking Services

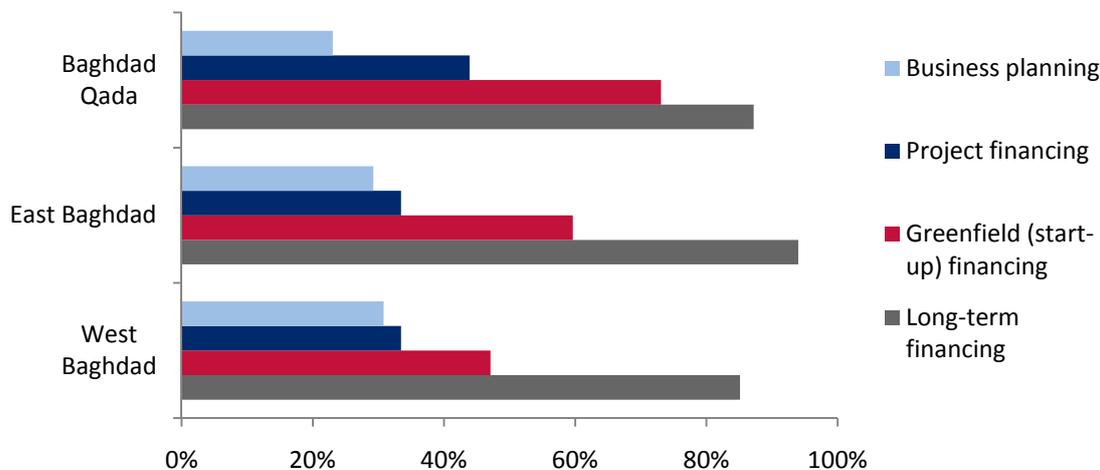
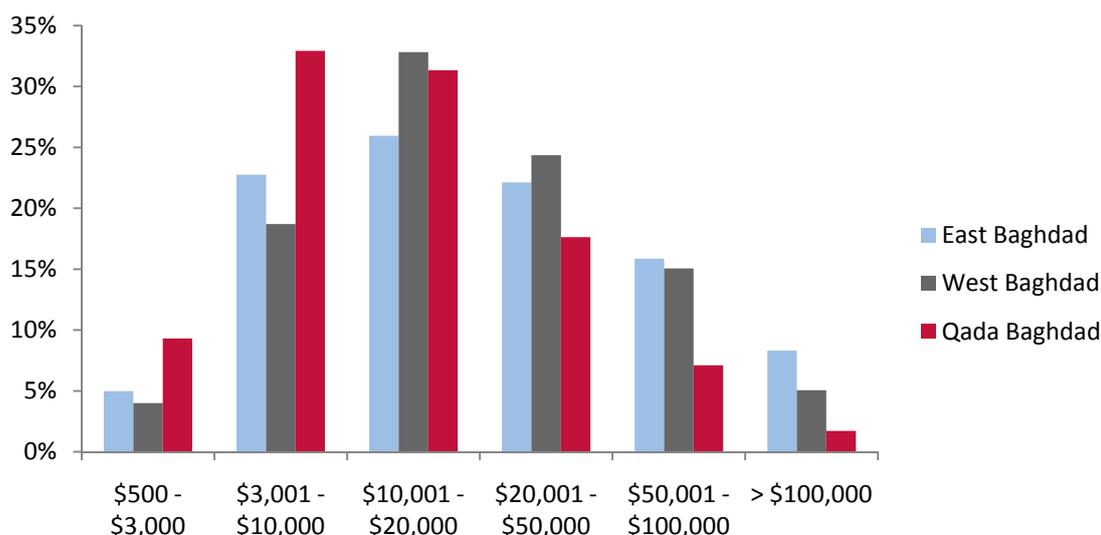


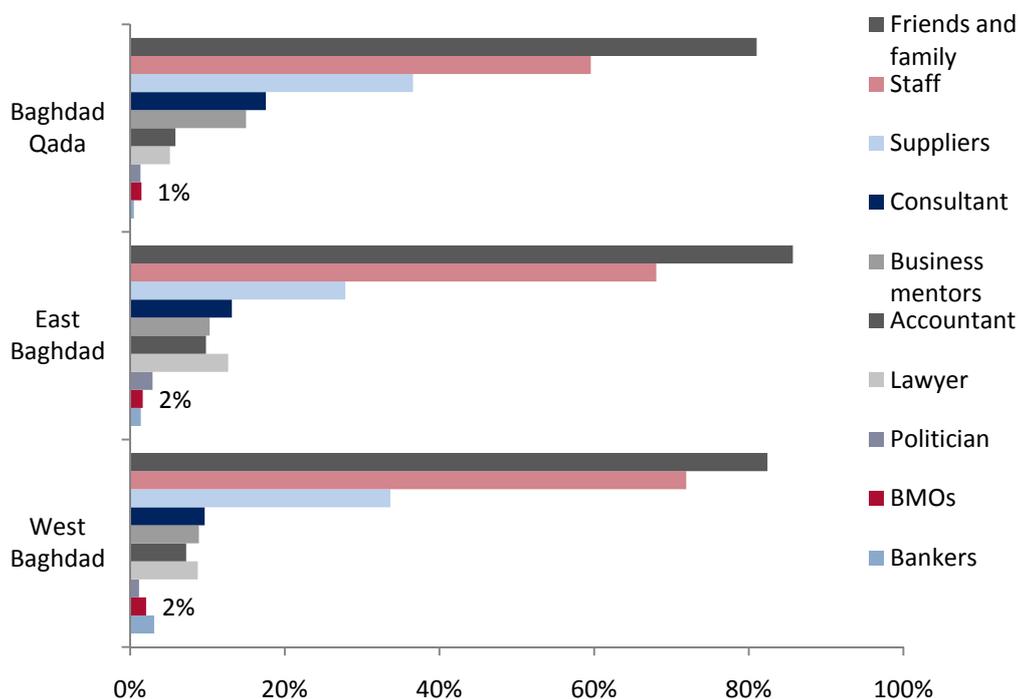
Figure 7-25: SME Financing Needs (in \$US Equivalent)



7.5 BMOS AND EMPLOYMENT AGENCIES

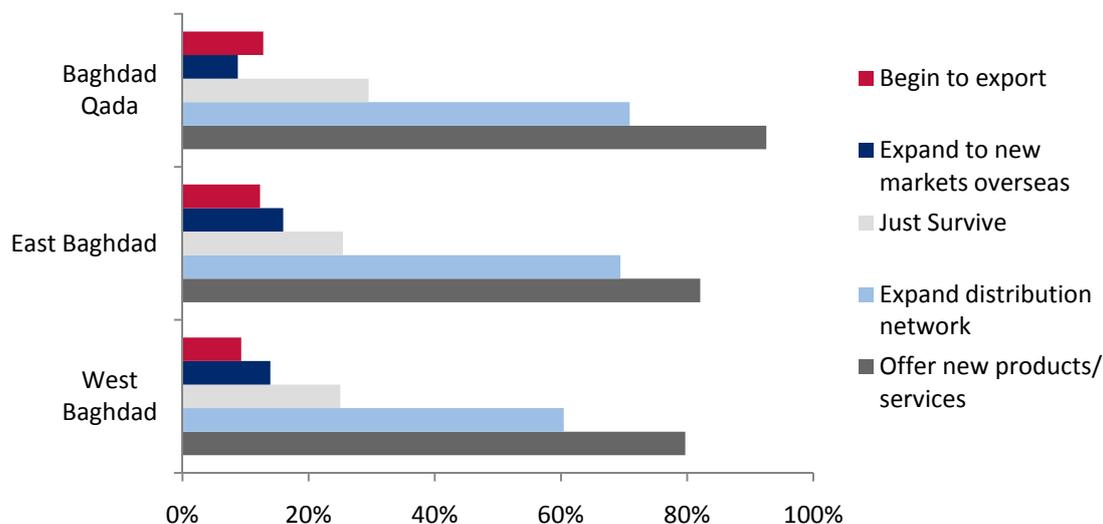
The rate at which Baghdad SMEs seek out advice from BMOs is almost non-existent across the board. As is common, all rely heavily on friends and family, staff, and suppliers (see Figure 7-26). East Baghdad businesses use accountants and lawyers at a rate that is higher than SMEs in West Baghdad and the Baghdad Qada areas.

Figure 7-26: Seeking Advice – Sources of SME Advising



Over 80% of businesses in all three Baghdad areas are planning to offer new services or products in the coming year as a strategy to increase business - over 90% of SMEs in the Baghdad Qada areas. A total of 16% of businesses in East Baghdad are interested in expanding into overseas markets and 12% interested in exporting. A total of 12% of Baghdad Qada businesses are also interested in exporting, a phenomenon common in Iraq amongst agribusinesses, a high concentration of which is found in the Baghdad Qada areas. Variances are depicted below in Figure 7-27.

Figure 7-27: SME Business Strategies for Next Year



As depicted above, the highest registration rates in BMOs are found among East Baghdad SMEs at 22% (see Figure 7-28). Somewhat strangely, the lowest rates of perceived benefit from BMOs is found among East Baghdad SMEs (see Figure 7-29). This phenomenon has been witnessed in numerous other locations throughout Iraq as well, where registration rates are the highest, and perceived benefit is the lowest. This is indicating perhaps that expectations of businesses for what BMOs should provide are higher than what they actually can provide. It could also be an indicator of general disappointment in organizations and their provision of services in Iraq, as the businesses becomes more sophisticated and in need of the services that a BMO should provide, they are simply unable to fill that gap.

Figure 7-28: SME Membership in BMOs

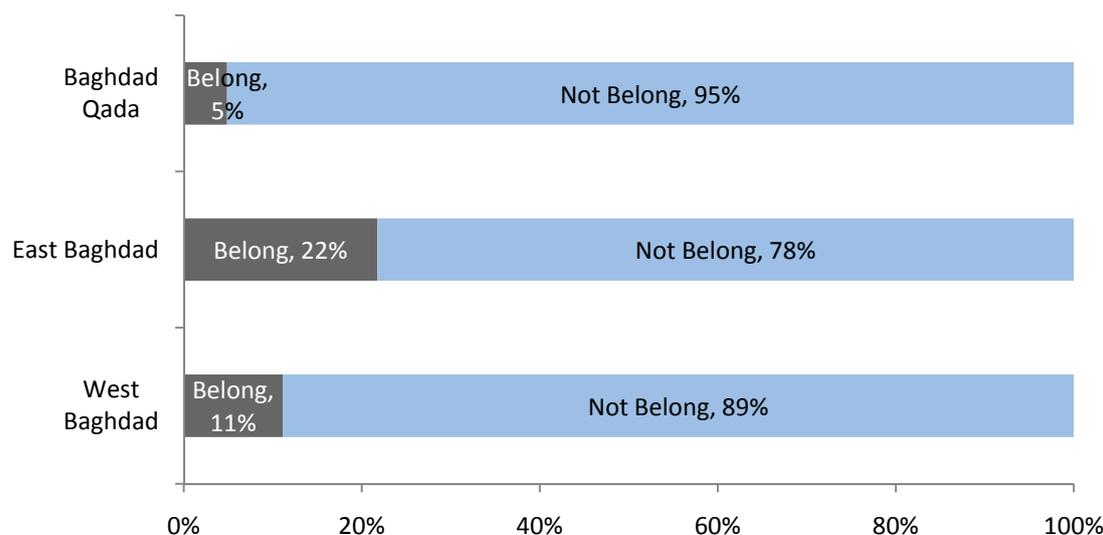
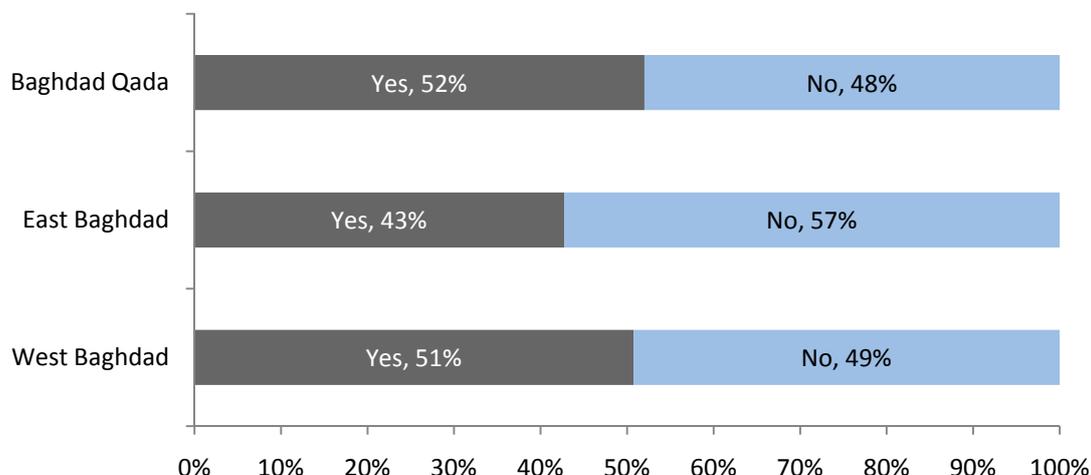


Figure 7-29: SME Perceived Benefit from Membership in BMOs



BMOs are not at all aggressive in their approach to marketing their services or selling themselves to potential members. Only 0.7% of SMEs in West Baghdad have ever been approached or contacted by BMOs, only 2% in East Baghdad, and only 0.5% in the Baghdad Qada areas. SMEs are interested in services that BMOs could provide. In the Baghdad Qada areas, they are particularly interested in information for start-ups and assistance with loan applications. In East Baghdad, they are also interested in information on start-ups, but also on Iraqi law, as well as banking and credit financing. In West Baghdad there is a heavier and unique desire for advertising and employment services. These variances are depicted below in Figure 7-30 and Figure 7-31.

Figure 7-30: Useful Services for BMOs to Provide – Information Services

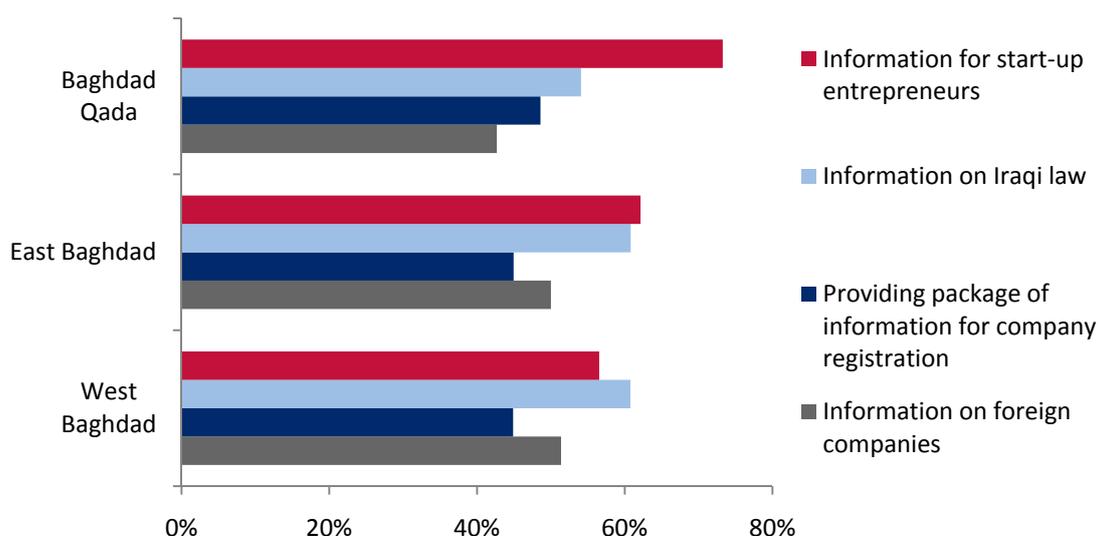
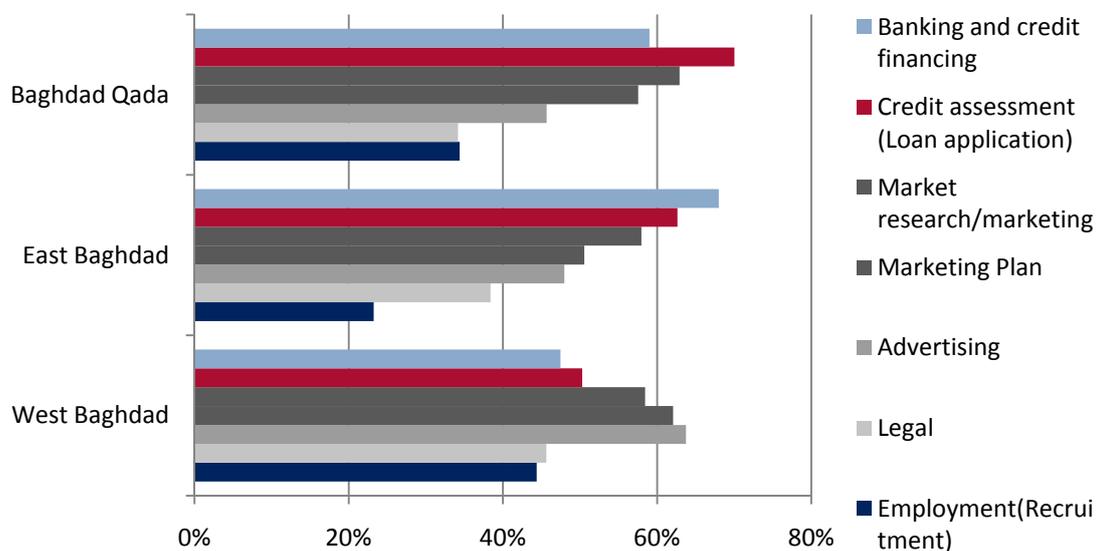


Figure 7-31: Useful Services for BMOs to Provide – Consulting and Training Services



With particular regard to employment agency services, West Baghdad businesses believe with greater confidence that these kinds of services are useful (see Figure 7-32). Most, furthermore, are willing to pay for these services (see Figure 7-33).

Figure 7-32: Employment Agency Provides Useful Services to SMEs

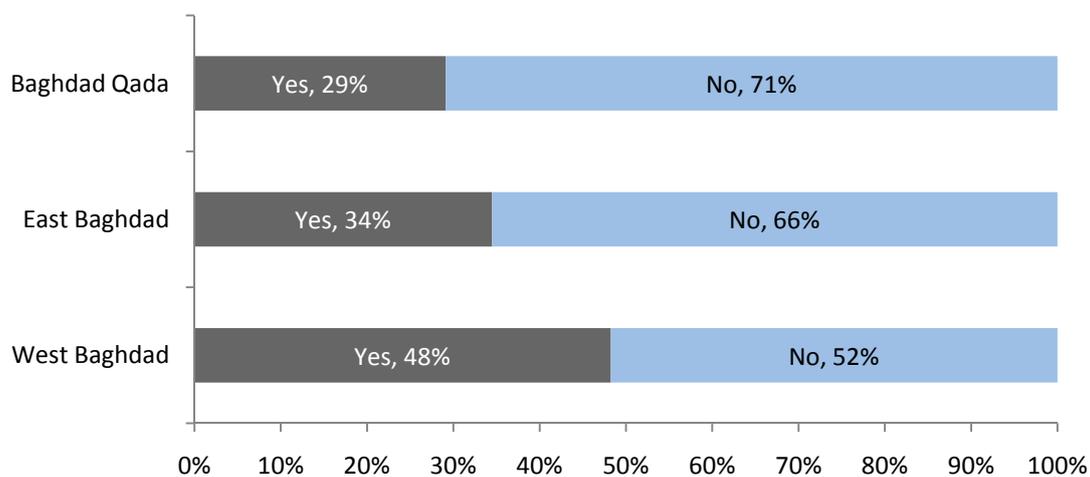
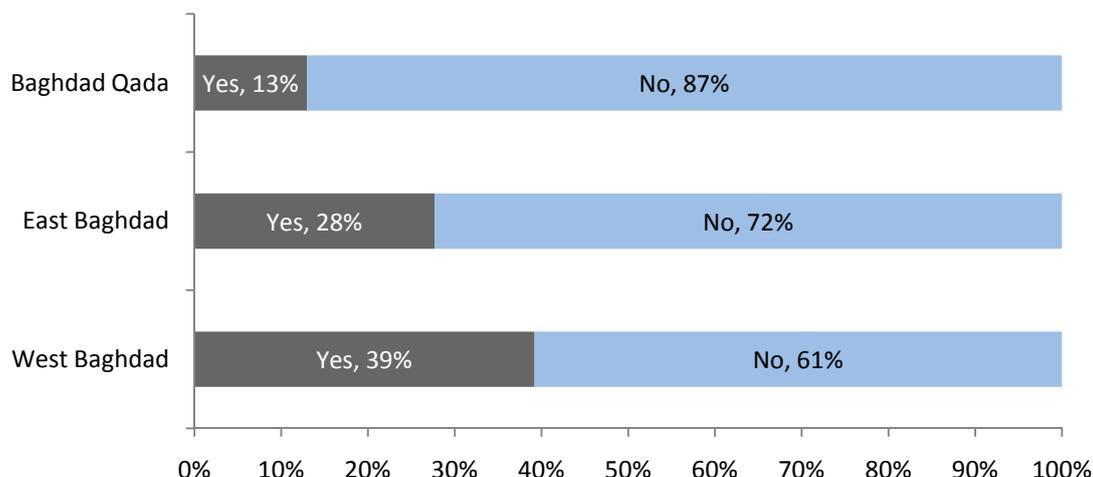


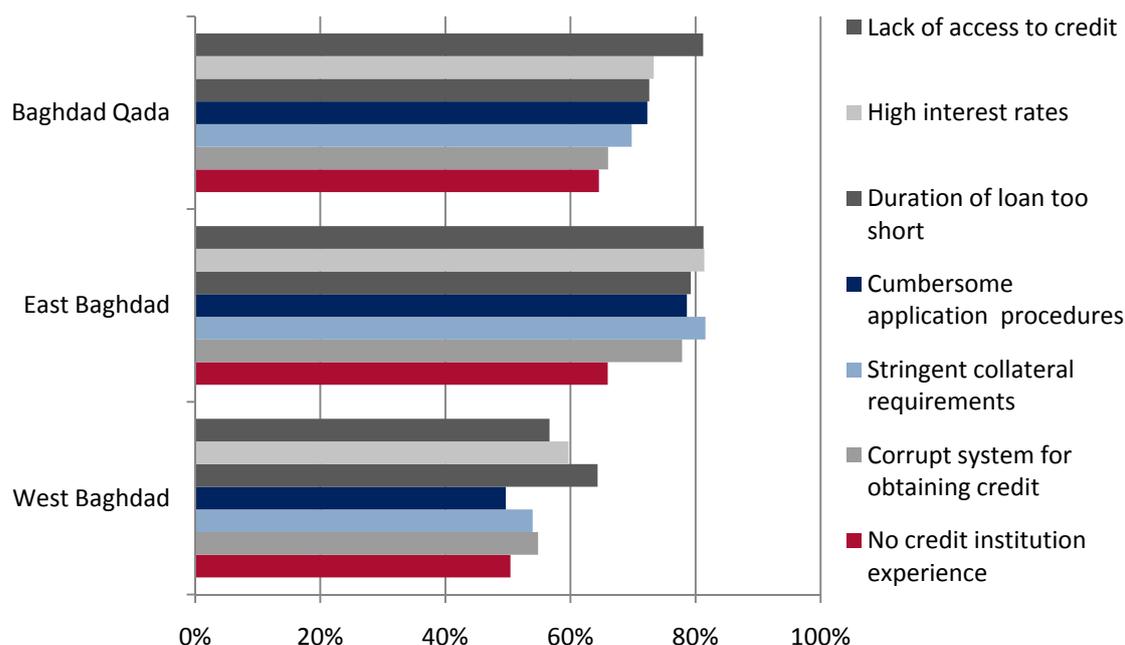
Figure 7-33: SMEs Willing to Pay for Employment Services



7.6 SME CONSTRAINTS

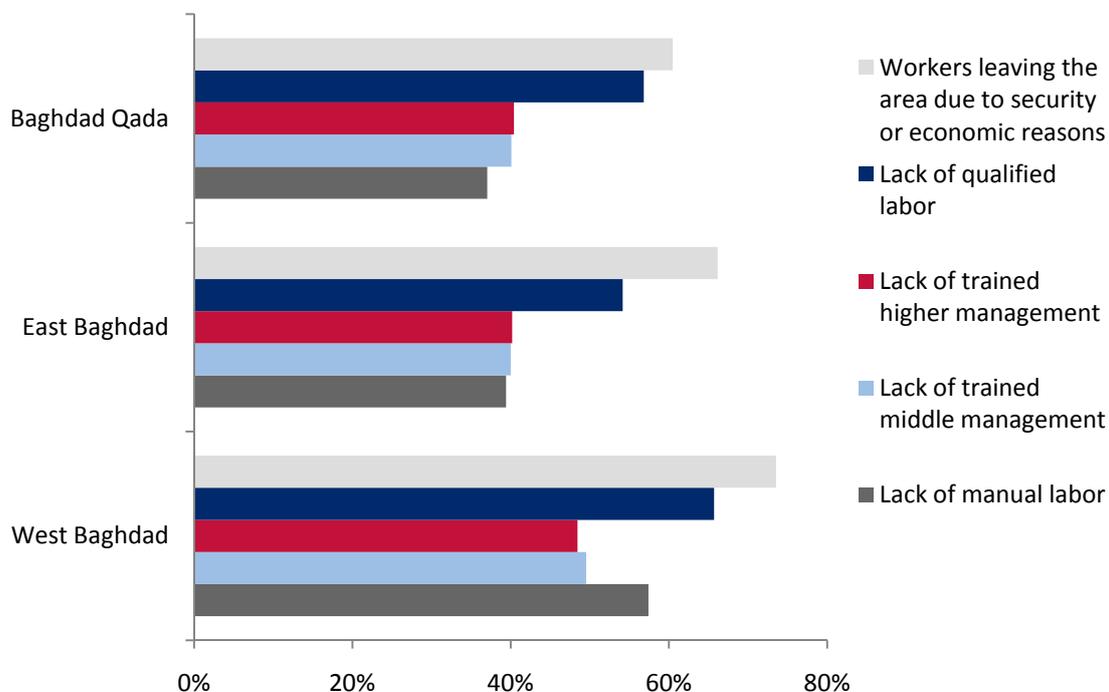
East Baghdad’s SME community, with its greater financial sophistication, also reports more severe levels of constraints in financial areas. The greatest constraints are access to credit, high interest rates, and stringent collateral requirements. East Baghdad SMEs are significantly more constrained in financial areas than West Baghdad SMEs, and slightly more than Baghdad Qada SMEs. This is depicted in Figure 7-34 below.

Figure 7-34: Percent of SMEs Affected by Financial Constraints



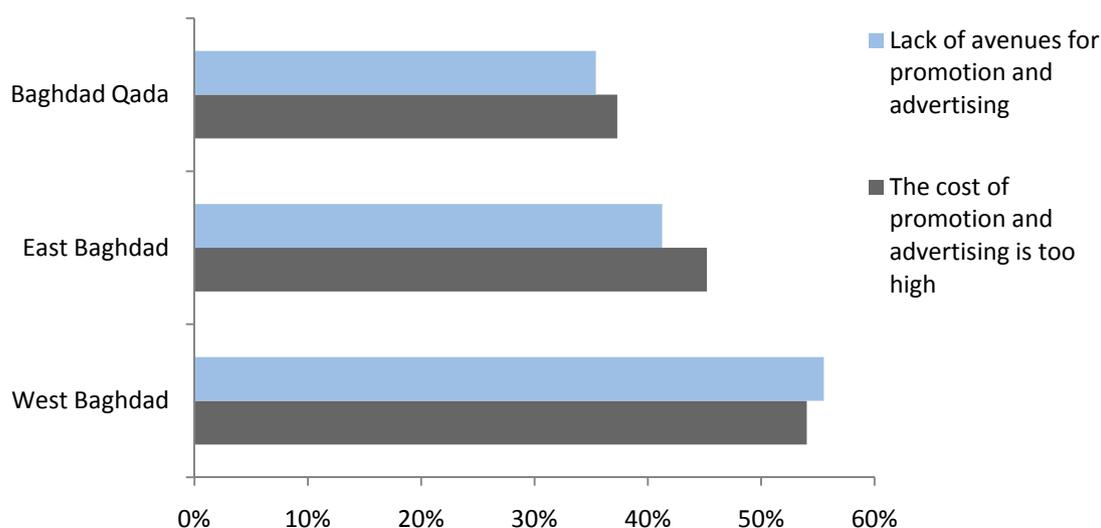
West Baghdad is more affected by labor constraints, as was somewhat deducible from West Baghdad SMEs greater demand for employment services. In all areas, they are more affected when it comes to labor constraints (see Figure 7-35).

Figure 7-35: Percent of SMEs Affected by Labor Constraints



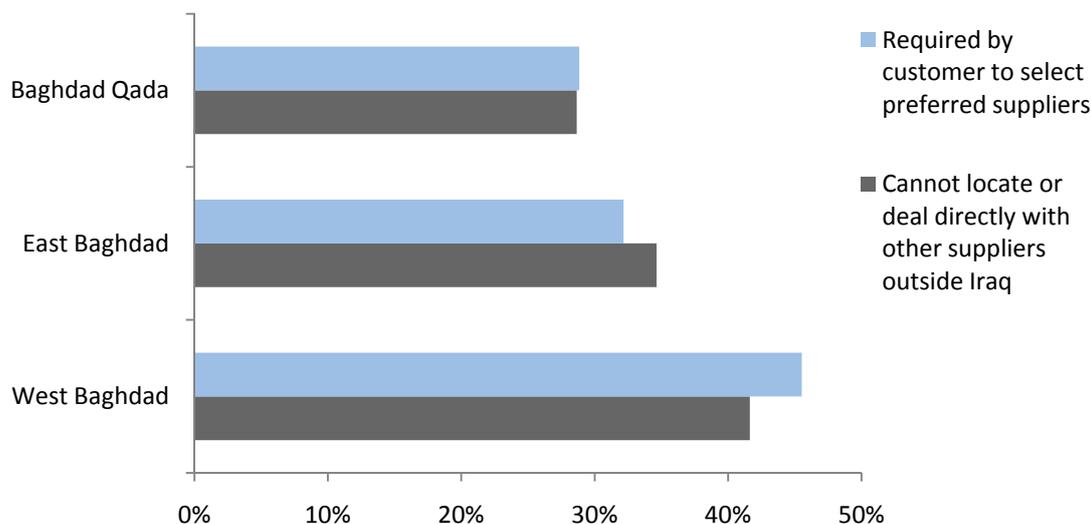
West Baghdad SMEs are more affected by marketing constraints related to promotion and advertising than SMEs in other areas, as depicted in Figure 7-36.

Figure 7-36: Percent of SMEs Affected by Marketing Constraints



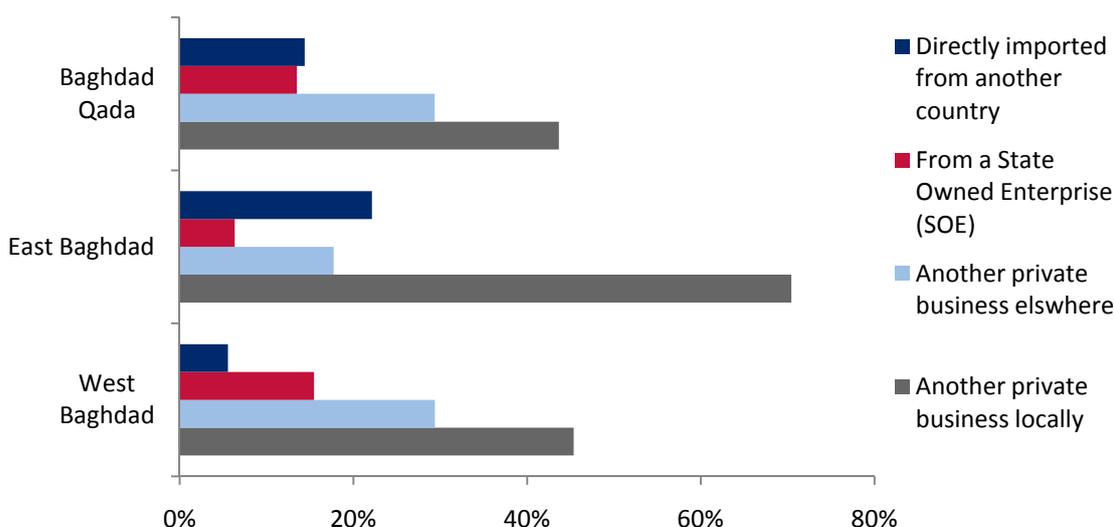
West Baghdad SMEs are also more affected by certain supply issues than SMEs in other areas, depicted below in Figure 7-37.

Figure 7-37: Percent of SMEs Affected by Supply Constraints



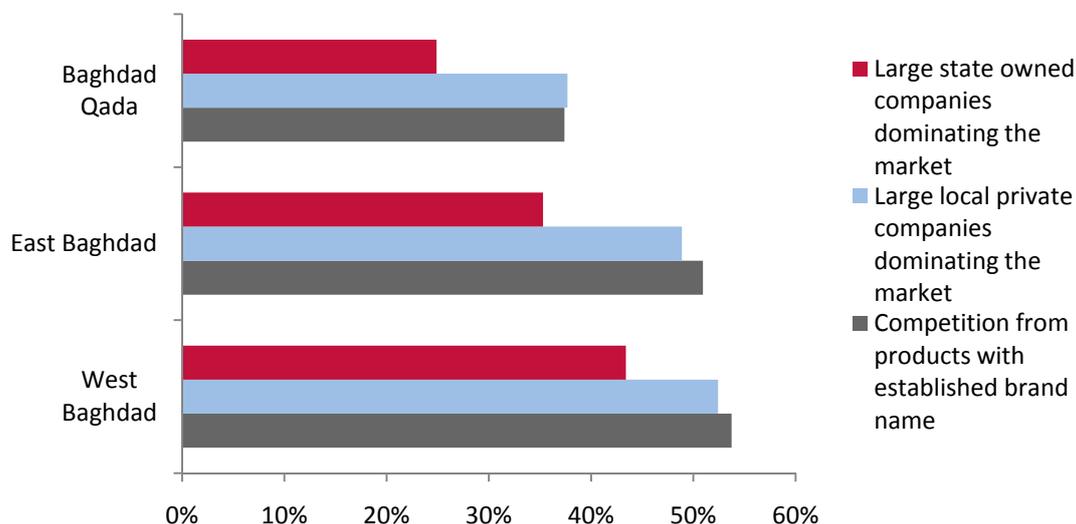
A total of 11% of West Baghdad SMEs indicated they were not free to choose their suppliers, 8% of East Baghdad SMEs said the same, as did 4% of Baghdad Qada SMEs. This is consistent with the data provided in Figure 7-37. West Baghdad is relying the least on importing supplies, and mostly on local businesses and other private businesses elsewhere. West Baghdad SME concerns about not being able to deal with suppliers outside of Iraq are reflected in their having the lowest rate of sourcing for imported supplies. This is reflected in Figure 7-38 below. There is a demand for services that will help West Baghdad businesses reach out to foreign suppliers.

Figure 7-38: SME Sources for Supplies



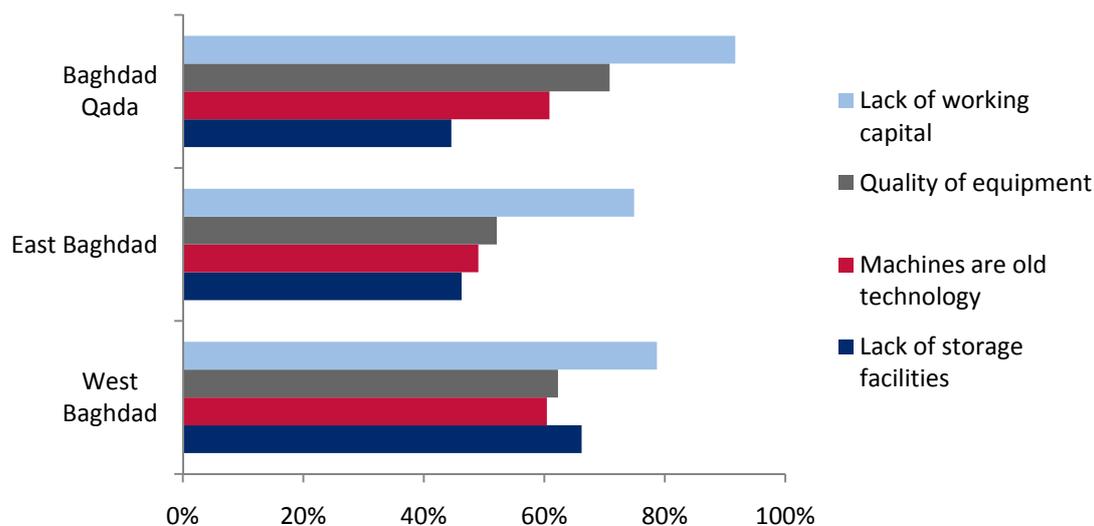
West Baghdad businesses are also most heavily constrained by competition constraints, variances mostly having to do with established brand name and other large well-known companies in the market as depicted in Figure 7-39 below.

Figure 7-39: Percent of SMEs Affected by Competition Constraints



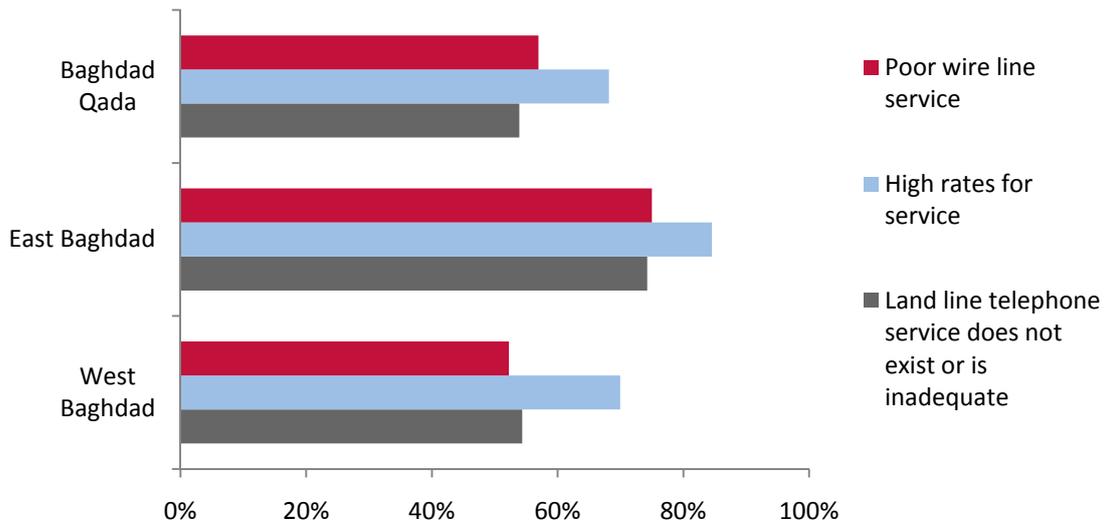
Most affected by operational constraints are Baghdad Qada area businesses, particularly in the areas of lack of capital and quality of equipment. These businesses face these kinds of constraints to a greater degree than business in other areas in Baghdad. These are typical constraints that are faced by a more agrarian business community. The variances are demonstrated in Figure 7-40 below.

Figure 7-40: Percent of SMEs Affected by Operational Constraints



Baghdad SMEs are all heavily affected by security and electricity issues. Unique variances were found in communications issues, especially in land-line telephone use. It is apparent that East Baghdad businesses, perhaps because they are more established and had been so to a greater degree before the fall of the previous regime, all have more severe issues with poor land-line service. This is depicted in Figure 7-41 below.

Figure 7-41: Percent of SMEs Affected by Infrastructure Constraints – Wire Telephone



8. BEE AND FIRM LEVEL OPPORTUNITIES

8.1 ENABLING ENVIRONMENT

8.1.1 Regulatory Reform

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

Improving regulations that impact SMEs and the business community in general should be prioritized at central, provincial, 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).

8.1.2 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.

8.2 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 Baghdad 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 the seasonal aspects of agriculture, and to address supply chain issues for SOEs for manufacturing and trade;

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

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

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

Although male and female business owners largely face many of the same SME issues in Iraq, the study highlights that women may face more restricted access to finance, information, and business development services. 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 other regional countries. They can be a potentially economic disruptive force in a good or bad way, depending on how sectoral forces address their issues.

8.3 FIRM-LEVEL

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

- **Diversification of agricultural products** to take advantage of natural climate and water flow changes. In addition education by ministries on how to make the best use of new products, and for product lines.
- **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.

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

	<ul style="list-style-type: none"> • Translation/ interpretation • Events management • Meeting services • Recruitment services 	<ul style="list-style-type: none"> • Mid-Range • High • Mid-Range • High 	
Information Services	<ul style="list-style-type: none"> • Internet services • Legal templates • Business library • Decision support unit (market studies, enquires, etc.) 	<ul style="list-style-type: none"> • High • Low • Low • High 	Low
Public Advocacy	<ul style="list-style-type: none"> • Public-Private dialogue forum • Monitoring policy implementation • Industrial associations/ NGO collaboration • Donor coordination 	<ul style="list-style-type: none"> • Low • High • High • High 	Low

9. APPENDIX 1: FOCUS GROUP SUMMARY REPORTS

9.1 WEST BAGHDAD FOCUS GROUP REPORT #1

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Industrial **Date:** 29/8/2009

Table 9-1: Focus Group #1 Participants

Serial	Name
1	H.H.
2	B.H.
3	H.A.
4	A.A.
5	L.J.
6	S.A.
7	A.S.
8	S.H.
9	I.J.
10	K.A.

9.1.1 Business Enabling Environment Constraints

- There is no government support for the furniture and wood industry, and commercial banks have stopped granting loans to the owners of these companies.
- There is no quality control for imported raw materials such as paint and wood.
- There is widespread administrative corruption in the offices responsible for granting licenses, such as the Federation of Iraqi Industries, commercial banks and industrial development directorates, and licenses are not issued without resorting to bribery or special connections.
- It is difficult to transport furniture within Baghdad and between the provinces because of the heightened security measures.
- There are no custom fees for imported furniture, which is therefore cheaper and creates strong competition for domestically made furniture.

- Alcohol used by wood painters, which must be imported from Iran because Iraqi factories have shut down, is of poor quality.
- Unpredictable laws regarding custom tariffs on imported raw materials adversely affect the prices of these materials, resulting in lower revenues.
- The security situation in Baghdad forces owners of furniture factories to close early or for days at a time, leading to tremendous losses.
- Laws relevant to this sector are not clear, and other laws that were favorable to factories owners, such as the one that stipulates "eviction of factory owners will not be possible except with the approval of the I bank and the industrial development office," have been repealed.
- The sectarian strife has had a negative effect on the production and marketing of goods, with many factories forced to shut down as a result.
- The fluctuating currency rate adversely affects both the consumer and the merchant.
- The raw materials and their prices are controlled by the merchant, and there is no regulation of these merchants.

9.2 WEST BAGHDAD FOCUS GROUP REPORT #2

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Communications **Date:** 30/8/2009

Table 9-2: Focus Group #2 Participants

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

9.2.1 Business Enabling Environment Constraints

- Tight security measures make access to mobile shops more difficult, discouraging clients from doing business; this has led to losses of 50 – 60%.
- There is a shortage of financing and loans from government banks (such as Rafidain Bank), coupled with high interest rates upwards of 14%. In order to get a loan, guarantees are required, such as property or a plot of land. Moreover, only 5-7% of phone company owners use these loans because bribes or special connections are required. On the other hand, simplified low-interest loans can improve business proficiency by 50-60%.
- The government offices have no quality control over imported mobile phones, especially the Chinese brands. These phones are poorly made, not under warranty, carrying a fake trade mark and fake warranty card and the batteries and/or charges frequently don't work.
- Some companies who distribute cell phone cards, such as Zain, require agents to buy expensive phones together with the cards.
- The security situation greatly affects this sector, with shops closing for months at a time.

- Customs tariff on imported Chinese mobile phones are low, making their prices competitive with higher quality merchandise.
- Robbery is a problem for some mobile phone retail shops.
- The poor security situation in some areas causes losses to some shop owners of up to 50%, especially when the blast is nearby.
- The low standard of living in Iraq means that most people need to buy phones on installment and not pay the full price up front, which results in decreased profits for shop owners.
- The lack of a clear role for the Ministry of Communication in this sector is manifested by the absence of regulations and the business owners' vulnerability to fraud and deception.

9.2.2 Firm-Level Constraints

- High transportation costs within Baghdad forces many business owners to shop for needed supplies in their neighborhoods, even though these stores are more expensive than goods from a wholesale market. The prices of mobile phone charge cards are also affected by these high costs.
- Shop rents are high and are frequently raised by landlords, yet there are no regulations or laws to protect the renters.
- Mobile phone stores are not protected against fire, theft or accidents.
- Network services provided by Itisaluna or Umnia for cell phones and internet are very poor.
- Electricity is limited, so store owners depend on electric generators powered by gas or benzene, which adds an extra cost to doing business.
- The government agency doesn't offer training courses for people who work in repairing mobile phones or computers, so those businesses are dependent on workshops given by the private sector which are costly and inadequate.

9.3 WEST BAGHDAD FOCUS GROUP REPORT #3

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Industrial – Metal Workers **Date:** 31/8/2009

Table 9-3: Focus Group #3 Participants

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

9.3.1 Business Enabling Environment Constraints

- There is no quality control for imported iron, especially the brands imported from Syria, Jordan, Iran and China which do not conform to standards. This means that some industrialists (iron mongers) must import iron from countries such as Germany, Italy and France.
- There is no financing available from government offices in charge of this sector (i.e., Federation of Iraqi Industries, Industrials Development Office).
- In addition, banks grant only a limited number of loans to iron mongers and factory owners, ranging from \$12,000-\$16,000 USD paid on installments over three years. The monthly payments for these loans are too high for the businesses to afford them, so only 10% of these business owners are able to take advantage of them.
- The Baghdad municipality required blacksmiths to pay rent for the years 2003 - 2007. However, it was during this the period that business grounded to a halt because of the poor security situation.

- Some state institutions such as Baghdad's Ministry of Education engage unprofessional contractors to do their iron work, rather than those who follow industry standards; this is a result of widespread bribery and corruption.
- Some state offices do not pay the blacksmiths and iron factory owners for work they have done under pretext of the budget deficit; in addition, lengthy and complex administrative procedures make it even more difficult to work for state offices.
- Transporting raw and manufactured iron from one province to another is complicated, as it is sometimes necessary to pay bribes at the checkpoints to facilitate transport.
- The security situation has devastated many businesses, with stores being forced to closed, owners being kidnapped and some even accused of supporting terrorism.
- Imported Chinese products which are cheap and poor quality compete with products produced by local blacksmiths and industrialists, whose quality is good but expensive due to the high prices of raw materials.

9.3.2 Firm-Level Constraints

- There are no institutions to train specialists in iron working,
- Using old machinery and tools results in less business and less income.
- The shortage of electricity greatly affects businesses in the industrial sector, as they are dependent on gas generators and must pass the fuel costs on to the client.
- There is no media outlet to publicize local products.
- There is no social security available for workers in this industry.
- The poor economy means that fewer people will use the services of blacksmiths and other industrialists.

9.3.3 Suggestions for Legal reform

- Enable Iraqi factories to manufacture certain parts used by trucks.
- Enable Iraqi factories to manufacture gas-powered generators with a KIA engine.
- Enable Iraqi factories to manufacture car bodies that can be sold for \$20,000 USD domestically, instead of importing them for \$50,000 US.

9.4 WEST BAGHDAD FOCUS GROUP REPORT #4

Province: West Baghdad **Moderator:** Muhammed Shohaieb
Sector: Industrial **Date:** 1/9/2009

Table 9-4: Focus Group #4 Participants

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

9.4.1 Business Enabling Environment Constraints

- High cost of transport and blocked streets with traffic jams due to the security situation
- No third party oversight and quality control.
- Security affects working hours, with less working hours and the inability of citizens to go to the market because of the bad security situation. In addition, there are cases of theft that occur due to lack of security in the street.
- The lack of sufficient electric power has a negative effect on work, as all work is linked to power directly to run all operated devices including lighting, computers and photocopiers.
- Lack of manpower because workers are leaving the work in the workshop or the factory to go to work in government jobs.
- Non-transport vehicles can only enter after four o'clock in the afternoon because of the recent security situation
- Fuel for generators and vehicles not readily available.
- Weakness in the mobile phone network, which effects negatively on work.

