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# USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

## MARKET ASSESSMENT

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



November, 2009

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### **DISCLAIMER**

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

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# ACRONYMS

USAID	United States Agency for International Development
BDS	Business development services
BE	Business environment
BEE	Business enabling environment
BMO	Business Membership Organization
COC	Chamber of Commerce
FG	Focus group
GOI	Government of Iraq
HR	Human resources
MENA	Middle East and North Africa
MFI	Micro-finance institution
MSME	Micro-, Small, and Medium Enterprises
PRT	Provincial Reconstruction Team
SBDC	Small Business Development Center
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
USAID	United States Agency for International Development
VC	Value chain

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# 1. EXECUTIVE SUMMARY

## 1.1 OVERVIEW AND MAJOR SUBSECTORS

Anbar makes up about one-third of Iraq's land mass, but only about 5% of its population. The population is distributed unevenly, with major urban centers such as Fallujah, Ramadi, and Haditha in its north eastern and eastern areas, and a vast and sparsely populated desert area to the west of the cities. The greater Fallujah and Ramadi areas alone account for 70% of the population. Hence, Anbar really "behaves" like two provinces, with light manufacturing and transportation in more populated areas and agriculture dominating its surrounds and all the western areas. This geographical diversity and remoteness, combined with Anbar's low computer usage, creates service delivery and transportation issues in areas that need significant BDS support.

The violence that has characterized much of Anbar's recent history has marked its current SME business culture, economy, and workforce. That workforce is more youthful and less well trained than for Iraq as a whole. More important, suspicions about central government control which antedated the fall of Saddam have been so exacerbated by Anbar's violent past that the kinds of formal private (eg. BMO) and public institutions necessary for transforming business life in Anbar remain basically unused. Any plan for delivering BDS services must take family and tribal values, plus lack of trust of formal organization and institutional action into consideration. Building a public presence will be a slow process requiring careful attention to Anbar's history and cultural norms.

Anbar's economy swings between an almost entirely informal horticultural system that is both aging and declining, and a highly formalized transportation sector that is both "new" and expanding. Help for the declining date growing culture is important but dates are grown in remote areas that are both difficult to service and create distribution concerns exacerbated by security. Other agricultural activities once dependent on channel irrigation from the Euphrates have been disrupted, and uncertain electrical supply will inhibit the growth of pump-driven replacement systems. There is a free trade zone at Al-Qaim, but it is in need of development before it can be of any significant impact on the local or provincial economy.

## 1.2 BASIC SME BUSINESS STRUCTURE

Major sectors and sub-sectors in the Anbar SME makeup include:

- **Agriculture and horticulture**, including the farming of staple products, and animal husbandry, but particularly date farming. Although dates and other fruits represent a little over 2/5 of agricultural production, they give the region a unique identity. Once an economic prop, date farming has been in serious decline in past years. Barley and especially wheat dominate the staple agriculture of Anbar, accounting for over 40% of land use. Staple farming is important, but has not recovered to the point at which it provides over two-thirds of Iraq's needs.
- **Commercial Transportation** is a highlight of Anbar's new economy and perhaps will become a pillar of its growth. With a high level of assets per SME based on investment in vehicles, it makes better use of the banking system for finance, and BMOs for advertising and client expansion.

- **Light Manufacturing (Metal Working and Carpentry)** comprise an important element of Anbar's economy. Furniture-making, in decline after 2003, is beginning to make a comeback as an economic driver.
- **Wholesale and Retail Trade**, based in part on agricultural and manufacturing production.
- **Construction.**

Three main areas representing the highest concentration of SME business presence in Anbar are agriculture, construction, and light manufacturing companies. Together, they represent 183 of the 772 "clean" interviews (24%) and the vast preponderance of the FG discussants. The research team examined each interview with the goal of comparing answers of the representatives from the constituent firms with those of Anbar businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Anbar.

## 1.2 CONSTRAINTS

Security is the most important issue in Anbar when it comes to constraints. It is ranked as the number one hindrance that businesses have that keeps them from growing. Concerns for security in Anbar are greater than they are in other provinces in Iraq.

Anbar enterprises are about even with the rest of Iraq with regard to being affected by cash flow problems and access to finance constraints.