- The presence of corruption, even among those who are supposed to protect (police, local security, etc.)
- Customers cannot access services easily - cars are prohibited by security authorities to park in front of the store.
- Customers are mostly looking for cheap material, not necessarily interested in the quality of the product.
- Shop owners cannot take advantage of loans because of the controls and mechanisms which are used in Iraqi banks, including:
 - Requirement for guarantors
 - High interest rates
 - The presence of corruption within the banking institution
- Obtaining a license is complex and not useful as it leads to additional expenditures imposed upon the business.
- High price of rent is causing a major obstacle, and the laws are biased against the renter

9.4.2 Firm-Level Constraints

- Lack of the training for workers
- Lack of technology - the industrial machinery specifications are outdated
- Lack of work, forcing employers to lay off a number of workers
- Lack of financial liquidity, which impacts upon the development of the project, not keeping pace with development in business
- Lack of capital
- Inability of consumers to go to certain areas and fear of the shop owner
- Lack of access to modern, higher level technology - obtaining such devices is very expensive
- There is a monopoly on some devices necessary to the work
- No sufficient cash flow to expand and develop projects leading store owners to trade in poor-quality goods
- No options are available in terms of suppliers
- Lack of training institutes
- Lack of staff in the development of the middle-level professionals
- Low liquidity and lack of support and funding
- Weak advertising support for industrial firms and product distribution

9.5 WEST BAGHDAD FOCUS GROUP REPORT #5

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Tourism **Date:** 2/9/2009

Table 9-5: Focus Group #5 Participants

Serial	Name
1	B.M.
2	M.S.
3	M.R.
4	Y.R.
5	U.M.
6	F.H.
7	K.M.
8	Q.T.
9	S.A.
10	F.H.

9.5.1 Business Enabling Environment Constraints

- Taxes imposed on restaurant owners and food suppliers are randomly estimated instead of being calculated on a legal and scientific basis, and they often involve corruption.
- There is no government quality control for the chickens and other meat imported by merchants. They are poor quality and often not fresh, which affects restaurant sales.
- The prices of chickens and meat imported by Jameelah merchants continue increasing, causing major losses to restaurant owners and food suppliers because they cannot pass along these increases to the consumer without losing business.
- Private banks rarely offer financing or loans to restaurant owners and food suppliers who sustain major losses due to the security situation. When they do, they attach very harsh conditions to the loans, including: a guarantee (such as land or property) must be offered against the loan; the value of the loan cannot exceed one third of the property's value; and the loan must be repaid over 2-3 years at an annual interest rate of 12%. As a result, only 5% of business owners in this sector avail themselves of these loans.

- As the more educated and well-to-do populace leave Iraq, they are replaced by people with lower incomes and education levels who are unable to pay for higher priced meat and food supplies, leading to losses for restaurant and shop owners, 50-60% of whom have been forced to close down.
- Shop owners sustain losses on expensive products such as red meat (normally priced from 8,000-16,000 Iraqi Dinar per kg) because of animals smuggled from outside Iraq which are 2,000-6,000 ID cheaper per kg.
- Restaurant owners encounter administrative problems when trying to obtain licenses for their stores and workers from the Ministry of Health.
- The security situation has an adverse effect on restaurant and shop owners, as concrete barriers have been erected around their stores, preventing or discouraging customers from entering.
- Restaurant owners had to pay the Ministry of Health for water during 2006-2007, and those who have not been able to pay have been threatened with being shut down.
- Theft and other crimes have forced some restaurant owners to close and others to sustain losses.

9.5.2 Firm-Level Constraints

- Restaurant workers who commute from other provinces need to be paid more than local workers, and often restaurant owners must also provide accommodations and three meals a day. Owners employ out-of-town workers because of a high absentee rate among Baghdad employees.
- Landlords are constantly raising rents, causing a decrease in profits for restaurants owners.
- The shortage of electricity makes restaurant owners and food suppliers dependent on private generators (one ampere costs about 12,000 ID) to store meat and other frozen products.
- There is no modern equipment such as grills, ovens and automatic stoves to help facilitate and speed the cooking process.
- There are no training courses for restaurant workers. This responsibility would normally fall to the Ministry of Tourism, but their role is restricted to hotels and first class restaurants.
- There are no media outlets or satellite channels to publicize some restaurants or gourmet shops.

9.6 WEST BAGHDAD FOCUS GROUP REPORT #6

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Transport **Date:** 8/9/2009

Table 9-6: Focus Group #6 Participants

Serial	Name
1	A.N.H.
2	G.A.S.
3	H.R.A.
4	A.D.N.Q.
5	H.H.M.
6	D.N.Q.
7	H.Z.A.
8	W.S.N.
9	S.H.
10	A.N.A.A.
11	K.N.H.

9.6.1 Business Enabling Environment Constraints

- The Ministry of Transport and Communications, currently led by Minister Amer Abd Al-Jabbar, recently imported modern buses from other countries at a greatly discounted rate (\$30,000 versus the \$130,000 that private companies in Iraq would have to pay). Now passengers prefer to travel in the modern government buses, instead of the old buses used by private transport companies.
- The Ministry has made a transportation contract with the municipalities of Hajj and Umrah for pilgrims visiting those cities, depriving private transport companies of this business.
- Regarding religious tourism, the Ministry has contracted with the Iranian company Solar to transport all Iranian visitors to Iraq's holy sites for a greatly reduced fee (\$125 USD round-trip). Previously, these contracts were given to various Iraqi transportation companies at a profit to both the State and private companies (each visitor paid \$500 USD: \$350 for the State and \$150 for the transport companies).

- The Income Tax Law needs to be revised, as it currently allows for estimating taxes for private transportation companies, rather than allocating them on a fair and legal basis; furthermore, the only way to reduce these taxes is by paying bribes to the tax officials.
- The Municipality of Baghdad recently imposed new taxes on transport companies called Tax of Advertisement and Tax of Profession. It is unclear how these taxes should be calculated, so they are usually estimated and often imposed on business owners without a legal receipt; as with other taxes, these can be reduced only by payment of bribes.
- The procedures for registering new companies are long and drawn out: first, the company must record its name with the Baghdad Trade Chamber; then, the company must hire a lawyer to go to the Registrar of Companies and pay bribes to the employees to facilitate the transaction; and finally, the finished documents must be delivered to the Ministry of Transport to obtain their approval to open a new company. There are about 130 transport companies operating in Iraq, including 65 - 70 main companies and the others operating as subsidiaries.
- There are restrictions on travel and tourism companies imposed by the Public Authority for Tourism and Iraqi Airways. These tourism companies have difficulty booking travel to sectors outside Baghdad Province and must often work with agencies outside Iraq to secure these bookings. The greatest challenge, however, is working with Iraqi Airways because they issue all their tickets by hand, whereas other international airlines use the internet to secure their bookings. In addition, the schedule of flights at Baghdad airport is unreliable, causing international travelers to miss connecting flights at other airports. Passengers lose money as a result and no longer want to work with Iraqi travel agencies.
- Most Iraqi travelers need a visa to enter Syria; however, in order to obtain these visas for their clients, travel agencies must pay contractors working with the Syrian \$150 USD per visa, while the actual price of this visa is only \$57, thereby exploiting both the travel companies and their clients.
- Concrete barriers which have been erected throughout most of Baghdad due to the security situation pose a problem for customers who wish to park in front of travel and tourism agencies, leading to a loss of business.
- While the security problems in Baghdad have had a positive impact on international and foreign travel companies because of the forced displacement and large migration of Iraqis outside Iraq, it has had a negative impact on travel companies within Baghdad and other provinces where businesses have been forced to shut down.
- Some travel and tourism companies have suffered losses from theft and armed robbery.
- There are not enough government or bank loans, and those that are available have many conditions. One bank offers loans in the amount of \$3,000 USD, but with insurance the amount balloons to \$30,000. Furthermore, the interest

rate is 14%, and the loans must be repaid within one year from the date of issuance.

- Companies that transport goods are subject to customs tariffs, but there are not adequate laws to regulate these tariffs, and as a result there is widespread corruption in administering and collecting them.

9.6.2 Firm-Level Constraints

- Landlords raise rents on travel agencies' stores every 3 to 4 months, which adds another burden to these companies and amounts to about two-thirds of their profit.
- The high price of fuel does not match the fees charged to the passengers. For example, to transport someone from Baghdad to Damascus the company charges 15,000 ID, of which 5,000 ID goes to the company and 10,000 ID is given to the driver. So the driver's average income for one month is 300,000 ID, but he must spend 450,000 ID on fuel, which is a significant loss for the driver. Drivers often resort to refueling in Syria, as the price of gas is cheaper there than in Baghdad, and some actually smuggle in clothes, tools and other goods just to meet their expenses.
- There are not enough print media or TV channels to promote transport, tourism and travel companies, and if one of these companies is willing to produce a television advertisement, they charge a large fee to do so.
- The Ministry of Communications does not provide internet service for owners of travel and tourism companies, so most depend on private companies for this service. In addition, monthly fees are high (\$150 USD) and service is poor.
- Cellular communication services are inadequate, yet this service is essential for travel agencies in their daily work.
- There is no social security and no health, life or accident insurance for the workers in this field.

9.6.3 Proposed Solutions

- Re-examine opportunities for religious tourism to the transport, tourism and travel companies operating in Baghdad and raise the fees for pilgrims coming to Iraq to the rates charged in the past (\$500 USD).
- State agencies responsible for the transport sector should facilitate loans with low monthly installment payments and low interest rates.
- State agencies should import modern buses for private transport companies to increase the efficiency of their work, just such as the government companies do.
- Iraqi Airways should use the internet to book travel, rather than handwriting tickets, to facilitate the work of travel agencies.

- The process of getting visas to neighboring countries should be better organized and under the control of official government agencies.

9.6.4 Suggestions for Legal Reform

- Revoke the tax laws relating to advertisement and profession imposed on owners of transport companies by the Municipality of Baghdad.
- Revoke the current customs tariff law and issue a new customs law in accord with international standards.
- Restore the previous laws relating to religious tourism which offered work to transport and tourism companies operating in Iraq.
- Create a new system of laws relating to transport, tourism and travel companies in Iraq.
- Investigate the possibility of revoking visa requirements for neighboring countries and obtaining the visa from the airport or border points instead; this can be arranged in coordination with the Iraqi Foreign Ministry and the Ministries of Foreign Affairs of the neighboring countries.

9.7 WEST BAGHDAD FOCUS GROUP REPORT #7

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Structural **Date:** 9/9/2009

Table 9-7: Focus Group #7 Participants

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

9.7.1 Business Enabling Environment Constraints

- The government fails to uphold contracts between owners of construction material companies and secondary subcontractors on work done for the government. The main contractor takes his profit but leaves it up to the secondary contractor to collect his payment from the government offices, who have already paid the primary contractor and don't want to deal with the subcontractor.
- The government officials do not adequately oversee and monitor the work performed by the contractors, and often the work is done poorly so the construction material companies don't get paid.
- There is widespread administrative corruption in the Ministry of Housing and Construction and the Municipality of Baghdad with regard to quality control for construction materials, and materials do not pass inspection unless bribes are paid.
- The lengthy procedures and widespread corruption in the Land Registry and Tax Departments are especially detrimental to smaller businesses in the field of construction materials and real estate. Estate owners can pay anywhere from 1.5 million to 5 million ID (as is the case in Al-Kadhimiya) to register their property, and taxes can only be reduced by paying bribes.
- There is no standardization or quality control for imported construction materials such as bricks, cement, ceramic and marble, which often do not meet specifications and thus affect the quality of the construction. For example, there are some good quality imports, such as certain Spanish

ceramics, that sell for \$15 USD per sq.m., but most often the cheaper and poorer quality Iranian product (7,000 ID per sq.m.) or Chinese product (8,000 ID) are used instead. There are also local brick and ceramic factories in Iraq that produce good quality products, but they are not subsidized by the relevant government offices.

- The Public Company for Trading of Construction Materials no longer oversees the importing and distribution of construction materials, which has affected the quality of the materials available on the market.
- There are not enough loans for business owners in this field, and those that are available come with difficult conditions. The amount of the loan cannot exceed a quarter of the value of the estate; the interest rate is 18%; and those who miss a payment must repay double the value of the loan. Only 5% of businesses in this field are able to take advantage of these loans.
- Business owners face lengthy administrative procedures and routine corruption in obtaining construction licenses. Applications must be submitted to the Baghdad Municipality and then be reviewed by a civil engineer; the process can take anywhere from two to 15 days before a license is issued.
- There is widespread fraud perpetrated by unregistered private companies who contract with construction material companies and then fail to pay for work that has already been completed.
- Security measures and concrete barriers make access to construction supply stores difficult, negatively impacting on business.
- The conflicts that affected Baghdad between 2005 – 2007 reduced sales in the construction material industry by 80%, and many business owners were forced to close or lost their homes during this period.

9.7.2 Firm-Level Constraints

- The cost of transporting construction materials within Baghdad, as well as between Baghdad and other governorates of Iraq, has increased for two reasons: first, rising fuel prices; second, street closings due to security, thereby limiting vehicle access and mobility. For example, one business owner paid 500,000 ID to deliver ceramic from Baghdad to Al-Musaib.
- The absence of media promotion and high cost of advertising on television limit business owners' ability to inform the public of their services. On the other hand, if they promote their businesses on TV, they fear becoming targets for thieves.
- There is not enough training at the technical institutes, and most workers in this field end up learning the business on the job.
- The electricity shortage has a tremendous impact on factories that manufacture bricks, and many are now operating at half capacity because of insufficient power.

- The high cost of certain types of fuel, particularly black oil, has led to the closing of many factories that cannot function without these fuels.

9.7.3 Proposed Solutions

- The government should fund and supervise contracting projects to ensure the quality of work and completion within the scheduled time period and according to proper specifications.
- Increasing the volume of reconstruction and investment in the construction field will create significant opportunities in the field of construction; a five-year plan should also be developed and implemented.
- There should be outside consultants to assist business owners in dealing with government offices, and the widespread administrative corruption in the Tax and Land Registry Departments and the Municipality of Baghdad needs to be addressed.
- Local brick and cement factories need to be supported, and cheaply made, imported materials need to be discouraged.
- The government should develop standards of quality control on all imported construction materials.
- The procedures for financing and government loans for construction material businesses need to be improved, and the investment process of Iraqi or foreign companies in Iraq should be facilitated.

9.7.4 Suggestions for Legal Reform

- Amend the law to grant construction licenses by decreasing the number of steps required for approval (it is currently 11); this will facilitate doing business and will increase employment opportunities in the construction materials field.
- Amend the tax law by revising and simplifying the instructions for valuing real estate and determining the tax rate that should be imposed on.
- Amend the laws relating to private and government banks by reducing interest rates on loans to small businesses.

9.8 WEST BAGHDAD FOCUS GROUP REPORT #8

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Communications **Date:** 10/9/2009

Table 9-8: Focus Group #8 Participants

Serial	Name
1	A.A.A
2	S.H.K.
3	A.K.F.
4	G.A.A.
5	A.T.N.
6	H.A.
7	Z.A.
8	F.M.A.
9	A.A.K.
10	T.M.A.

9.8.1 Business Enabling Environment Constraints

- There is not enough support for the internet service sector in Iraq, and as a result, it provides customers with poor quality service at high prices. For example, 1 megabyte of dedicated internet service in Iraq costs \$1,000 USD, whereas the price of 50 MB in the United States is only \$39 USD, according to figures provided by Verizon, an American internet service provider. Iraq does not have fiber optic or DSL service, even though these exist in Europe and in most neighboring countries such as Syria, Kuwait and Egypt.
- Most bank loans, such as those offered by the Islamic Bank, Warka Bank and Bank of the Tigris and Euphrates, have strict conditions. Loans must be secured by an asset (such as property) that is valued at three times the amount of the loan, and interest rates are as high as 20%. The ARDI Organization offered loans in 2003 totaling 5 million ID for some internet companies in Baghdad, but only 2% of the targeted businesses were able to take out these loans.
- Government offices frequently fail to fulfill their contracts with internet service providers, often paying business owners extremely late or not at all. There is

also widespread corruption in government offices, and tenders and projects are often granted on the basis of bribery rather than being given to the most qualified party.

- The Municipality of Baghdad imposes heavy fines on the posters and banners displayed in front of internet offices and cafes. Fine on advertisements in English are 200,000 ID are larger than those in Arabic (150,000 ID) and go as high as 500,000 ID. Often, however, those who impose the fines are imposters and so the proceeds don't always go to the Baghdad Municipality.
- There is not enough quality control over imported mobile devices, particularly the cheaply-made Chinese brands. Furthermore, the reduction of custom tariffs on these phones has encouraged traders to import them.
- Thefts of phones and computers from internet cafes and stores during the past year were extremely common, affecting about 50% of businesses, especially in Dora and Abu Desheer, but this problem has abated due to an increased level of security in these areas.
- The poor security situation has affected more than half of all internet stores and cafes, forcing many to close, especially when an explosion has occurred nearby.
- Competition from some foreign internet companies, such as Itisaluna, Kalamat and Aumnia, has had a significant impact on domestic internet companies, which are unable to compete because of technical incompetency.
- There is little or no supervision by the Ministry of Communications over some of the telecommunications companies operating in Iraq, such as Asiacell and Zain. In addition, services have diminished recently because companies must pay the Ministry 40% of their total annual profit.
- Domestic telecommunications companies distribute charge cards worth 5 million ID a day in Iraq, yet fail to offer adequate service to the customers or the stores that sell these cards.
- The strict security measures created by the Baghdad Operations Command, including concrete barriers which block access to internet cafes and computer stores, have caused a 40% decline in these businesses.

9.8.2 Firm-Level Constraints

- There are no government-sponsored training courses in the maintenance of computers and mobile phones, and the private sector offers only a few which are very expensive. For example, Al-Waleed Center offers for 4-month courses in mobile phone repair, but only 5% of businesses in this field are able to take advantage of this training. Other courses are offered by stores such as Al-Madar (Orbit) in Al-Harhiya and MABCO that charge upwards of \$7,000 USD for a 3- to 4-month course. As for the internet, some private companies, like King Net Company for Communications Technologies in Al-Mansour, have developed training courses that can be accessed for free on their international network.

- There is not enough electricity to supply the needs of internet cafes and mobile phone and computer stores, and business owners must use generators at great cost to their expenditures; this is particularly a problem for companies that provide internet service who need electricity 24 hours a day in order to provide households with continuous service.
- Customer service is a problem, as many internet service providers don't understand the needs of their clients or bill them incorrectly for usage.
- Store rents are constantly increasing, and business owners have no legal recourse with landlords.
- There are not enough media outlets for advertising, but business owners also fear publicity as they believe it will make them the targets of theft.

9.8.3 Proposed Solutions

- Establish a major network that organizes the sub-nets without any adverse effect, thereby providing the most cost-effective services for users. For example, the owner of King Net Company for Communications Technologies, who is also an engineer, has proposed using Wi-Fi, the most popular network in the world, for free using the G.H.2.4 frequency (without licensing). Since service would be provided by grid, there is no additional equipment needed or cost to the consumer. He prepared a detailed study estimating the cost for the project to be \$416,000 USD, with monthly profits of up to \$32,000 USD and recovery of capital within just one year. One of the features of this network is the use of the VOIP Wi-Fi phone which is used to tap into both the local and international connections. Another project with even more special features, called Wi Max, would cost \$2 million USD and operate at a speed of 2 MG per second.
- Establish fiber optic service, which would provide the solution for nearly all internet problems in Iraq.
- Reduce the cost of the main provider of internet service (based in Europe) in order to increase the volume of use in Iraq.
- Assign quality control measures to mobile and internet equipment imported into Iraq.
- Provide loans with simplified terms and low interest rates to business owners in this field.
- Offer training in mobile phone and computer maintenance to employees of these businesses.

9.8.4 Suggestions for Legal Reform

- Amend the tax laws relating to internet and computer usage, and reduce tax rates by 2% to 5%.
- Revoke the law regarding signs and banners imposed by the Municipality of Baghdad on internet cafes and mobile phone stores.
- Create a law to grant a license for the free frequency (G.H.2.4).

9.9 WEST BAGHDAD FOCUS GROUP REPORT #9

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Industrial - Tailoring **Date:** 12/9/2009

Table 9-9: Focus Group #9 Participants

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

9.9.1 Business Enabling Environment Constraints

- Syrian and Chinese products, which are cheaply made, compete with better quality products made by Iraqi tailors, particularly men's and women's suits. The price of an imported suit is about 60,000 ID while the price of an Iraqi one (for a man or a woman) is about 100,000 – 200,000 ID.
- There is no quality control for imported clothing or suits, including those from Syria and China, which are low quality.
- There are few loans available for tailors, and those that are have a high interest rate (20%) and must be guaranteed and secured by property; even worse, the guarantor must be an employee of the bank.
- Tailors find it difficult to obtain licenses due to complex administrative procedures and widespread corruption; in order to complete the required paperwork at the Baghdad Chamber of Commerce, they must also pay a bribe to the relevant official.
- The strenuous security measures and concrete barriers that block storefronts have resulted in lost sales, especially for foam, mattresses and pillows, as delivery trucks are not permitted in the streets before 4:00 AM.

- The Baghdad Municipality imposes fines on tailor shops that display neon signs ranging from 150,000 to 200,000 ID per incident and estimated according to the length of the sign.
- Fires are a problem in foam warehouses and can cause major losses of up to 80% of profits.
- When shops are located near an explosion, they suffer dramatic losses of business and sometimes are forced to close completely.

9.9.2 Firm-Level Constraints

- The government offers no training courses for tailors. Instead, they learn from other experts in this craft or at private institutes which specialize in tailoring women's clothing; in addition, many skilled tailors have emigrated to Syria or Jordan, resulting in a major shortage in this field.
- Rents are extremely high, upwards of \$17,000 USD, and many stores have had to close as a result.
- The sewing machines are out of date and in poor condition, and they cannot accommodate current styles that require laser technology. This problem has caused losses as high as 50-60% among tailors and sewing factories.
- The shortage of electricity forces tailors to rely on private generators (one ampere costs about 13'000 ID or more in the summer), which, in turn, leads to increases in the prices they charge their customers.
- There is no media outlet for advertising the services of business owners in this sector.

9.9.3 Suggestions for Legal Reform

- Enable experienced tailors to lead training courses to prepare in this field.
- Increasing customs tariff on imported products, but not on raw materials.
- Import more modern tailoring equipment, subsidized by the state.
- The Ministry of Trade should play a major role in supporting the tailoring sector in Iraq, particularly regarding the import of high quality clothes at subsidized prices.
- Operate local tailoring factories, such as the ones in Kut and Najaf.
- The quality control office should have a stronger role in overseeing imports of cloth and clothing.

9.10 WEST BAGHDAD FOCUS GROUP REPORT #10

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Construction **Date:** 12/9/2009

Table 9-10: Focus Group #10 Participants

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

9.10.1 Business Enabling Environment Constraints

- The Ministry of the Interior prevents delivery trucks from stopping to load and unload construction materials, and they cannot transport goods before 4:00 AM.
- The income tax law is not clear, and taxes are often randomly estimated; the amount of the tax can only be reduced by paying a bribe.
- The Baghdad Municipality collects taxes called the Advertisement Tax and the Occupation Tax on the neon sign that display the names of the shops, and they are estimated according to the sign width. Shop owners usually don't get a receipt when paying and can be reduce the taxes by bribing government employees.
- The laboratories (Ministry of Housing, Baghdad Municipality) that provide quality control for construction materials such as bricks and cement will only test the materials if the business owners pay bribes.
- There is no quality control for imported construction materials, which are poor quality, while the Iraqi products are good quality. For example, Iranian cement, priced at about \$150 USD per ton, is not good for building, while Iraqi cement (Tas lujah) is sold at \$129 USD, even though it is better quality.

This is also true for items made in China, such as pipes and sanitation materials.

- Imported construction materials are not subject to high tariffs, making them strong competitors for locally produced goods.
- Few loans are available to owners of construction materials businesses, and those that are amount to about \$3,000 USD, with an interest rate of 18-20%, which must be paid on installments of about 2 million ID per month. Only 7% of business owners in this sector avail themselves of these loans.
- The industrial development sector, including the Federation of Iraqi Industries and the Worker's Syndicate, offer little or no support to owners of these businesses.
- The fluctuating currency exchange rates have a negative impact on business in this sector.
- The security situation has caused business for the construction materials industry to suffer losses of 60 – 100%.
- Fraud and theft have also had a destructive effect on business in this sector, as have the tightened security measures and concrete blockades that prevent customers from entering the shops.

9.10.2 Firm-Level Constraints

- Blocked sewage prevents delivery trucks from reaching stores that sell construction materials. Additionally, if sewage seeps into the warehouses where the materials are stored, this can cause damage and losses to the inventory.
- There is no media or advertising support for businesses in this sector, and many store owners hesitate to publicize their businesses, as they fear the exposure will lead to theft and break-ins.
- The government does not offer any technical training for workers in the field of construction materials. The owners of these shops tend to employ foreign workers (\$200 USD for unskilled workers and \$300 USD for skilled ones), who work for unlimited hours and live in the same place where they work.
- Store rents are constantly increased by landlords, and there are no regulations to protect renters from increases that can range from 150,000 to 300,000 ID per year,
- There is no health insurance or social security for workers in the construction industry.
- Expensive fuel and strict regulations of delivery trucks that curtail their ability to park and load/unload their wares have led to losses of as much as 50%.
- Because of the electricity shortage, shop owners rely on private generators powered by gas or benzene costing about 120,000 ID per month.

9.10.3 Proposed Solutions

- Coordinate with the Ministry of Interior to facilitate the movements of delivery trucks, and to increase the hours when they are permitted to work so they can load and unload their construction materials.
- Increased customs tariffs on imported construction materials in order to protect the local producers.
- Operate cement and brick factories in Iraq, since they make higher quality products.
- Revive previous laws pertaining to estate banking.

9.10.4 Suggestions for Legal Reform

- Rent laws should be amended to protect the rights of renters and prevent price gouging.
- Income tax law should be amended and more clearly defined.
- Laws that affect delivery truck access should be amended.

9.11 WEST BAGHDAD FOCUS GROUP REPORT #11

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Hotels and Restaurants **Date:** 14/9/2009

Table 9-11: Focus Group #11 Participants

Serial	Name
1	M.F.H.
2	F.H.H.
3	R.A.M.A.
4	J.H.
5	M.A.M.
6	A.H.A.
7	M.A.N.
8	E.A.M.

9.11.1 Business Enabling Environment Constraints

- The Municipality of Baghdad requires restaurant owners and food suppliers to remove storage sheds outside their shops, and they are subjected to heavy fines if they do not comply. However, these sheds are necessary to protect frozen food items, and if they remove them, restaurant owners will suffer even greater losses from the exposure of these foods to sunlight and other elements.
- State agencies fail to inspect chicken and meat, and they ignore expiration dates, forcing stores to sell unacceptable merchandise or incur losses.
- The prices of chickens and meat imported by Jameelah merchants keep increasing, causing major losses to restaurant owners and food suppliers because they cannot pass along these increases to the consumer without losing business. In Sadia, the price of chicken might go up by as much as 2,500 to 4,000 ID within just a few days, which causes hardship to both the food suppliers and consumers. In addition, there are many “middle men” along the way, with each raising the price until it reaches the consumer.
- The continuous fluctuations in the exchange rates of the dollar affect the prices of food, the burden of which is ultimately borne by the consumer.
- Private banks rarely offer financing or loans to restaurant owners and food suppliers who sustain major losses due to the security situation. When they

do, they attach strenuous conditions to the loans, including: a guarantee (such as land or property) must be offered against the loan; the value of the loan cannot exceed one third of the property's value; and the loan must be repaid over 2-3 years at an annual interest rate of 12%. As a result, only 5% of business owners in this sector avail themselves of these loans.

- The Public Authority for Tourism does not play an active role in this industry, which as a result is largely unregulated.
- The Baghdad Operations Command has imposed strict security measures that have a negative and direct impact on restaurant owners and food suppliers. For example, concrete barriers in front of shops and restaurants limit access to these places. In addition, delivery trucks are not permitted to travel on the streets before 4:00 AM, and restaurants that were located near the site of an explosion suffer tremendous losses in business, sometimes having to close altogether.
- Some business owners suffered losses from theft, but this has affected only about 5% of them.

9.11.2 Firm-Level Constraints

- The shortage of electricity is extremely important for refrigerating frozen products and meat, and most restaurant owners and food store owners depend on private generators. However, they must pay an average of 160,000 ID per month for continuously generated electricity.
- Rents are increased at an annual rate of 25%, leading to greatly reduced profits for restaurant and food store owners.
- There are no training courses for restaurant workers. This responsibility would normally fall to the Ministry of Tourism, but their role is restricted to hotels and first class restaurants.
- There is no state-sponsored health insurance or social security for workers in this field, many of whom are exposed to dangerous and unhealthy conditions during the course of their work.
- Competition among restaurant and food store owners leads to reduced prices, which in turn affects profits for all concerned.
- Some customers try to bargain, while others are not able to pay the full price up front and must resort to installment payments, which lead to losses for business owners.

9.11.3 Proposed Solutions

- Provide loans for restaurant owners and food suppliers at low interest rates.
- Impose tax measures on importers to prevent manipulation of market prices.

- Establish state-owned transportation companies that can travel freely and without restriction to make deliveries to restaurants and food stores easier.
- Increase the number of state-owned generators and subsidize electricity for store and restaurant owners at a cost of 6,000 ID per amp in all areas of Baghdad.

9.11.4 Suggestions for Legal Reform

- Amend income tax laws to reduce taxes in this sector.
- Amend the rent laws for food shops and restaurants to provide protection from unfair rent increases.

9.12 WEST BAGHDAD FOCUS GROUP REPORT #12

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Industrial **Date:** 14/9/2009

Table 9-12: Focus Group #12 Participants

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

9.12.1 Business Enabling Environment Constraints

- There are not enough bank loans for factory owners and manufacturers of aluminum products. The average value of a loan is 5 million ID, with interest rates as high as 20%, and one million dinars are deducted upon granting the loan. The person who guarantees the loan must be an employee of the bank, which creates a conflict, as most employees cannot afford to do this.
- There is no standardization or quality control for raw aluminum imported from China, Syria or Turkey, and these products are often of lower quality, in terms of the thickness of the metal, than products from other countries. Lebanon, Saudi Arabia and the UAE, which produce better materials, are currently not being imported. The price of Chinese aluminum is \$8.5 USD for 6 meters, while the price of Saudi Arabian aluminum (when it's available) is \$13–\$15 USD for the same quantity. This creates losses for factory owners and manufactures at a rate of 60 – 75%.
- There is also no quality control on raw glass imported from Iran, whose measurements of thickness usually do not meet specifications. The thickness should be 6 mm, but as Iranian glass is 4 mm, aluminum factory owners refuse to buy it and distributors have to use it for other less profitable purposes, such as picture frames, causing losses of 70 – 80%.
- Concrete barriers that have been erected because of the security situation block access to stores where aluminum and glass products are sold, creating a loss in sales of 40 – 50%.

- In some areas affected by bombings, stores have been forced to close for weeks at a time, leading to heavy losses in profits.
- Some businesses have been affected by scams and fraud in which a customer purchases a product on installment, making an initial down payment, but fails to make the remaining payments.
- The sectarian strife that occurred in Baghdad from 2005 – 2007 caused most buying and selling of aluminum products to slow down by as much as 80 - 100%, forcing many factories and shops in this industry to close down.

9.12.2 Firm-Level Constraints

- The shortage of electricity has a direct impact on aluminum factories, which require high voltage to power the aluminum cutters. As a result, most depend on generators and must pay high costs for fuel to power them.
- Costs of transporting materials are high because trucks are not permitted to drive on the streets of Baghdad until after 4:00 AM, which affects costs of aluminum factory owners.
- Constant rent increases make it difficult for shop owners to turn a profit. They must sometimes owner pay 250,000 ID a month, with one year in advance.
- There are no state-run training courses for workers in the field of cutting and making aluminum, and most of them learn the profession from their friends who are working with them.
- There is local competition among the owners of factories that manufacture aluminum, which affects sales and results in reduced prices and profits.
- There is a lack of support for media and advertisements, and owners must pay high prices in order to produce high-quality promotional materials.
- Selling on installment creates losses for business owners, who must sometimes wait up to a year to get paid in full.
- The use of old and outdated machines leads to lost work time and also dangerous conditions for the workers in this field.

9.12.3 Proposed Solutions

- Provide subsidized loans for owners of aluminum factories and shops in Iraq.
- Impose regulations on the quality control of imported raw materials.
- The government should import raw materials and sell them to private factories at subsidized prices.
- Government agencies should issue IDs for owners of delivery trucks so they can work without restrictions to transport raw materials for aluminum factory owners.

9.12.4 Suggestions for Legal Reform

- Amend rent laws to protect tenants from unfair rent increases by landlords.
- Amend income tax laws to make them more equitable.

9.13 WEST BAGHDAD FOCUS GROUP REPORT #13

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Agricultural **Date:** 15/9/2009

Table 9-13: Focus Group #13 Participants

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

9.13.1 Business Enabling Environment Constraints

- Three major wholesalers in Al-Shorja control the prices of herbs and spices, which are constantly increasing. Prices also keep increasing for fish (Assbaia), fowl and their related supplies, such as fish tanks, bird cages and poultry feed, which costs about 700,000 ID. As for agricultural land, there have been major increases in the prices of the plowing equipment, seeds and fertilizers; for example, the price of 100 kg of DAPP fertilizer now exceeds 170,000 ID, which is very high when compared with the profits of small farmers.
- There is not adequate quality control over imported seeds and certain types of herbs and Assbaia fish. The imported seeds often fail to germinate in the field or yield poor results that affect the quality and quantity of the crop produced by vegetable farmers.
- The absence of customs tariff on tools, seeds and other imported agricultural materials allows traders to import these products cheaply, thus negatively impacting local producers.
- Cheap imported products compete with local products, which are often better quality but more expensive due to the high prices of imported raw materials.

For example, the price of one kg of potatoes that is produced locally is 400 ID, while the price of one kg of imported Chinese potatoes is 200-250 dinars; the same is true for herbs and spices. Most local spice oils that have come from factories in Mosul are good quality but expensive, while the Turkish oil “Tact” costs less. Also, the price of one kg of black beans from Mosul is higher (3,500 dinars) than the price of one kg produced in Saudi Arabia (1,500 dinars). Furthermore, one kg of locally produced chicken costs about 4,000 – 5,000 ID, while one kg of chicken imported from Brazil (Sadia) or the United States (Tyson) is 2,500 ID, forcing the Iraqi consumer to buy imported and not local products.

- The Ministry of Agriculture, the Ministry of Irrigation, farm associations and other agricultural entities don't offer farmers and herders agricultural products at subsidized prices, so they must pay full market price.
- There are not enough loans for farmers, breeders of birds and fish and herb sellers, and the terms of available loans are harsh. Agricultural banks will loan farmers up to 100 million ID, but they must pay the first installment of 10 – 15 million ID during the first two years; if the payment is delayed, interest will be charged at the rate of 7%. In addition, farmers must secure the loans with 50 acres of land and have two guarantors (civilian officials) whose salary is not less than one million ID each.
- Farmers are subjected to complex administrative procedures when trying to obtain a license or purchase a particular product. For example, when a farmer buys fertilizer from the Ministry of Agriculture, a survey of the land in question must be completed by an agricultural engineer, the cost of which must be borne by the farmer. After undergoing all these procedures, the farmer receives only a small amount of fertilizer (1 kg/acre), even though the actual amount needed is 200 kg/acre. If he wants to receive more, he must pay a bribe to the appropriate employee in the Ministry of Agriculture. In the end, he spends more than he would if he purchased it in the local market (28,000 vs. 19,000 dinars for one kg). To obtain a license to build an aquarium also requires complex procedures at the Ministry of Agriculture and may cost as much as \$1,500 USD, in addition to needing personal contacts at these government offices in order to complete the transaction.
- Security measures have had an adverse affect on the agricultural industry in many aspects, including loss of farmhands due to raids by security agencies in rural areas. Also, many checkpoints do not allow trucks carrying fruits and vegetables to go to the Allawi market until after 7 am, a time that most traders have already completed their early morning selling, which leads to leftover crops that the farmer is unable to sell. Additionally, many agricultural lands suitable for planting have been commandeered by security forces as headquarters for the army and police, preventing farmers from using this land, and road barriers have increased the cost of transport by 50% and made access difficult for customers who want to buy agricultural products at local markets.

- Sectarian strife had greatly affected the performance of the agricultural sector in Iraq. In the Yusufiyah area, for example, nearly 105 shops closed for this reason, and many farm owners were kidnapped.
- Theft, including fish aquariums, vegetable crops, fertilizers, seeds and farm machinery, has affected at least 30% of the farm industry.
- Scams and fraud, such as a dealer giving bad seeds to farmers, can lead to a poor crop and ruin an entire farming season.
- Increased taxes have taken a toll on farmers and owners of agricultural projects. The electricity tax can go as high as 2 million ID, despite the lack of service, and the same is true for the water tax. Additionally, when a farmer transfers ownership of his farmland to his children, he must pay a tax of 20 - 30% of the value of the land.
- The government has not cleaned the water or provided equipment to remove branches from agricultural lands, so the rate of salinity in these areas has significantly increased.
- There is not adequate supervision over farm animals or veterinary medicine by the Public Authority for Veterinary Services / Ministry of Agriculture, and most veterinary institutions are inadequate. There are often 5 veterinarians in an animal hospital, but they do not want to treat animals and sometimes require breeders to bring their animals to the clinic after office hours.

9.13.2 Firm-Level Constraints

- The lack of electricity leaves farmers dependent on diesel generators which cost one million Iraqi dinars per agricultural season, and running water pumps requires diesel generators at an additional cost of 1.5 million ID.
- Farmers face an acute water shortage. Although the Ministry of Irrigation provides enough water 2 to 3 times per week for 40 acres of land, the perfusion rate is 9 hours, which is enough to irrigate up to 45 acres, but the remaining 40% of land is left without water. This is a huge problem, especially when planting summer crops that require large quantities of water. Many farmers dig artesian wells to a depth of 25 meters, but well water is not suitable for irrigating vegetable crops because of high salinity. Moreover, the water shortage has forced 50 - 60% of all fish projects in Iraq to stop operations.
- Rents have increased by 25% annually, so some landlords have found an alternative, which is to offer the shop owner a choice between paying the so-called Serquflia (amount paid for rent in advance) of 60 million ID or paying 400,000 ID per month.
- The cost of renting agricultural tools has increased, including excavators which are 70,000 ID per hour, and plows, which are 25,000 ID per hour.
- The cost of transporting agricultural products from the main traders has risen to 30% of the ultimate profit.

- The media does not play a large role in promoting agricultural products; if a farmer wishes to advertise on television, he must pay a very high fee.
- There are few training courses for farm owners and farmhands, and most learn the profession from their colleagues. Some private institutes (such as the Medical Herbs Institute) give simple training courses on how to use herbs.

9.13.3 Proposed Solutions

- Providing loans for agricultural businesses and subsidize the prices of fertilizers and animal feed.
- Government agencies supporting agriculture should import agricultural materials and supplies at cost and sell them to the private sector at subsidized prices.
- Open veterinary clinics in more districts and suburbs to increase the level of treatment for animal diseases.

9.13.4 Suggestions for Legal Reform

- Revoke the law imposing taxes on the transfer of ownership of agricultural lands from father to son.
- Amend rent laws to protect tenants.

9.14 WEST BAGHDAD FOCUS GROUP REPORT #14

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Communications **Date:** 15/9/2009

Table 9-14: Focus Group #14 Participants

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

9.14.1 Business Enabling Environment Constraints

- There is no government financing or support for internet service in Iraq. The services available to customers are inadequate yet expensive, as Iraq does not yet have fiber optic service, which could increase supply from 2 to 25 kilobyte at the same price, if not lower.
- The Ministry of Communication does not offer subsidies for better quality imported equipment.
- The Baghdad Municipality imposes fines on the neon signs outside of internet, which are determined by the length of the signs at the rate of 15,000 – 20,000 ID per meter.
- There is no quality control for imported mobile phones, especially the Chinese ones which are poor quality and break easily. The same is true of internet receivers, which forces internet shops owners to change them frequently and increase the price of internet service.
- The only available loans are too small (\$7,500 USD) at a high rate of interest (15%), paid over two years, and only about 3-4% of the communication sector can afford these loans.
- About 50% of mobile store and internet café owners have been affected by security measures such as placing concrete barriers near their shops, which blocks entry and decreases traffic in their stores; explosions and curfews

have also forced some stores to go out of business. One internet café owner said that his customers had decreased from 100 to 25.

- As the more educated and well-to-do populace leave Iraq, they are replaced by people with lower incomes and education levels who are unable to pay for expensive mobile phones or internet subscriptions, which has resulted in a 10% reduction of profits.
- 3% of mobile shops in Baghdad have been the target of robbery.

9.14.2 Firm-Level Constraints

- The electricity shortage forces owners of internet cafes and mobile phone stores to rely on private generators, increasing the cost by 60% in the internet cafes and by 20% in the mobile phones stores.
- Rents have increased by 20% per year, and there are no laws or regulations to protect renters.
- There are no government-sponsored training courses in the maintenance of mobiles and use of computers. A number of private centers offer such courses, however, including Al Nahrain Center, Al Madar Center and Delta Center.
- There are no advertisements publicizing internet centers and mobile shops.
- Many customers try to bargain, further reducing prices, and some clients buy on credit, leading to delayed or lost income for store owners.
- The cost of importing equipment from outside Iraq is very high.

9.14.3 Proposed Solutions

- Build a fiber optic network which will solve all the internet problems in Iraq.
- Support and finance the internet and mobile sectors in Iraq.
- Establish quality control on mobile phones and internet equipment.
- Set up more cell phone towers to increase the number of subscribers and relieve the pressure on the other towers.
- Rent laws should be amended to protect the renters.

9.15 WEST BAGHDAD FOCUS GROUP REPORT #15

Province: West Baghdad **Moderator:** Dr. Talal Anwer
Sector: Offices of Transport and Taxi **Date:** 16/9/2009

Table 9-15: Focus Group #15 Participants

Serial	Name
1	A.A.K.
2	A.R.A.
3	A.R.J.
4	A.A.N.
5	H.M.
6	A.Q.A.A.
7	A.N.N.
8	A.R.D.
9	M.A.Z.J.

9.15.1 Business Enabling Environment Constraints

- Owners of private transport vehicles must pay bribes to the staff of the Public Authority for Private Transport in garages throughout Baghdad in order to get permission or I.D. to enter the garage. Also, wages are not fixed, and if the driver receives more than the amount of his fares, he can only enter the garage after paying a bribe.
- Some traffic policemen do not allow delivery vehicles to pass through certain areas, in which case the officer removes the license plate from the vehicle and will return it only upon payment of a 3,000 – 5,000 ID bribe.
- There are not enough loans for drivers and public transport companies. Usually, the value of a loan is 30 million ID, with a 14% interest rate, and guarantees are required from two civil officials with salaries of not less than one million ID each. Repayment must be made within two years at a rate of 600,000 ID per year (20,000 ID per day), which is difficult for private transport drivers. In addition, the agent overseeing the transaction takes an advance of 3 million ID to complete the transaction.
- Traffic department procedures for buying and selling cars are complicated and involve administrative corruption; for example, to obtain a driver's license, one must pay a bribe of 50,000 ID.

- Many license plates come from imported cars that have been stolen, creating problems for the dealers and purchasers of these vehicles.
- Security procedures and overcrowding prevent public transportation drivers from traveling freely about the city. In addition, some police officers and checkpoints take money from drivers, especially from the delivery vehicles, before letting them pass.
- There is not enough quality control over imports of repair tools and spare parts, which are often of poor quality; in addition, taxi drivers must sometimes resort to buying low quality Chinese-made cars because they are less expensive.

9.15.2 Firm-Level Constraints

- The high cost of fuel (petrol and diesel) and long lines at gas stations in Baghdad cause drivers to get their gas from hawkers outside the stations who often defraud the customers by mixing water with the gas. Also, their prices are higher than those of regular gas stations, which is a financial burden to professional drivers.
- Garages are subject to ever-increasing rents, which go up at a rate averaging 25% per year.
- There are not enough trained and experienced car mechanics, and sometimes the less experienced ones cause more problems than they fix.
- The government does not provide training for employees in the maintenance and repair of cars, with the exception of the Al-Waleed Center which offers month-long sessions but doesn't give any field experience. Most workers in this field learn from their colleagues on the job.
- There is no media to promote transport service businesses.
- Some private transport owners offer modern, air-conditioned vehicles, which makes them more competitive than companies that only have older cars.

9.15.3 Proposed Solutions

- The Public Authority for the Private Transport should staff the garages in Baghdad with better employees, to reflect a good image on this government agency.
- Increase the number of garages operating within the province.
- Eliminate vendors who sell fuel outside the gas stations.
- Improve the quality of fuel at gas stations.
- Increase the number of gas stations operating in Baghdad.
- The state should provide private transport drivers with new vehicles.
- Impose quality control restrictions on spare parts, tools and imported cars from abroad.

9.15.4 Suggestions for Legal Reform

- Amend traffic laws to allow the owners of private cars to work as taxi drivers for a short period until they can replace their cars with modern taxis.

9.16 EAST BAGHDAD FOCUS GROUP REPORT #1

Province: East Baghdad **Moderator:** Dr. Ali Kareem
Sector: Industry – Carpentry **Date:** 29/8/2009

Table 9-16: Focus Group #1 Participants

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

9.16.1 Business Enabling Environment Constraints

- The main problem focuses on the protection of the products produced by local light manufacturers because of the foreign competition and the existence of imported alternatives:
 - Lack of tax imposed on imported products
 - More manufacturers have left industrial work and headed towards the import business
 - The imported products (wood, hand tools and complementary materials) are under the required level of quality and from unknown origins because of lack of measures of trade control, standardization and quality control.
- Absence of an environment for business, advertising and media services for the promotion of local products, which require innovation to find ways and methods of marketing and advertising, including the following:
 - Services to offer and commercial promotion, such as the establishment of places for permanent or seasonal display for Iraqi products, which the Ministry of Trade, chambers of commerce and

- NGOs contribute to by supporting and funding the economic recovery programs for small projects.
- The establishment of offices for consulting and training services for the production processes and entering of new models and samples to the exhibits that match the advances in the competitive products locally and internationally.
 - Involving the producers in public programs relating to the use of modern techniques in the production and domestic and external Marketing.
- Lack of a real partnership between the private production sector and institutions of public sector, indicated by the following:
 - Lack of knowledge and constant updates for new laws and procedures that contribute in developing local production (laws concerning investment, incentives, credit and the services of administrative logistical support).
 - Failure of the local production sector to not be in tune with local development programs that support it (services of studying the market, bank and business planning).
 - Lack of government support to provide the local producers with construction material that is used in production, as previously it was within the industrial development programs.
 - More of the small projects in this sector of the projects are not registered within the economic development programs of the country, because of the lack of incentives, facilities and the incentive loan to register.

9.16.2 Firm-Level Constraints

- The main problem focus on the electric power and supplying of power is not consistent with the work times more often. The failure of many companies was due to the shortage in electric power, which has become a dilemma affecting the production and the continuity of production and marketing.
- The problem of fuel for generators, where the problem is the rise of fuel prices which has negatively impacted and led to the rise of product prices, thus rising costs of production and sales compared with prices of the imported products.
- Rising of transportation and shipping costs which add on additional costs to the final product of manufacturers, and thus reducing the chances of competition with alternative products in the domestic market.
- Deterioration of the level of infrastructure services in general has negatively impacted on the environment of work, particularly with regard to conditions of storage, transport and sale.
- Lack of marketing outlets to sell locally produced product, where government and para-government entities, such as the Municipality of Baghdad, the Baghdad Chamber of Commerce, Federation of Industry and other

specialized unions do not support producers by providing the facilities to offer their products.

- The absence of a clear mechanism to provide financial and economic services, such as grants, loans or subsidized materials and supplies for operations and production processes.
- Rising cost of advertising and municipal fees without considering the conditions of production and marketing.
- The production is local and limited by demand and declining opportunities for outside export due to the lack of necessary care and protection for the product.

9.17 EAST BAGHDAD FOCUS GROUP REPORT #2

Province: East Baghdad **Moderator:** Mohammad Shohaieb
Sector: Industry - Mechanics **Date:** 30/8/2009

Table 9-17: Focus Group #2 Participants

Serial	Name
1	H.N.A.
2	H.M.H.
3	M.A.K.
4	S.M.F.
5	A.R.S.
6	D.S.M.
7	A.G.A.
8	A.M.A.
9	A.A.A.H.
10	M.S.G.

9.17.1 Business Enabling Environment Constraints

- Shortage of electric power
- No protection for national products, where the government to imports most products and materials from outside the country and does not support the national producers
- No quality control of imported goods
- No government support in the area of advertising in the media, where the cost of TV media advertisements is very high,
- No support from the Union of Iraqi Industrialists, which has led to the negligence of industry in Iraq.
- Primary raw materials in the market, such as iron or other metals, are of poor quality, which causes many problems
- Not enough outlets for products
- Administrative corruption in governmental evaluation committees that give tenders to contracting companies, where the phenomenon of bribery is very common

- Skilled labor leaving work to look for governmental jobs because the wages of the private sector too low
- Traffic crowding in the streets, resulting in very long delays in getting to work
- Administrative corruption in accessing finance, where the bank officer requests a sum of money in return for a loan application.
- Interest rates and requested guarantees are prohibitive
- Rent rates are increasing unfairly, and there is no protection from the state for the renter of the store.
- New imported tools and parts are not usable due to poor quality

9.17.2 Firm-Level Constraints

- Lack of technical training for workers, where the one hand there is no specific training workers, this because of lack of the workers experience.
- People do not accept the idea of the loan from the bank, because the bank takes interest, which is considered by some as religiously forbidden.