Anbar SMEs have the lowest bank penetration rate in Iraq (See Table 4-3). The primary reasons given as barriers to dealing with banks for enterprises that don't, are liquidity constraints, lack of confidence in the banking sector, inexperience with banks, tax authority related issues, non-convenient geographical locations of banks, corrupt practices, and cumbersome procedures.

There is a significant needs gap for additional financial services offered by banks in long term finance, risk capital, and project finance categories. Nearly 71% of Anbar SMEs stressed the need for banks to increase long-term finance offerings for capital assets and business expansion. Similarly, 52% of the surveyed enterprises indicated demand for greenfield/risk capital finance. Construction and manufacturing and businesses represented most of the demand for increased project finance products, which is needed by 37% of SMEs.

SME membership in business organizations (BMOs) is very low in Anbar. Only 12% of SMEs report membership in chambers of commerce and business associations, with the Anbar Chamber of Commerce accounting for at least 70% of such organizations. Figure 4-6 highlights membership levels, BMO outreach, and SME perception towards the benefit of business associations in Anbar.

Computers, mobiles, the internet and other forms of mass communication driven by the IT industry are underutilized. As can be noted from Table 4-5, the consideration that most Anbar SME's (and Iraq SMEs in general) have for IT-related constraints is not high, primarily because there is no felt need to pursue IT development with a sense of urgency, perhaps due mainly to the fact that the customer base is also not technologically savvy.

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

managerial capacity due to nominal investment in skills upgrading, lack of exposure to recommended practises, and a 'know it all' attitude on part of the SME owner.

The majority of SMEs in Anbar are labor intensive with a high percentage of unskilled workers. The average number of employees is 5.6 employees, 50% of whom are unskilled workers (Table 4-6). As is the case in other Iraqi provinces, construction sector enterprises have the highest average number of employees in Anbar (10.6 employees). Other than the construction industry, Anbar SMEs tend to be more labor intensive than their Iraqi peers by an average of 4%. Differences in labor intensity are amplified in critical Anbar industries such as transportation, where the average number of employees per firm in Anbar exceeds the Iraqi wide average sector by as much as three employees.

Even more than the rest of Iraq, the majority of SMEs in Anbar operate in the shadow economy. In Anbar, less than 12% of enterprises claim to be registered with government agencies. This is by far the lowest business formality rate amongst all Iraqi provinces, and is less than half the average for Iraq overall which is currently in the 29-30% range.

Furthermore, agribusinesses are more informal than other sectors in Anbar, which is different from trends that have been seen in Babil for other kinds of agribusiness, for example, with regards to wheat and barley farmers, who are significantly more formal than other SMEs in their province. A percentage equal to half as many are registered with the government (only 6%), and one third as many belong to BMOs.

Looked at from the standpoint of general environmental factors, sectors and sub-sectors, and individual firms, Anbar SME businesses have also found themselves constrained by the following factors:

- A general lack of a sustaining physical and business infrastructure, plus business practices that sometimes do not make the best use of the infrastructure in place. In this respect, it is like much of the rest of Iraq, experiencing the effects of sectarian war, occupation, and economic disruption. In Anbar this process goes further than elsewhere, because of long standing suspicions about dealing with the central government.
- Corruption throughout the system that impedes supplies, complicates certification processes, and raises the cost of doing business for every sector and creates a kind of uncertainty that businesses cannot typically bear.
- Restricted access to financing and capital, and in some quarters, an unwillingness or inability to make the best use of the informal financial workarounds that have characterized other provincial SME structures.
- Little interaction with large purchasers and an excessive focus on end-users for product consumption. Though State Owned Enterprises and anchor companies represent many negatives in the growing Iraq economy, they also provide for certain purchases and promote economies of scale for producers.
- Uncertain supply chains for most raw and finished product, with low quality supplies, parts, and products in metal working, auto repair, which creates often uncompetitive outputs and reinforces lackadaisical attitudes toward work quality.
- Uneven use of industrial and business technical support systems, with agriculture still relying on old technologies, and transportation emerging into a more modern use of computing to manage accounting and other IT business functions.
- Shortcomings throughout the human resources value chain, from acquiring employees, through training the workforce in quality, supervisory skills, and business management.

- Overdependence on informal channels for acquiring advice and support.