9.18 EAST BAGHDAD FOCUS GROUP REPORT #3

Province: East Baghdad **Moderator:** Dr. Ali Kareem
Sector: Construction **Date:** 31/8/2009

Table 9-18: Focus Group #3 Participants

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

9.18.1 Business Enabling Environment Constraints

- The basic problem is the protection of the local product from external competition and imported alternatives; most imported products are competitively priced and have a short shelf-life, and taxes are not levied on imported goods.
- Most small construction industries are not legally licensed to operate, and as a result, they are not eligible for government support for local producers, such as raw materials at subsidized prices, loans, and appropriation of lands for factory owners outside the municipal boundaries. In addition, these projects are closely related to construction, so they depend on them for business, except for certain paint products.
- There are no media, promotion or other commercial services to publicize local products. There should be new and creative advertising techniques, such as establishing seasonal or year-round expos for Iraqi products, setting up consulting agencies and introducing new technology in the production process, like the equipment and machinery used in the blocks and bricks industry. Workshops should be developed to teach modern production techniques and international and domestic marketing.
- There is no cooperation between the private sector and public sector institutions regarding guidelines for investment, incentives and loans, leading to the spread of corruption when obtaining licenses and implementing new projects.

9.18.2 Firm-Level Constraints

- Lack of electricity and its effect on production.
- Expensive fuel.
- Expensive water, especially for cement-related projects, as 90% of the water used comes in special tankers.
- Lack of infrastructure affects the business environment, and many projects rely on businesses that are not properly qualified.
- No central markets to display the local product.
- High municipal fees, and advertising and publicity are also costly.
- Local production is limited to the Baghdad municipality boundaries.

9.19 EAST BAGHDAD FOCUS GROUP REPORT #4

Province: East Baghdad **Moderator:** Mohammad Shohaieb
Sector: Communication **Date:** 1/9/2009

Table 9-19: Focus Group #4 Participants

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

9.19.1 Business Enabling Environment Constraints

- High cost of transport and blocked streets and traffic jams due to the security situation
- Deterioration of the security situation.
- A lack of transmission of sufficient electrical energy.
- Security issues affect working hours, with less working hours and the inability of consumers to go the market because of the security situation and cases of theft that occur due to lack of security in the street.
- Lack of work forcing employers to lay off a number of workers.
- Weakness in the mobile telephone network.
- Consumers want inexpensive material and are not interested as much in quality of the product.

9.19.2 Firm-Level Constraints

- Lack of oversight and quality control.
- Lack of capital.
- Lack of financial liquidity and this impacts the development of the business and not keeping pace with development.
- Employees leave work in the factory to pursue employment in government jobs.

- Machinery and equipment is old.
- Lack of the training for workers

9.20 EAST BAGHDAD FOCUS GROUP REPORT #5

Province: East Baghdad **Moderator:** Dr. Ali Kareem
Sector: Communication **Date:** 2/9/2009

Table 9-20: Focus Group #5 Participants

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

9.20.1 Business Enabling Environment Constraints

- Most imported products have competitive prices and short production timetables.
- Imported products are not taxed, which clearly influences the supply of goods in Iraqi markets.
- Most small businesses are not legally licensed to operate, and are therefore not eligible for government support such as loans and aid.
- No after-sale service is available.
- There are no regulations to guide the sale of imported goods or the relationship between wholesale merchants and exporting countries.
- No guidelines or government mechanisms exist to control imported products or to subject them to testing and quality control.
- Most small enterprises in the field of communications and internet are subject to censorship. This leads to many problems, including the decline of services for the internet and mobile phones.

9.20.2 Firm-Level Constraints

- Deterioration in infrastructure, which is evidenced in the towers and networks of ground communications and mobiles, affecting the integrity of these projects.

- A lack of electricity and the need for special generators result in reduced income and increased costs.
- Most small businesses in this sector are sole proprietors who are uninsured.
- The government does not provide consumer protection, which results in a large quantity of counterfeit and poor quality products.

9.21 EAST BAGHDAD FOCUS GROUP REPORT #6

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Construction **Date:** 7/9/2009

Table 9-21: Focus Group #6 Participants

Serial	Name
1	H.L.H.
2	H.K.
3	A.K.
4	G.D.
5	I.A.
6	H.K.
7	A.K.

9.21.1 Business Enabling Environment Constraints

- The government does not offer loans to owners of construction materials shops.
- Lack of regulation and quality control for imported and local construction materials.
- The government office for buildings and construction is not effective in supporting owners of construction material businesses, and its role is limited to issuing identity badges and regulating its membership.
- The loans given to individuals to build their houses are very high interest (16 %), which in turn hinders construction materials projects.
- The security situation adversely affects owners of construction materials shops when trucks transporting their goods are only permitted to enter at certain times, and sometimes not at all.
- The corruption at external check points and among security forces, both financially and administratively, prevents trucks from getting through.
- The random imposition of custom fees on imported construction materials at the borders.
- There is no plan for making construction materials, as most productive factories are not operational due to lack fuel and maintenance services, and the markets are filled with poor quality imported materials.
- Inflation and currency rates have had a negative effect on business, resulting in fewer profits.

- Outdated laws regarding production and consumer protection.

9.21.2 Firm-Level Constraints

- The high cost and shortage of fuel sometimes forces construction materials factories to stop production.
- A shortage of clear salt-free water forces brick factory owners to use salty well water instead, resulting in bricks that don't conform to standards.
- Stalled communications services.
- No social security or health insurance.
- Sanitation and other municipal services are very poor.
- There is no training available to the construction industry in marketing, computer services or administrative management.
- Those who rent their premises complain that landlords keep randomly raising the rent.

9.21.3 Suggestions for Legal Reform

- Interest rates on loans (averaging 16%) should be lowered.
- The law stipulating that the area of a residential plot of land must be 200sq.m in order to receive a certificate of ownership and estate loan should be amended, and the proposed area should be 100sq.m.
- The laws regarding import regulations and quality control should be re-activated, and a law should be legislated obliging owners of construction materials shops to get a certificate stating that the materials they import have been tested to comply with Iraqi standards.
- Laws and routine measures regarding building licenses should be repealed.
- The requirement to remove ceilings at the front of the construction materials shops should be cancelled.

9.22 EAST BAGHDAD FOCUS GROUP REPORT #7

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Industry - Aluminum **Date:** 8/9/2009

Table 9-22: Focus Group #7 Participants

Serial	Name
1	A.Q.
2	U.A.
3	J.
4	M.F.
5	F.P.
6	A.K.
7	A.H.

9.22.1 Business Enabling Environment Constraints

- High taxes and fees are estimated without clear restrictions and according to the assessors' opinion, rather than being based on the shop's location, situation and number of employees.
- The amount of funds available by loan to shop owners is too low; loans are difficult to obtain, and there not an effective system in place to grant these loans on the part of the industrial development directorate.
- The spread of financial and administrative corruption is rampant in state offices, especially among contractors who are awarded contracts for these offices.
- Decreased business and increased taxes result in the closing of some shops whose owners pursue other lines of work.
- Expensive fuel leads to an increase in transportation costs, which in turn influences business.
- The lapse in quality control with regard to testing aluminium materials, combined with no quality control bureau at all at the border customs, negatively affects the aluminium industry; most of their shops are situated in the capital and are closed for days at a time when there is a security problem.
- The fluctuating prices of raw materials have a negative impact on profits.
- There are no consultants available to offer advice and technical support and to inform business owners about new technology in the aluminium industry.

- The Ramadi glass factory – the only glass factory in Iraq – is presently closed; in the past, they provide glass to aluminium shop owners at wholesale prices.
- There are no clear laws or regulations for this industry, and the application of current law depends on the opinion and competency of the relevant official.
- Glass and aluminium are leading industries in Iraq, but the lack of government support results in a deterioration of these industries.

9.22.2 Firm-Level Constraints

- Lack of electricity causes work stoppages, forcing shop owners to buy special generators, which, in turn, leads to higher prices for their products.
- The poor quality of mobile phones and an unreliable telephone network makes it difficult to conduct business.
- There is no health insurance or social security.
- There is no support for media, advertising or promotion.
- Modern technology is not being utilized, as the craftsmen still use old, simple technology.
- There is no one available to offer administrative and vocational training.

9.22.3 Suggestions for Legal Reform

- Regulation of taxes should be amended to be proportional to profits.
- Laws of industrial development should be established to give shop owners special import licenses for aluminum and its raw materials.
- Loan amounts should be higher, as the highest loan currently available is \$19,000 USD, which is insufficient to meet the needs of the majority of shop owners.

9.23 EAST BAGHDAD FOCUS GROUP REPORT #8

Province: East Baghdad

Moderator: Jasim Salem

Sector: Industrial

Date: 9/9/2009

Table 9-23: Focus Group #8 Participants

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

9.23.1 Business Enabling Environment Constraints

- There are no government centers to sell and distribute raw materials, only the private merchants who control the materials and their prices.
- The absence of quality control and regulations leads to materials that don't conform to proper standards, enabling importers to sell poor-quality materials in order to increase their profits.
- The system of dispensing loans is dysfunctional and is controlled by corrupt government officials.
- The spread of government corruption adversely affects business: loans are not awarded without bribery, and every office will only work with their own contractors.
- Taxes are randomly imposed, and there is no set system for collecting taxes; they are based on the business' name, industry and location only and not on current conditions which may cause business to be suspended for long periods of time.
- Routine and complex procedures at the state level make us less interested in working with the government.
- The security situation greatly affects our business, as our shops are often closed for a long period when there is a problem with security.

- Lack of quality control over foreign materials and their specifications influences our business.
- Sharp increases in prices cause lead to big losses in business.
- There is no real government support in terms of laws, loans and other facilities.
- The machinery and tools available in the local markets are imported and poor quality, and they work only for a few hours or days before breaking down.

9.23.2 Firm-Level Constraints

- Lack of electricity is a huge drain on business, and there are no special provisions made for industrial shops.
- Because fuel is so expensive and hard to find, shop owners sometimes buy it on the black market at extremely high prices, which, in turn, leads to more expensive products.
- Lack of good quality mobile phones and reliable phone service makes doing business more difficult.
- Poor municipal services.
- There are no specialists available to advertise and market the products.
- There is no vocational training available to help develop business and teach the most current technologies.
- There is no health insurance or social security.

9.23.3 Suggestions for Legal Reform

- A fair and clear system of taxation laws.
- A transparent process for granting loans and other forms of assistance.
- Laws regulating imports and supporting local companies that produce raw materials should be re-enacted.
- New laws supporting business infrastructure and development should be legislated, covering the following: advertising, business training and protecting local production.

9.24 EAST BAGHDAD FOCUS GROUP REPORT #9

Province: East Baghdad
Sector: Transportation & Storage

Moderator: Jasim Salem
Date: 10/9/2009

Table 9-24: Focus Group #9 Participants

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

9.24.1 Business Enabling Environment Constraints

- A high degree of pressure on the companies of passenger transport put by security companies which place no value to the important role which these companies play
- These companies are not attached to any government body to organize and supervise its business and give it a semi – official status to play its important role
- Taxes are routinely imposed as conditions of these companies owners are not appreciated due to the security situation
- No bank facilities available to develop the companies' works
- Security measures do a lot of harm to the owners of transport companies as these measures are represented in the checkpoints not permitting the cargo trucks to travel in the main streets, and not permitting the passenger cars to park in from the office or bridges
- Non – cooperation of official bodies in the oil institution with the companies of oil products, transportation and sometimes unjustified fines are imposed on cargos
- Airlines and the transportation of the tourists, visitor, and delegations is monopolized by special companies attached to state

- Difficulty in getting visas for those who are interested to travel abroad where \$250 fees are imposed which the official price is \$50 -a matter which results in low number of passengers as these measures are taken by the Syrian and Jordanian embassies
- Arbitrary of transportation companies under the owners of non-applying measure of which they are already ignorant like the custom sign where the cars and their driver are detained for months.

9.24.2 Firm-Level Constraints

- Lack of electricity results in unavailability of air conditioning in the waiting room and travel bureaus from which passengers complain.
- Lack of fuel as well as cars being expensive influences their income where filling a car with petrol reaches about \$200.
- No health or social security available.
- Neglect of municipal services due to which sewerage and stagnant water are seen – a matter which negatively reflects on our business.
- Nobody available to offer support in the field of media and publicizing.
- No administrative training available in the field of client service or time management.
- Nobody is available to offer services about new technology and recent developments in the transportation field.
- No laws or legislation is available to serve the sector of private transportation.

9.24.3 Suggestions for Legal Reform

- The special measures preventing cars from parking in front of their bureaus should be cancelled.
- Travel restrictions in terms of getting visa should be less, and the owners of transport bureaus should be provided with authorization letters to easily get visas for the passengers.
- Arbitrary measures taken against Iraqi citizen at the Syrian borders or the embassy should be cancelled.
- Special laws to support the sector of goods and passengers transportation like supply with supported fuel.

9.25 EAST BAGHDAD FOCUS GROUP REPORT #10

Province: East Baghdad
Sector: Restaurants & Hotels

Moderator: Jasim Salem
Date: 12/9/2009

Table 9-25: Focus Group #10 Participants

Serial	Name
1	A.A.U.
2	M.S.
3	T.J.
4	S.Q.
5	I.U.
6	M.F.
7	N.I.

9.25.1 Business Enabling Environment Constraints

- Laws supporting hotels, restaurants, and tourism, are not enforced, except in a random way.
- Complex regulations and routine measures make it hard to get a license for practice, as a result many projects are not licensed.
- No real support, loans or aide is available to help activate this sector.
- No government quality control is imposed, resulting in establishing tourism companies with no experience, leading to deteriorated service – a matter which reflects on all tourism businesses in general and means less revenues for all.
- Difficulty and cost in getting a visa for tour groups prohibit tourists from coming to Iraq.
- High taxes.
- Administrative and financial corruption in the government offices that are involved in the work of this sector.
- Security obstacles like multiple checkpoints, concrete blocks, and blocked streets.
- Authorities in the Kurdistan province are rude to tourists from other parts of Iraq, and consider them as foreigners, not Iraqis; moreover, they demand documents and enforce complex measures when going there for tourism.
- Expensive foodstuffs, especially meat, which affect the sector of restaurants and the revenues of the owners of these projects.

9.25.2 Firm-Level Constraints

- Expensive fuel for busses results in rising prices which affect the business of the tourist companies.
- Lack of continuous, steady electricity.
- Non-drinkable water forces companies to use water bottles leading to high prices for their services.
- No public cleanliness and bad municipal services.
- No health insurance or social security is available.
- No support available in the field of advertising and publicizing, as this activity in the private sector is too expensive.
- No training services available in the field of tourism and hotels presently, although they were previously available.

9.25.3 Suggestions for Legal Reform

- Measures of getting tourist visa should be easier.
- Measures of getting a license to practice should be easier.
- Health measures and quality control on tourism company owners should be enforced.
- Special loans should be offered to tourism businesses with reasonable conditions.
- Owners of restaurants, hotels and tourism projects should be supported with subsidized fuel.
- Security measures should be reduced, and the tourism companies should be treated with greater importance owing to the importance of this sector.
- Support measures in terms of qualification courses for tourism projects; supervision and control on restaurants should be enforced.

9.26 EAST BAGHDAD FOCUS GROUP REPORT #11

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Agriculture **Date:** 13/9/2009

Table 9-26: Focus Group #11 Participants

Serial	Name
1	N.A.
2	A.S.
3	U.M.
4	U.D.
5	A.A.
6	A.I.
7	M.A.

9.26.1 Business Enabling Environment Constraints

- No government support for the owners of nurseries, fisheries, and poultry projects in terms of easy loans or support for seeds and fodder.
- No clear measures as to how to deal with nursery owners where the lease contracts of these projects are not renewed, being auctioned every three years, and their ownership transferred to unqualified persons in this respect.
- Expensive fertilizers, seeds and fodder in the market results in rising prices of their products and services, and eventually less opportunities for lucrative work.
- Lack of financing forces the owners of these projects to rely on conventional and old equipment and technology with no chance of developing their projects.
- Complex routine measures in dealing with the state offices in terms of getting offices licensed for carrying out work.
- The administrative corruption in the security forces and state offices is a large hindrance to the development of projects.
- Security measures prohibit customers from reaching producers.
- No laws exist to protect local production, especially with strong competition from imported products in regards to poultry production.
- Nurseries are being looted by unemployed persons.

9.26.2 Firm-Level Constraints

- Lack of electricity forces company owners to buy special generators which result in rising prices of their products and failure to compete with imported products.
- Lack of water to irrigate the plants and crops forces nursery owners to buy water from government tankers.
- Expensive fuel has a great effect on the prices of the products of poultry producers, rendering them incapable of competing with other imported products.
- High cost of transportation, multiple check points, and blocked streets negatively influence the owners of these projects.
- Lack of cleanliness and municipal services result in piled dirt and leftovers in front of nurseries forcing owners to remove at their own expense.
- No agencies are available to offer advertisement services, training or consultation.
- No health services or social security is available.

9.26.3 Suggestions for Legal Reform

- Enactment of clear measures regarding the contracts of nursery owners with the state in which they guarantee their continuous business. Further, rents should be reduced as well.
- Enactment of clear laws and rules supporting company owners in terms of easier loans.
- Enactment of clear measures and instructions organizing work.
- Public services of water and electricity should be available, and special ration should be given to owners for their business to be active.

9.27 EAST BAGHDAD FOCUS GROUP REPORT #12

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Restaurants & Hotels **Date:** 14/9/2009

Table 9-27: Focus Group #12 Participants

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

9.27.1 Business Enabling Environment Constraints

- Ministry of Health inspectors enforce laws only to extort money from restraint owners.
- Complex routine along with financial corruption to get a license to practice from the Ministry of Health.
- Testing of food samples from restaurant meals takes three days for one sample, and since the sample is subjected to decay during this period, the ministry is to blame.
- Multiple government bodies collect taxes without clear regulations.
- The spread of financial and administrative corruption has negative effects on the business of restaurant owners wherein delayed un-completed paper work obliges them to pay bribes to have them completed.
- Unstable security situation causes early closing of restaurants; and because of blast walls and blocked streets, getting to restaurants is difficult.
- The restaurant sector is competing with the imported food stuffs because they are not conforming to health conditions, many are expired and cheaply sold.
- The fluctuating prices of meals in the restaurants.

9.27.2 Firm-Level Constraints

- Lack of electricity and the continuous changing of time tables of programmed power cuts have direct influence on restaurant businesses in terms of foodstuff storage or cooling the restaurant.
- Expensive fuel for alternative power generation leads to increased prices of products and services.
- Bad communication services affect work in terms of tables booking and order delivery.
- No social security or health insurance for restaurant owners.
- Weak municipal services.
- No training courses available in areas of client service, product marketing, or restaurant management.

9.27.3 Suggestions for Legal Reform

- Rent protection laws needed.
- Eliminate routine measures and corruption in getting a license of practice.
- Activation of a mechanism for granting easy loans.
- Enforcement of cleanliness and municipal services.
- Support of fuel (subsidies) used for electricity generators.
- Efforts should be made to provide security so as to establish stability which reflects on all businesses.

9.28 EAST BAGHDAD FOCUS GROUP REPORT #13

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Hotels & Restaurants **Date:** 15/9/2009

Table 9-28: Focus Group #13 Participants

Serial	Name
1	Q.M.
2	R.J.
3	A.S.
4	J.N.
5	U.K.
6	A.A.
7	I.D.
8	Y.Y.
9	A.H.

9.28.1 Business Enabling Environment Constraints

- There are no government loans or subsidies for restaurant owners, and loans from private banks are high interest (14%) and must be paid back within a short period.
- Taxes are imposed by multiple governmental bodies, including the Tax Office, Baghdad Municipality and Ministry of Health.
- When seeking a license to operate from the Ministry of Health, business owners encounter complex administrative procedures and financial corruption.
- Restaurants face unfair competition from the imported food stuffs, and some products, such as imported meat, are not suitable for human consumption.
- Businesses are subject to high rents, which are unregulated.
- The unstable security situation often forces restaurants to close early, and access for customers is difficult because of concrete blocks and blocked streets.
- Financial and administrative corruption leads to delays in completing paperwork, which leads to giving bribes in the Ministry of Health, Baghdad Municipality and Tax Office.

9.28.2 Firm-Level Constraints

- The power shortage and constant changes in the scheduling of electricity directly affect the restaurant business, especially with regard to food storage and air conditioning the restaurants.
- Expensive fuel leads to increases in the prices of products and services.
- Poor communication services limits' restaurants ability to accept table bookings and orders for delivery.
- There is no social security or health insurance for restaurant owners and workers.
- Municipal and sanitation services are poor.
- There are no training courses for customer service, marketing or restaurant management.

9.28.3 Suggestions for Legal Reform

- Restaurants should be regulated by government offices, and health employees should be conscientious and serious about their work.
- Tourism should be financially supported, especially by restaurants, and the Baghdad's municipal requirements should be reduced.
- Renter protection laws should be enacted.
- The administrative and financial corruption in the state offices, especially in Baghdad municipality, should be addressed.
- Vocational training should be offered to restaurant workers and staff in the tourism sector.

9.29 EAST BAGHDAD FOCUS GROUP REPORT #14

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Communication **Date:** 16/9/2009

Table 9-29: Focus Group #14 Participants

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

9.29.1 Business Enabling Environment Constraints

- Weak networks of internet and communication from the main source and no coverage available in time.
- The imported mobile phones, computers as well as raw materials are of substandard quality.
- No government support available in term of loans of low interest rate and proper period so as to develop the computer and mobiles projects, only private banks are available which offer high interest rates over a short period.
- Inconveniences by Baghdad municipality represented by removing the posters and advertisements belonging to mobile shop and imposing unjustified fees.
- Administrative red tape and financial corruption greatly affect the business of mobile shop owners.
- No clear role of censorship and quality control on the imported materials, 90% of which are of bad specifications.
- Widespread bribery at the customs leads to introducing materials that do not conform to standards.
- Security situation has a negative effect on mobile and computers shop owners by limiting working hours.
- Unstable prices make clients distrust the shop owners and defame them.
- Mobile phone and computer stores are frequently robbed, thus obliging them to take valuable devices home.
- High rents of buildings and shop lead to low income and threats to evacuate.

9.29.2 Firm-Level Constraints

- There is not enough electricity for computers and telecommunications shops, leaving owners dependent on private generators and adding to the cost of services and goods.
- Shop owners spend 30-40% of their income on fuel for their generators.
- Inadequate mobile networks and poor telephone service is especially harmful to owners of telecommunications businesses.
- Problems with transportation caused by the security situation and high-priced fuel cause delays, making shop owners several hours late to wholesale markets.
- There are no municipal or sanitation services.
- There is no government support for publicizing products and services.
- There is no training available to teach shop owners about new technology in their field or about managing a business.

9.29.3 Suggestions for Legal Reform

- The government should establish companies in the field of communication, and reliance on private enterprises should be avoided.
- The government should provide shop owners with low-interest rate loans.
- Courses should be developed to train business owners in the latest telecommunications technology.
- Fuel and electricity should be available at reasonable prices.
- Night curfews and concrete barriers should be considered.
- Laws should be enacted to protect consumers and regulate rental rates for shops.

9.30 EAST BAGHDAD FOCUS GROUP REPORT #15

Province: East Baghdad **Moderator:** Jasim Salem
Sector: Transportation **Date:** 19/9/2009

Table 9-30: Focus Group #15 Participants

Serial	Name
1	A.T.
2	R.H.
3	F.M.
4	G.T.
5	S.S.
6	Y.M.
7	A.M.
8	S.M.
9	M.S.
10	U.S.

9.30.1 Business Enabling Environment Constraints

- There is no organization or agency for taxi drivers. This forces drivers to work all hours using their personal cars.
- The system of limiting driving to odd-even numbered cars is problem for taxi cabs.
- Complex paperwork and financial and administrative corruption in the traffic departments of government offices makes it difficult for drivers to interact with these departments.
- The government does not make loans or installment plans available for taxi owners to buy new cars.
- There are no special parking areas for taxi cabs, leaving drivers vulnerable to being fined illegally by traffic police.
- The security situation, blocked streets and widespread checkpoints hinder the ability of taxi owners to do their jobs.
- There is no censorship regulation over the durability and safety of imported cars.
- There is no one available to issue to private driver's licenses, and as a result children and juveniles are driving on the roads.

9.30.2 Firm-Level Constraints

- Unpaved roads cause damage to taxi cabs.
- Taxi drivers have no social security or health benefits.
- Poor municipal and telecommunication services hamper the drivers' ability to do their job.
- The high cost and scarcity of fuel results in lower incomes for drivers.
- No new technology is available for taxi cabs and their drivers.
- Car theft is widespread, and authorities do little to follow up on stolen vehicles.
- The shortage of electricity leads to an increased demand for fuel (benzin, diesel) which affects, in turn, its supply to taxi drivers. In addition, there are always long lines at gas stations, leaving drivers less time to pick up fares.

9.30.3 Suggestions for Legal Reform

- There should be fewer checkpoints in Baghdad.
- Fuel should be available at reasonable prices, and taxi drivers should be given special badges.
- Traffic laws should be amended in coordination with taxi drivers.
- The government should loan and/or sell taxi cabs to drivers and let them pay on an instalment plan.

9.31 BAGHDAD QADA FOCUS GROUP REPORT #1

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Construction **Date:** 29/8/2009

Table 9-31: Focus Group #3 Participants

Serial	Name
1	Q.A.A.A.
2	R.A.A.A.
3	R.W.A.
4	M.A.A.
5	B.A.A.
6	M.G.S.A.
7	H.J.M.
8	M.W.
9	B.M.E.
10	E.T.S.
11	A.G.A.
12	F.G.T.
13	J.S.A.

9.31.1 Business Enabling Environment Constraints

- No work and difficulty in obtaining work inside or outside their areas.
- The intense competition among companies in obtaining employment with lowest wages possible.
- Strains in cash-flow hinder the contractors' ability to pay wages to the workers on time, as well as hinders the ability to purchase raw materials and other services necessary to the work.
- Increasing rates of inflation.
- The administrative corruption and spread of bribery to get a project awarded.
- The problems of transport, barriers and a crisis of electricity and water, especially in districts and suburbs (qada areas).
- Nepotism and sectarian affiliation are the only way to get awarded a project.

- The security situation hinders the workers' ability to work for a long period, as well as to the different wage rates from one area to another because of the same.
- Raw materials and equipment in the local market are mostly imported from poor origins, affecting negatively on productivity.

9.31.2 Firm-Level Constraints

- Failure of one work unit to complete their work leads to obstruction of the work of the second unit due to the fact that their works are related to each other.
- Lack of cooperation on the part of the contractor with the workers in fair and reasonable terms of payment of wages on time
- Preference of some workers over others on the basis of sectarian affiliation and kinship without regard to their efficiency.
- Companies depend on friends and bribes in securing work from the initial (prime) contractors.
- Exploiting of contractors for workers through the sale of construction contracts to more than one contractor.
- Administrative corruption and bribery in all fields of work between the subcontractors and contractors.
- Lack of motivation for development of business due to the economic and security situations.

9.32 BAGHDAD QADA FOCUS GROUP REPORT #2

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Electricity **Date:** 30/8/2009

Table 9-32: Focus Group #3 Participants

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

9.32.1 Business Enabling Environment Constraints

- Unemployment and the difficulty of finding a job
- Fierce competition among workers to get a work opportunity for the lowest possible wages
- Lack of cash flow which makes it difficult for contractors to pay wages on time
- High rates of inflation
- Administrative corruption and paying bribes in order to get a project
- Transportation constraints and the use of road blocks, as well as the lack of electricity and water especially in districts and sub-districts;
- Nepotism and sectarian affiliation are the sole bases for getting awarded a project
- The security conditions are preventing workers from working for long periods
- Most materials, tools and equipment purchased from the local market are imported from poor origins which badly affects workers' productivity repeating a specific section of work more than once.

9.32.2 Firm-Level Constraints

- Failure on the part of contractor to deal fairly and seriously with workers in relation to paying fees on time and employing workers on a sectarian and family bases without considering competence, not to mention failure to provide for most work requirements
- To get work, companies resort to acquaintances and paying bribes to engineers working for prime contractors
- Exploitation of workers by contractors through selling construction contracts to more than one contractor
- Administrative corruption and bribes paying in all stages of work and dealings between units and contractors
- Lack of motives to develop works due to the economic and security situation

9.33 BAGHDAD QADA FOCUS GROUP REPORT #3

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Agriculture **Date:** 1/9/2009

Table 9-33: Focus Group #3 Participants

Serial	Name
1	K.M.O.
2	A.H.A.L.
3	A.H.O.
4	T.H.O.
5	S.H.G.
6	K.H.M.
7	S.S.A.
8	A.S.S.

9.33.1 Business Enabling Environment Constraints

- The farmers are not capable of buying seeds, fertilizers, and pesticides. Also they are not able to hire machinery and equipment.
- No farmer societies (cooperatives) available to help supply and fund operations, thus making farmers rely on the private sector in the supply – a matter which results in bad quality seeds, expiring pesticides, and low productivity of the farmer.
- No quality control available on the import of the seeds and pesticides.
- Most farmers tend not to go to an agrarian bank for advances because of its very strict conditions represented in: power of attorney of loan, mortgage of land, high rate of interest, and finally a very short period for paying back the loan.
- The Iraqi farmer cannot compete with the goods imported from neighboring countries because the products are costly and expensive.
- Lack of water which results in leaving large areas of lands uncultivated, reducing the production of vegetables and rising prices, using artesian wells, unjust water rations because of bribery, favoritism, and administrative corruption.
- No farmer societies (cooperatives) available to advocate for farmers.
- Farmers are leaving their lands, going to the city and changing their work.

- The farmers' productivity is largely influenced by the security situation and the blocked roads.
- Besides the lack of water, climate change and small quantity of rain play its role in reducing the farmers' productivity.

9.33.2 Firm-Level Constraints

- Administrative corruption, bribery, and discrimination of one farmer against another in distributing the seeds, fertilizers and pesticides by the marketing centre (government agricultural office).
- Imposing seeds and pesticides of bad quality which are imported by the private sector or the marketing centre on the farmers at high prices.
- Unstable prices of seeds, fertilizers and raw materials due to the global crisis.
- No paved roads available results in high fares for transport.
- The distribution of fuel among the farmers is influenced by nepotism and personal relations.
- On marketing the agricultural crops, the marketing centre puts pressure on the farmers to undersell their products.
- Crop rotation aims to vary the agricultural crops to keep the land fertile continuously, but at this stage, applying the crop rotation causes losses and reduction in the farmers revenues.
- Unfair water rationing.

9.34 BAGHDAD QADA FOCUS GROUP REPORT #4

Province: Baghdad Qada **Moderator:** Mr. Mohammed Shohaieb
Sector: Agriculture **Date:** 2/9/2009

Table 9-34: Focus Group #4 Participants

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

9.34.1 Business Enabling Environment Constraints

- Scarcity of water.
- Lack of fuel and petroleum products. If available, it is usually at high prices.
- Absence of control by the State about irregularities and goods imported from abroad as well as the absence of the role of quality control on these goods.
- Continuous outages of electric power without any specific timetable for the electrical current. In addition to the weakness of this electricity, not having the sufficient financial capacity to buy private generators and increasing rates for private generators (local). Further, because of the high prices of petroleum products and their derivatives are the main material in the work of these generators.
- Increasing of wages for leasing farm machinery. Lack of their availability and the inability of the farms to buy these machines because of their high prices.
- Increasing cost of transportation (for people and goods), obstructing of the governmental controls the process of carrying the goods and installation of concrete barriers, all of these impede the carrying and lead to late arrival of crops from the farmer to the consumer, therefore damage to the goods.

- Absence of agricultural government associations help, support and provide the farmer with fertilizers, pesticides and other materials needed by the farms, this led to buy the farmer his needs from the private sector.
- The deteriorating security situation is the most important problem facing the farmer in his work, which has led to substantially reduced work hours and difficult access to more remote fields.
- The difficulty of obtaining approvals from the State in the case of planting any crop.
- Importing of crops, seeds, chemical fertilizers and other from abroad, but the most of these materials are poor, unsuitable in the agriculture and corrupted, so they will affect on the agricultural productions, because of the lack of quality control on imported goods and the absence of control on the products sold in the markets.

9.34.2 Firm-Level Constraints

- The absence of the role of advertising in the field of agriculture and the depending of advertising on the personal relationships and good reputation.

9.34.3 Suggestions for Legal reform

- The State does not provide any support to the farmer and there are difficulties in getting of loans in several aspects, including the shortage of duration of the loan, increasing the level of administrative corruption and bribery in the department that grant the loan, asking hard guarantees and enforcing the farmers to borrow from his relatives and friends.

9.35 BAGHDAD QADA FOCUS GROUP REPORT #5

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaody
Sector: Agriculture **Date:** 2/9/2009

Table 9-35: Focus Group #5 Participants

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

9.35.1 Business Enabling Environment Constraints

- The state does not provide the farmers with implements or finance to rent necessary machinery. In addition, owners complain about fuel shortages, expensive spare parts, cost of fuel (when available) and even the government pumps stations selling at market prices which are not supported by the state.
- The administrative corruption and bribery in the purchase of farm products where any delay in their reception causes decay.
- Expensive transport
- Banks demand many guarantees when taking a loan of which is at a high rate of interest.
- The import of seed, pesticides and vaccines are usually of bad quality and expired as a result of no quality control by the government.
- Shortage of water and ill distribution of water rations among farmers in addition to bribery and corruption in this field make the farmers abstain from planting the crops that need more water. The same is true of the poultry and cattle operations.
- Digging wells is of no economic benefit owing to high cost, and not finding water good for cultivation (reasonable salinity).

- Immigration of the farmers to the city because of desertification and shortage of water results in reduced numbers of farmers.
- Bribery and administrative corruption make the marketing of crops difficult.
- Time for payment for these crops is delayed over a long period of time – a matter which causes the farmer to be late in planting the crops each in its season.
- Theft and deteriorated security situation make for a reduction in the cow and poultry business.

9.35.2 Firm-Level Constraints

- The differences among the farmers arising from the non-presence of framers' societies or syndicates increase the volatility of sectarian disputes and nepotism as a means to distinguish one farmer from another.
- The owners of the certain lands in close proximity to water sources or important government offices have priority in irrigation, cultivation and good seeds on contrary to the ordinary farmer through he has the same commitments.

9.36 BAGHDAD QADA FOCUS GROUP REPORT #6

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Light Manufacture **Date:** 7/9/2009

Table 9-36: Focus Group #6 Participants

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

9.36.1 Business Enabling Environment Constraints

- Working late at night is difficult because of the security situation.
- Lack of electricity makes the shop owners depended upon the private generators which charge high wages besides their unstable voltage.
- Multiple check points result in jammed traffic and those who are in charge have little integrity and take bribes especially from the trucks laden with chemical wares, perfumes, and cosmetics.
- No government or cooperative society support is available as it was in the previous regime; and loans from the government banks are characterized by complex measures, high interest rates and administrative corruption.
- No quality control is available which results in importing raw materials, clothes, and cosmetics of bad quality and with expired validity. The same is true for machinery and equipment, for they are also of bad quality.
- Goods and products are usually sold on credit or on installments – a matter which causes difficulties for the shop owners when customers do not pay installments, leading to shop owners defaulting on loans.
- The foreign goods strongly compete with the local goods because they are cheaply made, compared to the local products which are expensively made -

also there is no protection of any kind against this competition from foreign goods.

- High cost of the products arising from the fuel, equipments and machinery, and raw materials in comparison with the realized profits make the shop owners give up their business.
- The shop owners are sometimes forced to give bribes to the municipal council or the members of the night watch local security force for protection.
- No financing is available because the banks ask for many guarantees for loans at high interest rates along with the complex procedures.

9.36.2 Firm-Level Constraints

- Skilled labor is not available because most have immigrated abroad and if available, they charge high wages.
- No cooperative societies are available to provide raw materials, fund business, and assist in marketing products. Merchants are importing the goods. They have problems including unequal supply and payment requirements.
- Owing to their weak buying power, the customers pay back their instalments late, give back the goods which they have already bought, or move to another area and default altogether paying instalments.
- High rent of shops.
- Cooperation with wholesale merchants (e.g. in Al-Shorjah market) is difficult owing to the high prices and unstable currencies available to market their products.

9.37 BAGHDAD QADA FOCUS GROUP REPORT #7

Province: Baghdad Qada
Sector: Auto, Generator and Satellite System Repair

Moderator: Dr. Sabah Al-Obaidy
Date: 8/9/2009

Table 9-37: Focus Group #7 Participants

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

9.37.1 Business Enabling Environment Constraints

- Spare parts which are imported or already used are of bad quality.
- High rents of shops.
- Lack of electricity and dependence on the private generators.
- Lack of capital.
- Difficulty getting a loan from the government or the private banks.
- Competition with foreign goods.
- High fares of transport and lack of fuel.
- The imported vehicles are cheap – a matter which makes the car owner not want to repair at the mechanic shops because they charge a lot of money.
- No equipment or machinery is available to assist with the development in the field of car testing - as car electricians, for example, complain from the unavailability of modern equipment for testing, especially for cars of later models.
- Continually high rents of shops as craftsmen ask for amending the law of lease. Landlords should not be permitted to increase the rents from time to time.

- High taxes are imposed on the shop owners who demand that law of taxation should be cancelled for a time or be reduced.
- No quality control available on the products.
- The importance of legislating a new law under which the workshop owner is given a license to practice his job.
- No cooperative societies available to provide them with spare parts and finance them when needed.

9.37.2 Firm-Level Constraints

- Lack of finance.
- The import of cheap ready-made goods results in a loss of confidence between the citizen and the owners of these workshops as the repair cost equals or may be higher than the price of the imported goods.
- Parts scalping - the citizen does not want to leave the computer or car at a workshop because the spare part in the market are of bad quality, believing that good spare parts will be substituted out of the citizen's computer for cheap low-quality parts.
- High fares of transport.
- High tax of practice of occupation.
- No requirements of public safety available especially the technical equipment, therefore frequent death cases arise from the ignorance of workers and lack of equipment of public safety.
- The poor security situation inhibits repairmen from locating houses which need to have their satellite set up or their generators fixed.
- No support available to hold courses on computer and internet for women.
- The work shop owners demand that the law of lease be amended.

9.38 BAGHDAD QADA FOCUS GROUP REPORT #8

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Agriculture **Date:** 9/9/2009

Table 9-38: Focus Group #8 Participants

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

9.38.1 Business Enabling Environment Constraints

- Just like the farmers in other areas, irrigation and electricity are principal obstacles.
- Digging wells needs a lot of money, and carrying water from the river to their farms by pumps and water lines also requires fuel which is expensive.
- Seeds, fertilizers, and pesticides which are imported by the private sector are all of poor quality, and with expiring validity. Consequently, they are of low productivity although they are expensive.
- No subsidies are available whether given by the Ministry of Agriculture or the farmers' cooperative societies, so the farmers are in desperate need of financing to meet their requirements and that is why the farmers leave their land.
- Funding and marketing of agricultural products are lacking due to the administrative corruption, bribery and mediators with no conscience.
- The government finance is characterized by complex measures, a five person guarantee, lengthy application procedures, high interest rates, bribery, nepotism, and short-term marketing.
- The agricultural machinery used has become obsolete, of low productivity and their spare parts are expensive.
- The difficulties faced by the farmers when marketing their crops to the private marketing centers or government silos make them spend three

nights or more so as to distribute their cargoes. Reasons for delays are from bribery and favoritism.

- With regards to fish farming, buying and caring for the fish is expensive due to lack of water and electricity, immigration of skilled labor abroad, climatic conditions, expensive fodder, expensive vaccines, and finally high fares for transport.
- In the field of poultry production, Law no. 35 is considered unjust as leased land is renewed annually against amount of money paid by the farmers. This law should be cancelled and replaced by Law no. 171, which is described as flexible and provides longer lease periods.

9.38.2 Firm-Level Constraints

- The distribution of the agricultural material from the government is insufficient.
- Installing water pumps to draw water from the river causes dispute among the farmers whereby farms near to the water source benefit, and the distant farms do not.
- Poultry and fish farms are subject to robbery from unemployed people.
- The farmers do not have equal opportunities in marketing their products according to their financial status.

9.39 BAGHDAD QADA FOCUS GROUP REPORT #9

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Clothes Manufacturing **Date:** 10/9/2009

Table 9-39: Focus Group #9 Participants

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

9.39.1 Business Enabling Environment Constraints

- Due to the security situation, many shops are forced to close at 5:00 in the evening.
- Lack of electricity for sewing machines.
- The private generators charge high wages, and voltage is not constant.
- The spare parts of the machines are expensive and poor quality, especially the sewing tools like threads and needles.
- Lack of capital and no government bank is available to financially support manufacturing
- High fares for transport due to corruption and bribery in the government checkpoints.
- No quality control imposed on the imported raw materials to ensure their good quality.
- No real follow-up with the shops in terms of license giving, holding training courses to tailors on the part of the social affairs ministry, and enforcing regulations that apply to all, rather than to specific sects.
- Lack of protection for locally produced goods which cannot compete with the foreign goods through increasing the custom duties and limiting the import so as to secure, not dump on, the local market.

- The rents of shops are too high for their profits. The rents are increased yearly which result in high cost of production and less profits.
- The merchants monopolize the import of raw materials, clothes, and spare parts, whereas the state plays no role to limit the monopolies.
- The municipal councils and social security networks play a negative role which can be seen in the administrative corruption and lack of submitting necessary facilitations to new businesses.
- Borrowing from banks is cost prohibitive due to the high interest rates. In addition, the payment period is short, and the loan of small amount.
- Lack of skilled workers because they immigrate abroad due to the security situation.
- Imposing taxes on the income and vocation especially of tailors and sellers of ready-made clothes reduce their profits.

9.39.2 Firm-Level Constraints

- Due to a lack of capital, the tailors find it hard to pay back loans to banks – a matter which causes many problems with the merchants and deprives them from procurement of materials (i.e. cloth).
- Due to high inflation rates, most customers pay on installments which leads to accumulated debt.
- Lack of skilled labor, and the Ministry of Labor and Social Affairs does not hold courses on sewing.
- No cooperative societies available to provide business owners with cloth as well as capital.
- Too many tailors in certain geographic areas.

9.39.3 Suggestions for Legal Reform

- Lease laws should be reconsidered with caps on shop rents.
- Law of quality control and censorship on the imported materials and goods should be legislated.
- Syndicates and cooperative societies should be established to fund the projects and solve their present and future problems.
- License should be given to craftsmen so as to exclude intruders.
- Providing loans to these emerging crafts should be reconsidered.

9.40 BAGHDAD QADA FOCUS GROUP REPORT #10

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Light Manufacture **Date:** 12/9/2009

Table 9-40: Focus Group #10 Participants

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

9.40.1 Business Enabling Environment Constraints

- Concrete barriers are a primary constraint, resulting in high cost of transport and exposing goods to decay and theft.
- Security situation makes the workers stop working after five o'clock in the evening.
- Lack of electricity supplied is not suitable for the business as well as the current is not stable.
- Not enough electricity capacity available (not 3-phase).
- No government support available; and if any there is, it is plagued by administrative corruption, bribery, the complex government procedures that will be barriers to access.
- High rates of interest at private banks.
- Shrinkage of demand on the goods because of low buying power of the customers and high rate of inflation.
- Skilled labor is hired away by the Ministry of Labor social safety net. In addition, professionals are leaving Iraq due to the security situation.

- Domestically produced goods (home-made) are not in a position to compete with the imported goods because they are cheaper than the home made goods – a matter which causes low demand for the local products.
- Raw materials are of bad quality, yet the merchants monopolize the import of these goods.
- No quality control on imported goods.
- Craftsmen are obliged to sell on credit – foregoing cash flow they require to buy raw materials, paints and other things from the local markets.
- Shop rents are increased randomly with no legal protections.
- High taxes and arbitrary assessments from tax office representatives results in craftsmen being obliged to pay bribes.

9.40.2 Firm-Level Constraints

- Due to little wages, the workers move from one craft to another – a matter which results in sharp competition among the employers.
- Skilled labor has traveled abroad due to the security situation.
- Lack of financing results in tension between shop owners and the craftsmen on the one hand, and between the customers and the craftsmen on the other.
- Private generators cost too much and are therefore underutilized.
- No social security available to fund the emerging projects and there are no trade unions or cooperative societies that represent or assist the craftsmen.

9.40.3 Suggestions for Legal Reform

- Rent controls should be considered to limit the random increase of shops rents.
- Quality control measures on imported materials should be enforced.
- Cooperative societies and unions should be established to finance the projects and solve their problems in the present and the future.
- Loans from banks should be re-considered based on government regulations.

9.41 BAGHDAD QADA FOCUS GROUP REPORT #11

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Light Manufacture **Date:** 12/9/2009

Table 9-41: Focus Group #11 Participants

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

9.41.1 Business Enabling Environment Constraints

- Owners and workers cannot work after five o'clock in the evening because of the security situation rendering it too dangerous to remain open after dark.
- Of the most important constraints is the security situation and the concrete barriers which result in delays and high cost for transportation of goods, which can be stolen or decayed.
- Electricity is the second biggest problem facing the business owner, which is manifested in the following ways: 3-phase electricity is not available, businesses are provided with electricity at times unfavorable for them, and the current is not stable.
- Customers have very limited buying power that shrinks demand.
- Government banks are not available to provide loans. In addition, business owners complain that it is difficult to obtain a loan due to administrative corruption, bribery, and complex procedures.
- In private banks, loans come with high interest rates for small loan amounts and short payback periods.
- Lack of the skilled labor - the Ministry of Labor does not hold qualifying courses to prepare workers, and those who are skillful immigrate abroad in search of better opportunities.

- Locally produced goods are not in a position to compete with the imported goods because they are expensive compared to the imported ones which are cheap.
- Imported raw materials are characterized with bad quality. Additionally, the importers monopolize the goods in the market.
- No quality control is imposed on both local and imported goods.
- No rent controls to prevent unilateral increases from landlords.
- Craftsman and business owners are not desirous of dealing with the government offices. They have to pay a large fee to obtain a copy of the tender from the government office, the number of tenders is limited, and those who are awarded the contracts in the end are those who can pay the government officials responsible the highest amount of money in bribes.
- Craftsman and shops owner are obliged to give up their crafts or practice another crafts owing to the difficulties faced by them.
- High taxes which are unjustly calculated lead to craftsman paying bribes to reduce the amount of taxes owed.

9.41.2 Firm-Level Constraints

- Workers frequently change occupation in a desperate move to find suitable wages and thus creating competition among employers.
- No skilled labor is available because of their immigration abroad.
- The private or neighborhood generators are not useful because they are expensive and of low voltage.

9.41.3 Suggestions for Legal Reform

- Rent controls should be introduced.
- Introduction of quality control measures for imported materials and goods.
- Syndicates and cooperative societies should be established to fund projects and solve their present and future problems.
- Licensing of craftsmen.
- Providing loans to emerging craftsmen should be considered.

9.42 BAGHDAD QADA FOCUS GROUP REPORT #12

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Metal Workers **Date:** 13/9/2009

Table 9-42: Focus Group #12 Participants

Serial	Name
1	R.F.A
2	E.A.
3	R.A.F.
4	A.H.M.
5	A.A.A.H.
6	H.A.H.
7	Q.M.
8	S.K.A.

9.42.1 Business Enabling Environment Constraints

- Work depends on availability of electricity, especially on 3-phase power. The main problem is outages with no programming to fit with times of their work. This is critical for metal workshops that need electric power.
- The existence of many checkpoints and concrete barriers make movement difficult. This requires moving manufactured goods by many modes of transportation and incurring additional cost as well as having to pay bribes.
- Lack of capital because of importing materials involved in the production and increasing prices in the market.
- Lack of financing resources. The financing opportunities available have high interest rates, short payment period, and complex procedures which leads to spreading of administrative corruption.
- Importing of materials involved in the industry is done through the private sector which aims to increase profits by importing commodities and goods of poor quality; and because a lack of quality control and governmental supervision, the supply customers are greatly affected.
- Weakness in the purchasing power of consumers results in shop owners extending credit and selling on installment plans, thereby creating a gap between the receiving of installment payments and the cash sums that the owners need to pay for imported production supplies.

- Increasing rents forces owners of shops to ask their workers to participate in the business (become partners).
- Lack of laws supporting the return of the workers' unions, quality control and organization of the metal working industry.
- Administrative corruption and spreading of bribes in transactions with the tax authority and the current departments of the government to coordinate the payment of cash to contractors.
- Lack of occupational and safety requirements, in particular when dealing with high-voltage electricity, as well as using equipment to cut iron which scatters hot iron shavings.

9.42.2 Firm-Level Constraints

- Lack of skilled workers.
- Lack of qualified institutions to prepare workers for employment.
- The competition between the owners of the businesses to attract workers by monetary inducements.
- Lack of capital prevent owners of shops from developing their work or expanding.
- Because of the security situation, electricity, economic situation, increasing inflation rates and limiting of the market, owners of businesses simply give up.

9.42.3 Suggestions for Legal Reform

- Amend laws dealing with organizing business through workers' unions, quality control programs, cooperating loan programs, and lease laws.
- Enforcement of the application of public safety regulations in shops.
- Regenerate government factories to provide raw materials, instead of importing inferior raw materials.
- Put limitations on the workers' unions and give licenses for work in order to prevent outsider interference.

9.43 BAGHDAD QADA FOCUS GROUP REPORT #13

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Hair Cutting **Date:** 14/9/2009

Table 9-43: Focus Group #13 Participants

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

9.43.1 Business Enabling Environment Constraints

- The security situation represented in the existence of multiple check points, concrete blocks, and difficulty in passing from one neighborhood to another. All these hinder the entry and exit of the customers.
- Lack of electricity led to the municipal council in Al-Yusifiya distributing a number of generators of different capacities to compete with the private generators. The major problem is the high cost of fuel.
- The municipal council has no control authority over the owner of private generators who increase the price of amperes at will, and sell their fuel rations in the black market with which they are provided at supported prices.
- The private generators are of poor quality and with limited spare parts. This results in problems for barbers that require electrical power during the day to perform their work.
- No quality control available on the equipment used in hair dressing as shaving machines are of low quality as well as their spare parts.
- Most of their profits are spent on the night watches (paying them tributes), inspectors of ministry of health, and garbage men.
- High rents which are increased over short periods in the year as the shop owners refuse to carry out annual contracts, and ask for eviction whenever they like, without any law protecting the tenants.

- Barbers need a great deal of money in order to outfit their shops, in the meantime there is no society or syndicate to finance their business. Where financing does exist, it is plagued by nepotism, complex procedures to access it, and high interest rates. Hence, barbers do not pursue loans from the government or banks.
- No organizations or institutes are available to qualify technical staff as most skilled workers have immigrated abroad.
- Profits are marginal because of the low buying power of the citizen, so they give up their business looking for more profitable professions.
- Unfair competition.
- Getting a license to practice requires a number of measures to be implemented which include securing the following: a lease contract, approval of ministry health, and dealing with complex measures.

9.43.2 Firm-Level Constraints

- The shop owners strongly compete with each other reducing their business and profits.
- Hair dressing as a craft requires decorating the shop, and providing it with air conditioner – a matter which increases the competition among the barbers in terms of the number of customers and profits.

9.43.3 Suggestions for Legal Reform

- Improve property rent laws.
- Improve trade union protection.
- Necessary legislations should be issued to decrease the poor quality of imported goods.
- More institutes for training in hair dressing should be established, and licenses should be issues to barbers who complete their training faithfully and successfully.

9.44 BAGHDAD QADA FOCUS GROUP REPORT #14

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Agriculture **Date:** 15/9/2009

Table 9-44: Focus Group #14 Participants

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

9.44.1 Business Enabling Environment Constraints

- Lack of water for irrigation. The Ministry of Agriculture does not provide fair rations of water to suburban areas. In addition, administrative corruption, bribery and nepotism contribute to the problem. This results in some people receiving a large quantity of water and others a small quantity or none.
- The presence of fish farms which belong to officials and their acquaintances close to farms. This results in complete unavailability of water for irrigation.
- Erection of electric generators in certain areas requires farmers to pay higher amounts of money for subscription to these private generators.
- Farmers find it difficult to get tractors, seeders and harvesters because the government has stopped providing farmers with this machinery. In addition, the owners of private tractors charge large sums of money for providing cultivating services on a per-donum rate basis.
- Seeds, pesticides, fertilizers, and forage sold to fish farms, which are all provided by the private sector, are of poor quality and unregulated which reduce efficiency in production and leads to a cut in profits overall.
- Spare parts for water pumps are expensive and of poor quality.

- Local products cannot compete with the foreign products, as the production of one kilo of vegetables without any margin of profit is more expensive than the price of one kilo of vegetables that has been imported.
- The security situation, multiple check points and concrete blocks result in high cost of transport, and delays in delivery of products to marketing centers. Enforced security rules stipulate that trucks and lorries are not permitted to pass certain checkpoints except at specific times, whereas trucks carrying imported products are permitted to pass at any time and arrive to marketing centers before the farmers' products.
- No government subsidies are available to help the farmers get what they need at less cost.
- To overcome the problem of shortage of water, digging artesian wells is very costly in addition to the fact that many times the water is too saline in content.
- Grain farms have marketing problems with the government silos. The government only buys large quantities of grains from farmers, and the government red-tape procedures on paying for purchased product takes too long.
- Farmers with greenhouses complain about poor quality nylon which only lasts one season.
- Lack of herbicides. If available, they are old and their shelf-life has expired.

9.44.2 Firm-Level Constraints

- Shortages of water results in conflict among farmers.
- Unjust distribution of water among farmers. Farmers whose farms lie close to the river possess water as much as possible while the farmers whose farms lie far away from the river have less water.
- Owners of tractors and harvesters control the price of cultivating and harvesting. In addition, their work is often delayed for fuel is not available, or equipment is not operational.
- Difficulty in obtaining lands appropriated according to contract with the state because they do not join the cooperative societies.
- Farmers are forced to abstain from irrigating his crops at night owing to the security situation, and occurrences of stealing and plundering.

9.44.3 Suggestions for Legal Reform

- Farmers' societies should be supported.
- The government should support the farmer in terms of giving loans which are of low interest rates and less restrictions on guarantees.
- The fair distribution of water among the farmers under the supervision of municipal councils or the judicial council.
- Limiting the import of the foreign products to protect the local products.

9.45 BAGHDAD QADA FOCUS GROUP REPORT #15

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Agriculture **Date:** 16/9/2009

Table 9-45: Focus Group #15 Participants

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

9.45.1 Business Enabling Environment Constraints

- The major hindrances faced by farmers are irrigation, availability of equipment, government finance, poor security situation, and lack of electricity.
- Seeds, fertilizers, and fodder for fish and poultry are all of poor quality.
- No cooperative societies are available to provide farmers with equipment, to include tractors and harvesters of good quality which are therefore more expensive.
- Administrative corruption, bribery and the security situation aggravate the sufferings of the farmers when applying for a loan from the Agricultural Bank or when marketing their crops to government silos or marketing centers.
- Immigration of the farmers due to decrease in living standards.
- The imported fruits and vegetables from the neighboring countries influence the farmers' productivity and ability to compete due to high costs.
- Water, fodder and disinfectants are the major problems for fish farmers.

- No veterinary clinics are available; moreover the bad security situation makes access to poultry fields, fish farms or animal farms very difficult for veterinarians.

9.45.2 Firm-Level Constraints

- Lack of water for irrigation that results in farmer in-fighting for scarce resources.
- Difficulty in planting the crops in time due to lack of water as the farmers give up planting certain crops because they need a large quantity of water.
- The distribution of water according to the rule of five day irrigation against five day non-irrigation makes the lands more salty and consequently uncultivable.
- No quality control on imported materials which are of poor quality or they contain expired dates.
- Administrative corruption and prohibitive measures are two obstacles preventing the attainment of finance from the government.

9.45.3 Suggestions for Legal Reform

- Amend the laws concerning the lease of government lands.
- Amend the instructions issued to government silos to receive certain amounts of grains.
- Establish cooperative societies to support farmers.
- Establish support for veterinary clinics
- Re-establish government combat of diseases and pests through airplane dusting and spraying.

9.46 BAGHDAD QADA FOCUS GROUP REPORT #16

Province: Baghdad Qada **Moderator:** Dr. Sabah Al-Obaidy
Sector: Agriculture **Date:** 26/9/2009

Table 9-46: Focus Group #16 Participants

Serial	Name
1	B.M.F.
2	M.F.H.
3	A.H.F.
4	W.K.
5	K.M.H.
6	A.M.H.
7	S.A.L.H.
8	A.A.L.H.
9	E.A.H.
10	A.S.D.

9.46.1 Business Enabling Environment Constraints

- Lack of electricity, irrigation, complex government procedures and corruption as well as the deteriorated security situation.
- No government support available in terms of fair water rationing, fertilizers, marketing of crops, and providing loans.
- Frustrating dealings with the private sector in terms of seeds, fertilizers, and pesticides which are of poor quality and expensive.
- Competition with imported food products is not possible.
- High cost of transport and crop production results in Iraqi farmers leaving work or relocating from the countryside to the city in search of employment.
- Farmers encounter complex government procedures in the receiving of the crops into the silos, in addition to receiving payments from the government in installments over long periods.
- The problems faced by owners of fish lakes are the inputs bought of bad quality, insufficient fodder, lack of water, high fares for transport, and loss of fish during transport due to multiple checkpoints and the difficult security situation.

- No support available for the production of poultry or animal husbandry. Lack of medical drugs and vets prevents development.
- Dredging the streams and the ministry of irrigation is slow in clearing the streams and rivers.

9.46.2 Firm-Level Constraints

- The complex government routine confronted by the farmers when contacting the ministry of agriculture.
- Government support is marked by discrimination among farmers regardless of their field (poultry, fish, or animal husbandry).
- Non-distribution of tractors and harvesters to farmers results in high cost of harvesting and ploughing.

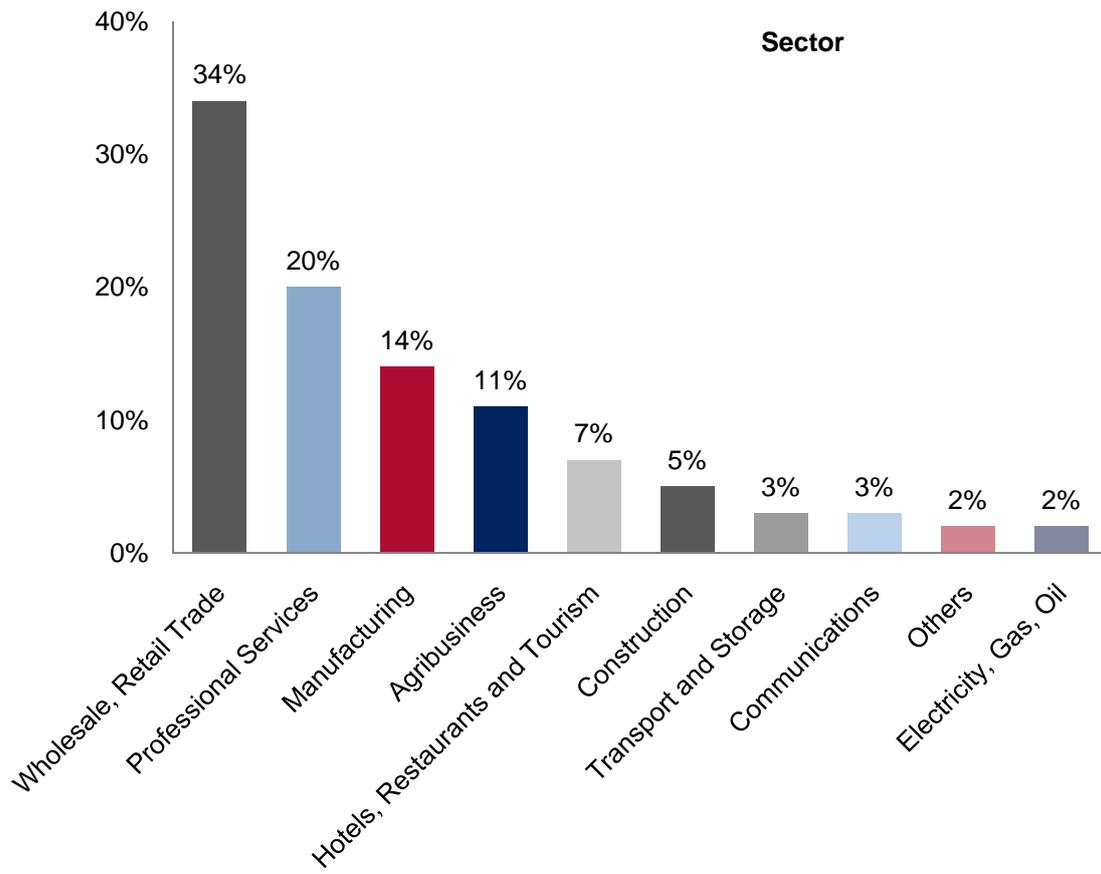
10. APPENDIX 2: TABULATIONS AND GRAPHS

Provided here are the tabulations of the data resulting from the survey of 2,494 SMEs in Baghdad 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.

10.1 MSME CHARACTERISTICS RESPONSES

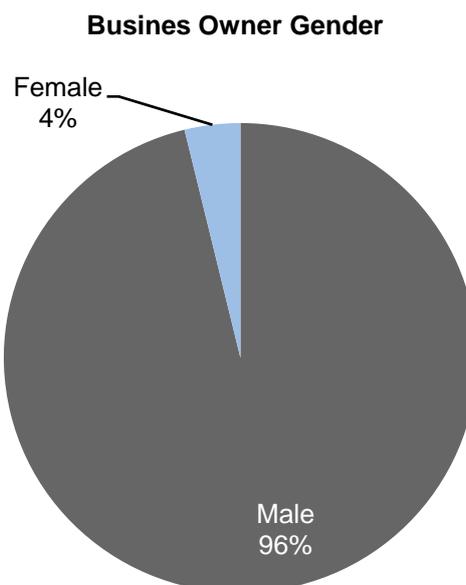
1. In which economic sector does your business mainly operate?

Economic Sector	Frequency	Percent
Wholesale, Retail Trade	858	34%
Professional Services	492	20%
Manufacturing	337	14%
Agribusiness	262	11%
Hotels, Restaurants and Tourism	163	7%
Construction	137	5%
Transport and Storage	82	3%
Communications	72	3%
Others	50	2%
Electricity, Gas, Oil	41	2%
Total	2494	100%



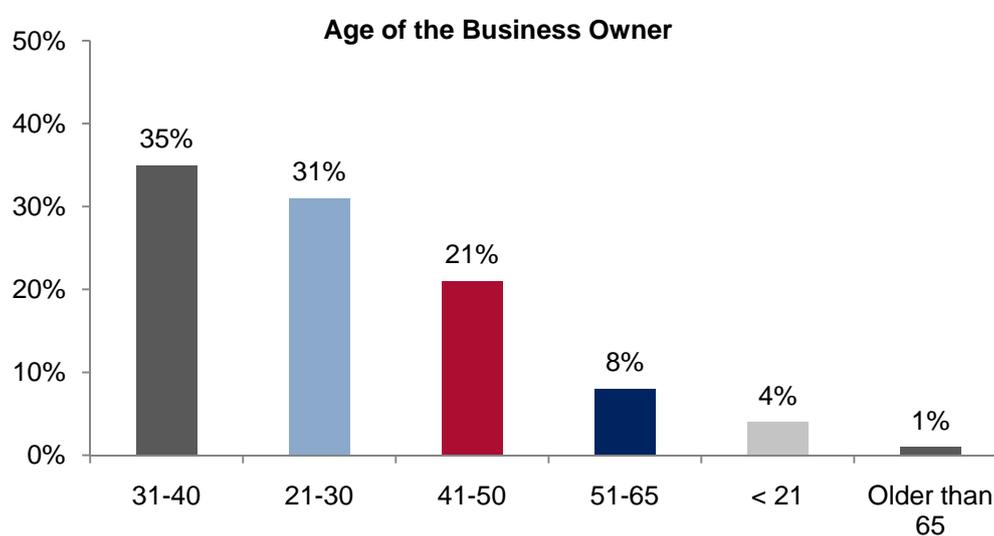
2. What is the business owner's gender?

Gender	Frequency	Percent
Male	2398	96%
Female	96	4%
Total	2494	100%



3. How old is the business owner?

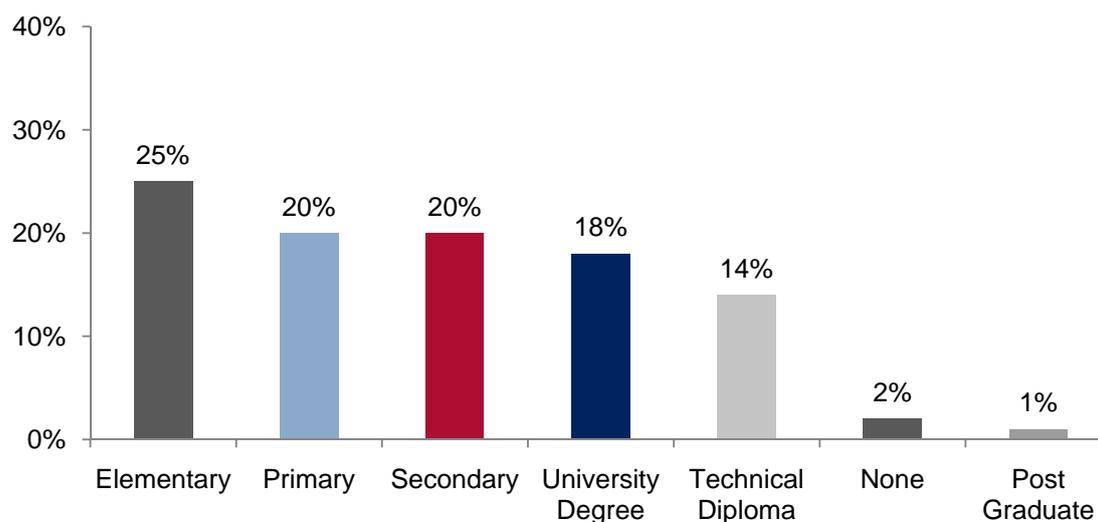
Age (Years)	Frequency	Percent
31-40	872	35%
21-30	759	31%
41-50	533	21%
51-65	210	8%
< 21	98	4%
Older than 65	20	1%
Total	2492	100%
Missing Responses	2	
Total	2494	



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

Education Level	Frequency	Percent
Elementary	617	25%
Primary	506	20%
Secondary	492	20%
University Degree	454	18%
Technical Diploma	344	14%
None	52	2%
Post Graduate	28	1%
Total	2493	100%
Missing Responses	1	
Total	2494	

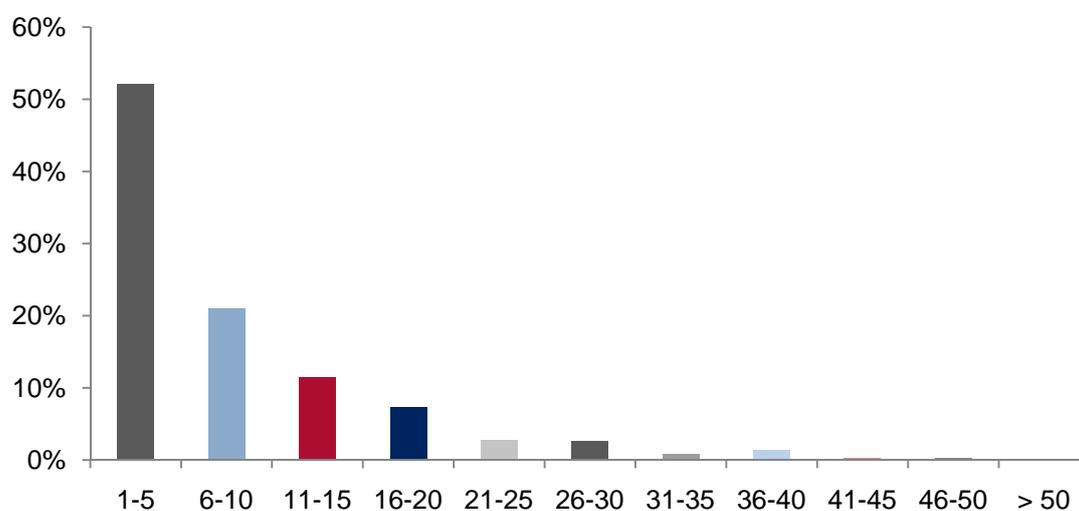
Business Owner – Level of Education



5. How old is your business enterprise?

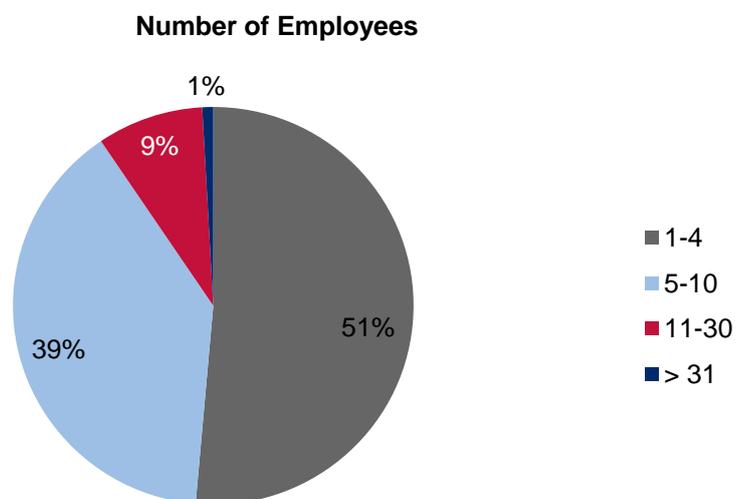
Age (Years)	Frequency	Percent
1-5	1293	52%
6-10	521	21%
11-15	285	12%
16-20	183	7%
21-25	67	3%
26-30	63	3%
31-35	20	1%
36-40	34	1%
41-45	5	0.2%
46-50	5	0.2%
> 50	4	0.2%
Total	2480	100%
Missing Response	14	
Total	2494	

Age of Business



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

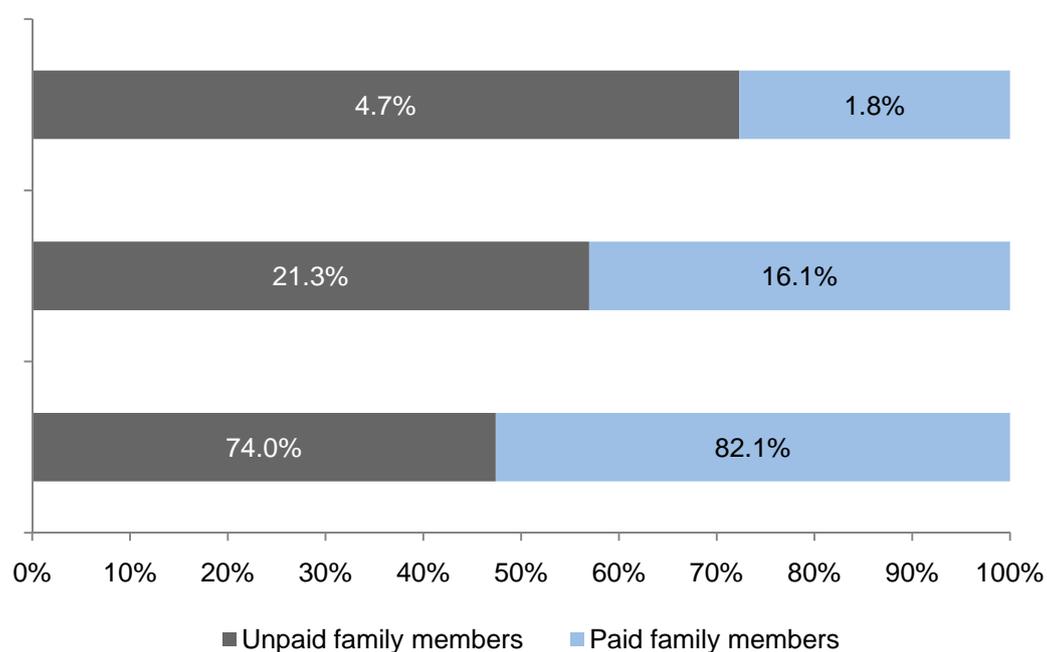
Number of Employees	Frequency	Percent
1-4	1281	51.4%
5-10	976	39.2%
11-30	214	8.6%
> 31	22	0.9%
Total	2494	100%



7. Family numbers employed

		Family members employed			Total
		1-2	3-6	> 6	
Unpaid family members employed	Frequency	442	128	28	598
	% of Respondents	74.0%	21.3%	4.7%	100%
Paid family members employed	Frequency	582	114	13	709
	% of Respondents	82.1%	16.1%	1.8%	100%

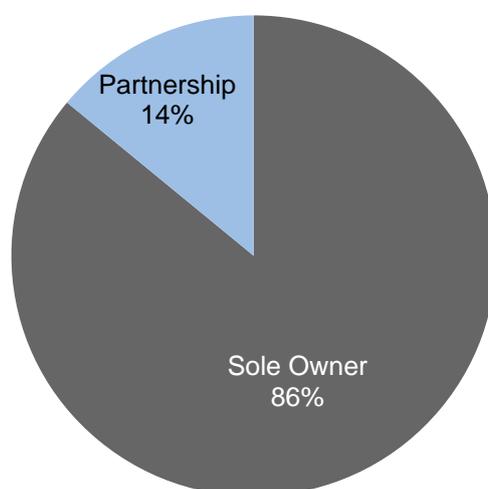
Employed Family Members



8. Who owns your business?

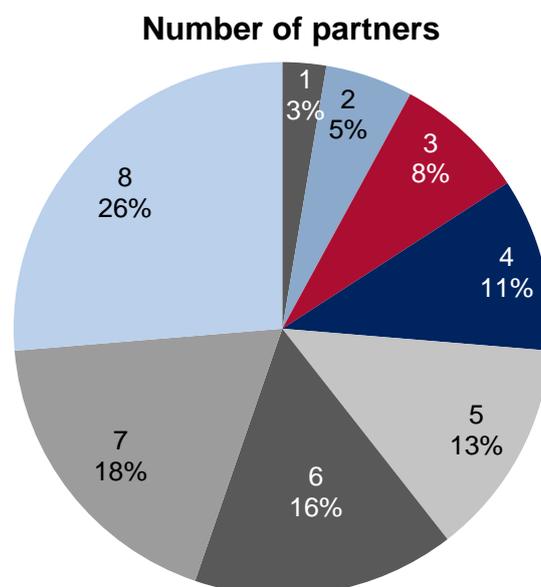
Type of Ownership	Frequency	Percent
Sole Owner	2123	85.7%
Partnership	355	14.3%
Total	2478	100%
Missing Responses	16	
Total	2494	

Type of Ownership



Number of partners

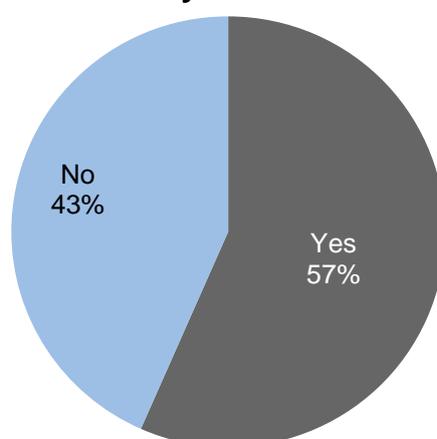
Number of partners	Frequency	Percent
1	53	15.4%
2	236	68.6%
3	34	9.9%
4	10	2.9%
5	4	1.2%
6	3	0.9%
7	3	0.9%
10	1	0.3%
Total	344	100%
Missing Response	2150	
Total	2494	



9. Is your business family owned?

Family Owned	Frequency	Percent
Yes	1402	56.6%
No	1074	43.4%
Total	2476	100%
Missing Response	18	
Total	2494	

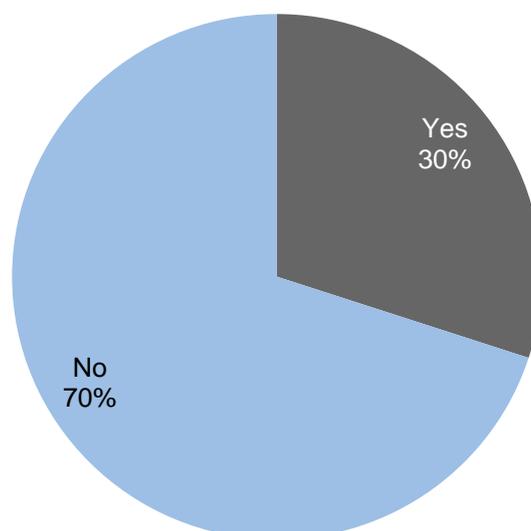
Family Owned?



10. Is your business registered with a government agency?

Government Registration	Frequency	Percent
Yes	745	30.0%
No	1735	70.0%
Total	2480	100%
Missing Responses	14	
Total	2494	

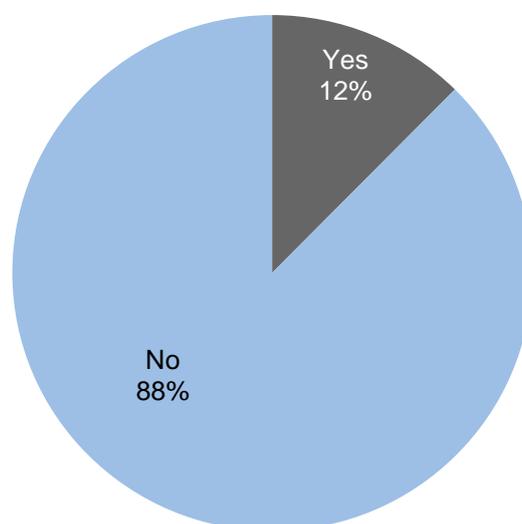
Registration



11. Do You Belong to a Business Association?

Business Association	Frequency	Percent
Yes	310	12.4%
No	2180	87.6%
Total	2490	100%
Missing Responses	4	
Total	2494	

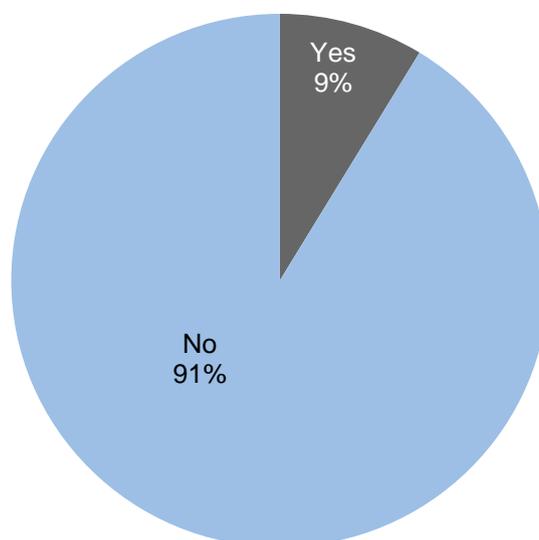
Business Association



12. Do you belong to a professional association?

Professional Association	Frequency	Percent
Yes	215	8.7%
No	2255	91.3%
Total	2470	100%
Missing	24	
Total	2494	

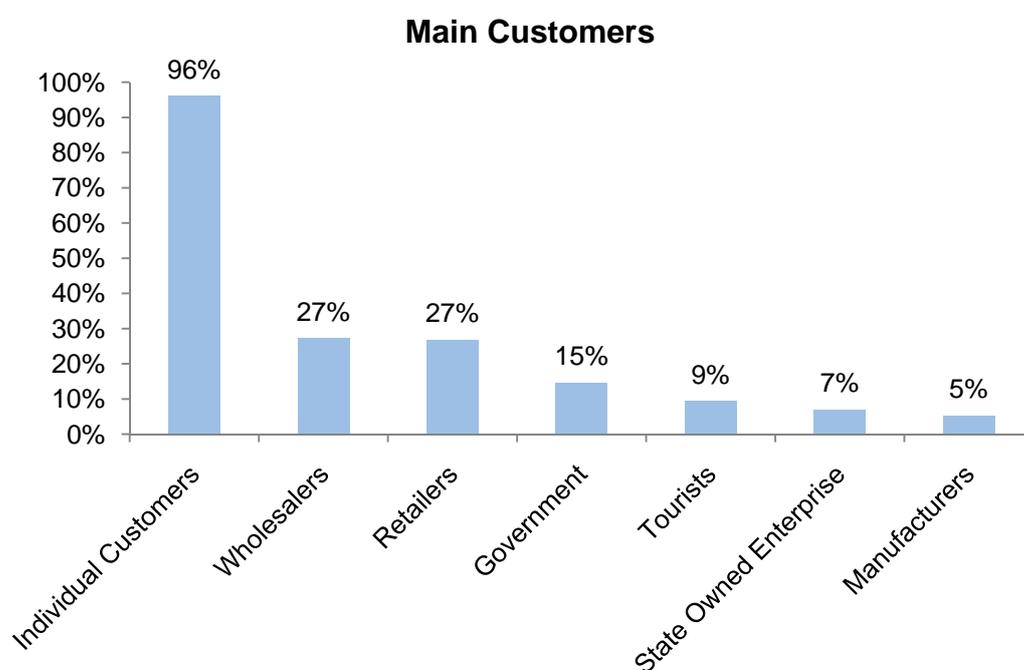
Professional Association



13. QUALITATIVE

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

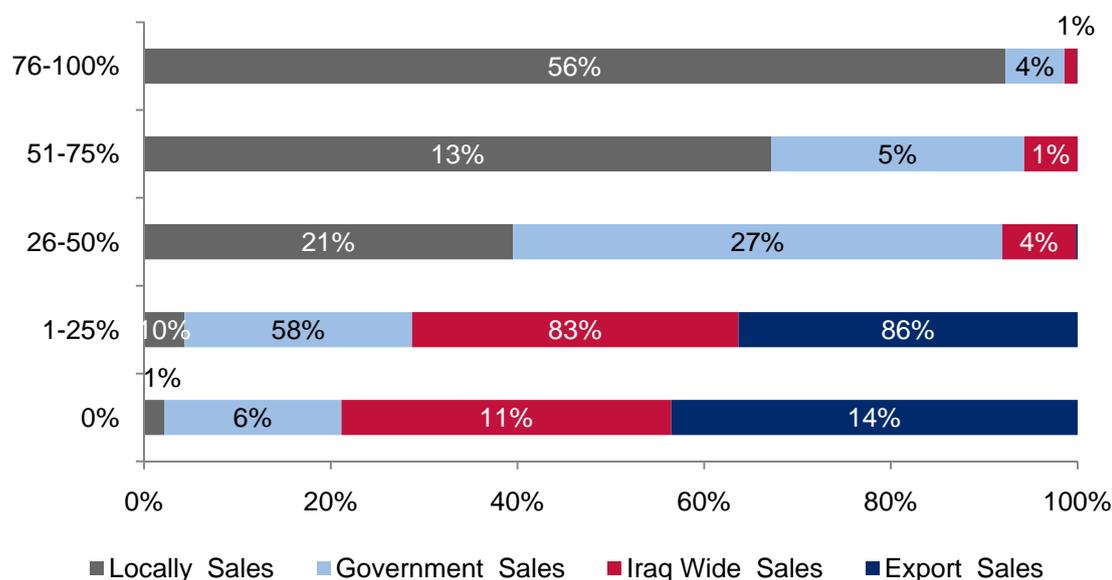
Enterprise Customers	Yes		No		Total	Percent	Missing	Total
	Freq.	%	Freq.	%				
Individual Customers	2383	96.1%	97	3.9%	2480	100%	14	2494
Wholesalers	673	27.3%	1796	72.7%	2469	100%	25	2494
Retailers	665	26.9%	1803	73.1%	2468	100%	26	2494
Government	361	14.6%	2109	85.4%	2470	100%	24	2494
Tourists	232	9.4%	2229	90.6%	2461	100%	33	2494
State Owned Enterprise	172	7.0%	2290	93.0%	2462	100%	32	2494
Manufacturers	131	5.3%	2333	94.7%	2464	100%	30	2494



15. Where are your customers located?

		Where are your customers located?					Total
		0	1-25	26-50	51-75	76-100	
Locally Sales	Frequency	18	256	515	321	1384	2494
	%of Respondents	0.7%	10.3%	20.6%	12.9%	55.5%	100%
Government Sales	Frequency	150	1438	681	130	95	2345
	%of Respondents	6.0%	57.7%	27.3%	5.2%	3.8%	100%
Iraq Wide Sales	Frequency	280	2065	102	27	20	2215
	%of Respondents	11.2%	82.8%	4.1%	1.1%	0.8%	100%
Export Sales	Frequency	345	2147	2	0	1	2150
	%of Respondents	13.8%	86.0%	0.1%	0%	.04%	100%

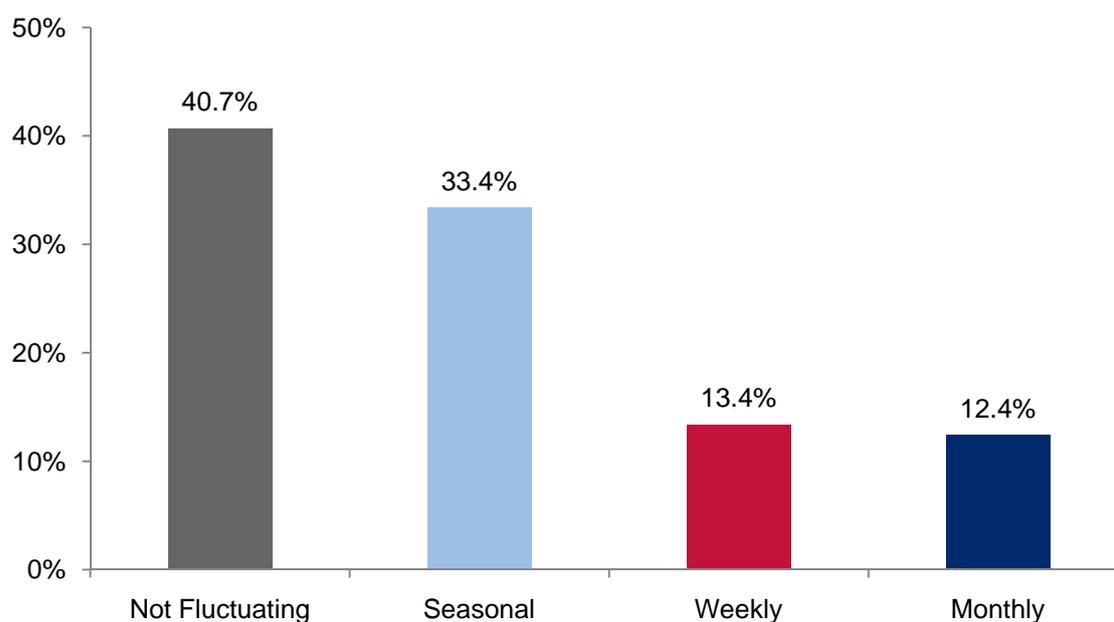
Customer Location



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

	Frequency	Percent
Weekly	333	13.4%
Monthly	308	12.4%
Seasonal	828	33.4%
Not Fluctuating	1008	40.7%
Total	2477	100%
Missing	17	
Total	2494	

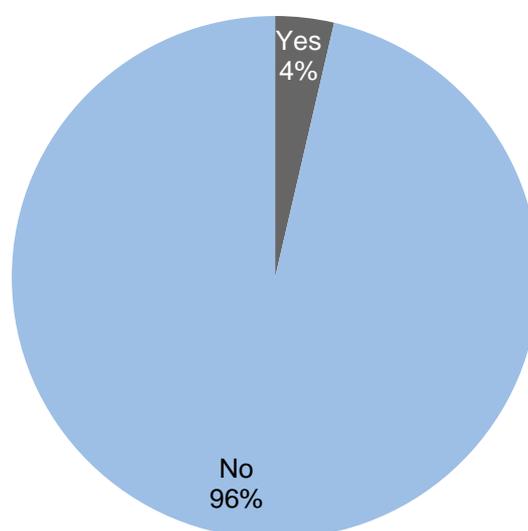
Business Activity Fluctuations



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

	Frequency	Percent
Yes	90	3.6%
No	2382	96.4%
Total	2472	100%
Missing Responses	22	
Total	2494	

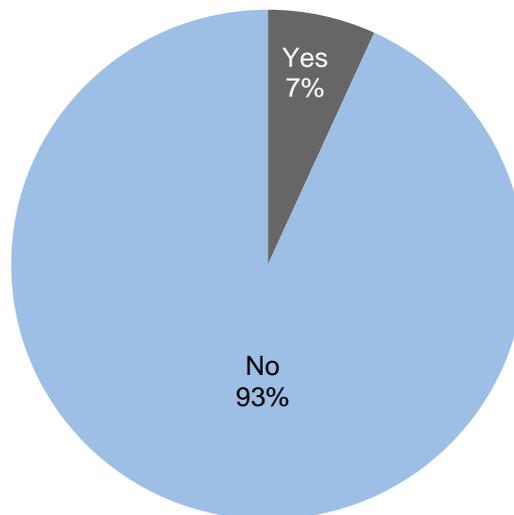
Large Buyers



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

	Frequency	Percent
Yes	168	6.8%
No	2294	93.2%
Total	2462	100%
Missing Responses	32	
Total	2494	

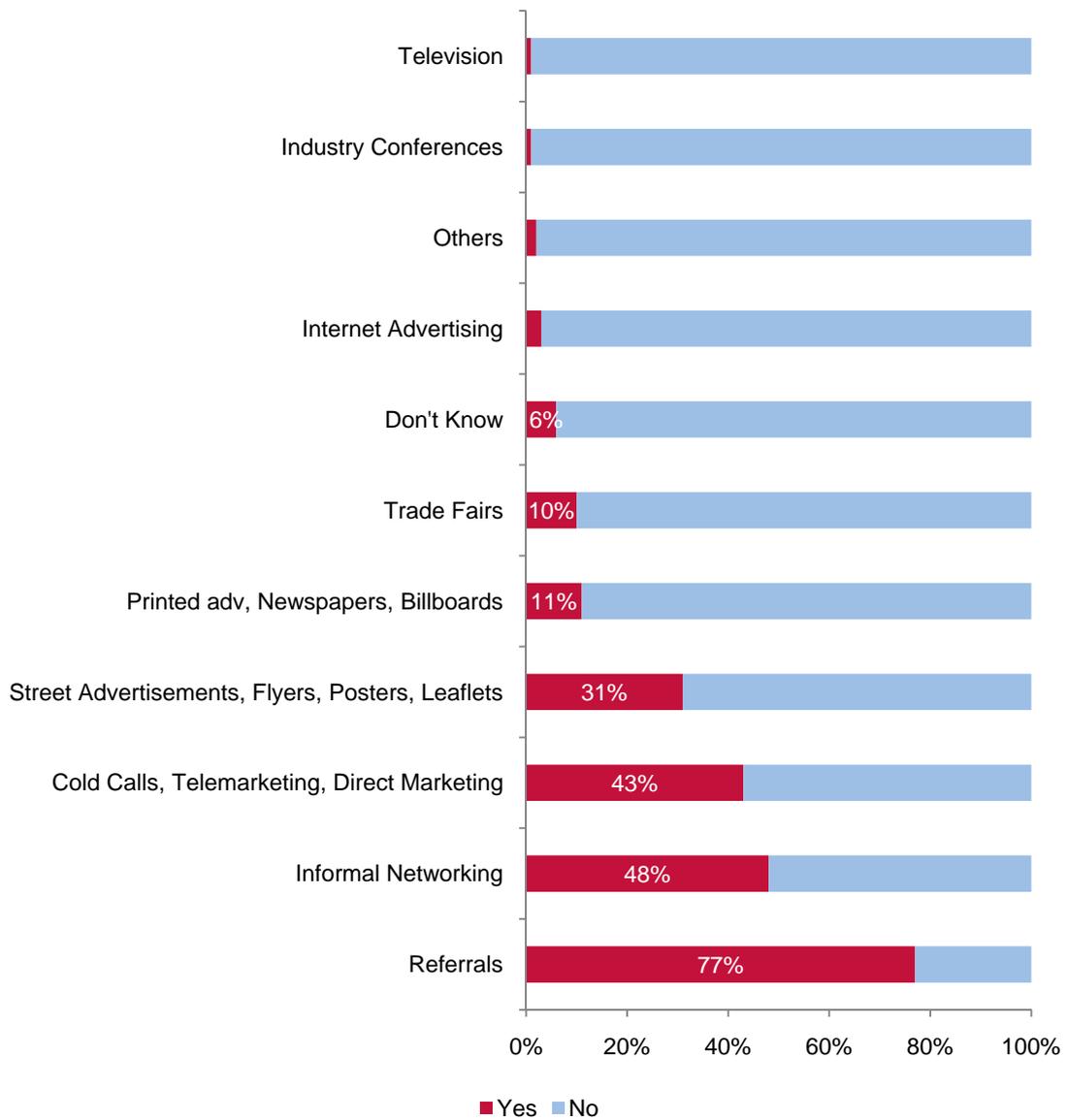
Large Buyers not Able to Work With



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

		Utilization		Total
		Yes	No	
Referrals	Frequency	1909	585	2494
	%of Respondents	76.5%	23.5%	100%
Informal Networking	Frequency	1194	1300	2494
	%of Respondents	47.9%	52.1%	100%
Cold Calls, Telemarketing, Direct Marketing	Frequency	1062	1432	2494
	%of Respondents	42.6%	57.4%	100%
Street Advertisements, Flyers, Posters, Leaflets	Frequency	784	1710	2494
	%of Respondents	31.4%	68.6%	100%
Printed adv, Newspapers, Billboards	Frequency	265	2229	2494
	%of Respondents	10.6%	89.4%	100%
Trade Fairs	Frequency	252	2242	2494
	%of Respondents	10.1%	89.9%	100%
Internet Advertising	Frequency	75	2419	2494
	%of Respondents	3.0%	97.0%	100%
Don't Know	Frequency	53	2441	2494
	%of Respondents	2.1%	97.9%	100%
Industry Conferences	Frequency	35	2459	2494
	%of Respondents	1.4%	98.6%	100%
Television	Frequency	20	2473	2494
	%of Respondents	0.8%	99.2%	100%

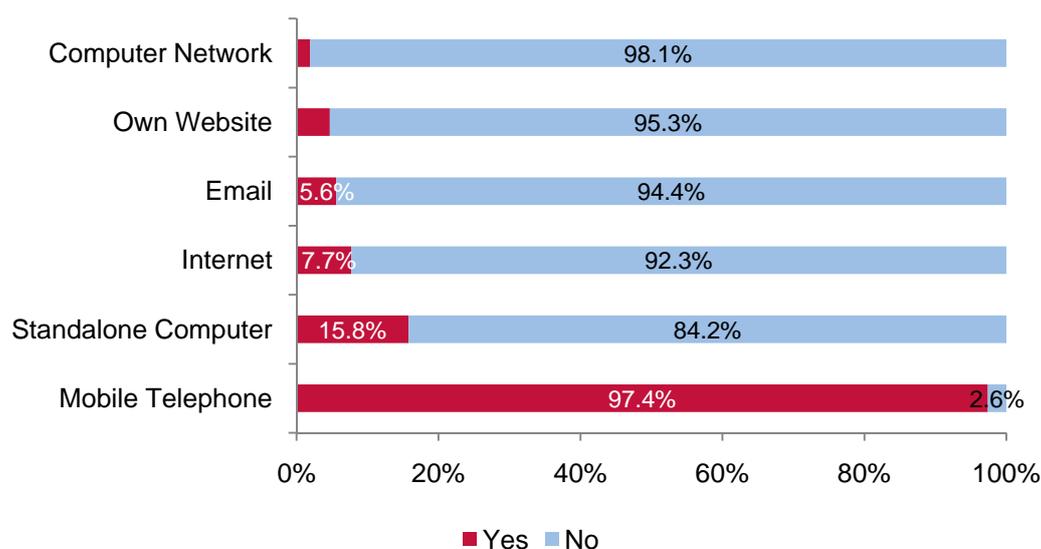
Marketing / Connecting to Customers



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

Technologies Used to Conduct Business		Utilization			Missing Responses	Total
		Yes	No	Total		
Mobile Telephone	Frequency	2415	64	2479	15	2494
	%of Respondents	97.4%	2.6%	100%		
Standalone Computer	Frequency	388	2074	2462	32	2494
	%of Respondents	15.8%	84.2%	100%		
Internet	Frequency	191	2278	2469	25	2494
	%of Respondents	7.7%	92.3%	100%		
Email	Frequency	139	2329	2468	26	2494
	%of Respondents	5.6%	94.4%	100%		
Own Website	Frequency	116	2352	2468	26	2494
	%of Respondents	4.7%	95.3%	100%		
Computer Network	Frequency	46	2411	2457	37	2494
	%of Respondents	1.9%	98.1%	100%		