### **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:

- Offer technical growing, distribution, and marketing support for Anbar's date culture, including opportunities for export, in order to help transform it from the largely end-user and local orientation into which it has slipped, to a generative part of the regional economy through national and international sales ;
- Re-emphasize metal and wood manufacturing, and especially furniture production to strengthen Anbar's economy and expand and diversify its employment base.
- Conduct training at skill-based and management levels for SME owners, managers, and employees at every level, to improve product quality.
- Institutionalize alternate informal systems for acquiring loans and expansion capital in the face of a weak banking system, training businesses in how to use such systems, and gradually pulling the region into a more robust and formal set of financial relationships required for economic growth, whether rural or urban.
- Work at improving supplies and materials used in manufacture and planting in order to improve end-products; teach supply chain management; and create BMOs or cooperatives to achieve economies of scale and higher quality standards in purchasing supplies of all sorts.
- Create an active source of formal business advice and support to supplement the current informal resources which are over-utilized and do not provide the necessary intellectual capital for business growth.
- Develop women's business training, counseling, and support at all levels, focusing on entrepreneurship and on micro-enterprise as a first step in stable business development.

## 2. BACKGROUND

### 2.1 OBJECTIVE

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

### 2.2 SURVEY METHODOLOGY

For this report, a mix of field-based qualitative and quantitative research methodologies was utilized to generate the key outputs highlighted above. Research components included i) field surveys, ii) focus group discussions, iii) interviews, and iv) desktop research. The complete assignment was undertaken between the beginning of July and the end of September, 2009. Appendix 4 outlines key assignment activities and the dates during which they were undertaken.

#### 2.2.1 DEFINITIONS

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

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

### **2.2.2 FIELD SURVEYS**

A major component of the research assignment was the surveying of 772 private businesses in Anbar. 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 Anbar 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 Anbar research team pretested the survey to 130 enterprise owners under undeclared pretesting conditions with the objective of i) testing survey question variations, ii) evaluating respondent understanding of the questions and terminology, iii) determining task difficulty, iv) assessing research team capacity and capability, v) tweaking survey logistics (e.g. getting the surveys to and from Baghdad, supervisor–interviewer coordination), vi) determining the intensity of required quality control processes and field team follow up, vii) testing data entry, data entry quality control, and data clearing process, and viii) evaluating respondent accessibility.

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

### **2.2.4 SAMPLING: SAMPLING FRAME**

The starting point for determining the sampling frame was accessing Chamber of Commerce membership records in Anbar. 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 Anbar (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 Anbar Area Coordinator, and vi) results from the survey pretesting.

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

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

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

Once completed by the research team, the distribution model was tweaked further by USAID-*Tijara* based on internal sources and further consultations with subject matter experts, and was then put forward for implementation. Table 2.1 highlights the sample distribution for Anbar.

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

Sector	Sample Distribution (%)	Number of Enterprises	Number of Employees					
			1-4		5-10		> 10 Employees	
			%	#	%	#	%	#
Agribusiness	15%	75	29%	21	57%	43	14%	11
Construction	7%	35	29%	10	43%	15	29%	10
Manufacturing	8%	40	14%	6	71%	29	14%	6
Professional Services	20%	100	100%	100	0%	0	0%	0
Wholesale, Retail Trade	34%	170	48%	81	41%	70	11%	20
Transport and Storage	5%	25	0%	0	100%	25	0%	0
Hotels, Restaurants and Tourism	3%	15	19%	3	33%	5	48%	7
Communications	3%	15	71%	11	29%	4	0%	0
Electricity, Gas, Oil	2%	10	36%	4	64%	6	0%	0
Others	3%	15	10%	2	70%	11	20%	3
Total	100%	500		237		207		56

### 2.2.5 SAMPLING: SAMPLE SIZE AND RESPONDENT SELECTION

The research team set a target sample size of 800, although contractually only 500 surveys were required. The team reasoned that larger numbers would overcome any shortcomings from disqualified responses and improve the reliability of results.

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. Area specific 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, more willing to give up their time, and had fewer no-response answers.

### 2.2.6 SAMPLING: GEOGRAPHIC COVERAGE

As per contractual requirements, the survey exercise covered the city of Ramadi. The research team determined that it was best to expand geographical coverage further to compensate for possible participant selection bias and improve overall representation. Expanding coverage also facilitated meeting agribusiness cluster quotas, as many of the

towns surrounding Ramadi are economically dependent on agriculture. The following table highlights key survey areas and gives the approximate percentage of surveys completed within each area.

**Table 2-2: Sample Distribution by Geographical Area Within Anbar**

City/ Town	% of Completed Surveys
Ramadi	50%
Fallujah	14%
Hadeetha	10%
Heet	11%
Khaldiya	5%
Al-Jazeera	5%
"5KM" (suburb of Ramadi)	5%

### 2.2.7 SURVEY DESIGN AND PRETESTING

One of the most difficult challenges associated with the research project was recruiting competent and experienced research staff to conduct the survey interviews. The concept of professional survey researchers is very new to Iraq, and certainly alien in most of the provinces in which the survey was conducted, including Anbar. 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 Anbar-based researchers and supervisors were contracted on a full-time basis to conduct the survey. Researchers were required to meet certain age, education level, and experience criteria before they were hired. The field research team comprised an Area Coordinator, two Quality Control Supervisors, and 26 researchers paired into 13 research teams. Appendix 5 outlines the field team organizational chart for Anbar and the names of the field research team.

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

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

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

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

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

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

### 2.2.8 FIELD CONTROL

To ensure the completeness, consistency, and credibility of collected survey data, several control procedures were put in place at the data collection and processing stages. These procedures resulted in the research team rejecting 10% of completed surveys due to data inaccuracy or incompleteness. Table 2-3 below highlights field control results:

**Table 2-3: Field Control Statistics**

Completed Surveys	Rejected Surveys	Accepted Surveys	Rejection Rate
859	87	772	13%

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

## Data Processing

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

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

## Data Entry Control

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

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

- Remunerating all field staff based on set monthly salaries, not the number of surveys they completed, thereby minimizing the incentive for field researchers to falsify information.
- Ensuring that researcher teams never had within their possession either empty or completed surveys for more than a few hours at a time. Researchers met with their supervisory staff each morning to receive their day's worth of surveys, and then met with them again at the end of the day to hand over completed surveys.
- Surveys were stocked and archived in Baghdad and not in the field. They were sent to and from the field on an almost daily basis.
- A zero-tolerance policy for falsified information was implemented. Researchers or supervisors found to be falsifying survey information had their contracts terminated immediately. In Anbar, four Researchers were dismissed as a result of falsifying information. Subsequently a 100% audit of their completed survey work was conducted by the quality control call center.

## 2.3 FOCUS GROUP METHODOLOGY

A total of 15 focus groups were conducted in Anbar, focusing on a few major industries – auto services, construction, agriculture, light manufacturing, 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 Anbar. A layout of the focus group schedule is provided here in

Table 2-4 for reference:

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

#	Date	Industry	Moderator	Location	No. of Participants
1	30-Aug	Auto Services	Dr. Laith Al-Mansour	Ramadi SBDC	9
2	31-Aug	Construction Contractors	Dr. Laith Al-Mansour	Ramadi SBDC	10
3	1-Sep	Construction Contractors	Dr. Laith Al-Mansour	Ramadi SBDC	8
4	2-Sep	Construction Contractors	Dr. Laith Al-Mansour	Ramadi SBDC	9
5	7-Sep	Construction Contractors	Dr. Laith Al-Mansour	Ramadi SBDC	8
6	8-Sep	Construction Contractors	Dr. Laith Al-Mansour	Ramadi SBDC	8
7	9-Sep	Agriculture - Farmers	Dr. Laith Al-Mansour	Ramadi SBDC	12
8	10-Sep	Poultry Farms	Dr. Laith Al-Mansour	Ramadi SBDC	7
9	10-Sep	Fish Farm Owners	Dr. Laith Al-Mansour	Ramadi SBDC	7
10	13-Sep	Water Bottlers and Pipe Workers	Dr. Laith Al-Mansour	Ramadi SBDC	8
11	14-Sep	Construction Block Manufacturers	Dr. Laith Al-Mansour	Ramadi SBDC	7
12	15-Sep	Light Manufacturing - Metal Working	Dr. Laith Al-Mansour	Ramadi SBDC	7
13	16-Sep	Transportation and Truck Owners	Dr. Laith Al-Mansour	Ramadi SBDC	10
14	16-Sep	Transportation and Truck Owners	Dr. Laith Al-Mansour	Ramadi SBDC	7
15	17-Sep	Transportation and Truck Owners	Dr. Laith Al-Mansour	Ramadi SBDC	7

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

### **2.3.1 TRAINING FOR FOCUS GROUPS**

The project manager personally trained all moderators using advanced focus group training materials and techniques. Moderators were trained in batches of two to ensure that key techniques resonated. During the training, 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 brought to Baghdad, subjected to the training, and provided with all the logistics instructions.