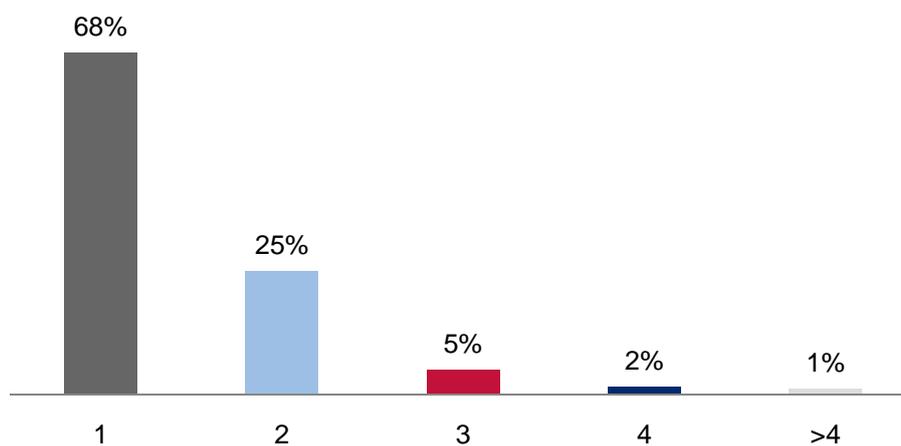
Technologies Used to Conduct Business



Mobile Phone Ownership

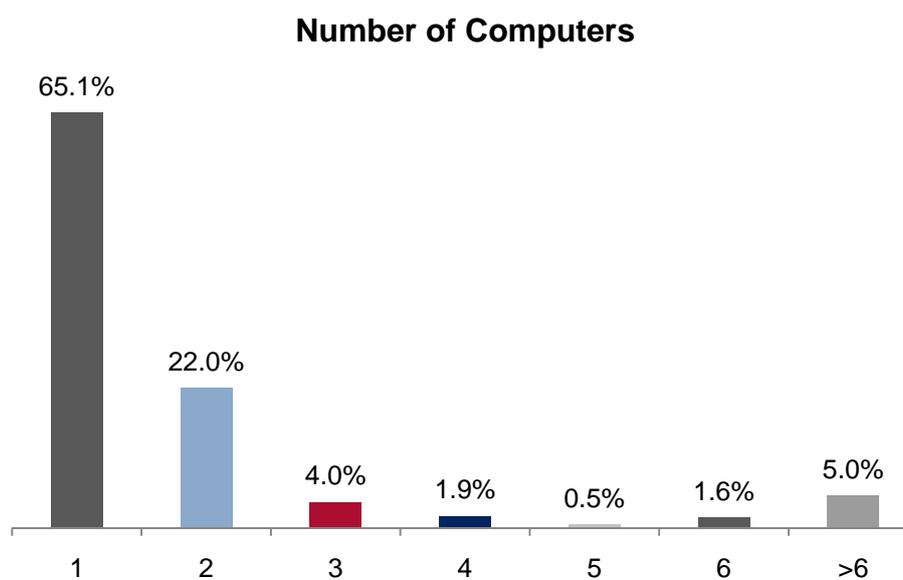
Number of Cell Phones Owned	Frequency	Percent
1	1576	68.1%
2	568	24.5%
3	110	4.8%
4	34	1.5%
>4	17	1.2%
Total	2315	100%
Missing Responses	179	
Total	2494	

Number of Cell Phones Owned



Standalone Computer Ownership

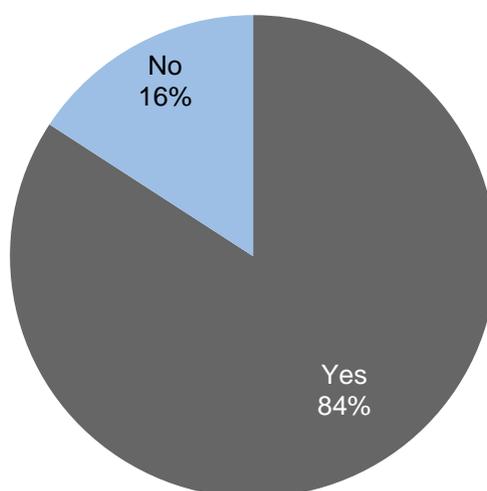
Number of Computers	Frequency	Percent
1	246	65.1%
2	83	22.0%
3	15	4.0%
4	7	1.9%
5	2	0.5%
6	6	1.6%
>6	19	5.0%
Total	378	100%
Missing Responses	2116	
Total	2494	



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

	Frequency	Percent
Yes	2095	84%
No	394	16%
Total	2489	100%
Missing	5	
Total	2494	

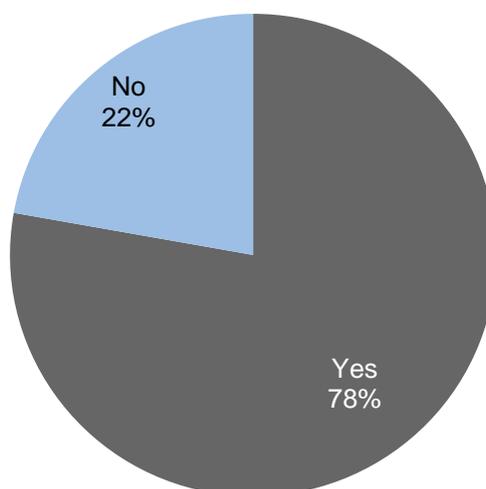
Availability of Labor



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

	Frequency	Percent
Yes	1936	78%
No	554	22%
Total	2490	100%
Missing	4	
Total	2494	

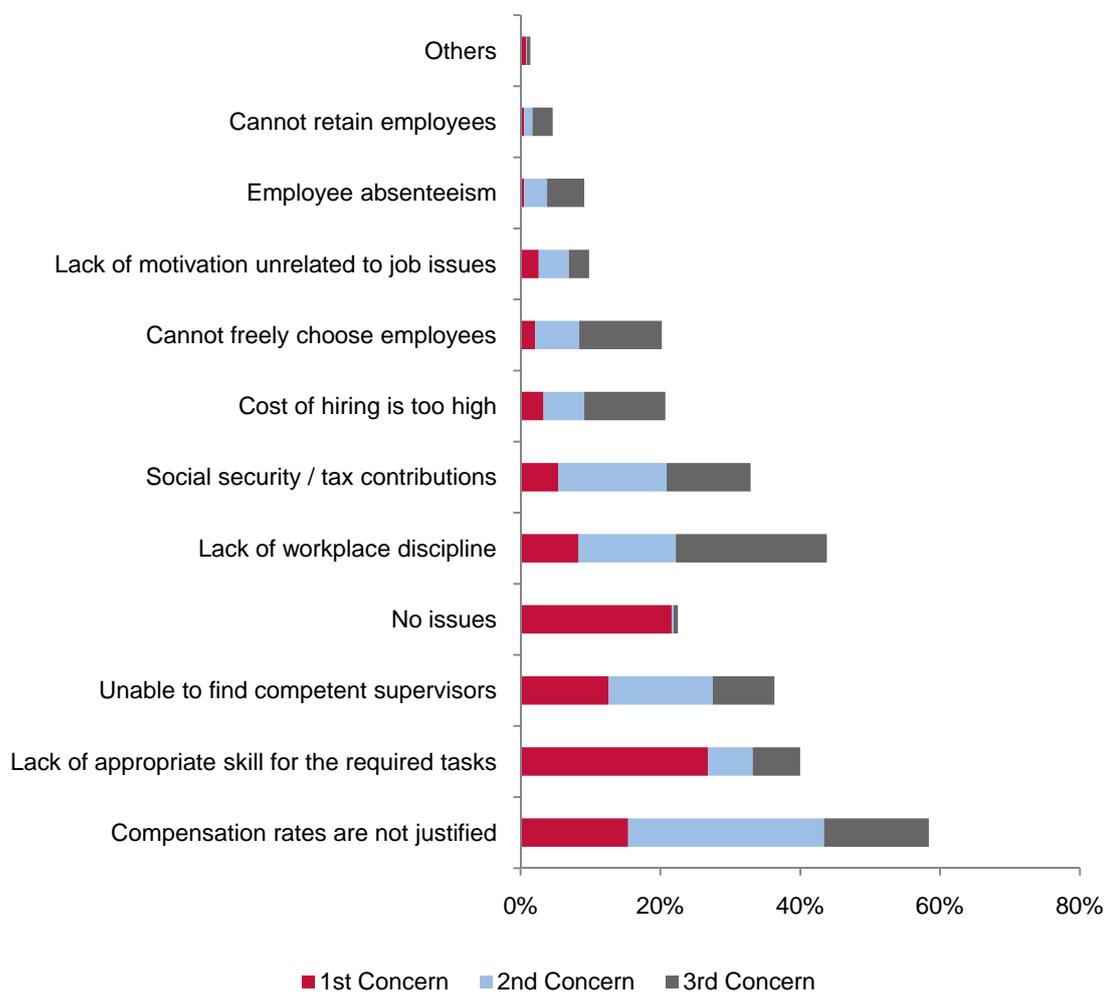
Find Enough Skilled Workers



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

	1 st		2nd		3rd		Overall Rank	
	Frequency	%	Frequency	%	Frequency	%	Rank	Weight
Compensation rates are not justified	365	15.4%	517	28.0%	276	15.0%	1	0.964314
Lack of appropriate skill for the required tasks	634	26.8%	118	6.4%	125	6.8%	2	0.907378
Unable to find competent supervisors	299	12.6%	275	14.9%	162	8.8%	3	0.645148
No issues	511	21.6%	5	0.3%	16	0.6%	4	0.6251
Lack of workplace discipline	196	8.3%	256	13.9%	397	21.6%	5	0.600241
Social security / tax contributions	128	5.4%	286	15.5%	221	12.0%	6	0.471933
Cost of hiring is too high	79	3.3%	108	5.8%	214	11.6%	7	0.267442
Cannot freely choose employees	49	2.1%	116	6.3%	217	11.8%	8	0.238974
Lack of motivation unrelated to job issues	61	2.6%	80	4.3%	54	2.9%	9	0.159182
Employee absenteeism	12	0.5%	61	3.3%	97	5.3%	10	0.102245
Cannot retain employees	12	0.5%	23	1.2%	53	2.9%	11	0.05413
Others	19	0.8%	2	0.1%	10	0.5%	12	0.028468
Total	2365	100%	1847	100%	1842	100%		
Missing Response	129		647		652			
	2494		2494		2494			

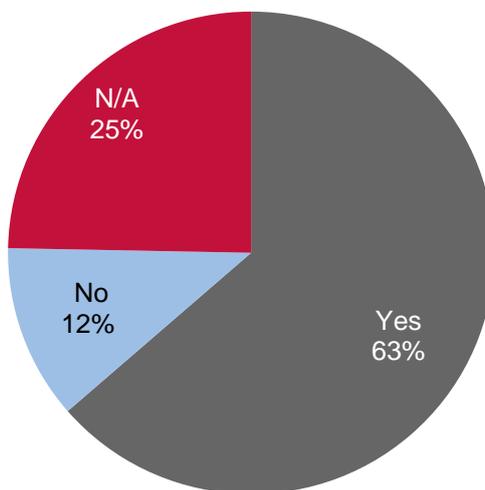
**Employee Concerns
Ranked in Ascending Order According to Weight**



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

	Frequency	Percent
Yes	1582	63.6%
No	291	11.7%
Not Applicable	615	24.7%
Total	2488	100%
Missing Responses	6	
Total	2494	

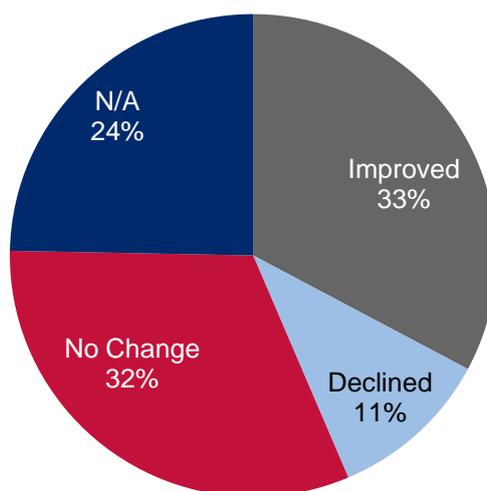
In-House Training



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

	Frequency	Percent
Improved	815	32.8
Declined	268	10.8%
No Change	789	31.7%
Not Applicable	614	24.7%
Total	2486	100%
	8	
Total	2494	

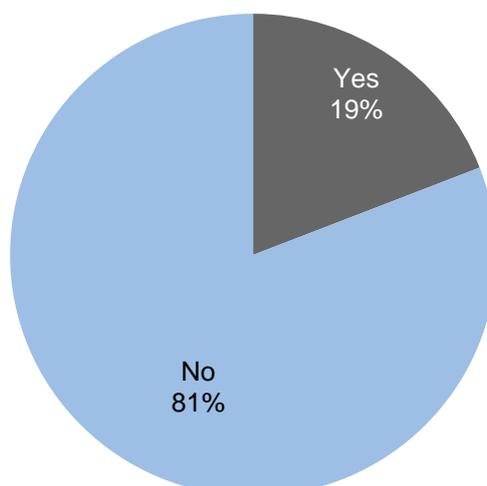
Availability of Qualified Labor Changes



26. Do you employ people seasonally?

	Frequency	Percent
Yes	473	19.1%
No	2009	80.9%
Total	2482	100%
Missing Responses	12	
Total	2494	

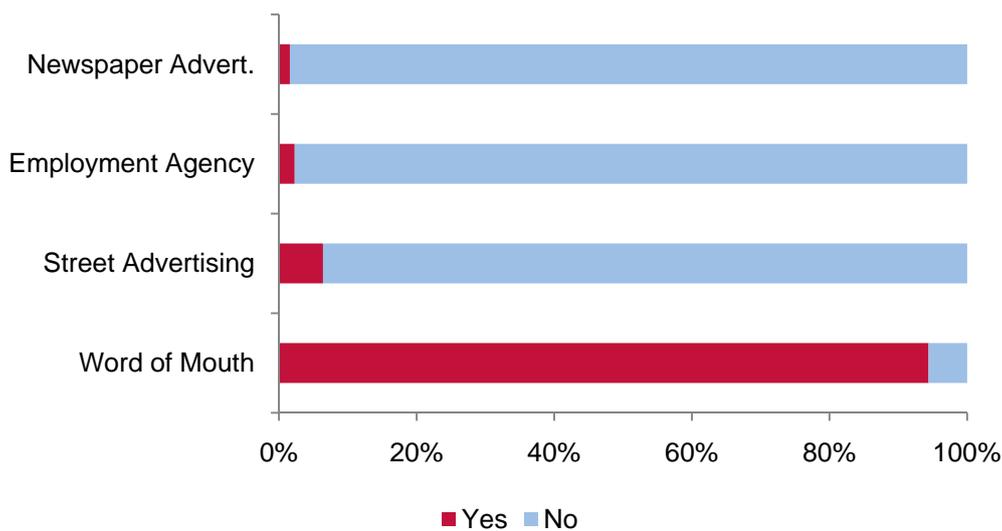
Seasonal Employment



27. How do you go about hiring new employees?

How do You go about Seeking New Employees?		Utilization		Total
		Yes	No	
Word of Mouth	Frequency	2346	138	2484
	%of Respondents	94.4%	5.6%	100%
Street Advertising	Frequency	158	2312	2470
	%of Respondents	6.4%	93.6%	100%
Employment Agency	Frequency	56	2416	2472
	%of Respondents	2.3%	97.7%	100%
Newspaper Advert.	Frequency	40	2431	2471
	%of Respondents	1.6%	98.4%	100%

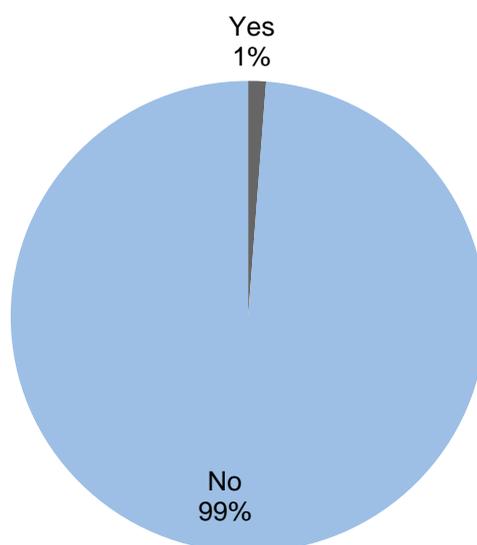
Hiring Employees



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

	Frequency	Percent
Yes	29	1.2%
No	2454	98.8%
Total	2483	100%
Missing Responses	11	
Total	2494	

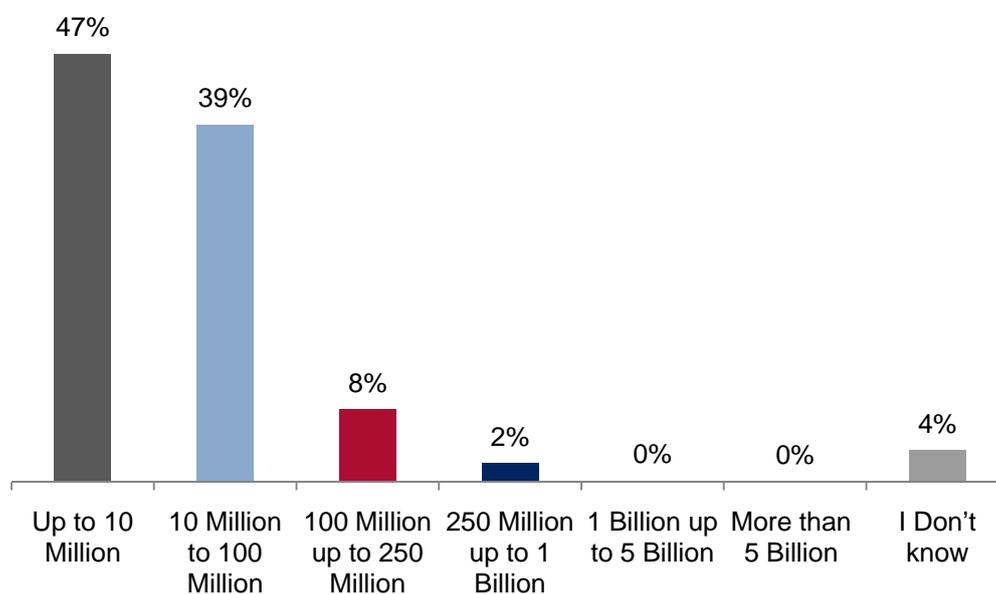
Employment Agencies in the Area?



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

Asset Value (Iraqi Dinar)	Frequency	Percent
Up to 10 Million	1165	46.9%
10 Million to 100 Million	974	39.2%
100 Million up to 250 Million	199	8.0%
250 Million up to 1 Billion	52	2.1%
1 Billion up to 5 Billion	5	0.2%
More than 5 Billion	2	0.1%
I Don't know	86	3.5%
Total	2483	100%
Missing	11	
Total	2494	

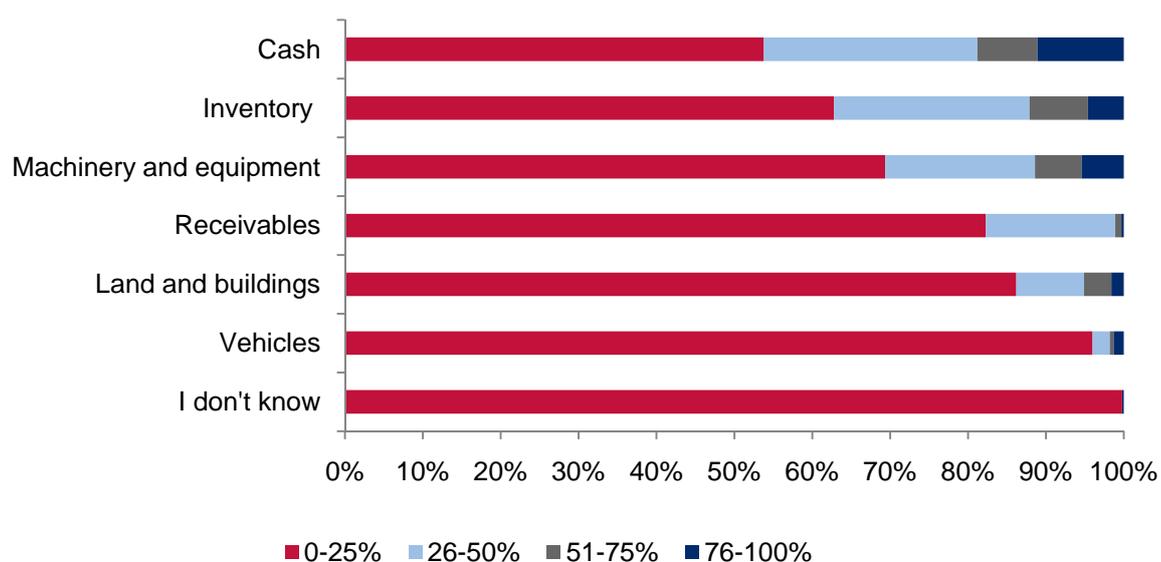
Asset Value (Iraqi Dinar)



30. Approximate Assets Holding by Type

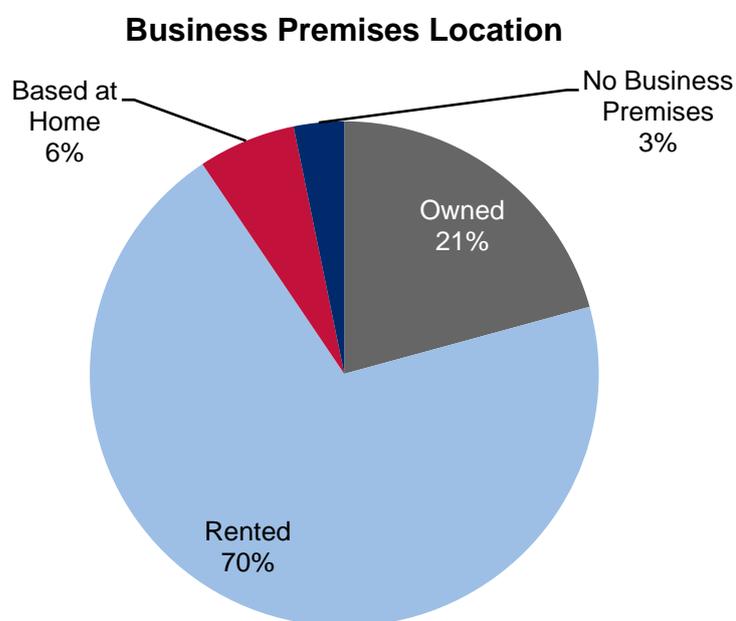
		Approximate Assets Holding by Type				Total
		0-25	26-50	51-75	76-100	
I Don't Know	Frequency	1701	0	0	4	1705
	%of Respondents	99.8%	%0	%0	0.2%	100%
Vehicles	Frequency	2098	49	10	28	2185
	%of Respondents	96.0%	2.2%	0.5%	1.3%	100%
Land and Buildings	Frequency	1908	192	77	35	2212
	%of Respondents	86.2%	8.7%	3.5%	1.6%	100%
Receivables	Frequency	1880	380	19	6	2285
	%of Respondents	82.3%	16.6%	0.8%	0.3%	100%
Machinery and Equipment	Frequency	1602	443	139	125	2309
	%of Respondents	69.3%	19.2%	6.0%	5.4%	100%
Inventory	Frequency	1478	590	177	108	2353
	%of Respondents	62.8%	25.1%	7.5%	4.6%	100%
Cash	Frequency	1308	666	186	269	2429
	%of Respondents	53.8%	27.4%	7.7%	11.1%	100%

Approximate Assets Holding by Type



31. Where are your business premises located?

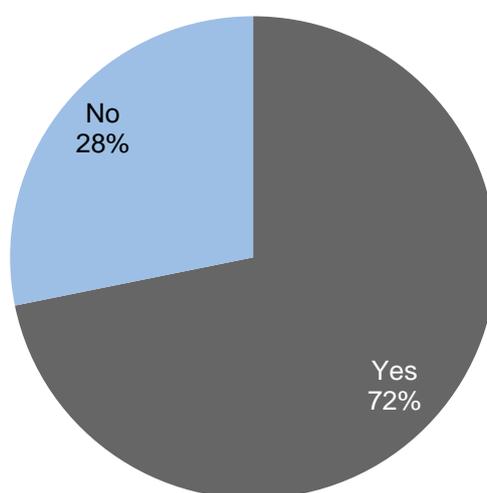
Location	Frequency	Percent
Owned	516	20.7%
Rented	1736	69.8%
Based at Home	155	6.2%
No Business Premises	80	3.2%
Total	2487	100%
Missing Responses	7	
Total	2494	



32. Does your business own or lease any vehicles?

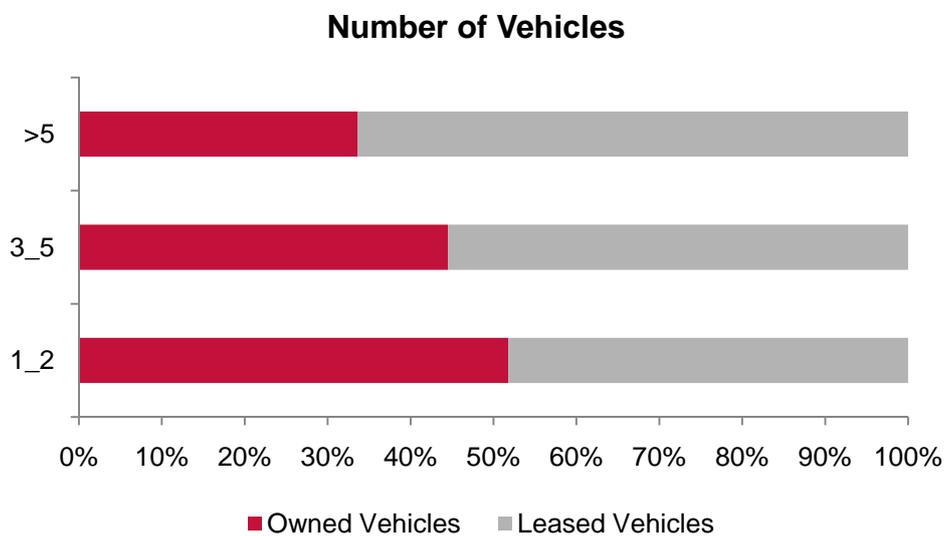
	Frequency	Percent
Yes	1776	71.8%
No	699	28.2%
Total	2475	100%
Missing Responses	19	
Total	2494	

Business Vehicles



Number of vehicles owned /leased

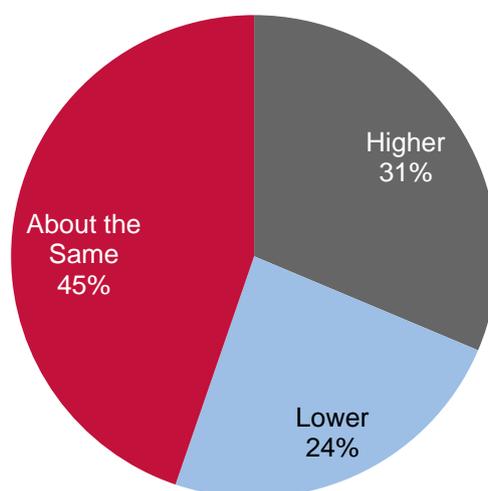
Number of Vehicles	Owned Vehicles		Leased Vehicles	
	Frequency	Percent	Frequency	Percent
1-2	612	85.7%	1012	79.7%
3-5	76	10.6%	168	13.2%
>5	26	3.6%	90	7.1%
Total	714	100%	1270	100%
Missing Responses	1780		1224	
Total	2494		2494	



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

Sales	Frequency	Percent
Higher	777	31.4%
Lower	591	23.9%
About the Same	1109	44.8%
Total	2477	100%
Missing Responses	17	
Total	2494	

Sales Turnover Fluctuations



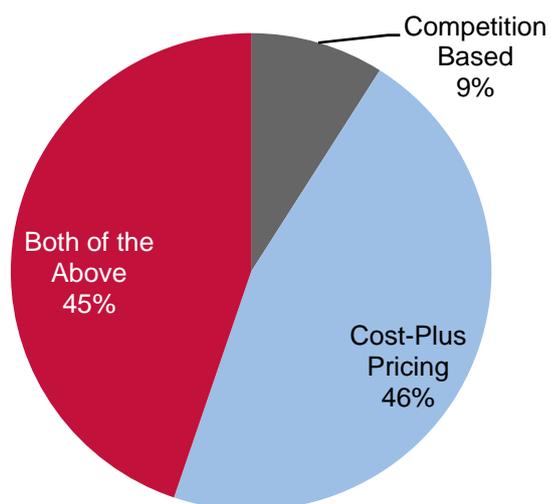
Sales Turnover in the last financial year: Estimated Percentage Change

Sales Turnover in the last financial Year		Estimated Percentage Change				Total
		0-25	26-50	51-75	76-100	
Higher	Count	363	338	56	12	769
	%ofTotal	20%	19%	3%	1%	42%
Lower	Count	208	290	64	19	581
	%ofTotal	11%	16%	4%	1%	32%

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

Pricing Strategy	Frequency	Percent
Competition Based	225	9.0%
Cost-Plus Pricing	1150	46.2%
Both of the Above	1114	44.8%
Total	2489	100%
Missing Responses	5	
Total	2494	

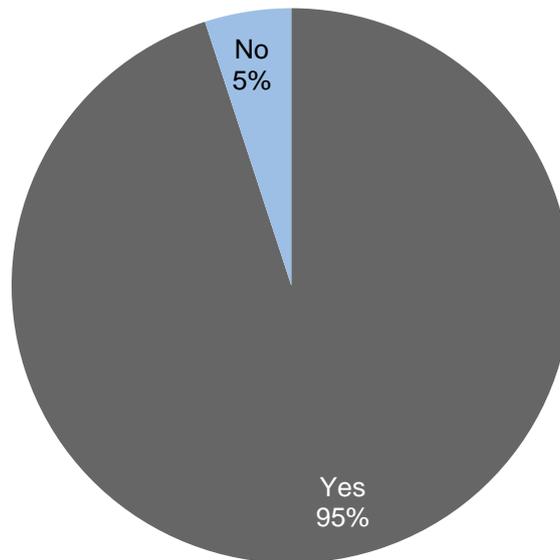
Pricing Strategy



35. Is your business profitable?

	Frequency	Percent
Yes	2338	94.9%
No	126	5.1%
Total	2464	100%
Missing Responses	30	
Total	2494	

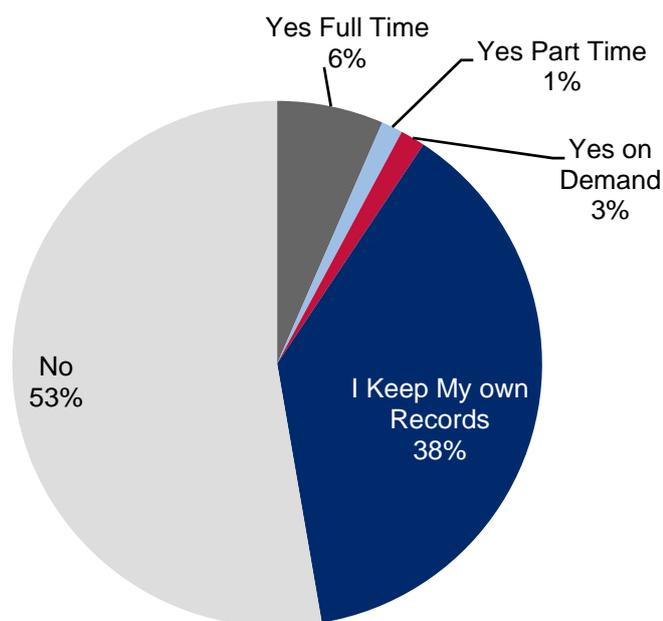
Business Profitability



36. Do you employ the services of an accountant?

	Frequency	Percent
Yes Full Time	161	6.5%
Yes Part Time	32	1.3%
Yes on Demand	37	1.5%
I Keep My own Records	946	38.0%
No	1311	52.7%
Total	2487	100%
Missing	7	
Total	2494	

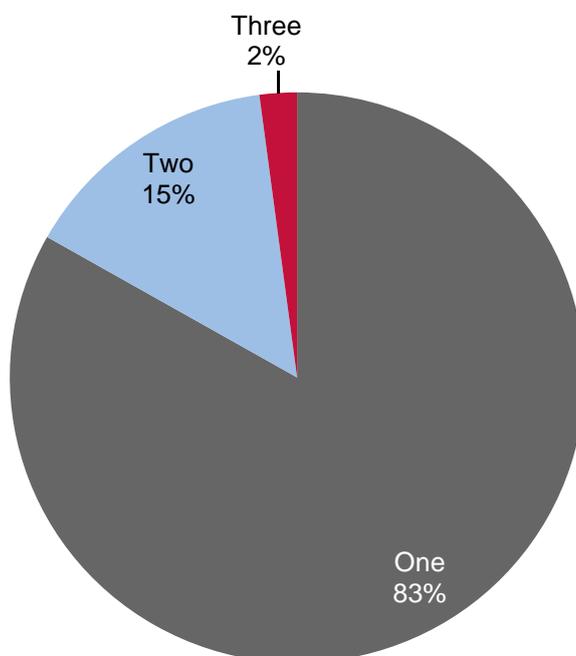
Accounting Services



How many accountants do you employ?

Accountant	Frequency	Percent
One	119	83.2%
Two	21	14.7%
Three	3	2.1%
Total	143	100%
Missing Responses	2351	
Total	2494	

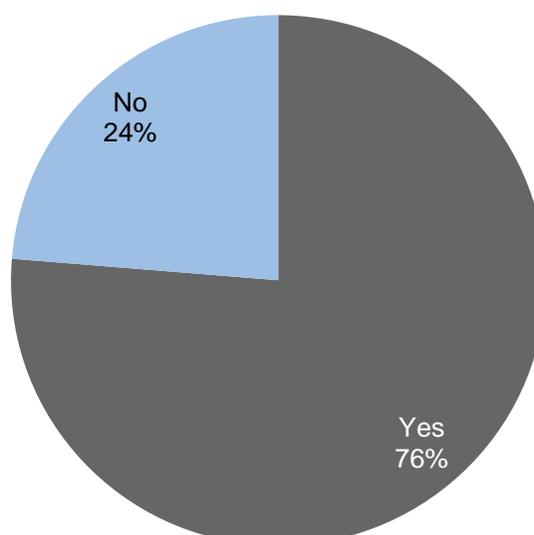
Number of Accountants



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

	Frequency	Percent
Yes	1875	76.3%
No	582	23.7%
Total	2457	100%
Missing	37	
Total	2494	

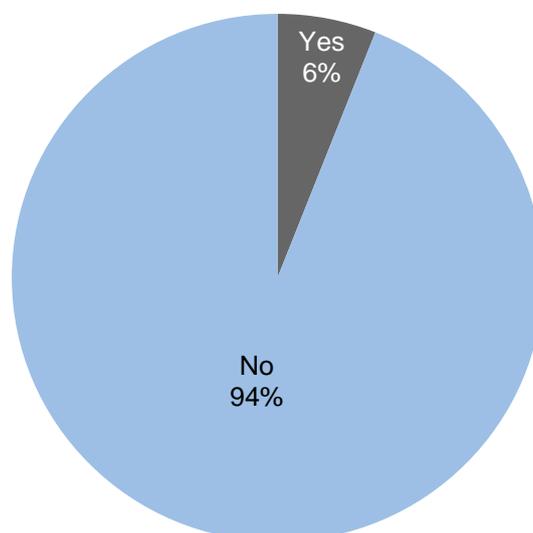
**Business Accounts Separate from Family
Accounts?**



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

	Frequency	Percent
Yes	148	6%
No	2312	94%
Total	2460	100%
Missing Responses	34	
Total	2494	

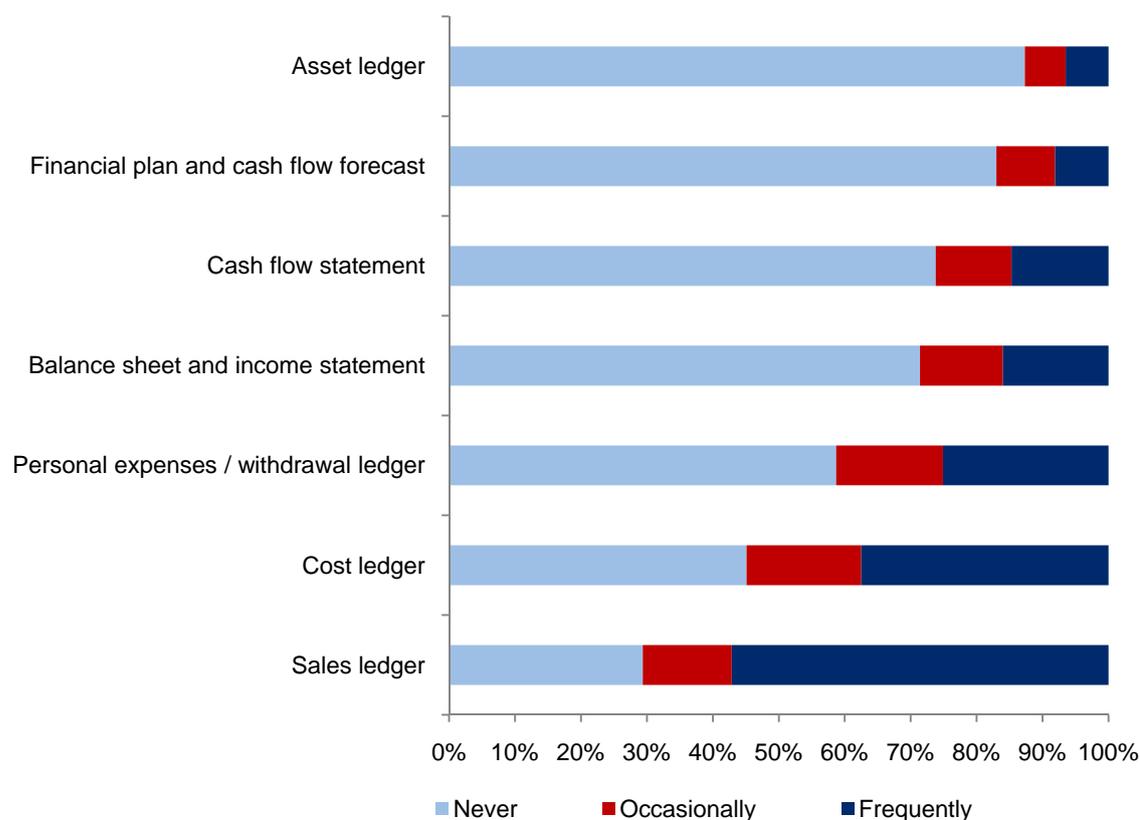
Do you utilize the services of an external auditor?



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

Accounting Records		Utilization			Total		
		Frequently	Occasionally	Never			
Sales ledger	Frequency	1419	334	729	2482	12	2494
	%of Respondents	57.2%	13.5%	29.4%	100%		
Cost ledger	Frequency	931	433	1119	2483	11	2494
	%of Respondents	37.5%	17.4%	45.1%	100%		
Personal expenses / withdrawal ledger	Frequency	623	402	1457	2482	12	2494
	%of Respondents	25.1%	16.2%	58.7%	100%		
Balance sheet and income statement	Frequency	397	312	1772	2481	13	2494
	%of Respondents	16.0%	12.6%	71.4%	100%		
Cash flow statement	Frequency	365	285	1829	2479	15	2494
	%of Respondents	14.7%	11.5%	73.8%	100%		
Financial plan and cash flow forecast	Frequency	202	220	2057	2479	15	2494
	%of Respondents	8.1%	8.9%	83.0%	100%		
Asset ledger	Frequency	160	153	2166	2479	15	2494
	%of Respondents	6.5	6.2%	87.4%	100%		

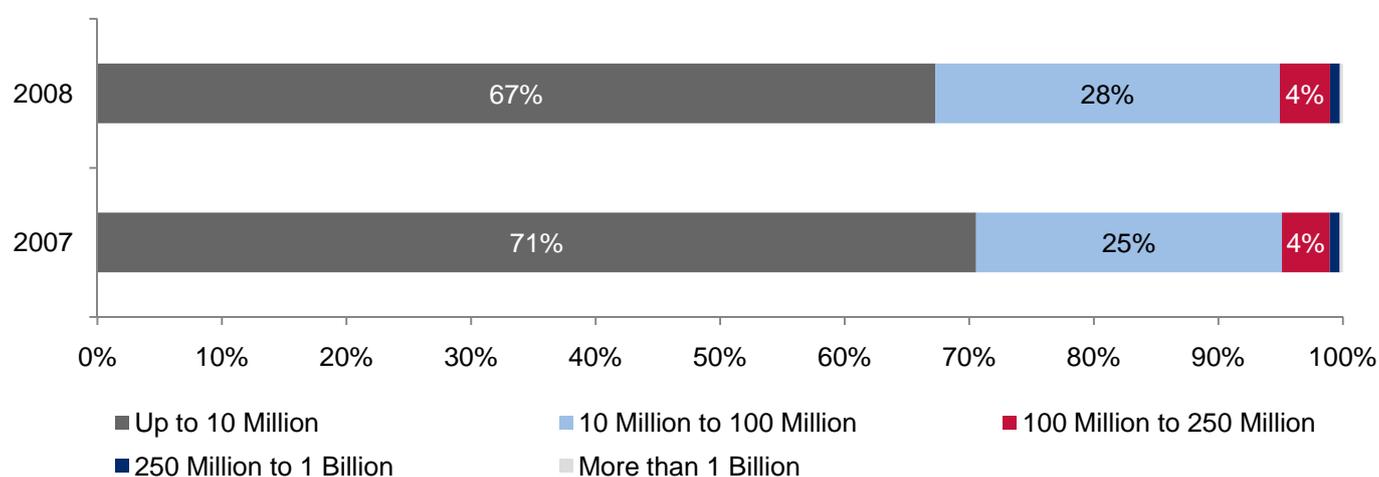
Accounting Records



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

Fiscal Year		Annual Sales Turnover – Iraqi Dinar					Total	Missing / Don't Know	Total
		Up to 10 Million	10 Million to 100 Million	100 Million to 250 Million	250 Million to 1 Billion	More than 1 Billion			
2007	Frequency	1672	582	91	19	6	2370	124	2494
	% of Respondents	70.5%	24.5%	3.8%	0.8%	0.2%	100%		
2008	Frequency	1636	673	98	19	6	2432	62	2494
	% of Respondents	67.2%	27.6%	4.0%	0.8%	0.2%	100%		

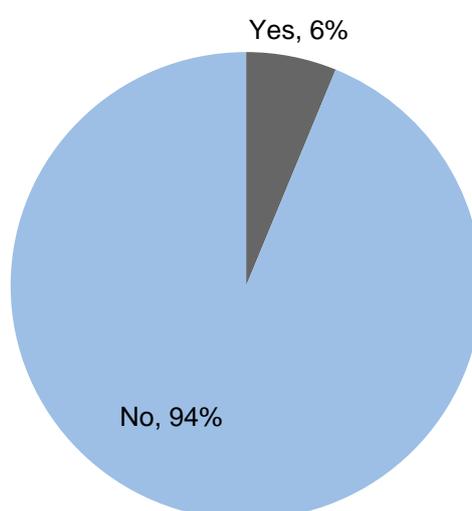
Annual Sales Turnover



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

	Frequency	Percent
Yes	154	6.2%
No	2325	93.8%
Total	2479	100%
Missing Responses	15	
Total	2494	

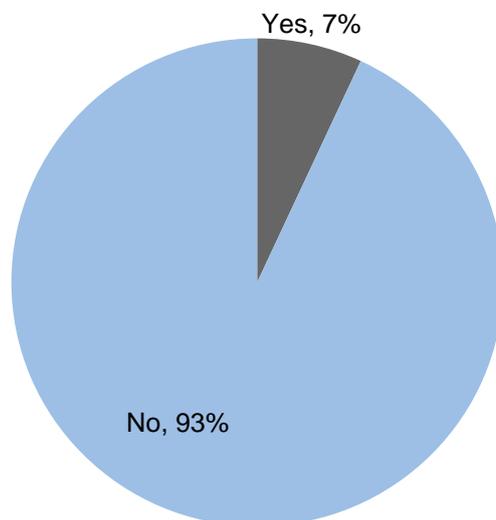
SOEs that Buy SME Products



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

	Frequency	Percent
Yes	172	6.9%
No	2313	93.1%
Total	2485	100%
Missing Responses	9	
Total	2494	

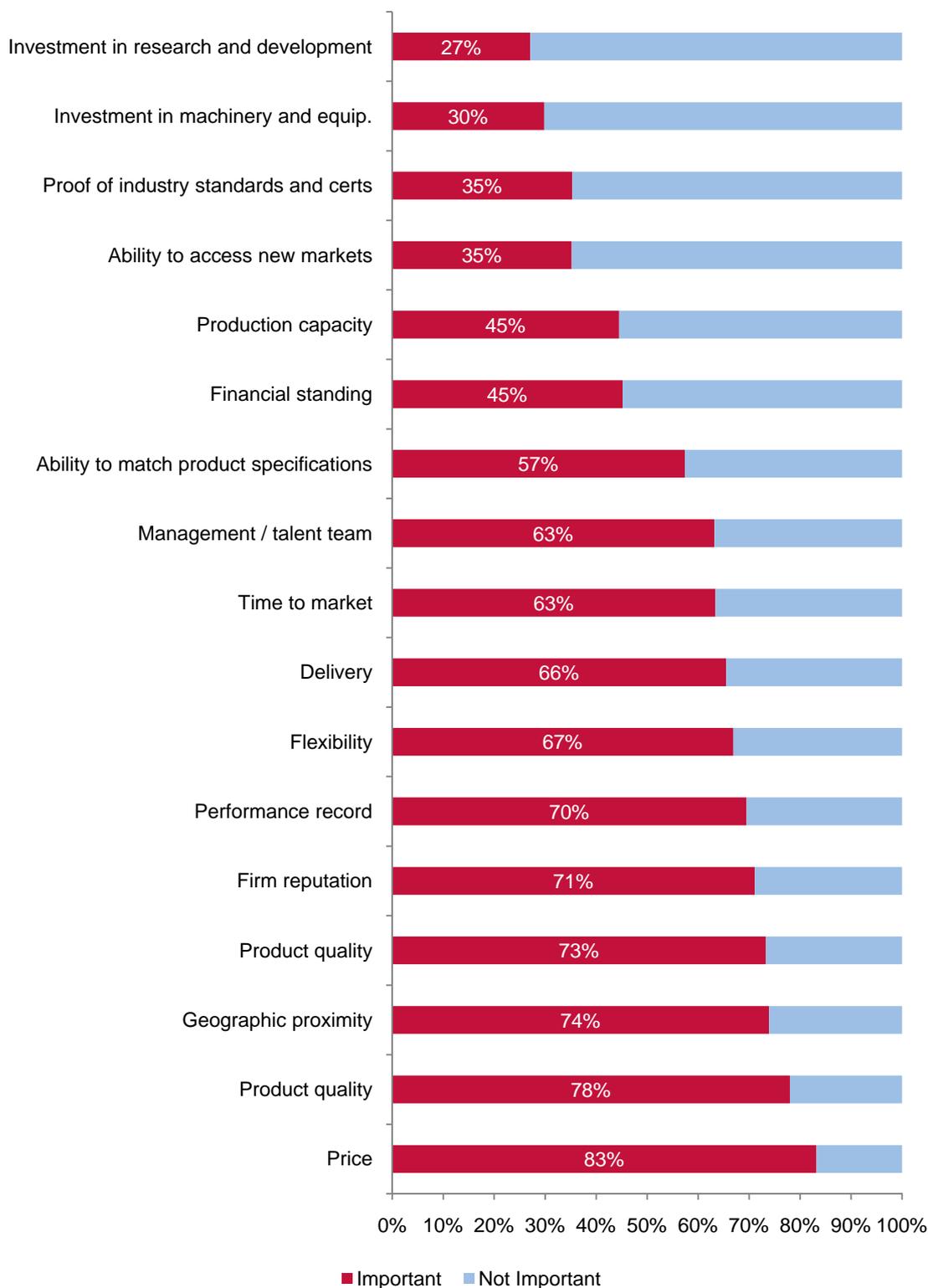
Able to Sell to an SOE?