Similarly, session scribes were also invited to Baghdad to attend a scribe training. They were subjected to an outline of the program, as well minute-taking and scribe techniques. 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 all of the focus group discussions 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 shortcomings.

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

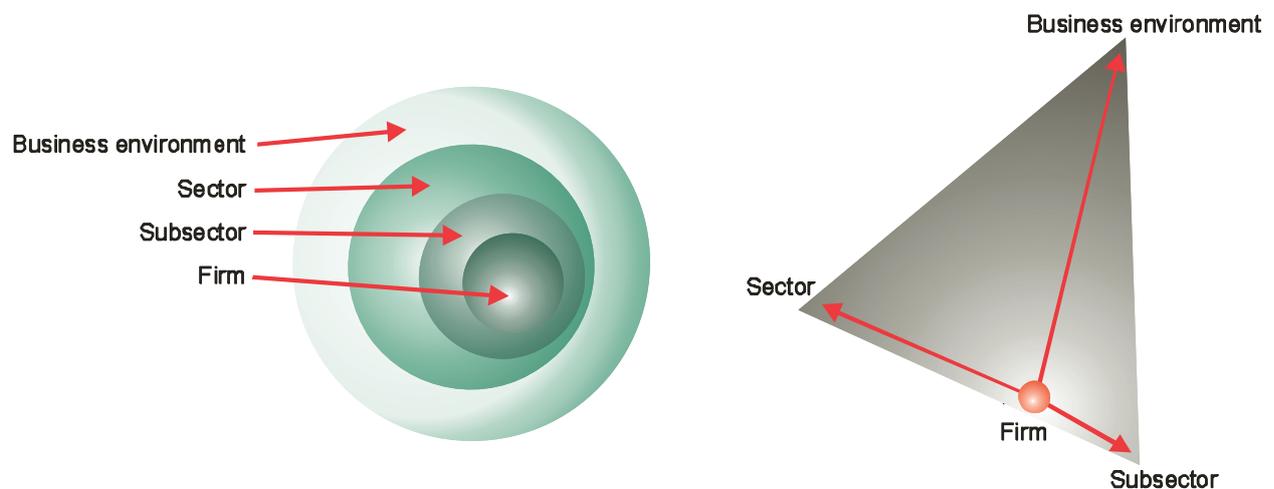
Both approaches are applicable in this study, but the constraint approach predominates. That is largely because the focus of the study is improving business services to SMEs that have been hurt by violence and that collapse of the economy over the past half decade. Our assumption has been that a detailed 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 grains farming) subsector of an agribusiness sector that may include processing, transportation, retailing, etc. He moreover operates in an overall business environment that includes other firms that provide 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 ANBAR

### 3.1 GENERAL CHARACTERISTICS OF ANBAR

The Al-Anbar Province (Anbar) is a sprawling desert area, tribal in organization. Its people are Sunni Muslim, traditional, and conservative. Sheiks dominate the culture and politics. Bordering on Syria, Jordan, and Saudi Arabia, transportation by truck (and rail) play a major role in its agribusiness dominated economy. It has a developing Free Trade Zone in Al-Qaim. The main outputs of its agriculture are grains, cattle, and dates. Anbar currently has almost no tourism or hospitality industries, few restaurants, etc., although its officials are planning to re-develop the previously popular Habbaniya Lake Resort, which has been used more recently as a military installation. Its relatively sparse landscape is dotted with villages along the Euphrates up to the Syrian border and features two major cities, Ramadi and Fallujah. The area has known considerable violence which has left its mark, though today Anbar is more settled. Table 3.2 provides highlights to key SME industry makeup in Anbar.

**Table 3-1: Anbar Demographics**

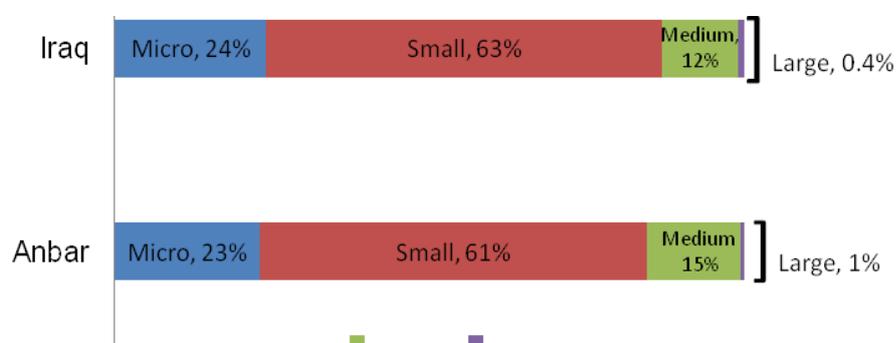
Capital:	Ramadi
Area:	138,228 sq km (32% of Iraq)
Population:	1,485,985 (5% of total)
Gender Distribution:	Male: 50% Female: 50%
Geographical Distribution:	Rural: 48% Urban: 52%
Population by District:	
Al-Qaim	137,567
Haditha	78,656
Al-Rutba	30,066
Heet	129,004
Ana	21,865
Al-Ramadi	540,474
Falluja	529,598
Rawa	18,756

**Table 3-2: Approximate Makeup of SME Industries in Anbar**

Construction	%	Light Manufacturing	%	Transportation	%
Construction Contractors	59%	Metal Works	37%	Goods Transportation	60%
Construction Material Retail	29%	Tailoring	36%	People Transportation	40%
Others	12%	Carpentry	27%		
Agribusiness	%	Retail	%	Others	%
Horticulture	43%	Clothing Retailers	44%	Car Repairs	48%
Date Farms	30%	Electrical Appliances	15%	Restaurants	26%
Wheat and Barley Farmers	20%	Spare Parts	14%	Internet Providers	13%
Bee Farming	5%	Mobile Telephone	14%	Electricity Generators	5%
Bee Farming	5%	Computers	10%	Entertainment	5%
Livestock Breeding	2%	Furniture	3%	Petrol Stations	3%
		Others	2%		

The Anbar business culture is dominated by a greater percentage of medium size companies and a positive attitude toward doing business with larger companies. Anbar businessmen, however, express less confidence in their future profits. Sales turnover across the board was well slightly below the norm in 2007 and in 2008. Only 91% of Anbar SMEs, moreover, report that their companies are profitable, 5% behind the rest of Iraq.

**Figure 3-1: SME Composition by Size**



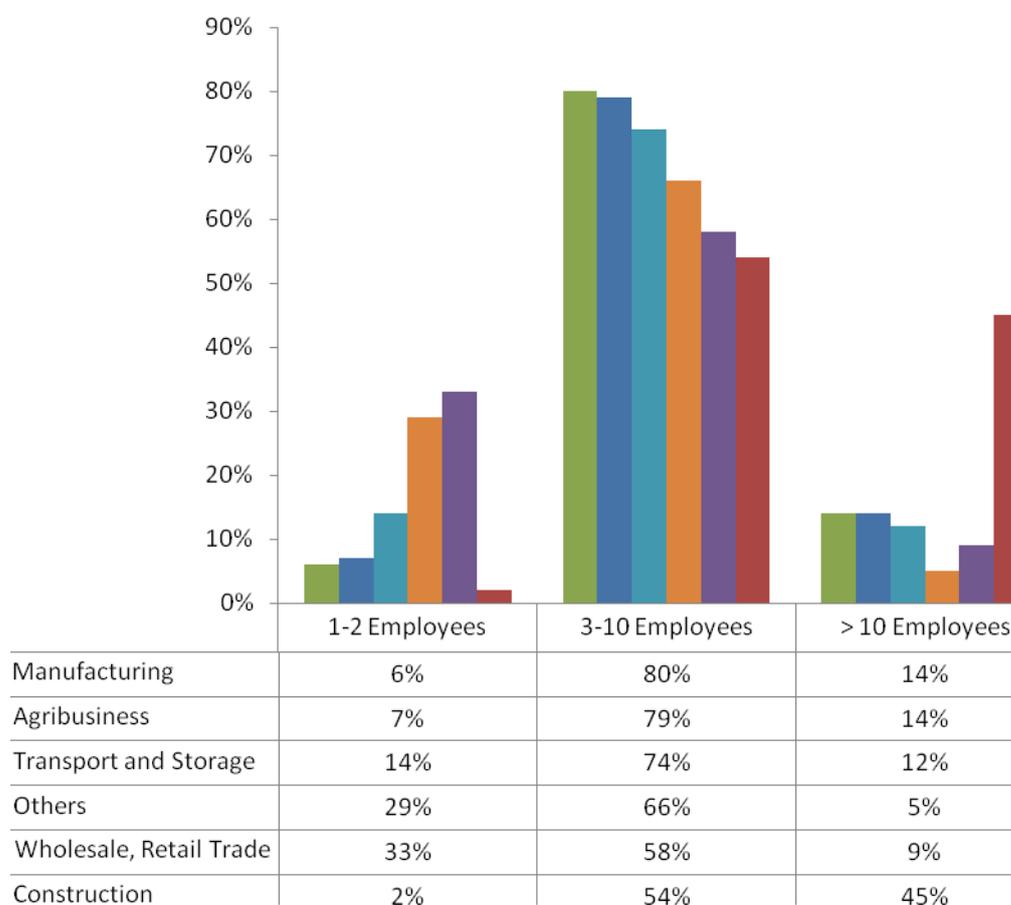
Answers to questionnaires and extensive conversations in focus groups reveal that Anbar shares many of the economic and business attributes and characteristics of Iraq in general. However, there are significant differences that create a unique system of BEE constraints. Individual features of the Anbar SME landscape revealed by statistical comparisons appear below. The three characteristics of tension between distrust of central government, an increasingly competent skill-base on which to base growth strategies, and very traditional