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

Large Customer and SOE Criteria		Response		Total	Missing	Total
		Yes	No			
Price	Frequency	2058	416	2474	20	2494
	%of Respondents	83.2%	16.8%	100%		
Product quality	Frequency	1928	544	2472	22	2494
	%of Respondents	78.0%	22.0%	100%		
Geographic proximity	Frequency	1826	645	2471	23	2494
	%of Respondents	73.9%	26.1%	100%		
Product quality	Frequency	1811	660	2471	23	2494
	%of Respondents	73.3%	26.7%	100%		
Firm reputation	Frequency	1755	715	2470	24	2494
	%of Respondents	71.1%	28.9%	100%		
Performance record	Frequency	1718	755	2473	21	2494
	%of Respondents	69.5%	30.5%	100%		
Flexibility	Frequency	1654	818	2472	22	2494
	%of Respondents	66.9%	33.1%	100%		
Delivery	Frequency	1616	852	2468	26	2494
	%of Respondents	65.5%	34.5%	100%		
Time to market	Frequency	1563	904	2467	27	2494
	%of Respondents	63.4%	36.6%	100%		
Management / talent team	Frequency	1562	911	2473	21	2494
	%of Respondents	63.2%	36.8%	100%		
Ability to match product specifications	Frequency	1418	1052	2470	24	2494
	%of Respondents	57.4%	42.6%	100%		
Financial standing	Frequency	1114	1353	2467	27	2494
	%of Respondents	45.2%	54.8%	100%		
Production capacity	Frequency	1100	1373	2473	21	2494
	%of Respondents	44.5%	55.5%	100%		
Ability to access new markets	Frequency	870	1603	2473	21	2494
	%of Respondents	35.2%	64.8%	100%		
Proof of industry standards and certs	Frequency	872	1598	2470	24	2494
	%of Respondents	35.3%	64.7%	100%		
Investment in machinery and equip.	Frequency	736	1736	2472	22	2494
	%of Respondents	29.8%	70.2%	100%		
Investment in research and development	Frequency	668	1799	2467	27	2494
	%of Respondents	27.1%	72.9%	100%		

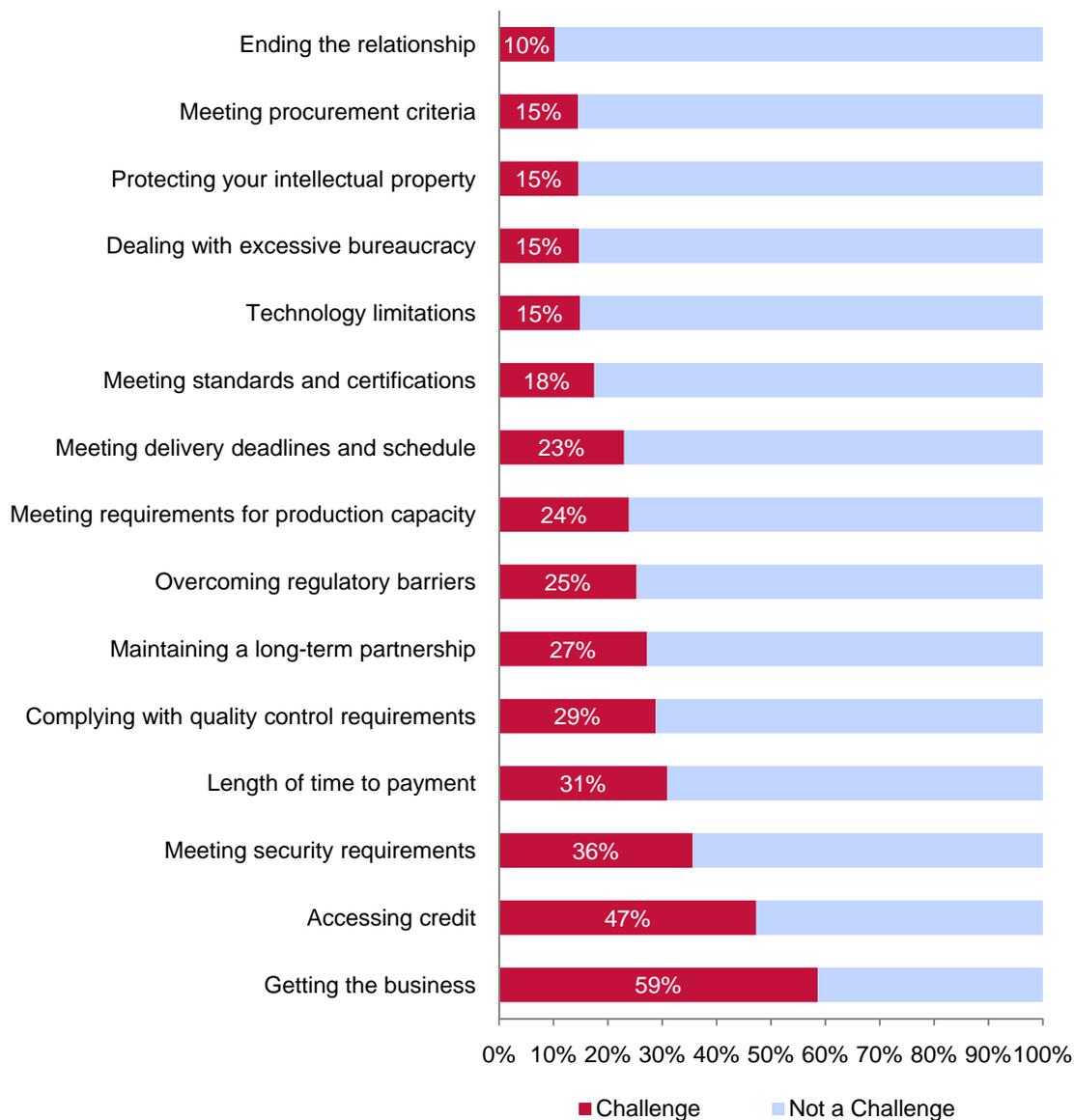
Important Criteria in Supplying SOEs and Large Customers



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

Challenges to Supplying Large Customers and SOEs		Response		Total	Missing	Total
		Yes	No			
Getting the business	Frequency	1409	996	2403	89	2494
	%of Respondents	58.6%	41.4%	100%		
Accessing Credit	Frequency	1136	1265	2401	93	2494
	%of Respondents	47.3%	52.7%	100%		
Meeting security requirements	Frequency	854	1547	2401	93	2494
	%of Respondents	35.6%	64.4%	100%		
Length of time to payment	Frequency	742	1661	2403	91	2494
	%of Respondents	30.9%	69.1%	100%		
Complying with quality control requirements	Frequency	691	1708	2399	95	2494
	%of Respondents	28.8%	71.2%	100%		
Maintaining a long-term partnership	Frequency	653	1749	2402	92	2494
	%of Respondents	27.2%	72.8%	100%		
Overcoming regulatory barriers	Frequency	606	1793	2399	95	2494
	%of Respondents	25.3%	74.7%	100%		
Meeting requirements for production capacity	Frequency	574	1828	2402	92	2494
	%of Respondents	23.9%	76.1%	100%		
Meeting delivery deadlines and schedule	Frequency	544	1859	2403		2494
	%of Respondents	23%	77%	100%		
Meeting standards and certifications	Frequency	420	1980	2400	94	2494
	%of Respondents	17.5%	82.5%	100%		
Technology limitations	Frequency	358	2044	2402	92	2494
	%of Respondents	14.9%	85.1%	100%		
Dealing with excessive bureaucracy	Frequency	352	2046	2398	96	2494
	%of Respondents	14.7%	85.3%	100%		
Protecting your intellectual property	Frequency	350	2051	2401	93	2494
	%of Respondents	14.6%	85.4%	100%		
Meeting procurement criteria	Frequency	348	2054	2402	92	2494
	%of Respondents	14.5%	85.5%	100%		
Ending the relationship	Frequency	245	2153	2398	96	2494
	%of Respondents	10.2%	89.8%	100%		

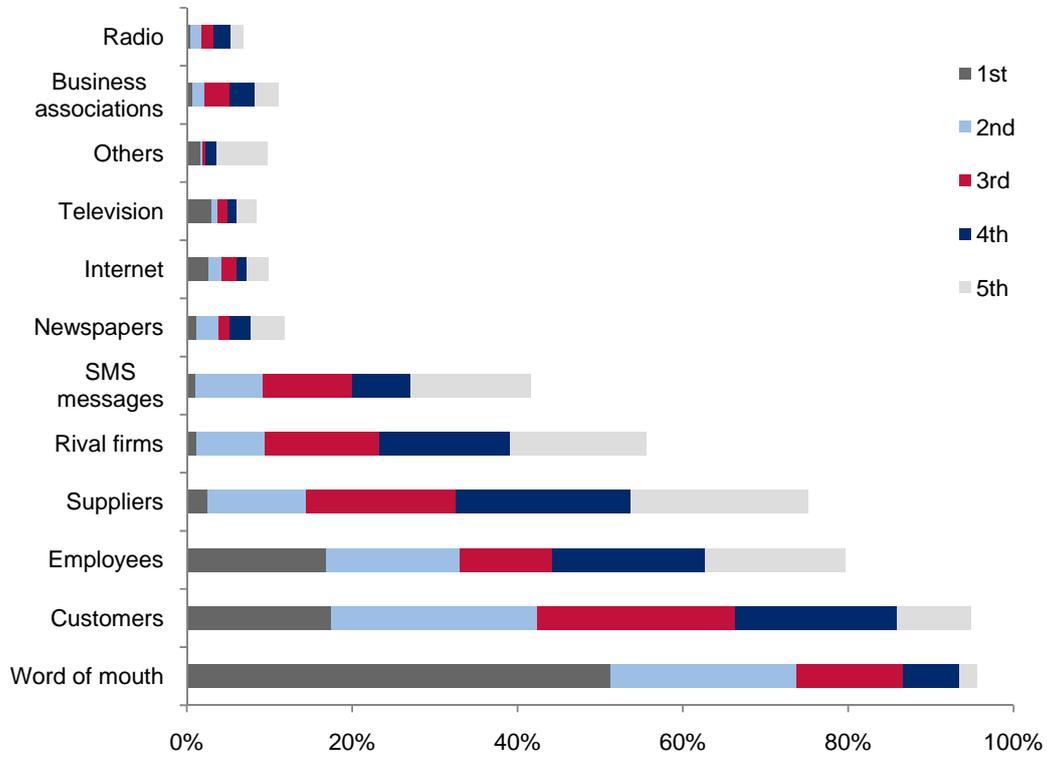
Challenges to Supplying Large Customers and SOEs



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

	1 st		2 nd		3rd		4th		5th		Overall Rank	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Rank	Weight
Word of mouth	1268	51.3%	552	22.4%	320	13.0%	164	6.8%	49	2.1%	1	3.605212
Customers	432	17.5%	612	24.9%	587	23.9%	470	19.6%	209	8.9%	2	2.337858
Employees	414	16.8%	400	16.3%	273	11.1%	445	18.5%	398	17.0%	3	2.007264
Suppliers	61	2.5%	295	12.0%	442	18.0%	508	21.2%	501	21.4%	4	1.217917
Rival firms	29	1.2%	202	8.2%	342	13.9%	378	15.8%	387	16.5%	5	0.85016
SMS messages	27	1.1%	199	8.1%	264	10.8%	170	7.1%	339	14.5%	6	0.655147
Newspapers	30	1.2%	67	2.7%	31	1.3%	61	2.5%	97	4.1%	7	0.258644
Internet	66	2.7%	37	1.5%	44	1.8%	30	1.3%	62	2.6%	8	0.242362
Television	75	3.0%	16	0.7%	31	1.3%	24	1.0%	57	2.4%	9	0.218895
Others	41	1.7%	6	0.2%	10	0.4%	30	1.3%	142	6.1%	10	0.184844
Business associations	18	0.7%	38	1.5%	73	3.0%	72	3.0%	66	2.8%	11	0.183068
Radio	10	0.4%	35	1.4%	36	1.5%	47	2.0%	38	1.6%	12	0.130798
Total	2471	100%	2459	100%	2453	100%	2399	100%	2344	100%		
Missing Responses	23		35		41		95		150			
Total	2494		2494		2494		2494		2494			

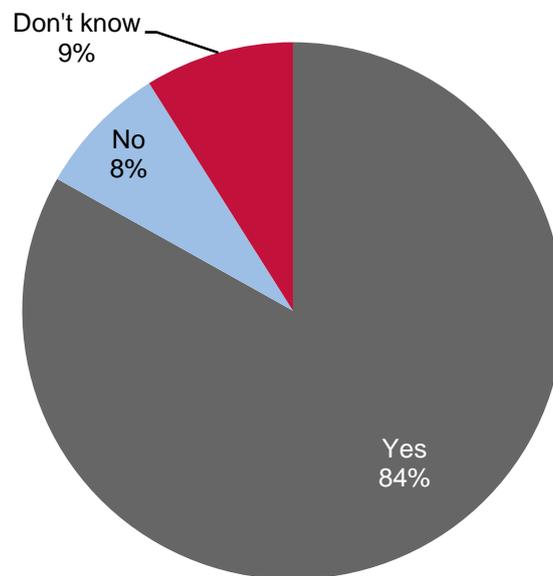
**Main Sources of News about Customers
In Ascending Order of Weighted Rank**



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

	Frequency	Percent
Yes	2061	83.5%
No	191	7.7%
Don't know	215	8.7%
Total	2467	100%
Missing Responses	27	
Total	2494	

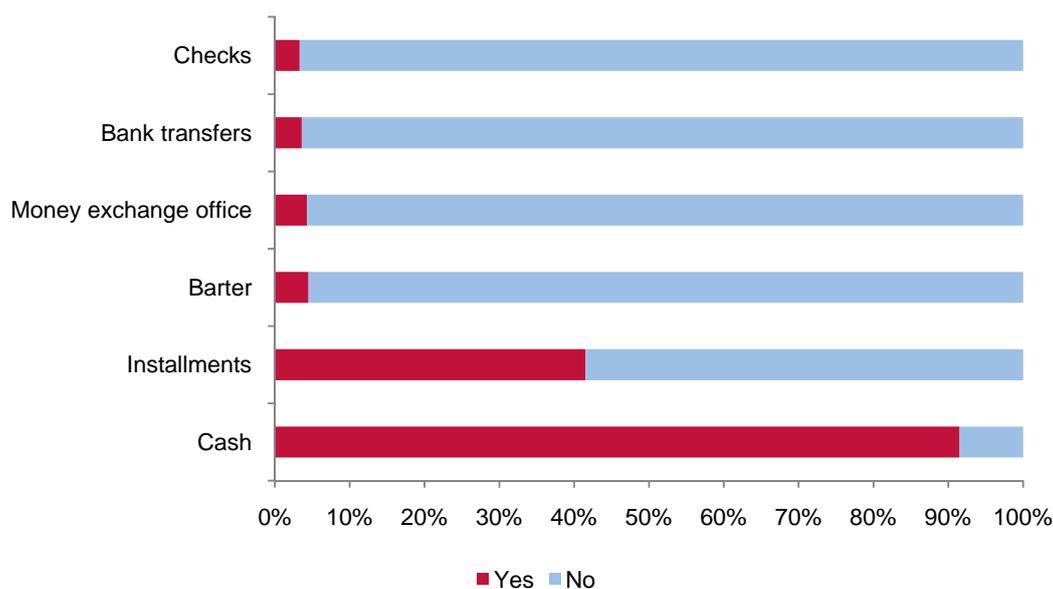
Planned Capital Investments



47. How do you settle your enterprise related bills?

How do you pay your bills?		Response		Total	Missing	Total
		Yes	No			
Cash	Frequency	2273	210	2482	11	2494
	%of Respondents	91.5%	8.5%	100%		
Installments	Frequency	1028	1452	2480	14	2494
	%of Respondents	41.5%	58.5%	100%		
Barter	Frequency	112	2364	2476	18	2494
	%of Respondents	4.5%	95.5%	100%		
Money exchange office	Frequency	106	2372	2478	16	2494
	%of Respondents	4.3%	95.7%	100%		
Bank transfers	Frequency	89	2388	2477	17	2494
	%of Respondents	3.6%	96.4%	100%		
Checks	Frequency	81	2397	2478	16	2494
	%of Respondents	3.3%	96.7%	100%		

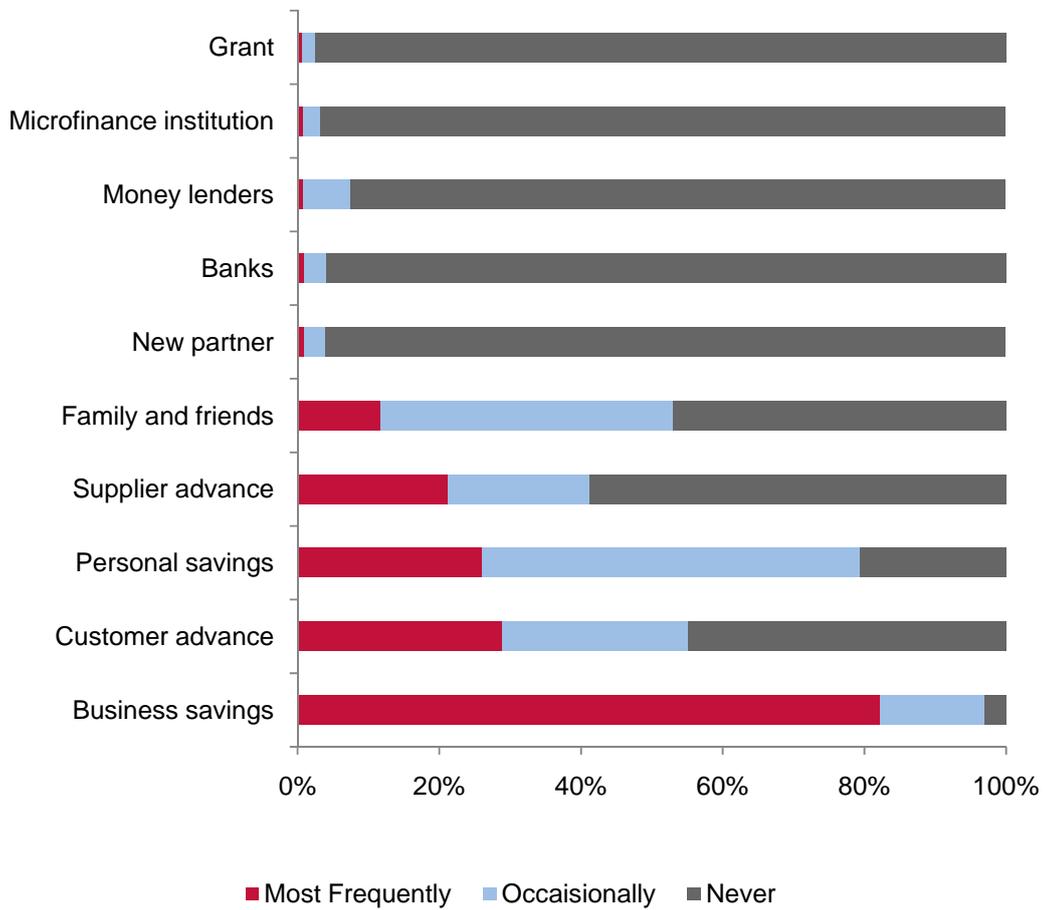
Bill Payment



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

Funding Source		Utilization			Total	Missing	Total
		Most Frequently	Occasionally	Never			
Business savings	Frequency	2048	365	77	2490	4	2494
	%of Respondents	82.2%	14.7%	3.1%	100%		
Customer advance	Frequency	718	651	1115	2484	10	2494
	%of Respondents	28.9%	26.2%	44.9%	100%		
Personal savings	Frequency	649	1326	516	2491	3	2494
	%of Respondents	26.1%	53.2%	20.7%	100%		
Supplier advance	Frequency	529	496	1463	2488	6	2494
	%of Respondents	21.3%	19.9%	58.8%	100%		
Family and friends	Frequency	292	1025	1173	2490	4	2494
	%of Respondents	11.7%	41.2%	47.1%	100%		
New partner	Frequency	23	78	2388	2489	5	2494
	%of Respondents	0.9%	3.1%	95.9%	100%		
Banks	Frequency	23	76	2384	2483	11	2494
	%of Respondents	0.9%	3.1%	96.0%	100%		
Money lenders	Frequency	21	167	2293	2481	13	2494
	%of Respondents	0.8%	6.7%	92.4%	100%		
Microfinance institution	Frequency	21	63	2406	2490	4	2494
	%of Respondents	0.8%	2.5%	96.6%	100%		
Grant	Frequency	15	48	2426	2489	5	2494
	%of Respondents	0.6%	1.9%	97.5%	100%		

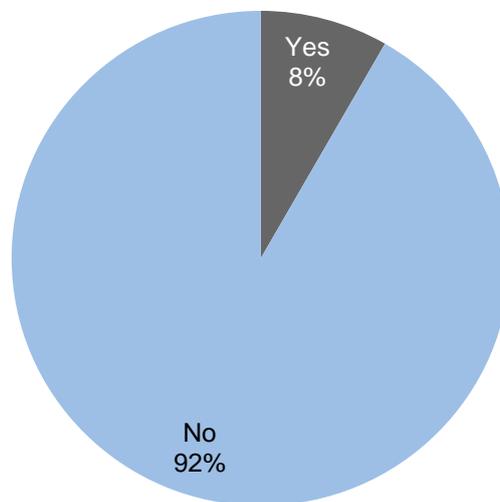
Funding Sources



49. Do you hold a business bank account?

	Frequency	Percent
Yes	205	8.3%
No	2276	91.7%
Total	2481	100%
Missing Responses	13	
Total	2494	

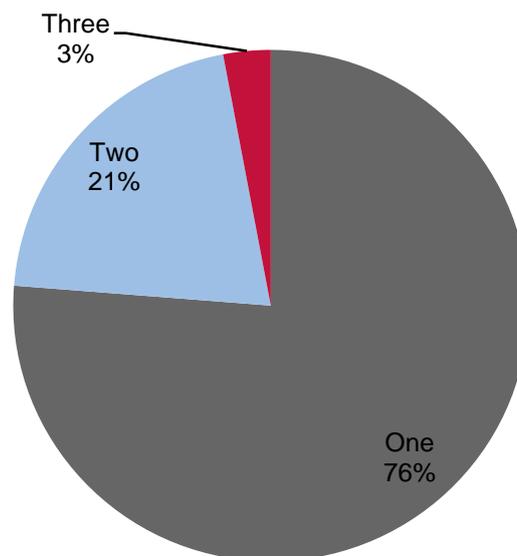
Business Bank Account



How many bank accounts does your business have?

Bank Accounts	Frequency	Percent
One	123	76.9%
Two	33	20.6%
Three	4	1.9%
Four	1	0.6%
Total	160	100%
Missing Responses	2334	
Total	2494	

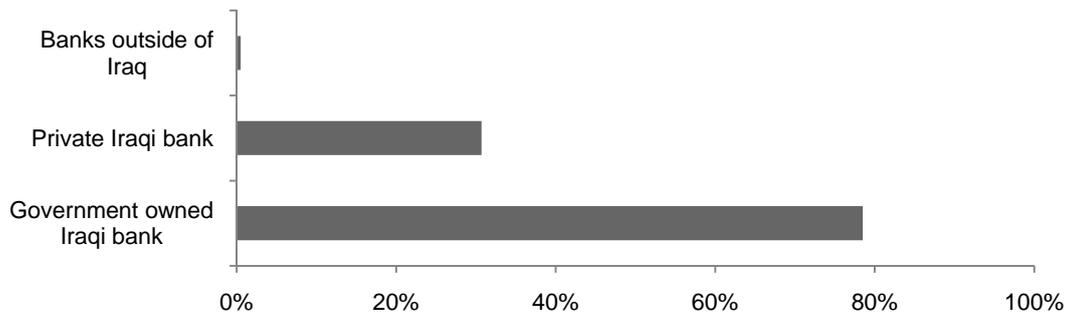
Bank Accounts



What type of bank does your business maintain its accounts with (percentages of a total of those who answered yes to question 49 (205 persons)?

Type of Bank		
Government owned Iraqi bank	Frequency	161
	%of Respondents	78.5%
Private Iraqi bank	Frequency	63
	%of Respondents	30.7%
Banks outside of Iraq	Frequency	1
	%of Respondents	0.5%

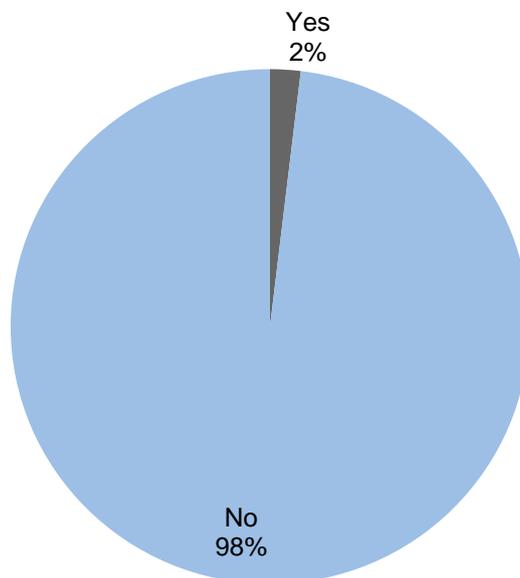
What Type of Bank?



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

	Frequency	Percent
Yes	47	1.9%
No	2398	98.1%
Total	2445	100%
Missing Responses	49	
Total	2494	

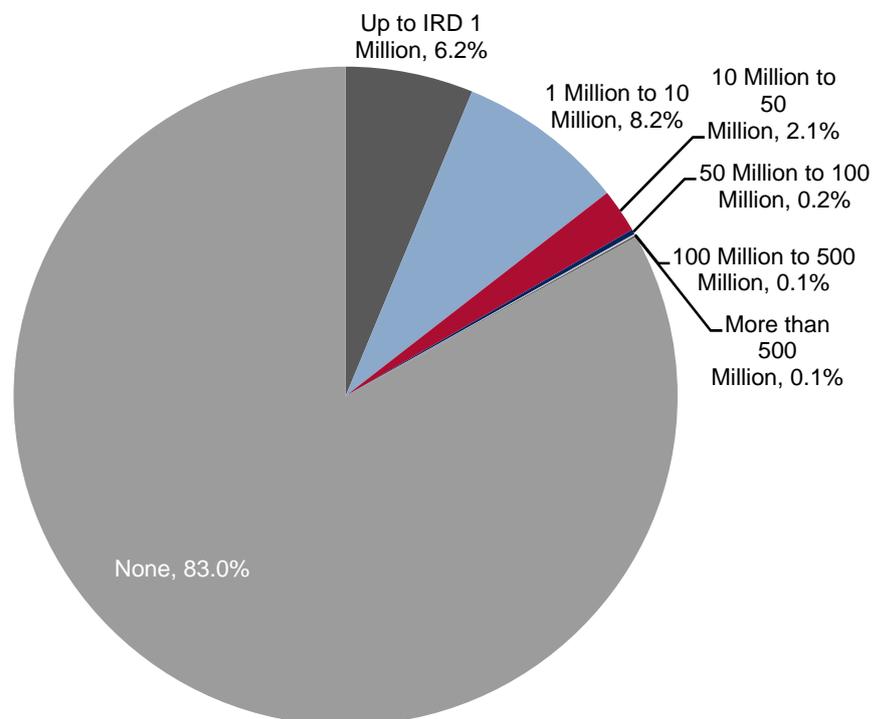
Borrowed from a Bank or MFI?



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

Credit (Iraqi Dinars)	Frequency	Percent
Up to 1 Million	154	6.2%
1 Million to 10 Million	203	8.2%
10 Million to 50 Million	53	2.1%
50 Million to 100 Million	6	0.2%
100 Million to 500 Million	2	0.1%
More than 500 Million	2	0.1%
None	2054	83.0%
Total	2474	100%
Missing Responses	20	
Total	2494	

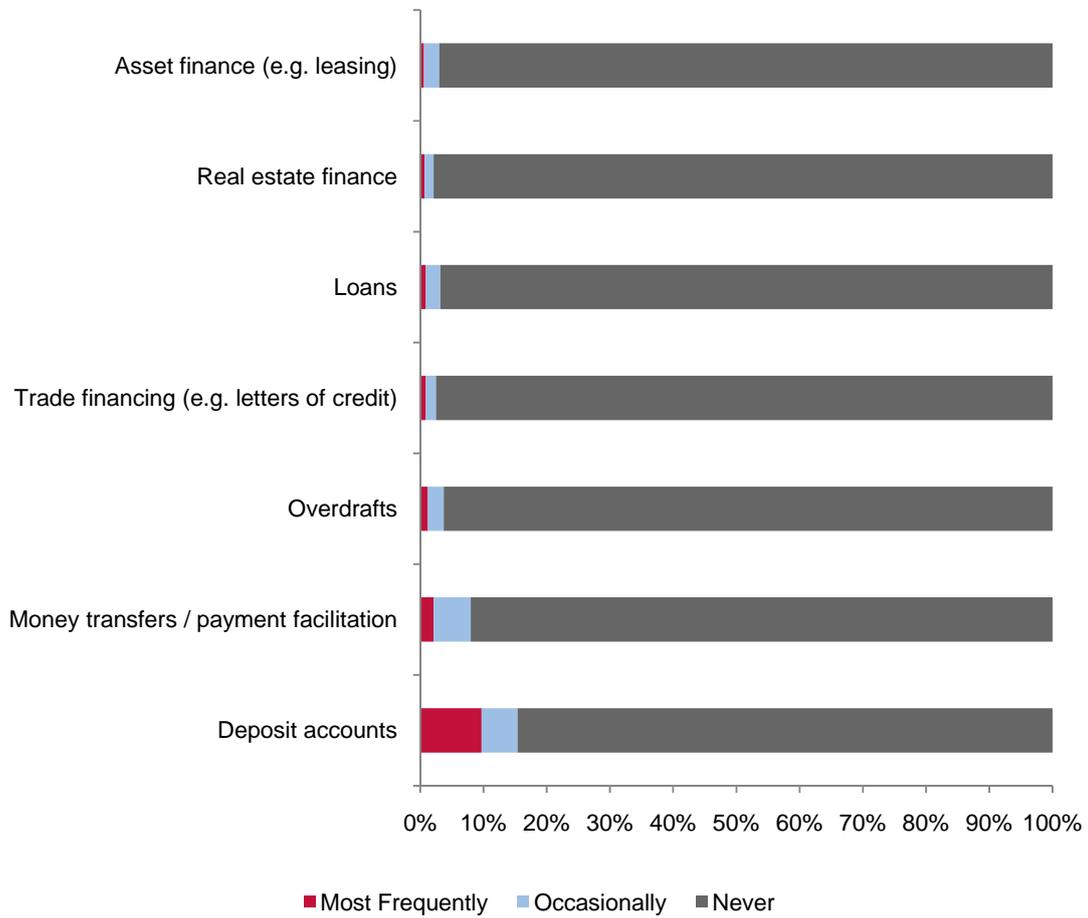
Current Debt



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

Banking Service		Utilization			Total	Missing	Total
		Most Frequently	Occasion-ally	Never			
Deposit accounts	Frequency	242	142	2104	2488	6	2494
	%of Respondents	9.7%	5.7%	84.6%	100%		
Money transfers / payment facilitation	Frequency	52	146	2292	2490	4	2494
	%of Respondents	2.1%	5.9%	92.0%	100%		
Overdrafts	Frequency	31	62	2396	2489	5	2494
	%of Respondents	1.2%	2.5%	96.3%	100%		
Trade financing (e.g. letters of credit)	Frequency	23	39	2426	2488	6	2494
	%of Respondents	0.9%	1.6%	97.5%	100%		
Loans	Frequency	22	57	2410	2489	5	2494
	%of Respondents	0.9%	2.3%	96.8%	100%		
Real estate finance	Frequency	18	34	2436	2488	6	2494
	%of Respondents	0.7%	1.4%	97.9%	100%		
Asset finance (e.g. leasing)	Frequency	14	60	2416	2490	4	2494
	%of Respondents	0.6%	2.4%	97.0%	100%		

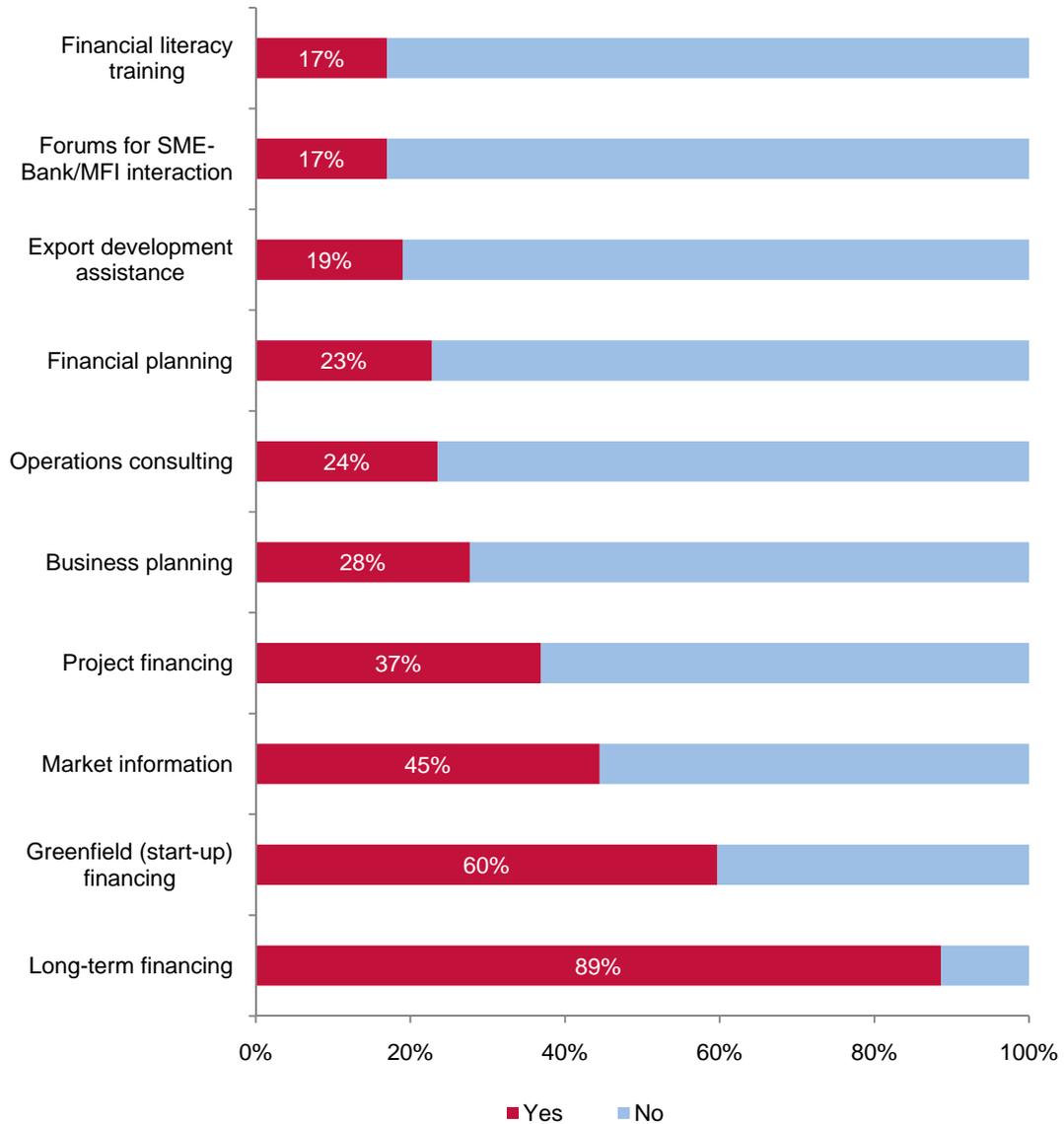
Banking Services Used by SMEs



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

Additional Banking Services		Yes	No	Total	Missing	Total
Long-term financing	Frequency	2209	283	2492	2	2494
	%of Respondents	88.6%	11.4%	100%		
Greenfield (start-up) financing	Frequency	1486	1004	2490	4	2494
	%of Respondents	59.7%	40.3%	100%		
Market information	Frequency	1109	1381	2490	4	2494
	%of Respondents	44.5%	55.5%	100%		
Project financing	Frequency	918	1570	2488	6	2494
	%of Respondents	36.9%	63.1%	100%		
Business planning	Frequency	690	1797	2487	7	2494
	%of Respondents	27.7%	72.3%	100%		
Operations consulting	Frequency	584	1903	2487	7	2494
	%of Respondents	23.5%	76.3%	100%		
Financial planning	Frequency	568	1918	2486	8	2494
	%of Respondents	22.8%	77.2%	100%		
Export development assistance	Frequency	473	2013	2487	8	2494
	%of Respondents	19.0%	81.0%	100%		
Forums for SME - Bank/MFI interaction	Frequency	423	2065	2488	6	2494
	%of Respondents	17.0%	83.0%	100%		
Financial literacy training	Frequency	422	2066	2488	6	2494
	%of Respondents	17.0%	83.0%	100%		

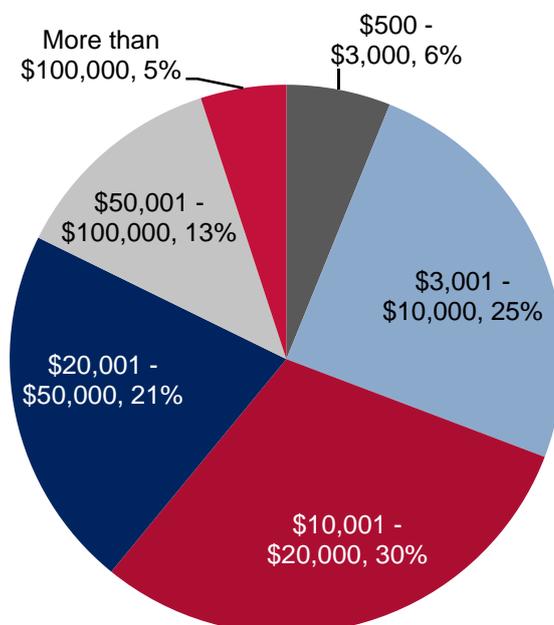
Additional Banking Services



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

Loan Amount	Frequency	Percent
600,000 – 3,600,000 ID (\$500 - \$3,000)	149	6.1%
3,600,001 – 12,000,000 ID (\$3,001 - \$10,000)	606	24.7%
12,000,001 – 24,000,000 ID (\$10,001 - \$20,000)	738	30.1%
24,000,001 – 60,000,000 ID (\$20,001 - \$50,000)	524	21.4%
60,000,001 – 120,000,000 ID (\$50,001 - \$100,000)	310	12.7%
More than 120,000,000 ID (More than \$100,000)	122	5.0%
Total	2449	100%
Missing Responses	45	
Total	2494	

Loan Amount Needed

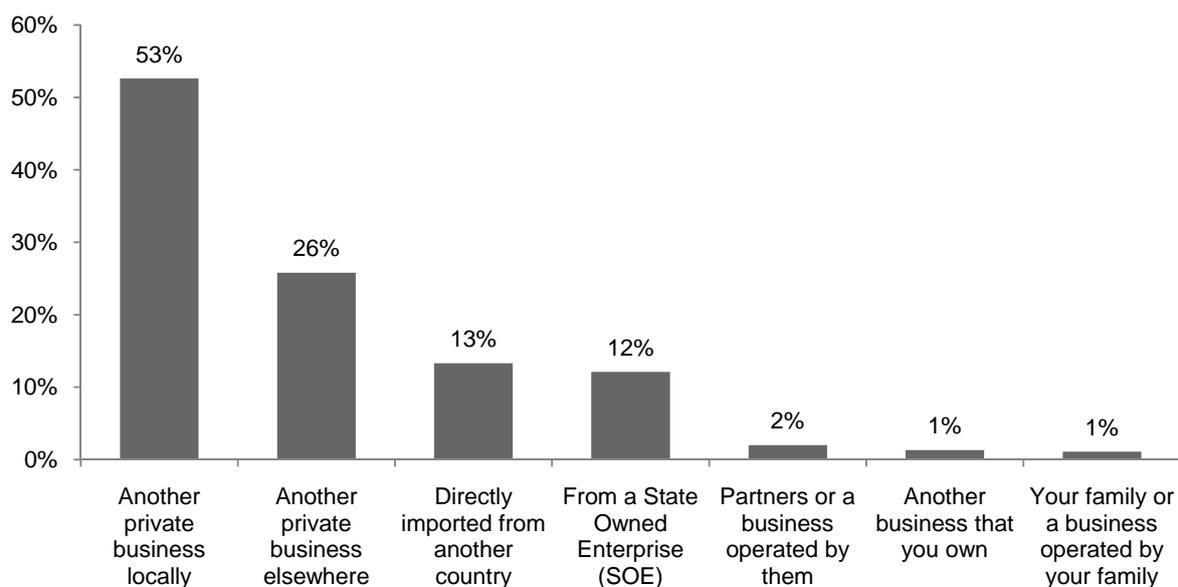


55. QUALITATIVE

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

Source of Raw Material		Response		Total	Missing	Total
		Yes	No			
Another private business locally	Frequency	243	219	462	2032	2494
	%of Respondents	52.6%	47.4%	100%		
Another private business elsewhere	Frequency	119	342	461	2033	2494
	%of Respondents	25.8%	74.2%	100%		
Directly imported from another country	Frequency	59	386	445	2049	2494
	%of Respondents	13.3%	86.7%	100%		
From a State Owned Enterprise (SOE)	Frequency	56	406	462	2032	2494
	%of Respondents	12.1%	87.9%	100%		
Partners or a business operated by them	Frequency	9	452	461	2033	2494
	%of Respondents	2.0%	98.0%	100%		
Another business that you own	Frequency	6	455	461	2033	2494
	%of Respondents	1.3%	98.7%	100%		
Your family or a business operated by your family	Frequency	5	455	460	2034	2494
	%of Respondents	1.1%	98.9%	100%		

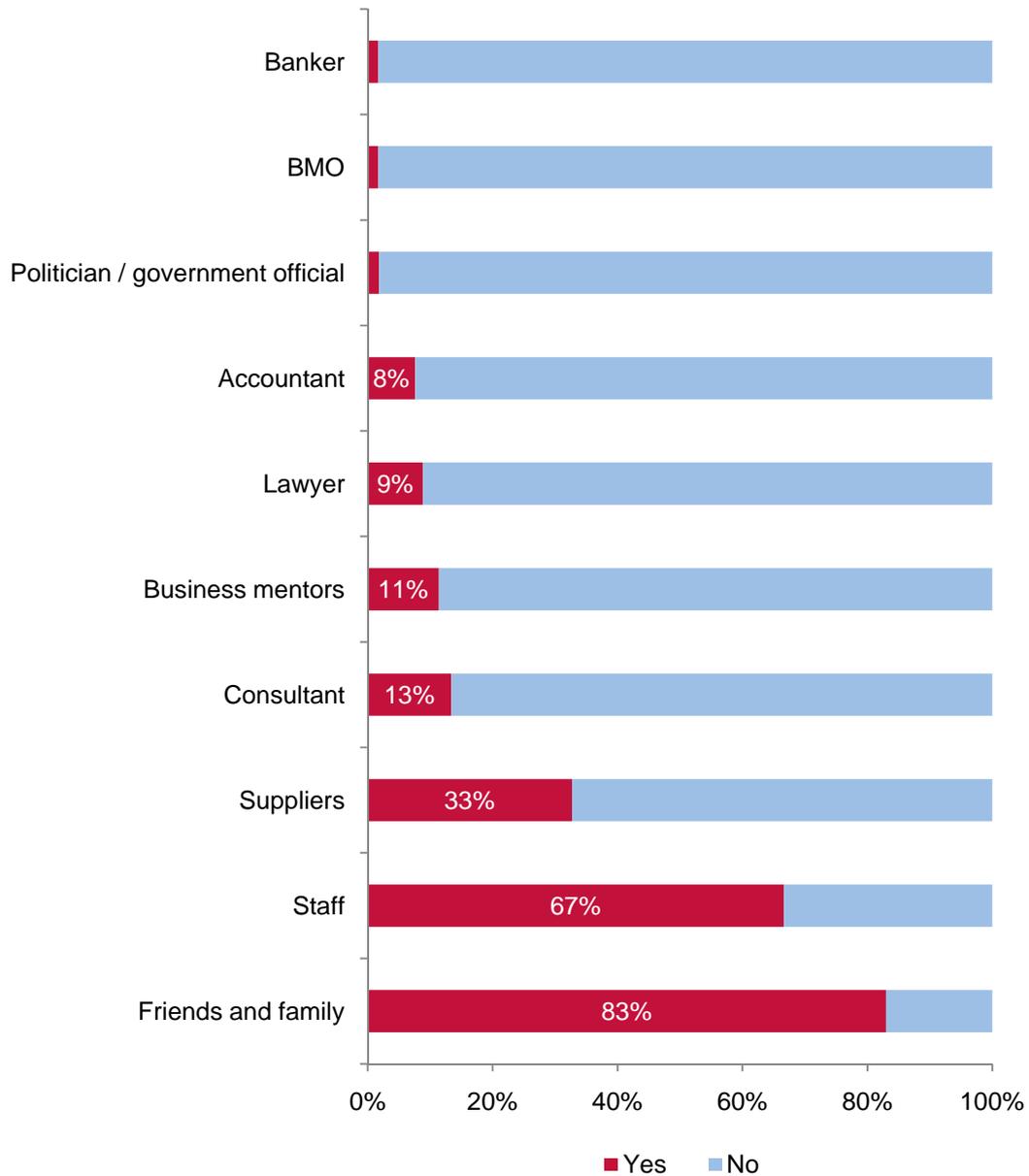
Sources for Raw Materials



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

Source of Business Advice		Response		Total	Missing	Total
		Yes	No			
Friends and family	Frequency	2066	423	2489	5	2494
	%of Respondents	83.0%	17.0%	100%		
Staff	Frequency	1659	832	2491	3	2494
	%of Respondents	66.6%	33.4%	100%		
Suppliers	Frequency	815	1674	2489	5	2494
	%of Respondents	32.7%	67.3%	100%		
Consultant	Frequency	333	2157	2490	4	2494
	%of Respondents	13.4%	86.6%	100%		
Business mentors	Frequency	282	2202	2484	10	2494
	%of Respondents	11.4%	88.6%	100%		
Lawyer	Frequency	219	2266	2485	9	2494
	%of Respondents	8.8%	91.2%	100%		
Accountant	Frequency	189	2298	2487	7	2494
	%of Respondents	7.6%	92.4%	100%		
Politician / government official	Frequency	44	2442	2486	8	2494
	%of Respondents	1.8%	98.2%	100%		
Business membership organization (BMO)	Frequency	43	2446	2489	5	2494
	%of Respondents	1.7%	98.3%	100%		
Banker	Frequency	42	2449	2491	3	2494
	%of Respondents	1.7%	98.3%	100%		

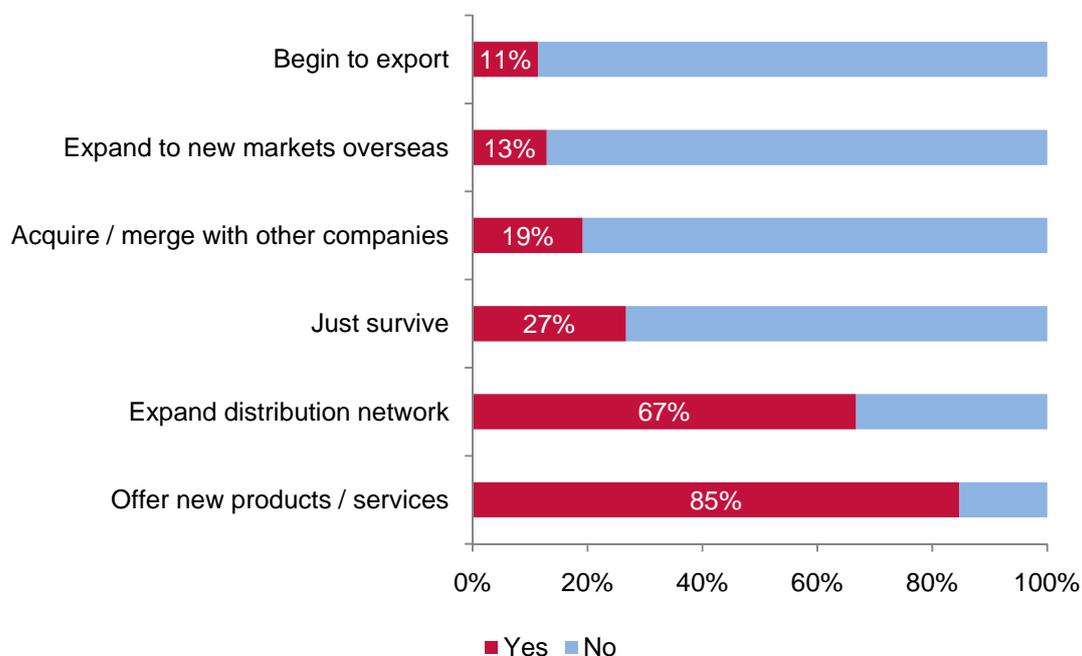
Sources of Business Advice



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

Business Strategy		Response		Total	Missing	Total
		Yes	No			
Offer new products /services	Frequency	2108	381	2489	5	2494
	%ofRespondents	84.7%	15.3%	100%		
Expand distribution network	Frequency	1663	828	2491	3	2494
	%ofRespondents	66.7%	33.2%	100%		
Just survive	Frequency	658	1811	2469	25	2494
	%ofRespondents	26.7%	73.3%	100%		
Acquire /merge with other companies	Frequency	476	2009	2485	9	2494
	%ofRespondents	19.2%	80.8%	100%		
Expand to new markets overseas	Frequency	320	2165	2485	9	2494
	%ofRespondents	12.9%	87.1%	100%		
Begin to export	Frequency	284	2204	2488	6	2494
	%ofRespondents	11.4%	88.6%	100%		

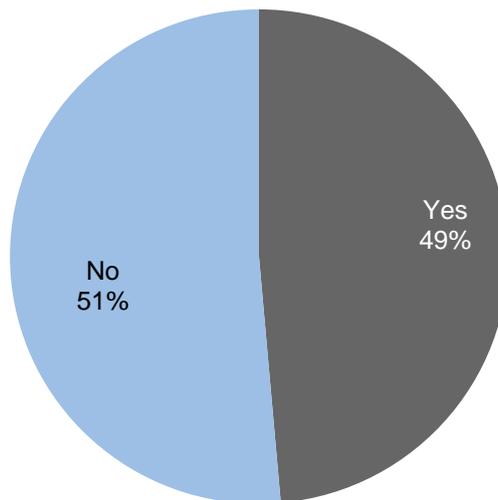
Key Business Strategy



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

	Frequency	Percent
Yes	1205	48.6%
No	1275	51.4%
Total	2480	100%
Missing Responses	14	
Total	2494	