issues toward business organization and ownership are played as a leitmotif throughout the statistical analysis.

### 3.2 SIZE AND MAKEUP OF ANBAR ENTERPRISES

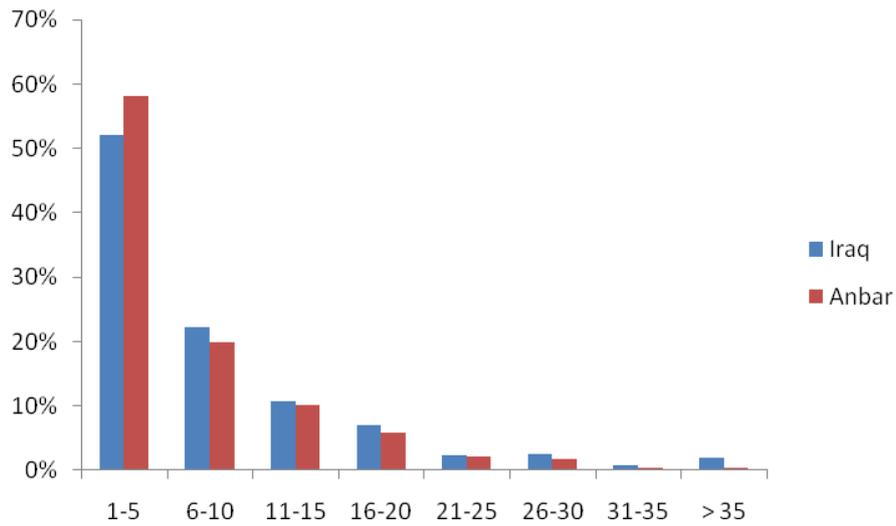
Construction companies in Anbar as a sector employ on average more persons. As well, more construction SMEs, compared with other sector SMEs, are medium-sized. The vast majority of other sector SMEs in Anbar are small-sized, with between 3 and 10 employees.

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



New SMEs abound to a greater degree in Anbar than in general. The average size of businesses is slightly smaller. This may be an artifact of the violence that characterized its major cities for so long, preventing business development. It should be noted that the number of businesses growing into the 10 million Dinar range has been growing for Iraq in general, but faster for SMEs in Anbar.