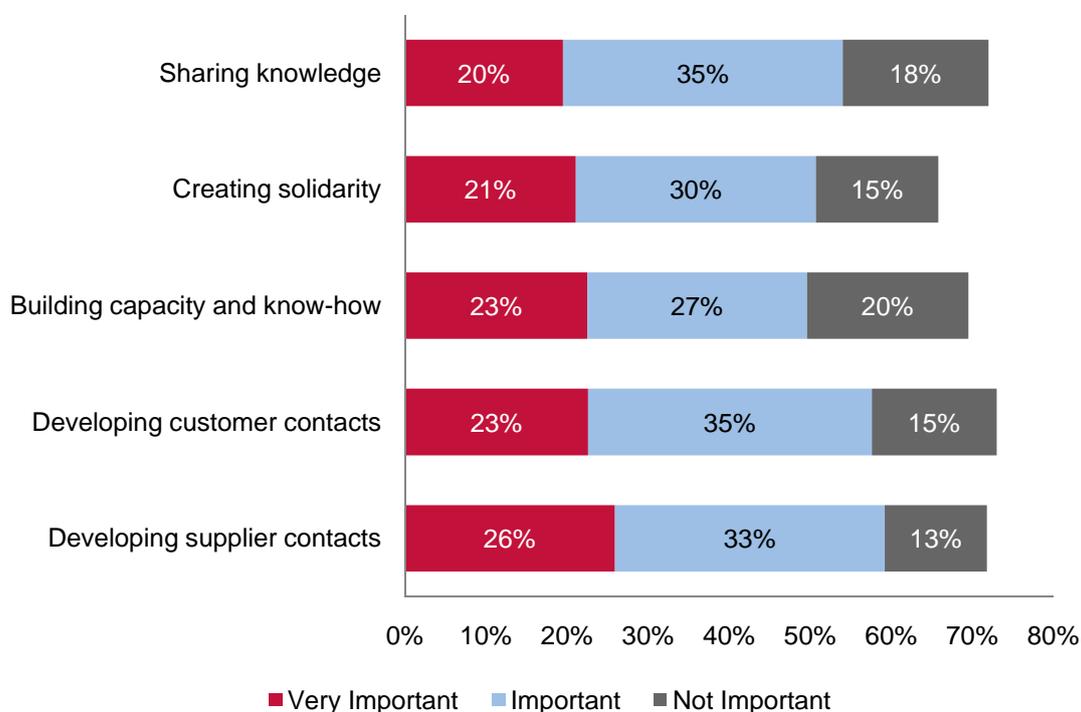
Business Membership Organizations



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

Perceived Benefits		Response				Total
		Not Important	Important	Very Important	Not Applicable	
Building capacity and know-how	Frequency	494	672	559	755	2480
	%of Respondents	19.9%	27.1%	22.5%	30.4%	100%
Sharing knowledge	Frequency	446	857	483	695	2481
	%of Respondents	18.0%	34.5%	19.5%	28.0%	100%
Developing customer contacts	Frequency	382	869	561	668	2480
	%of Respondents	15.4%	35.0%	22.6%	26.9%	100%
Creating solidarity	Frequency	370	724	515	837	2446
	%of Respondents	15.1%	29.6%	21.1%	34.2%	100%
Developing supplier contacts	Frequency	312	826	642	701	2481
	%of Respondents	12.6%	33.3%	25.9%	28.3%	100%

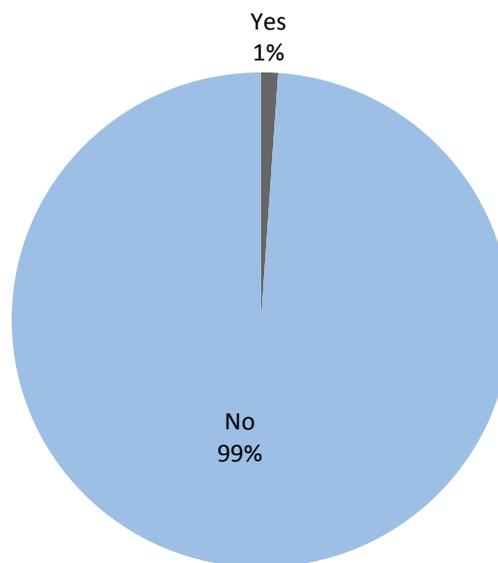
Importance of BMO Membership for Services Provision



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

	Frequency	Percent
Yes	26	1.1%
No	2446	98.9%
Total	2472	100%
Missing Responses	22	
Total	2494	

Contacted by a Business Association

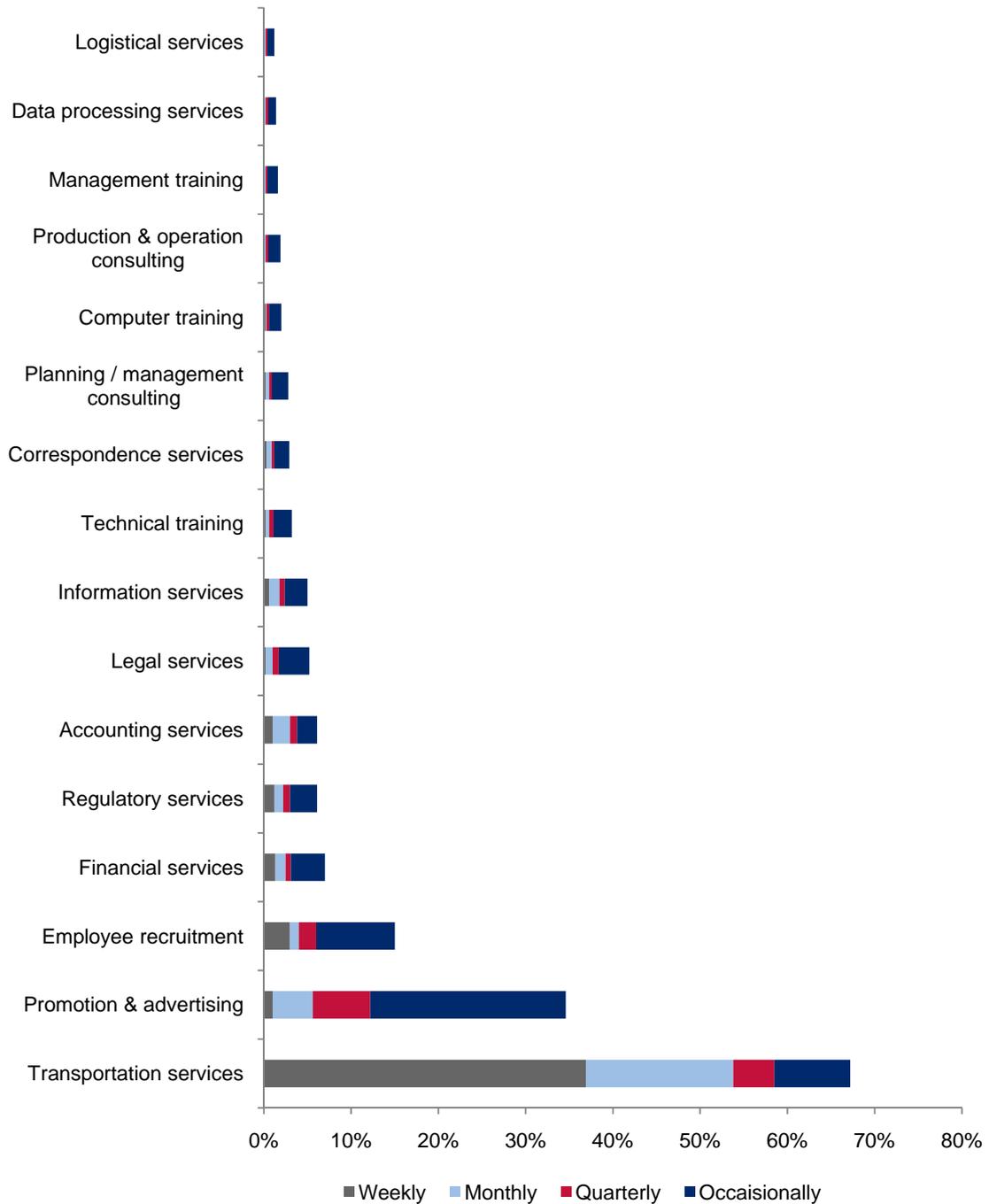


62. How often do you use the following business services?

Business Services		Response					Total
		Weekly	Monthly	Quarterly	Occasionally	Never	
Transportation services	Frequency	919	421	116	217	819	2492
	%of Respondents	36.9%	16.9%	4.7%	8.7%	32.9%	100%
Employee recruitment	Frequency	64	33	41	210	2087	2435
	%of Respondents	3%	1%	2%	9%	86%	100%
Financial services	Frequency	32	31	16	98	2314	2491
	%of Respondents	1.3%	1.2%	0.6%	3.9%	92.8%	100%
Regulatory services	Frequency	31	25	19	76	2339	2490
	%of Respondents	1.2%	1.0%	0.8%	3.1%	93.9%	100%
Accounting services	Frequency	26	51	21	57	2334	2489
	%of Respondents	1.0%	2.0%	0.8%	2.3%	93.8%	100%
Promotion & advertising	Frequency	26	114	164	557	1629	2490
	%of Respondents	1.0%	4.6%	6.6%	22.4%	65.4%	100%
Information services	Frequency	16	29	14	64	2365	2488
	%of Respondents	0.6%	1.2%	0.6%	2.6%	95.1%	100%
Correspondence services	Frequency	8	16	8	42	2411	2485
	%of Respondents	0.3%	0.6%	0.3%	1.7%	97.0%	100%
Planning / management consulting	Frequency	6	9	8	47	2417	2487
	%of Respondents	0.2%	0.4%	0.3%	1.9%	97.2%	100%
Technical training	Frequency	6	10	12	52	2407	2487
	%of Respondents	0.2%	0.4%	0.5%	2.1%	96.8%	100%
Legal services	Frequency	6	20	18	86	2357	2487
	%of Respondents	0.2%	0.8%	0.7%	3.5%	94.8%	100%
Computer training	Frequency	4	2	7	36	2436	2485
	%of Respondents	0.2%	0.1%	0.3%	1.4%	98.0%	100%
Logistical services	Frequency	3	3	5	19	2457	2487
	%of Respondents	0.1%	0.1%	0.2%	0.8%	98.8%	100%
Production & operation consulting	Frequency	1	4	7	36	2437	2485
	%of Respondents	0.0%	0.2%	0.3%	1.4%	98.1%	100%
Data processing services	Frequency	1	5	8	22	2450	2486
	%of Respondents	0.0%	0.2%	0.3%	0.9%	98.6%	100%

Management training	Frequency	1	6	4	31	2446	2488
	%of Respondents	0.0%	0.2%	0.2%	1.2%	98.3%	100%

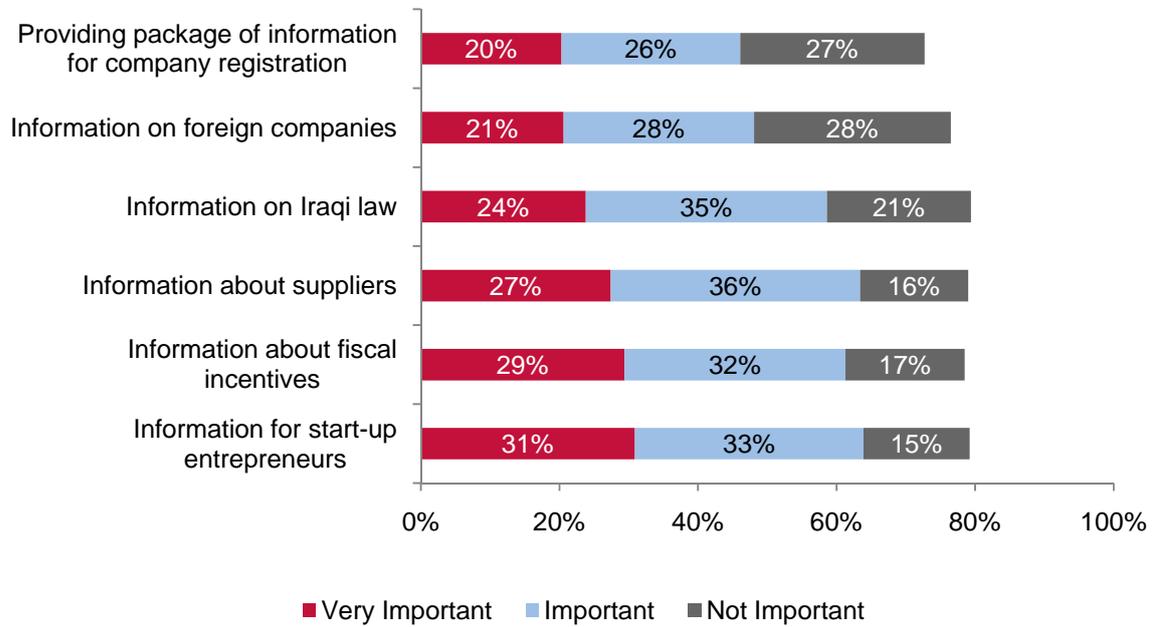
Business Services



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

Information Services		Importance				Total
		Not Important	Important	Very Important	Not Applicable	
Information on foreign companies	Frequency	707	683	512	584	2486
	%of Respondents	28.4%	27.5%	20.6%	23.5%	100%
Information about suppliers	Frequency	389	895	681	524	2489
	%of Respondents	15.6%	36.0%	27.4%	21.1%	100%
Information on Iraqi law	Frequency	517	864	591	512	2484
	%of Respondents	20.8%	34.8%	23.8%	20.6%	100%
Information about fiscal incentives	Frequency	429	795	732	533	2489
	%of Respondents	17.2%	31.9%	29.4%	21.4%	100%
Information for start-up entrepreneurs	Frequency	381	819	767	517	2484
	%of Respondents	15.3%	33.0%	30.9%	20.8%	100%
Providing package of information for company registration	Frequency	661	642	504	677	2484
	%of Respondents	26.6%	25.8%	20.3%	27.3%	100%

Information Services



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

Consulting Services		Importance				Total
		Not Important	Important	Very Important	Not Applicable	
Business planning	Frequency	843	743	297	604	2487
	%ofRespondents	33.9%	29.9%	11.9%	24.3%	100%
Search for a potential investor	Frequency	707	573	609	600	2489
	%ofRespondents	28.4%	23.0%	24.5%	24.1%	100%
Market research / marketing	Frequency	508	907	578	492	2485
	%ofRespondents	20.4%	36.5%	23.3%	19.8%	100%
Banking and credit financing	Frequency	423	634	806	626	2489
	%ofRespondents	17.0%	25.5%	32.4%	25.2%	100%
Seminars and exhibitions	Frequency	975	421	256	835	2489
	%ofRespondents	39.2%	16.9%	10.3%	33.6%	100%
Accounting and book-keeping	Frequency	1129	385	202	772	2488
	%ofRespondents	45.4%	15.5%	8.1%	31.0%	100%
Credit assessment (loan application)	Frequency	448	696	815	528	2487
	%ofRespondents	18.0%	28.0%	32.8%	21.2%	100%
Employment recruitment	Frequency	1014	527	327	620	2488
	%ofRespondents	40.8%	21.2%	13.1%	24.9%	100%
Legal	Frequency	838	711	272	665	2486
	%ofRespondents	33.7%	28.6%	10.9%	26.7%	100%
Enterprise restructuring	Frequency	780	604	446	659	2489
	%ofRespondents	31.3%	24.3%	17.9%	26.5%	100%
Exporting	Frequency	783	290	311	1102	2486
	%ofRespondents	31.5%	11.7%	12.5%	44.3%	100%

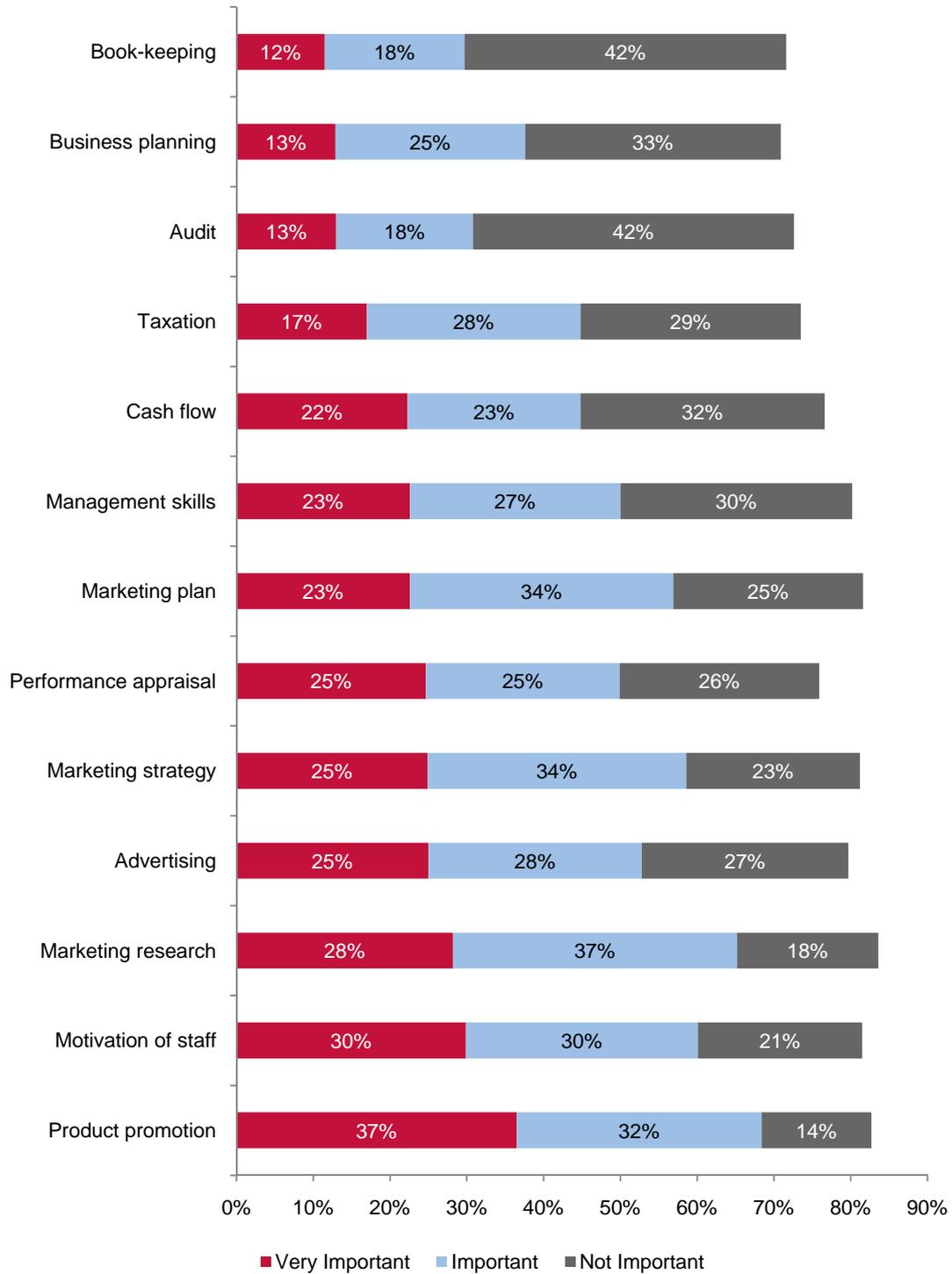
Consulting Services



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

Training Services		Importance				Total
		Not Important	Important	Very Important	Not Applicable	
Marketing plan	Frequency	615	855	562	458	2490
	%ofRespondents	24.7%	34.3%	22.6%	18.4%	100%
Marketing research	Frequency	457	921	703	407	248
	%ofRespondents	18.4%	37.0%	28.2%	16.4%	100%
Product promotion	Frequency	356	795	908	429	2488
	%ofRespondents	14.3%	31.9%	36.5%	17.2%	100%
Marketing strategy	Frequency	561	836	618	468	2483
	%ofRespondents	22.6%	33.7%	24.9%	18.8%	100%
Advertising	Frequency	670	690	619	503	2482
	%ofRespondents	26.9%	27.8%	25.0%	20.3%	100%
Cash flow	Frequency	791	559	554	579	2483
	%ofRespondents	31.8%	22.5%	22.3%	23.3%	100%
Book-keeping	Frequency	1044	453	286	706	2489
	%ofRespondents	41.9%	18.2%	11.5%	28.4%	100%
Audit	Frequency	1039	443	323	682	2487
	%ofRespondents	41.8%	17.8%	13.0%	27.5%	100%
Taxation	Frequency	715	692	422	657	2486
	%ofRespondents	28.7%	27.8%	17.0%	26.5%	100%
Business planning	Frequency	828	614	321	721	2484
	%ofRespondents	33.3%	24.7%	12.9%	29.1%	100%
Management skills	Frequency	751	681	561	493	2486
	%ofRespondents	30.2%	27.4%	22.6%	19.8%	100%
Motivation of staff	Frequency	532	751	743	461	2487
	%ofRespondents	21.4%	30.2%	29.9%	18.5%	100%
Performance appraisal	Frequency	647	626	614	601	2488
	%ofRespondents	26.0%	25.2%	24.7%	24.1%	100%

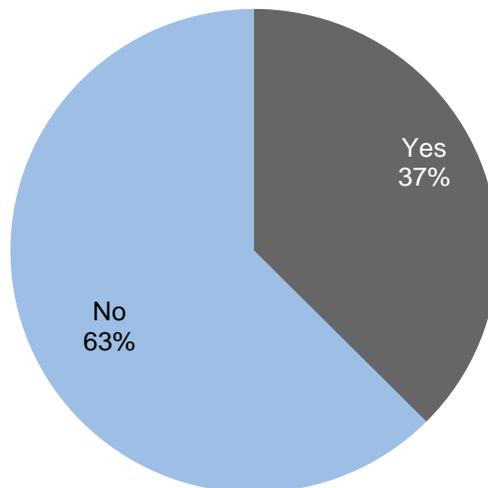
Training Services



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

	Frequency	Percent
Yes	919	37.5%
No	1534	62.5%
Total	2453	100.0%
Missing Responses	41	
Total	2494	

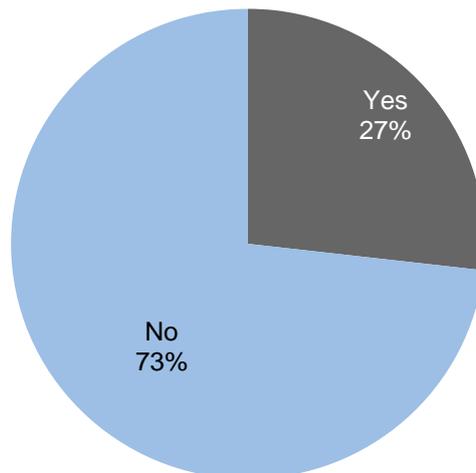
Employment Agency Useful?



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

	Frequency	Percent
Yes	657	26.8%
No	1797	73.2%
Total	2454	100%
Missing Responses	40	
Total	2494	

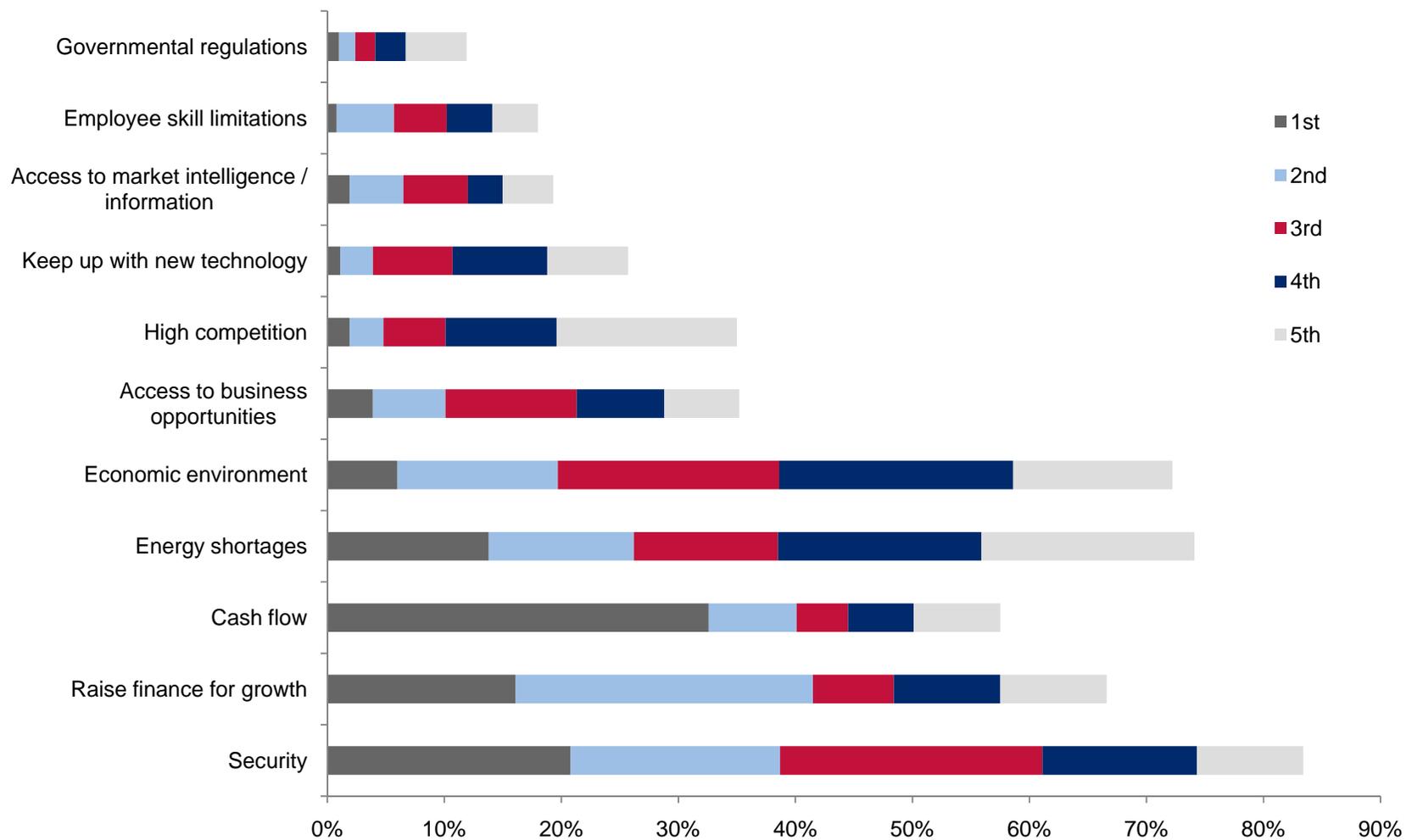
Pay for Employment Agency Services?



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

Hindrance	1 st		2 nd		3 rd		4 th		5 th		Overall Rank	
	Frequency	%	Rank	Weight								
Security	518	20.8%	444	17.9%	557	22.4%	329	13.2%	227	9.1%	1	2.775461
Raise finance for growth	400	16.1%	632	25.4%	172	6.9%	227	9.1%	227	9.1%	2	2.295509
Cash flow	811	32.6%	187	7.5%	110	4.4%	138	5.6%	184	7.4%	3	2.242582
Energy shortages	343	13.8%	308	12.4%	305	12.3%	432	17.4%	451	18.2%	4	2.075782
Economic environment	148	6%	341	13.7%	469	18.9%	497	20%	338	13.6%	5	1.94186
Access to business opportunities	96	3.9%	154	6.2%	279	11.2%	187	7.5%	160	6.4%	6	0.989174
High competition	46	1.9%	73	2.9%	131	5.3%	235	9.5%	382	15.4%	7	0.7085
Keep up with new technology	28	1.1%	70	2.8%	168	6.8%	200	8.1%	171	6.9%	8	0.599439
Access to market intelligence / information	47	1.9%	115	4.6%	137	5.5%	74	3%	107	4.3%	9	0.54571
Employee skill limitations	21	0.8%	121	4.9%	113	4.5%	97	3.9%	97	3.9%	10	0.488773
Governmental regulations	24	1%	34	1.4%	42	1.7%	64	2.6%	128	5.2%	11	0.255814
Others	4	0.2%	7	0.3%	3	0.1%	4	0.2%	9	0.4%	12	0.029671
Total	2486	100%	2486	100%	2486	100%	2484	100%	2481	100%		
Missing Responses	8		8		8		10		13			
Total	2494											

Ranked Hindrances to Business Growth, Ranked in Ascending Order of Importance

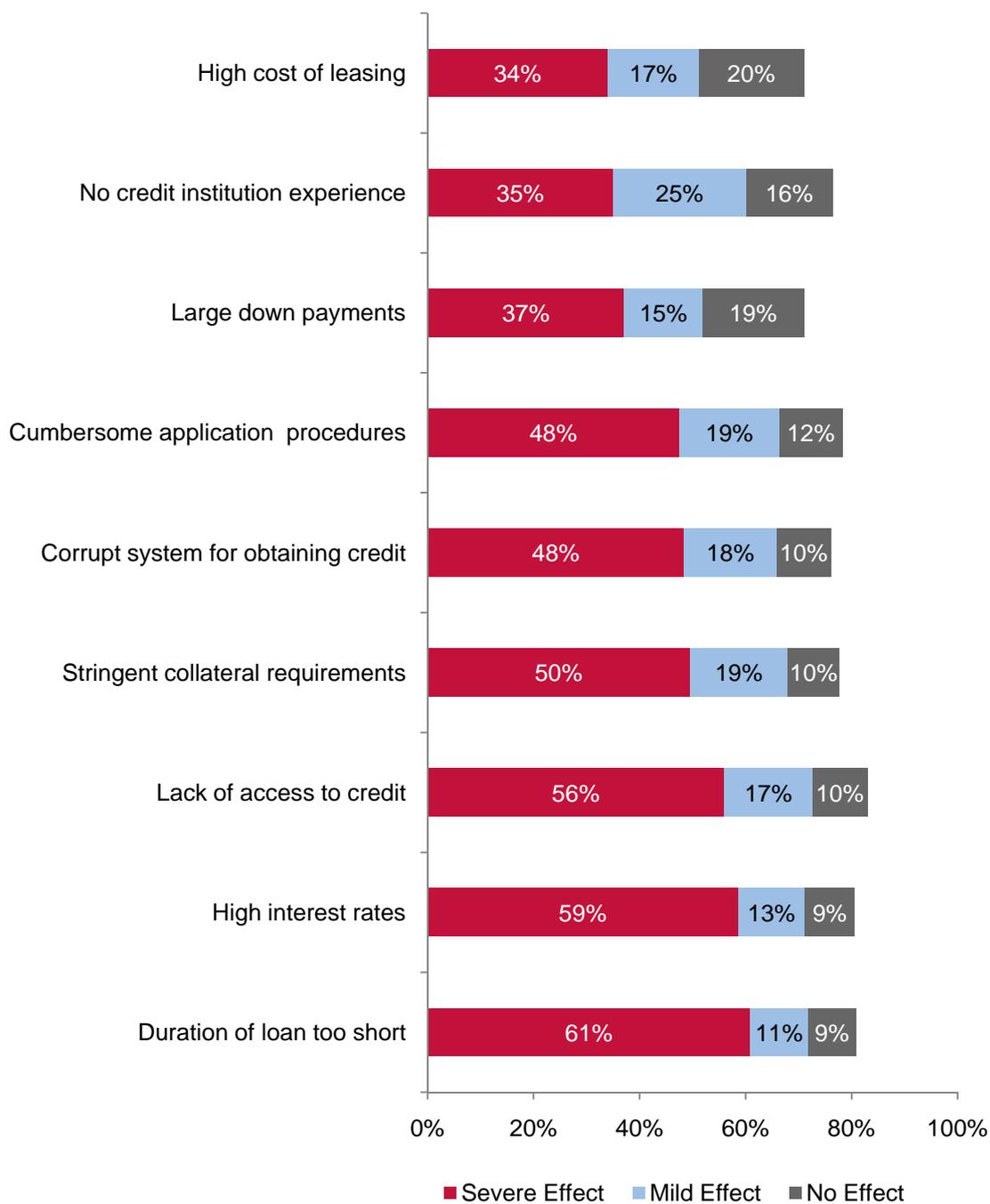


10.2 FIRM LEVEL CONSTRAINTS RESPONSES

67A. Financial and HR constraints – Credit Constraints

Financial Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Lack of access to credit	Frequency	258	413	1394	423	2488
	% of Respondents	10.4%	16.6%	56.0%	17.0%	100%
Stringent collateral requirements	Frequency	241	460	1231	555	2487
	% of Respondents	9.7%	18.5%	49.5%	22.3%	100%
No credit institution experience	Frequency	404	624	871	591	2490
	% of Respondents	16.3%	25.1%	35.0%	23.7%	100%
Cumbersome application procedures	Frequency	296	469	1180	539	2484
	% of Respondents	11.9%	18.9%	47.5%	21.7%	100%
High interest rates	Frequency	235	313	1458	483	2489
	% of Respondents	9.4%	12.6%	58.6%	19.4%	100%
Duration of loan too short	Frequency	226	272	1515	475	2488
	% of Respondents	9.1%	10.9%	60.9%	19.1%	100%
Corrupt system for obtaining credit	Frequency	255	435	1204	594	2488
	% of Respondents	10.2%	17.5%	48.4%	23.9%	100%
High cost of leasing	Frequency	489	425	839	718	2471
	% of Respondents	19.8%	17.2%	34.0%	29.1%	100%
Large down payments	Frequency	472	365	915	715	2467
	% of Respondents	19.1%	14.8%	37.1%	29.0%	100%

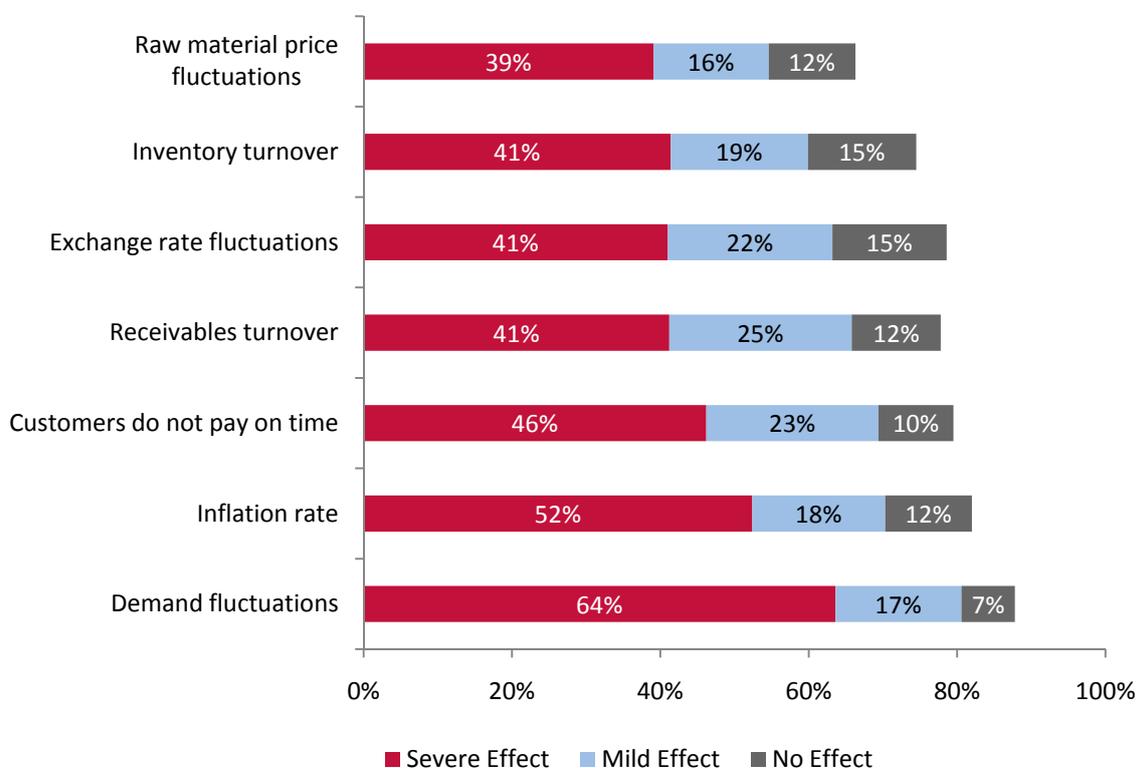
Financial Constraints



67B. Financial and HR constraints – Cash Flow Constraints

Cash Flow Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Demand fluctuations	Frequency	179	423	1584	304	249
	% of Respondents	7.2%	17.0%	63.6%	12.2%	100%
Raw material price fluctuations	Frequency	290	385	973	838	2486
	% of Respondents	11.7%	15.5%	39.1%	33.7%	100%
Customers do not pay on time	Frequency	252	576	1146	508	2482
	% of Respondents	10.1%	23.2%	46.2%	20.5%	100%
Receivables turnover	Frequency	298	610	1024	551	2483
	% of Respondents	12.0%	24.6%	41.2%	22.2%	100%
Inventory turnover	Frequency	364	461	1029	632	2486
	% of Respondents	14.6%	18.5%	41.4%	25.5%	100%
Exchange rate fluctuations	Frequency	383	551	1019	533	2486
	% of Respondents	15.4%	22.2%	41.0%	21.4%	100%
Inflation rate	Frequency	291	444	1302	449	2486
	% of Respondents	11.7%	17.9%	52.4%	18.1%	100%

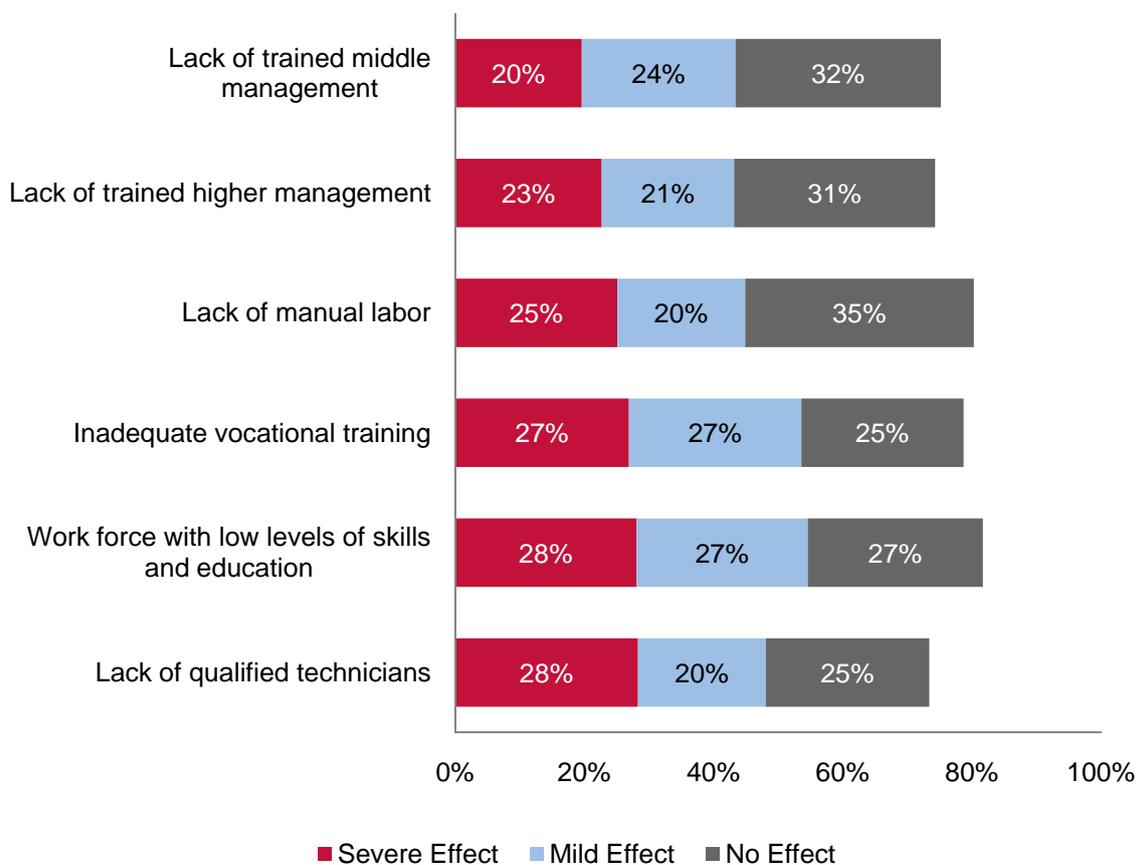
Cash Flow Constraints



67C. Financial and HR constraints – Human Resource Constraints

Human Resource Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Work force with low levels of skills and education	Frequency	674	658	701	454	2487
	% of Respondents	27.1%	26.5%	28.1%	18.3%	100%
Inadequate vocational training	Frequency	624	664	670	530	2488
	% of Respondents	25.1%	26.7%	26.9%	21.3%	100%
Lack of manual labor	Frequency	878	493	623	489	2483
	% of Respondents	35.4%	19.8%	25.1%	19.7%	100%
Lack of trained middle management	Frequency	791	591	487	616	2485
	% of Respondents	31.8%	23.8%	19.6%	24.8%	100%
Lack of trained higher management	Frequency	774	510	564	640	2488
	% of Respondents	31.1%	20.5%	22.7%	25.7%	100%
Lack of qualified technicians	Frequency	628	493	703	662	2486
	% of Respondents	25.3%	19.8%	28.3%	26.6%	100%

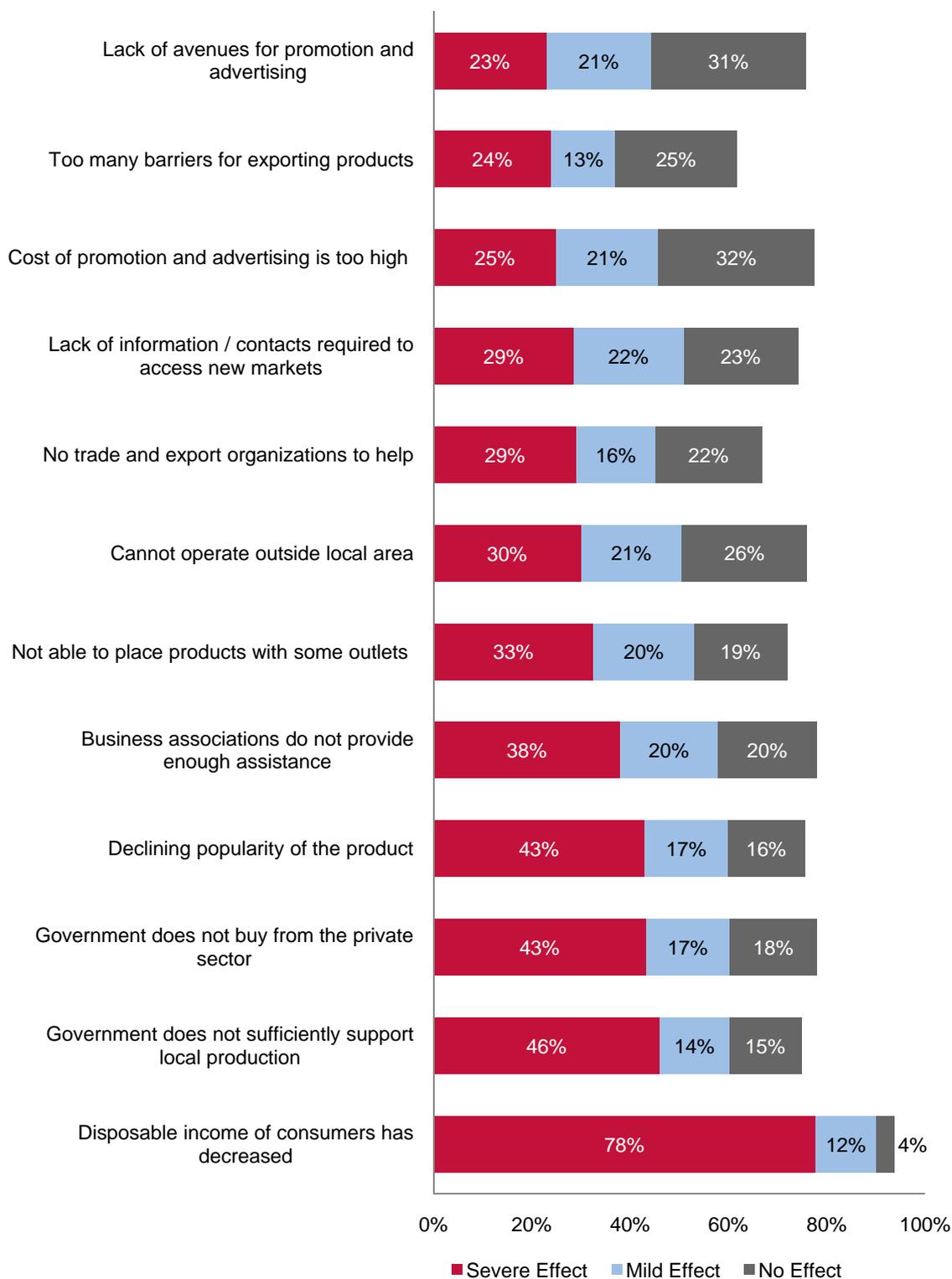
Human Resource Constraints



68. Marketing and Sales Constraints

Marketing and Sales Constraints		Effects				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Disposable income of consumers has decreased	Frequency	93	309	1932	152	2486
	% of Respondents	3.7%	12.4%	77.7%	6.10	100%
Government does not buy from the private sector	Frequency	439	424	1075	548	2486
	% of Respondents	17.7%	17.1%	43.2%	22.0%	100%
No trade and export organizations to help	Frequency	539	398	724	822	2483
	% of Respondents	21.7%	16.0%	29.1%	33.1%	100%
Lack of information / contacts required to access new markets	Frequency	576	557	708	642	2483
	% of Respondents	23.2%	22.4%	28.5%	25.9%	100%
Business associations do not provide enough assistance	Frequency	502	492	943	547	2484
	% of Respondents	20.2%	19.8%	38.0%	22.0%	100%
Too many barriers for exporting products	Frequency	614	323	596	950	2483
	% of Respondents	24.7%	13.0%	24.0%	38.3%	100%
Government does not sufficiently support local production	Frequency	362	351	1142	625	2480
	% of Respondents	14.6%	14.2%	46.0%	25.2%	100%
Cannot operate outside local area	Frequency	633	508	744	594	2479
	% of Respondents	25.5%	20.5%	30.0%	24.0%	100%
The cost of promotion and advertising is too high	Frequency	789	514	619	557	2479
	% of Respondents	31.8%	20.7%	25.0%	22.5%	100%
Lack of avenues for promotion and advertising	Frequency	780	529	571	602	2482
	% of Respondents	31.4%	21.3%	23.0%	24.3%	100%
Declining popularity of the product	Frequency	387	419	1064	607	2477
	% of Respondents	15.6%	16.9%	43.0%	24.5%	100%
Not able to place products with some outlets	Frequency	470	507	808	696	2481
	% of Respondents	18.9%	20.4%	32.6%	28.1%	100%

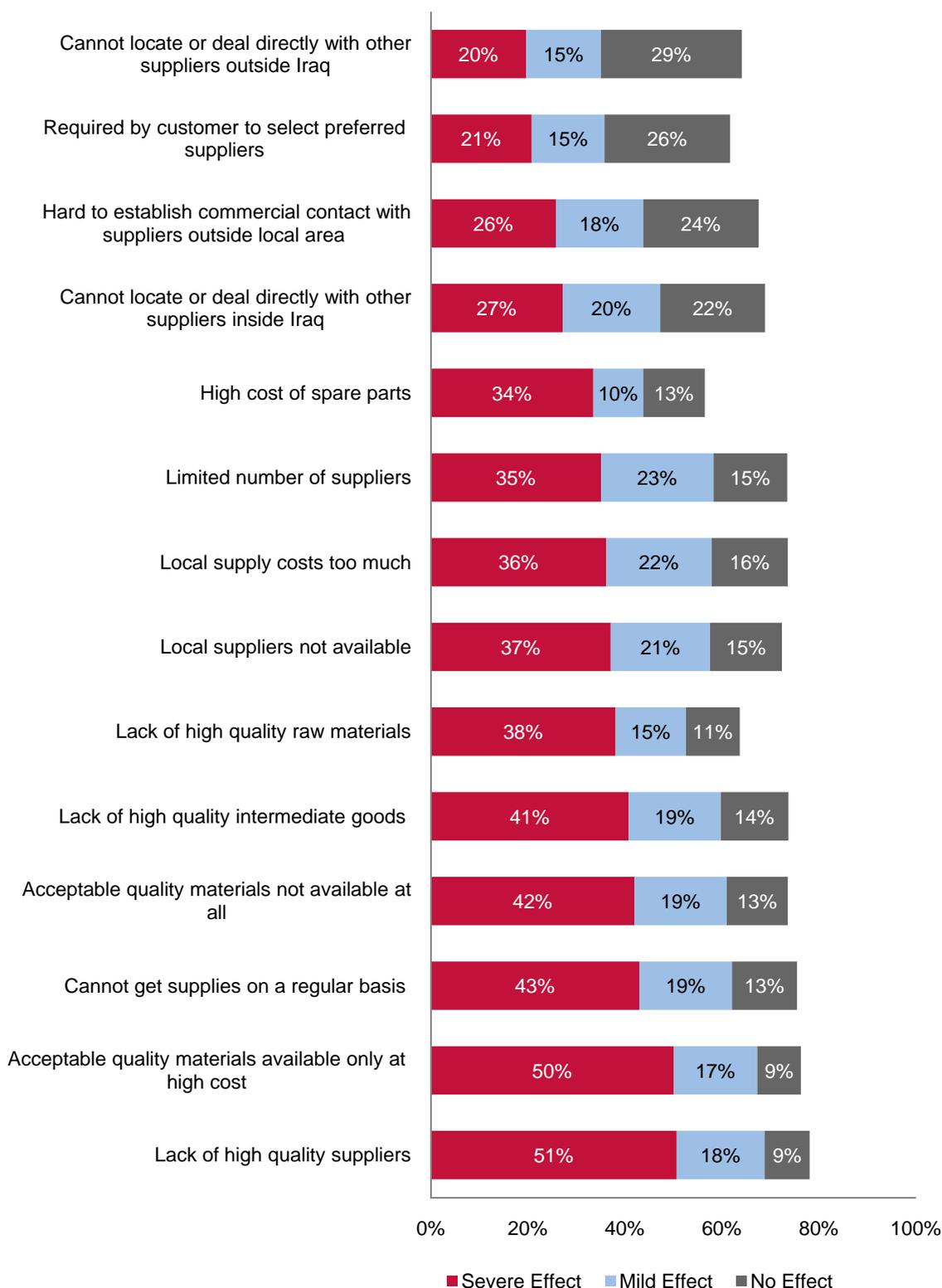
Marketing and Sales Constraints



69. Supplier Constraints

Supplier Constraints		Effects				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Lack of high quality suppliers	Frequency	231	451	1261	546	2489
	%of Respondents	9.3%	18.1%	50.7%	21.9%	100%
Lack of high quality raw materials	Frequency	276	361	946	903	2486
	%of Respondents	11.1%	14.5%	38.1%	36.3%	100%
Lack of high quality intermediate goods	Frequency	347	472	1015	653	2487
	%of Respondents	13.9%	19.0%	40.8%	26.3%	100%
Acceptable quality materials available only at high cost	Frequency	225	427	1247	590	2489
	%of Respondents	9.0%	17.2%	50.1%	23.7%	100%
Acceptable quality materials not available at all	Frequency	314	472	1044	658	2488
	%of Respondents	12.6%	19.0%	42.0%	26.4%	100%
Cannot get supplies on a regular basis	Frequency	334	475	1068	609	2486
	%of Respondents	13.4%	19.1%	43.0%	24.5%	100%
High cost of spare parts	Frequency	317	257	835	1080	2489
	%of Respondents	12.7%	10.3%	33.5%	43.4%	100%
Limited number of suppliers	Frequency	377	578	874	658	2487
	%of Respondents	15.2%	23.2%	35.1%	26.5%	100%
Local suppliers not available	Frequency	368	510	921	686	2485
	%of Respondents	14.8%	20.5%	37.1%	27.6%	100%
Local supply costs too much	Frequency	390	539	900	657	2486
	%of Respondents	15.7%	21.7%	36.2%	26.4%	100%
Cannot locate or deal directly with other suppliers inside Iraq	Frequency	537	501	677	772	2487
	%of Respondents	21.6%	20.1%	27.2%	31.0%	100%
Cannot locate or deal directly with other suppliers outside Iraq	Frequency	722	384	490	893	2489
	%of Respondents	29.0%	15.4%	19.7%	35.9%	100%
Required by customer to select preferred suppliers	Frequency	643	372	517	954	2486
	%of Respondents	25.9%	15.0%	20.8%	38.4%	100%
Hard to establish commercial contact with suppliers outside local area	Frequency	591	449	641	806	2487
	%of Respondents	23.8%	18.0%	25.8%	32.4%	100%

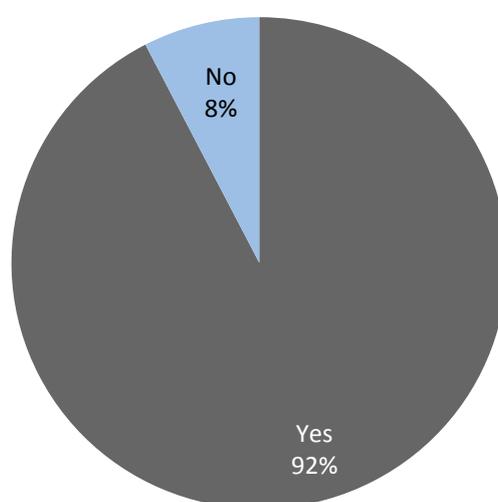
Supplier Constraints



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

	Frequency	Percent
Yes	2244	92.4
No	184	7.6
Total	2428	100
Missing Responses	66	
Total	2494	

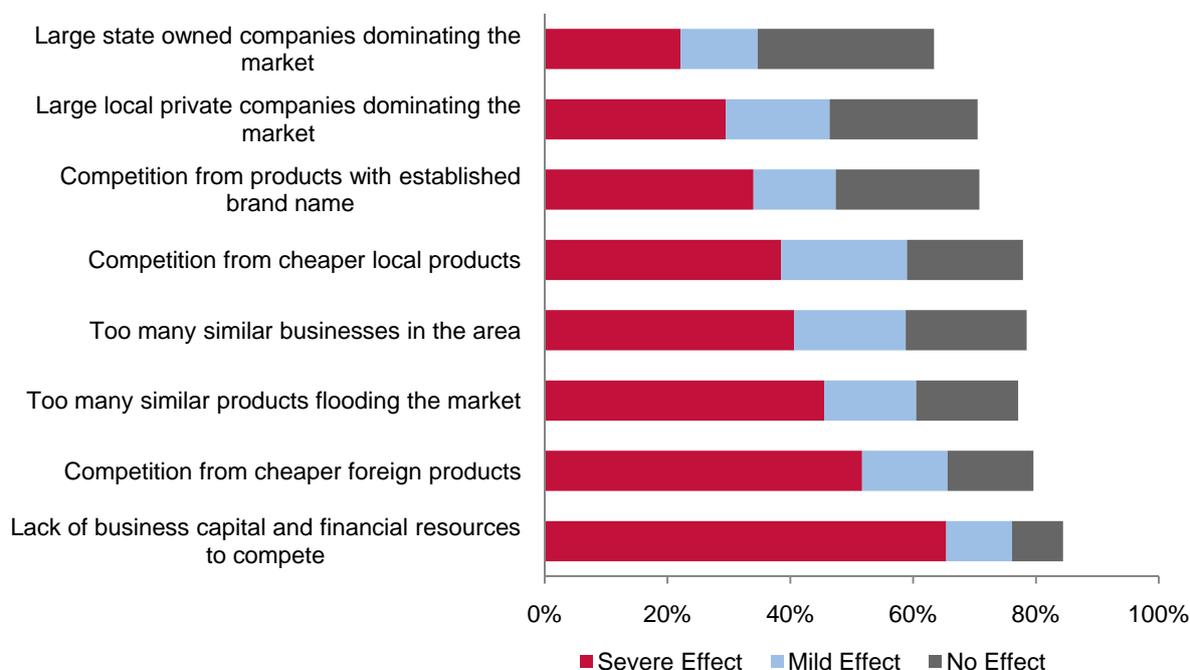
Are you free to choose any supplier you wish?



71. Competition Constraints

Competition Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Competition from cheaper foreign products	Frequency	349	346	1286	507	2488
	%of Respondents	14.0%	13.9%	51.7%	20.4%	100%
Competition from cheaper local products	Frequency	471	510	959	550	2490
	%of Respondents	18.9%	20.5%	38.5%	22.1%	100%
Too many similar businesses in the area	Frequency	490	452	1011	536	2489
	%of Respondents	19.7%	18.2%	40.6%	21.5%	100%
Competition from products with established brand name	Frequency	583	334	846	724	2487
	%of Respondents	23.4%	13.4%	34.0%	29.1%	100%
Large local private companies dominating the market	Frequency	600	420	734	732	2486
	%of Respondents	24.1%	16.9%	29.5%	29.4%	100%
Large state owned companies dominating the market	Frequency	714	314	549	910	2487
	%of Respondents	28.7%	12.6%	22.1%	36.6%	100%
Too many similar products flooding the market	Frequency	413	372	1131	568	2484
	%of Respondents	16.6%	15.0%	45.5%	22.9%	100%
Lack of business capital and financial resources to compete	Frequency	206	267	1625	389	2487
	%of Respondents	8.3%	10.7%	65.4%	15.6%	100%

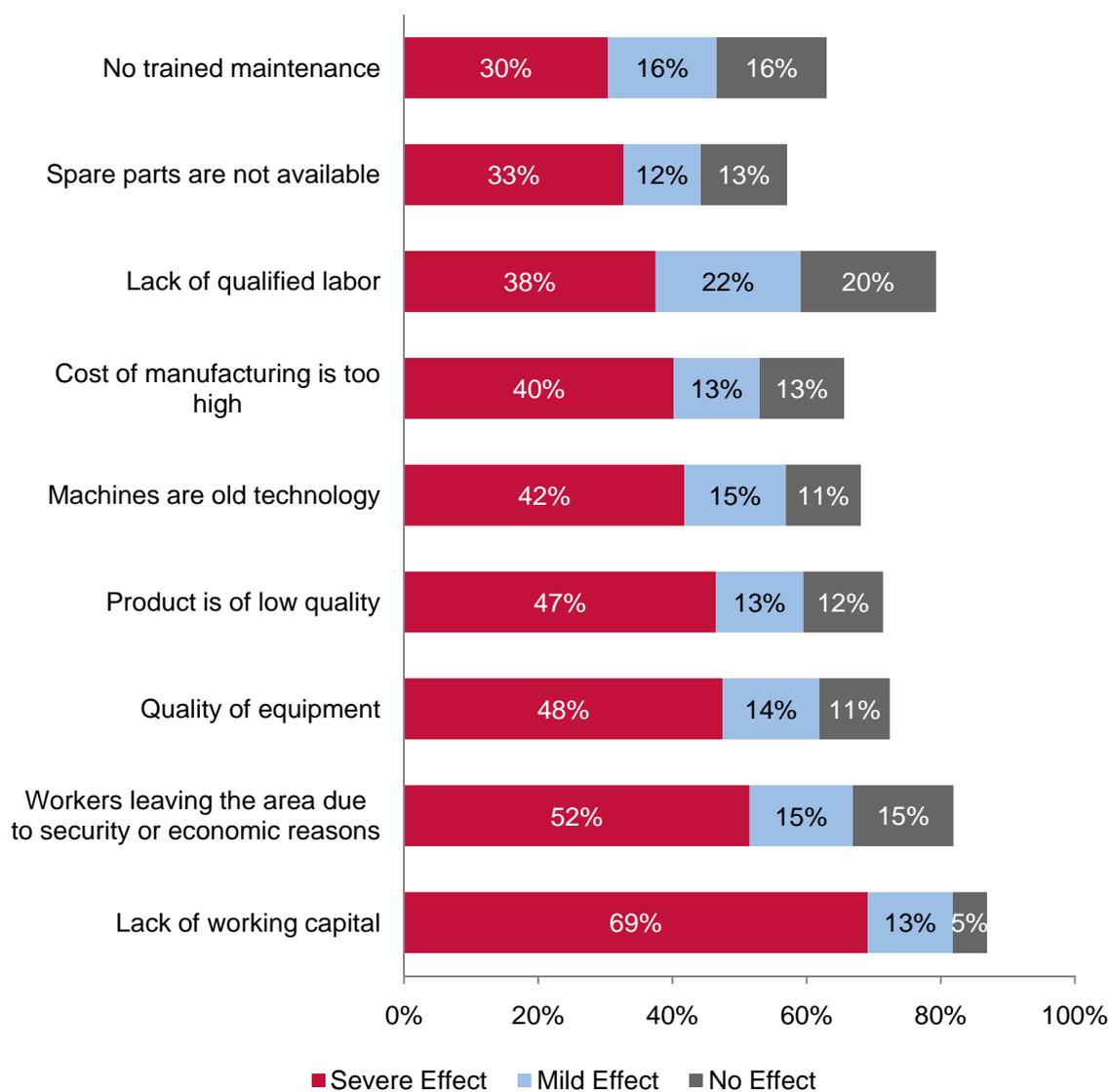
Competition Constraints



72. Operational Constraints

Operational Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Quality of equipment	Frequency	262	358	1181	687	2488
	%of Respondents	10.5%	14.4%	47.5%	27.6%	100%
Cost of manufacturing is too high	Frequency	313	319	1000	856	2488
	%of Respondents	12.6%	12.8%	40.2%	34.4%	100%
Product is of low quality	Frequency	296	324	1157	712	2489
	%of Respondents	11.9%	13.0%	46.5%	28.6%	100%
Lack of working capital	Frequency	126	316	1719	328	2489
	%of Respondents	5.1%	12.7%	69.1%	13.2%	100%
Lack of qualified labor	Frequency	502	537	932	515	2486
	%of Respondents	20.2%	21.6%	37.5%	20.7%	100%
Workers leaving the area due to security or economic reasons	Frequency	372	382	1282	452	2488
	%of Respondents	15.0%	15.4%	51.5%	18.2%	100%
Machines are old technology	Frequency	280	377	1040	792	2489
	%of Respondents	11.2%	15.1%	41.8%	31.8%	100%
Spare parts are not available	Frequency	320	287	813	1065	2485
	%of Respondents	12.9%	11.5%	32.7%	42.9%	100%
No trained maintenance	Frequency	407	404	756	920	2487
	%of Respondents	16.4%	16.2%	30.4%	37.0%	100%

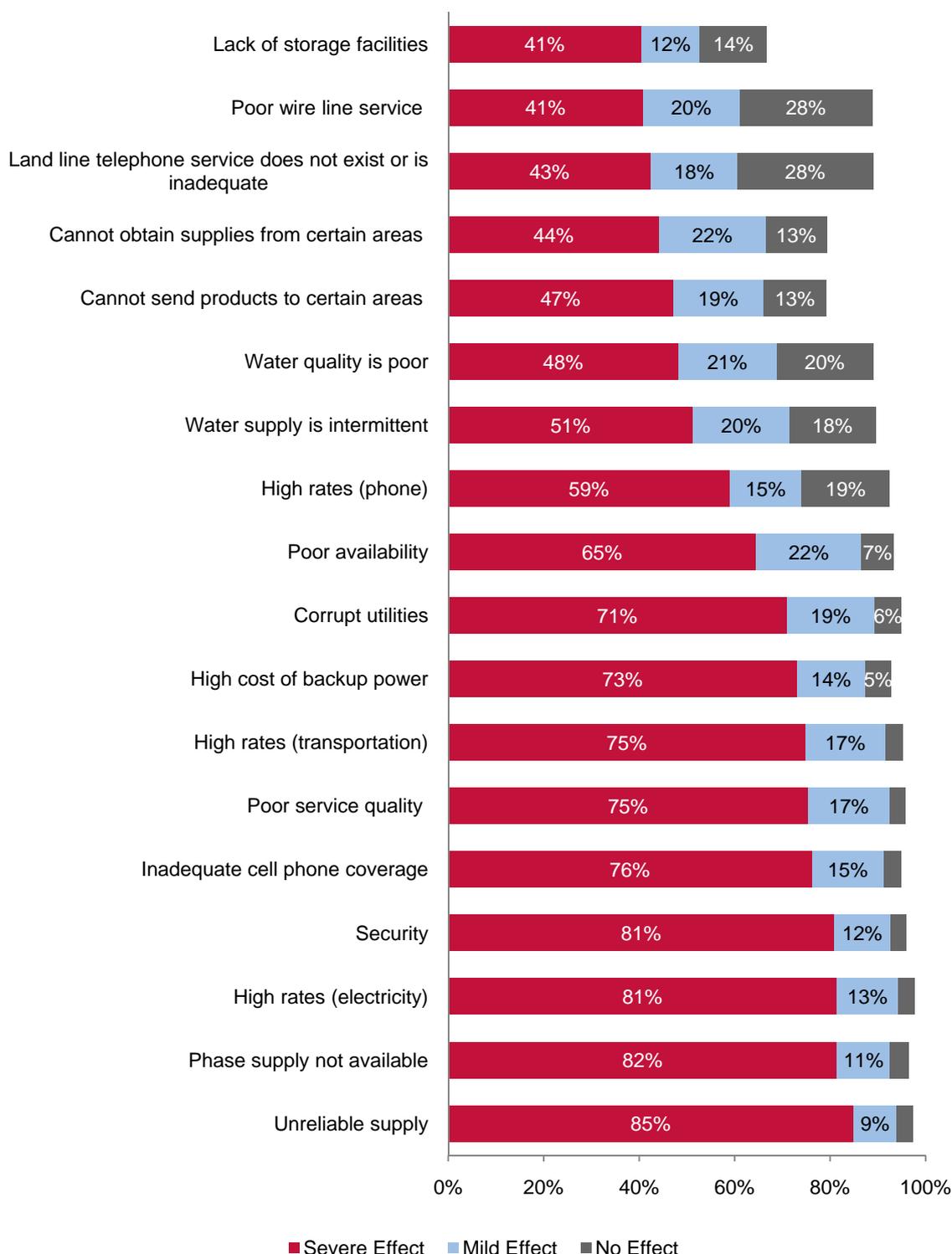
Operational Constraints



73. Infrastructure and Logistics Constraints

Infrastructure and Logistics Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
High rates (electricity)	Frequency	84	321	2024	59	2488
	%of Respondents	3.4%	12.9%	81.4%	2.4%	100%
Poor service quality	Frequency	83	425	1874	104	2486
	%of Respondents	3.3%	17.1%	75.4%	4.2%	100%
Unreliable supply	Frequency	84	225	2112	68	2489
	%of Respondents	3.4%	9.0%	84.9%	2.7%	100%
Phase supply not available	Frequency	98	276	2027	87	2488
	%of Respondents	3.9%	11.1%	81.5%	3.5%	100%
Corrupt utilities	Frequency	137	459	1764	126	2486
	%of Respondents	5.5%	18.5%	70.9%	5.1%	100%
High cost of backup power	Frequency	133	354	1816	181	2484
	%of Respondents	5.4%	14.3%	73.1%	7.3%	100%
Water supply is intermittent	Frequency	446	502	1275	260	2483
	%of Respondents	18.0%	20.2%	51.3%	10.5%	100%
Water quality is poor	Frequency	501	510	1197	274	2482
	%of Respondents	20.2%	20.6%	48.2%	11.0%	100%
High rates (transportation)	Frequency	93	413	1864	118	2488
	%of Respondents	3.7%	16.6%	74.9%	4.7%	100%
Poor availability	Frequency	166	550	1603	166	2485
	%of Respondents	6.7%	22.1%	64.5%	6.7%	100%
Security	Frequency	83	290	2010	101	2484
	%of Respondents	3.3%	11.7%	80.9%	4.1%	100%
Cannot send products to certain areas	Frequency	325	472	1170	518	2485
	%of Respondents	13.1%	19.0%	47.1%	20.8%	100%
Cannot obtain supplies from certain areas	Frequency	319	554	1099	513	2485
	%of Respondents	12.8%	22.3%	44.2%	20.7%	100%
Lack of storage facilities	Frequency	351	302	1006	823	2482
	%of Respondents	14.1%	12.2%	40.5%	33.2%	100%
Land line telephone service does not exist or is inadequate	Frequency	706	450	1057	275	2488
	%of Respondents	28.4%	18.1%	42.5%	11.0%	100%
High rates (phone)	Frequency	461	374	1468	185	2488
	%of Respondents	18.5%	15.0%	59.0%	7.4%	100%
Inadequate cell phone coverage	Frequency	92	372	1895	128	2487
	%of Respondents	3.7%	15.0%	76.2%	5.1%	100%
Poor wire line service	Frequency	689	504	1015	279	2487
	%of Respondents	27.7%	20.3%	40.8%	11.2%	100%

Infrastructure and Logistics

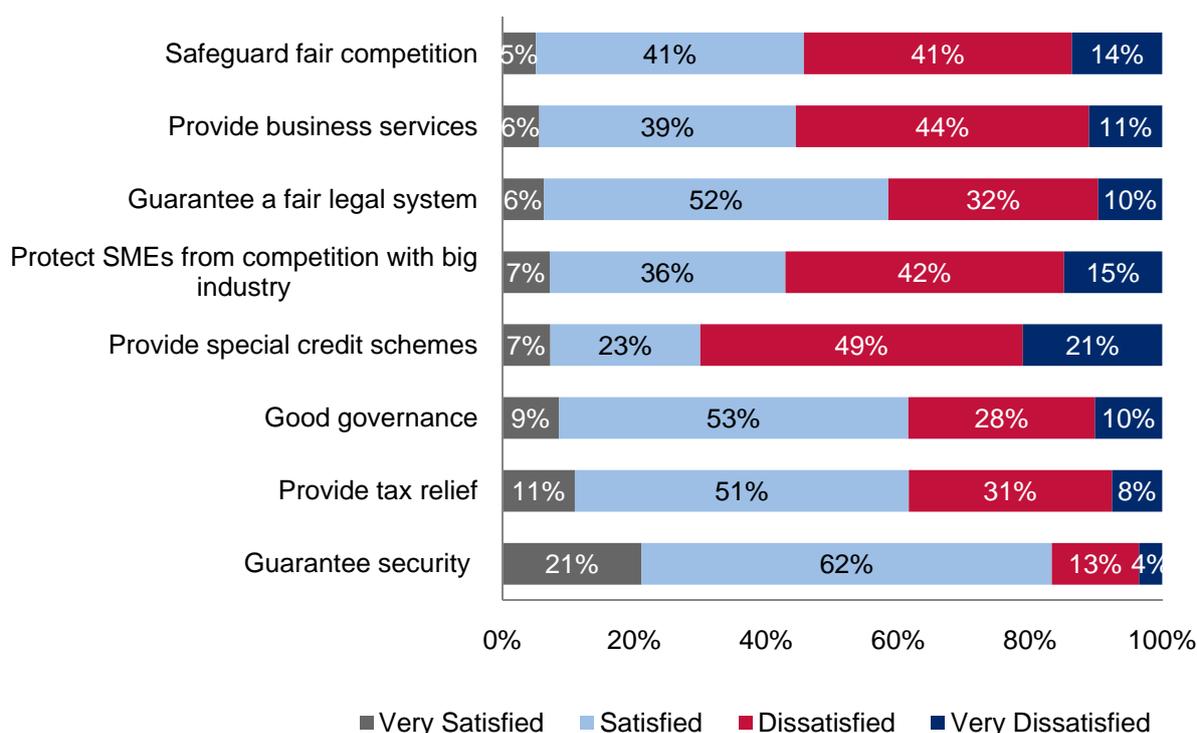


10.3 BUSINESS AND POLICY LEVEL CONSTRAINTS RESPONSES

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

Areas of Satisfaction		Satisfaction				Total
		Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	
Provide tax relief	Frequency	271	1258	766	189	2484
	%of Respondents	11.0%	50.6%	30.8%	7.6%	100%
Provide special credit schemes	Frequency	181	561	1207	522	2472
	%of Respondents	7.3%	22.7%	48.9%	21.1%	100%
Safeguard fair competition	Frequency	126	1001	1002	337	2466
	%of Respondents	5.1%	40.6%	40.6%	13.7%	100%
Protect SMEs from competition with big industry	Frequency	178	880	1041	368	2467
	%of Respondents	7.2%	35.7%	42.2%	14.9%	100%
Guarantee a fair legal system	Frequency	155	1291	786	241	2473
	%of Respondents	6.3%	52.2%	31.8%	9.7%	100%
Good governance	Frequency	211	1307	698	251	2467
	%of Respondents	8.6%	53.0%	28.3%	10.2%	100%
Provide business services	Frequency	138	962	1097	275	2472
	%of Respondents	5.6%	38.9%	44.4%	11.1%	100%
Guarantee Security	Frequency	525	1543	328	87	2483
	%of Respondents	21.1%	62.1%	13.2%	3.5%	100%

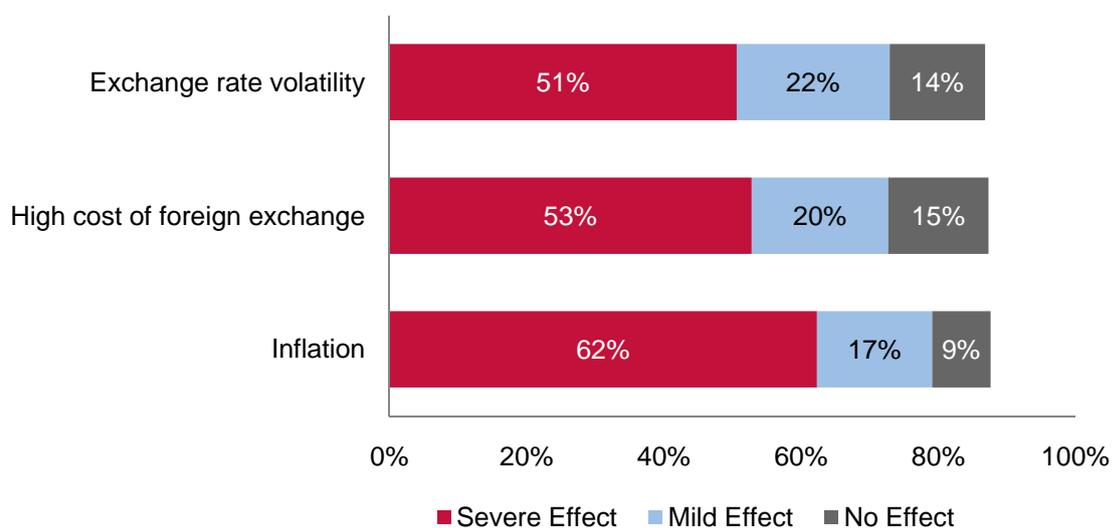
SME Satisfaction with Government Performance



75A. Macro and Monetary Constraints – Indicate the effect of the following constraints on your business

Macro and Monetary Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
High cost of foreign exchange	Frequency	363	493	1311	316	2483
	%of Respondents	14.6%	19.9%	52.8%	12.7%	100%
Exchange rate volatility	Frequency	345	553	1259	328	2485
	%of Respondents	13.9%	22.3%	50.6%	13.2%	100%
Inflation	Frequency	210	418	1547	309	2484
	%of Respondents	8.5%	16.8%	62.3%	12.4%	100%

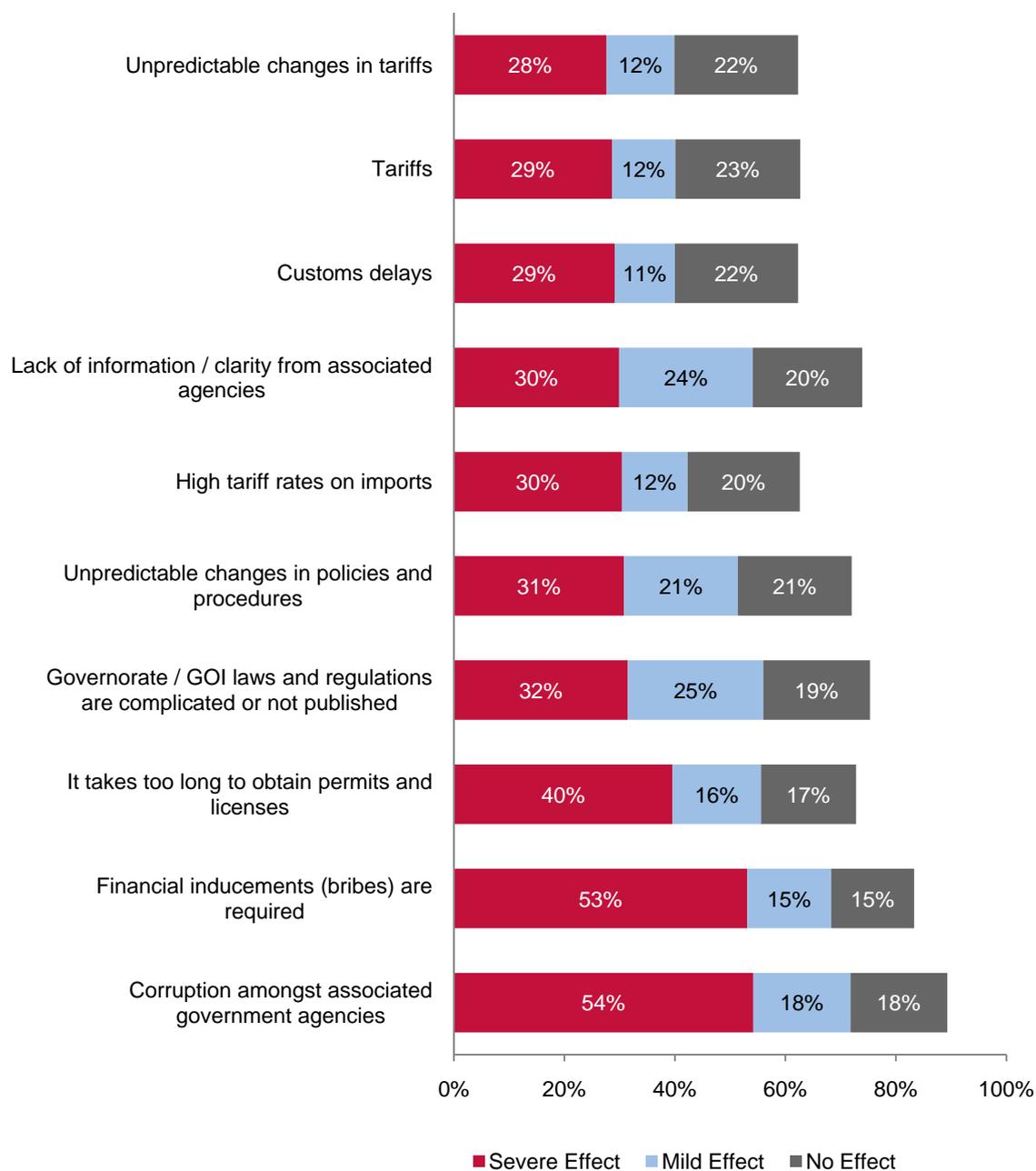
Macro and Monterey Constraints



75B. Regulation and Business Enabling Environment Constraints - Indicate the effect of the following constraints on your business

Regulation and Business Enabling Environment Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Corruption amongst associated government agencies	Frequency	435	437	1342	265	2479
	%of Respondents	17.5%	17.6%	54.2%	10.7%	100%
Tariffs	Frequency	563	285	712	926	2486
	%of Respondents	22.6%	11.5%	28.6%	37.3%	100%
High tariff rates on imports	Frequency	504	296	755	931	2486
	%of Respondents	20.3%	11.9%	30.4%	37.4%	100%
Unpredictable changes in tariffs	Frequency	556	304	685	936	2481
	%of Respondents	22.4%	12.3%	27.6%	37.7%	100%
Unpredictable changes in policies and procedures	Frequency	511	510	765	695	2481
	%of Respondents	20.6%	20.6%	30.8%	28.0%	100%
Lack of information / clarity from associated agencies	Frequency	491	599	742	648	2480
	%of Respondents	19.8%	24.2%	29.9%	26.1%	100%
Financial inducements (bribes) are required	Frequency	373	377	1316	415	2481
	%of Respondents	15.0%	15.2%	53.1%	16.7%	100%
Customs delays	Frequency	553	270	722	933	2478
	%of Respondents	22.3%	10.9%	29.1%	37.7%	100%
It takes too long to obtain permits and licenses	Frequency	426	397	981	675	2479
	%of Respondents	17.2%	16.0%	39.6%	27.2%	100%
Governorate / GOI laws and regulations are complicated or not published	Frequency	479	609	780	613	2481
	%of Respondents	19.3%	24.5%	31.5%	24.7%	100%

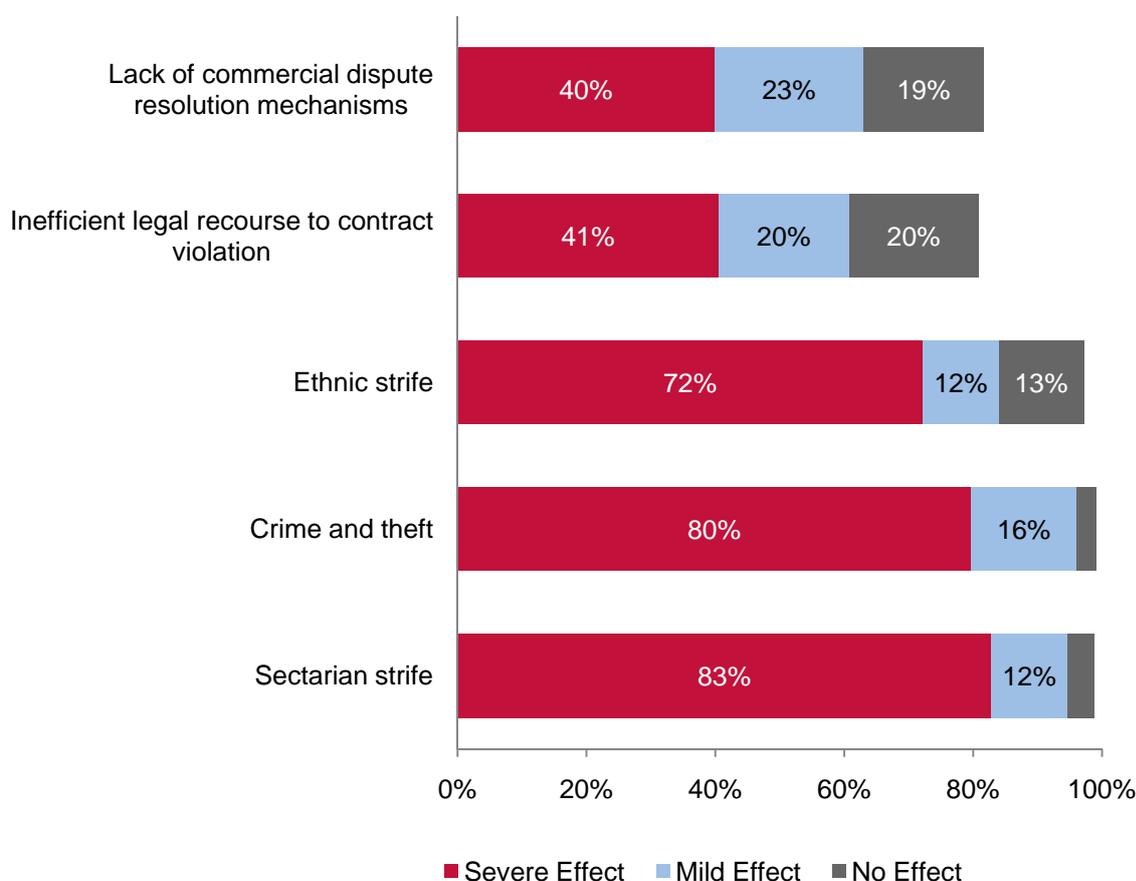
Regulation and Business Enabling Environment



75C. Security and Law Constraints - Indicate the effect of the following constraints on your business

Security and Law Constraints		Effect				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Ethnic strife	Frequency	329	294	1796	68	2487
	%of Respondents	13.2%	11.8%	72.2%	2.7%	100%
Crime and theft	Frequency	75	407	1983	23	2488
	%of Respondents	3.0%	16.4%	79.7%	0.9%	100%
Sectarian strife	Frequency	103	296	2058	30	2487
	%of Respondents	4.1%	11.9%	82.8%	1.2%	100%
Lack of commercial dispute resolution mechanisms	Frequency	465	574	991	454	2484
	%of Respondents	18.7%	23.1%	39.9%	18.3%	100%
Inefficient legal recourse to contract violation	Frequency	496	505	1007	478	2486
	%of Respondents	20.0%	20.3%	40.5%	19.2%	100%

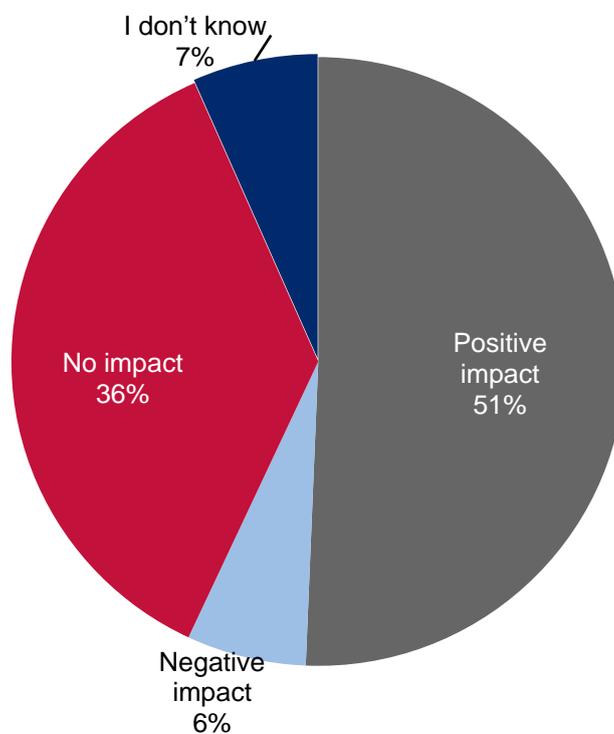
Security and Law



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

	Frequency	Percent
Positive impact	1255	50.6%
Negative impact	157	6.3%
No impact	903	36.4%
I don't know	164	6.6%
Total	2479	100%
Missing	15	
Total	2494	

Impact of security handover on June 30th, 2009



11. APPENDIX 3: PROJECT TIMELINE

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

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

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

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

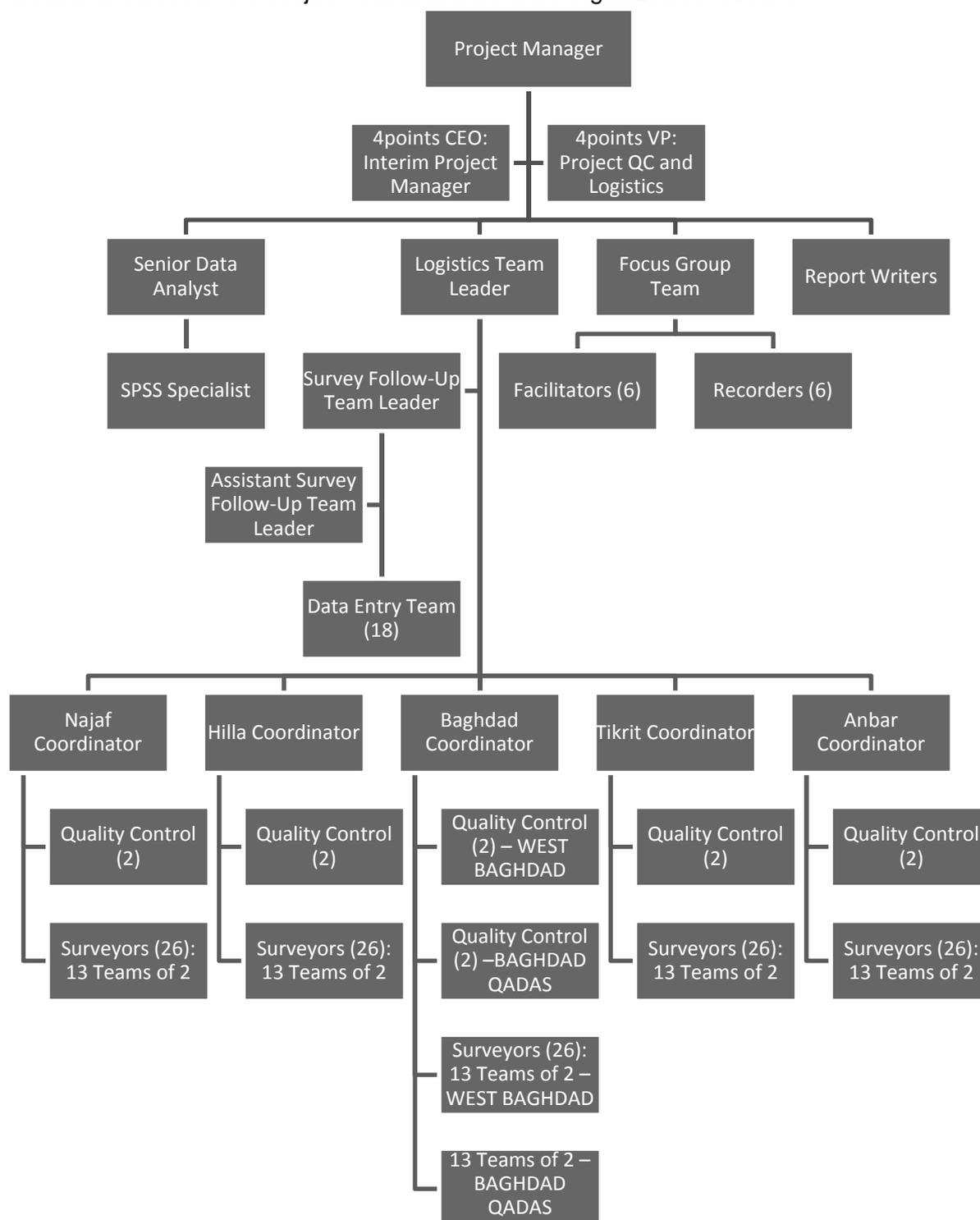
Description of Task	Responsible	Expected Date	SEPTEMBER			
			Week 1	Week 2	Week 3	Week 4
			7-Sep	14-Sep	21-Sep	28-Sep
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun				
4 Questionnaire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

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

12. APPENDIX 4: BAGHDAD 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 Baghdad included a total of 143 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 West Baghdad Survey Field Research Team

1	Ali Abdullah Majeed	IRQ	Coordinator	M
2	Ali Muhammed Kamil	IRQ	QC Officer	M
3	Jalal Ibraheem Majeed	IRQ	QC Officer	M
4	Amar Abdul Wahab	IRQ	Researcher	M
5	Thair Samir Hassan	IRQ	Researcher	M
6	Saman Sabah Abdul Satar	IRQ	Researcher	M
7	Zaid Abdul Rahman Ahmed	IRQ	Researcher	F
8	Nagam Abdul Satar Muhammed	IRQ	Researcher	M
9	Safa Abdul Salam Muhammed	IRQ	Researcher	F
10	Marwa Abdul Salam Muhammed	IRQ	Researcher	M
11	Muhannad Hashim Naji	IRQ	Researcher	M
12	Ayad Kareem Radhi	IRQ	Researcher	M
13	Sara Ayad Kareem	IRQ	Researcher	M
14	Muslim Hassan Shamkhi	IRQ	Researcher	M
15	Ali Hussein Ali	IRQ	Researcher	M
16	Muhammed Salah Abdul Rahman	IRQ	Researcher	M
17	Qais Salah Abdul Rahman	IRQ	Researcher	M
18	Salam Abdul Ameer Muhammed	IRQ	Researcher	M
19	Salim Kadhim Malk	IRQ	Researcher	M
20	Abdul Hadi Ali Abdullh	IRQ	Researcher	M
21	Ahmed Hamid Abbas	IRQ	Researcher	M
22	Duraid Khalid Mahir	IRQ	Researcher	M
23	Hasan Naqid Abdul Ridha	IRQ	Researcher	M
24	Haider Mufaq Taha	IRQ	Researcher	M
25	Ban Muhammed Shakir	IRQ	Researcher	M
26	Ahmed Dhirar Nori	IRQ	Researcher	M
27	Haider Dhiaa Ali	IRQ	Researcher	M
28	Sabah Hassan Aziz	IRQ	Researcher	M
29	Muhammed Riad Abdul Fatah	IRQ	Researcher	M

12.3.2 The East Baghdad Survey Field Research Team

1	Mohammed Anam Ahmed	IRQ	Coordinator	M
2	Mazin Abdul Munem Abdul Wahab	IRQ	QC Officer	M
3	Nawfal Ibraheem Majeed	IRQ	QC Officer	M
4	Muhammed Haider Abdul Zahra	IRQ	Researcher	F
5	Mutaa Hashim Alwan	IRQ	Researcher	M
6	Ahmed Naaem Aliwi	IRQ	Researcher	M

7	Ali Nori Ali	IRQ	Researcher	F
8	Ahmed Abdul Hamza Kadhum	IRQ	Researcher	M
9	Faris Hasson Hussein	IRQ	Researcher	M
10	Abass Mansor Hussein	IRQ	Researcher	M
11	Amer Salih Hassan	IRQ	Researcher	F
12	Asaad Abdul Zahra Jinaty	IRQ	Researcher	F
13	Riadh Abdul Zahra Jinaty	IRQ	Researcher	M
14	Ahmed Abdul Salam	IRQ	Researcher	M
15	Hussam Aldeen Majeed	IRQ	Researcher	M
16	Haider Abdul Hussein Faraj	IRQ	Researcher	M
17	Jana Ismail Hamod	IRQ	Researcher	M
18	Saif Hassan Alwan	IRQ	Researcher	M
19	Ali Hassan Alwan	IRQ	Researcher	M
20	Ikhlas Yassin Minjal	IRQ	Researcher	M
21	Hassan Muhammed Rajay	IRQ	Researcher	M
22	Qais Saadon Doij	IRQ	Researcher	M
23	Hussein Abdul Hussein Nihma	IRQ	Researcher	M
24	Muhammed Khadim Muhammed	IRQ	Researcher	F
25	Nadhim Kamil Najam	IRQ	Researcher	M
26	Hisham Saed Hashim	IRQ	Researcher	M
27	Sabah Khadim Flieh	IRQ	Researcher	M
28	Muhammed Khider Salih	IRQ	Researcher	M
29	Abbas Alaa Hassan	IRQ	Researcher	F

12.3.3 The Baghdad Qada Surrounding Areas Survey Field Research Team

1	Saif Majid Taha	IRQ	Coordinator	M
2	Suffian Mohammed Fayadh	IRQ	QC Officer	M
3	Abdul Nasir Yousif	IRQ	QC Officer	M
4	Salah Nori Ali	IRQ	QC Officer	M
5	Ahmed Muhammed Ahmed	IRQ	Researcher	M
6	Ashwaq Atya Ali	IRQ	Researcher	F
7	Abeer Aziz Rasheed	IRQ	Researcher	M
8	Qusay Talib Salman	IRQ	Researcher	M
9	Bassim Talib Salman	IRQ	Researcher	M
10	Haider Salih Hassan	IRQ	Researcher	M
11	Sakna Yousif Mjol	IRQ	Researcher	M
12	Hassan Jassim Muhammed	IRQ	Researcher	M
13	Brjis Ahmed Khlef	IRQ	Researcher	M
14	Munther Razaq Hmod	IRQ	Researcher	M
15	Raad Ali Farhan	IRQ	Researcher	M
16	Najah Nori Ali	IRQ	Researcher	M

17	Omar Nori Ali	IRQ	Researcher	M
18	Ameer Abass Mishal	IRQ	Researcher	M
19	Raad Hoid Abass	IRQ	Researcher	M
20	Laith Adel Enad	IRQ	Researcher	M
21	Mustafa Balasim Nief	IRQ	Researcher	M
22	Muhammed Ahmed Shry	IRQ	Researcher	M
23	Ali Ghazi Obed	IRQ	Researcher	M
24	Ahmed Ghazi Obed	IRQ	Researcher	M
25	Ziad Muhammed Faiad	IRQ	Researcher	M
26	Serwan Munhim Murad	IRQ	Researcher	M
27	Hussein Abdul Rahman Hussein	IRQ	Researcher	M
28	Musa Abood Daghir	IRQ	Researcher	M
29	Haider Ali Abdul Hassan	IRQ	Researcher	M
30	Ali Saadon Abass	IRQ	Researcher	M

12.3.4 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

12.3.5 Supporting Staff

1	Wael Mohammed Saeed Nayef	IRQ	Report Writing Assistant	M
2	Anmar Sami Hassan	IRQ	Report Writing Assistant	M
3	Ahmad Talb Jaber	IRQ	Report Writing Assistant	M
4	Mohammed Jomird Haqee	IRQ	Report Writing Assistant	M
5	Mustafa Muhammed Ridha	IRQ	IT Tech.	M
6	Mariam Khaled Abdulkareem	IRQ	Graphic Designer	F

7	Ayad Abed Alhay	IRQ	Driver	M
8	Mohammad Ibraheem Mizel	IRQ	Maintenance Assistant	M
9	Noor Khaled Mohamad	IRQ	HR Officer	F
10	Thamer Mahdi Salih	IRQ	Accountant	M
11	Ahmed Sabri Alwan	IRQ	PR Officer	M
12	Saif Riyadh Noori	IRQ	PR Officer	M
13	Mahmoud Rajab Ahmad	IRQ	PR Officer	M
14	Yousif Sabah Abdul Hadi	IRQ	PR Officer	M
15	Zaid Bassim Muhammed	IRQ	PR Officer	M
16	Hussain aboody Joody	IRQ	PR Officer	M

13. APPENDIX 5: 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.