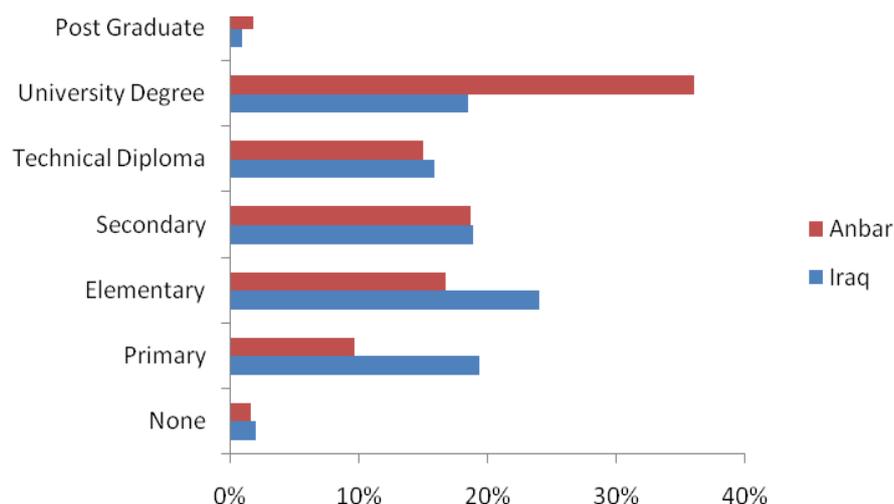
**Figure 3-3: Age of SME Enterprises in Years – Iraq and Anbar**



However, the newness and size of SMEs also may tie to other characteristics of demographics and education discussed above. It also is a sign of confidence about security and the economy and the energy and willingness to grow. The test will be the extent to which new businesses break away from the existing traditional cultural and economic infrastructure in order to grow over time.

Education, Skilled Worker Base, and Management Savvy are reflected in the higher education accomplishments of its population, the greater availability of a skilled workforce, and the higher percentage of managers in the SME workforce. Anbar businessmen have university education at twice the rate of the general Iraq SME population.

**Figure 3-4: SME Owner Education**



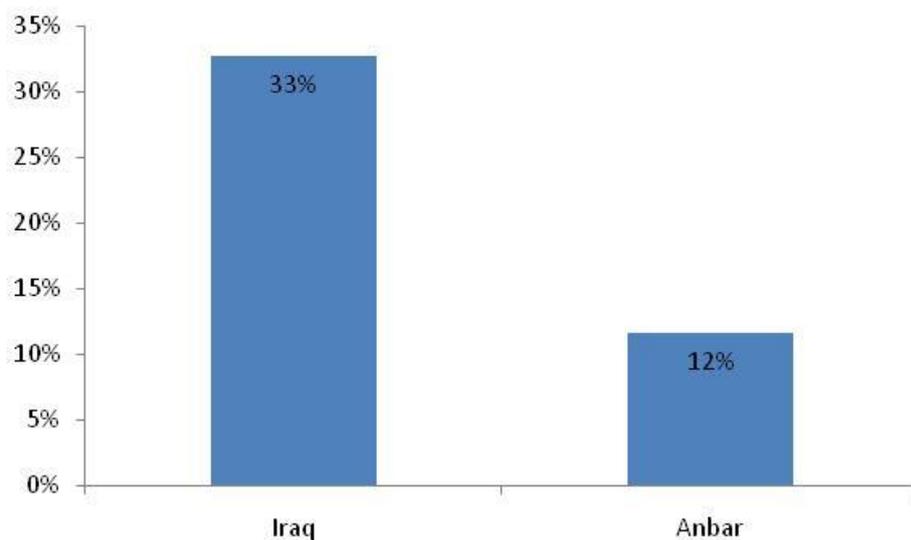
Representing twice the percentage of work force elsewhere, managers confirm the importance of education in business growth. In general, the higher the educational level of the business community, the more inclined it will be to undertake further training at the skilled, management, and technical levels. Because their earning power and productivity within SMEs is higher than average, they represent a potential source of fee-based income that is both an offset to the closed nature of traditional business.

### **3.3 INFORMALITY AND NON-GOVERNMENT ATTITUDE**

This is a complex topic that combines a number of statistical categories and the history of Anbar as an outlier in geography and culture. It impacts every other category. Not only are registration rates low, but other indicators having to do with doing business with the government exemplify low desire to build any kind of strong relationship with the government.

Business registration in Anbar is one third the already low Iraqi number (Figure 3-6). SME owners participate in associational activities at half the rate of Iraqis elsewhere, including professional associations where one would think the higher degree of management participation would make it appropriate. Almost no Anbar businessmen have business bank accounts, and the rate of bank usage in general is well below Iraqi averages. Given that business registration is a requirement for opening a bank account, this is hardly surprising. It does, however, underscore the distancing of the business population from what is perceived by them as government restrictions.

**Figure 3-5: Percentage of Anbar and Iraq SMEs Registered with the Government**

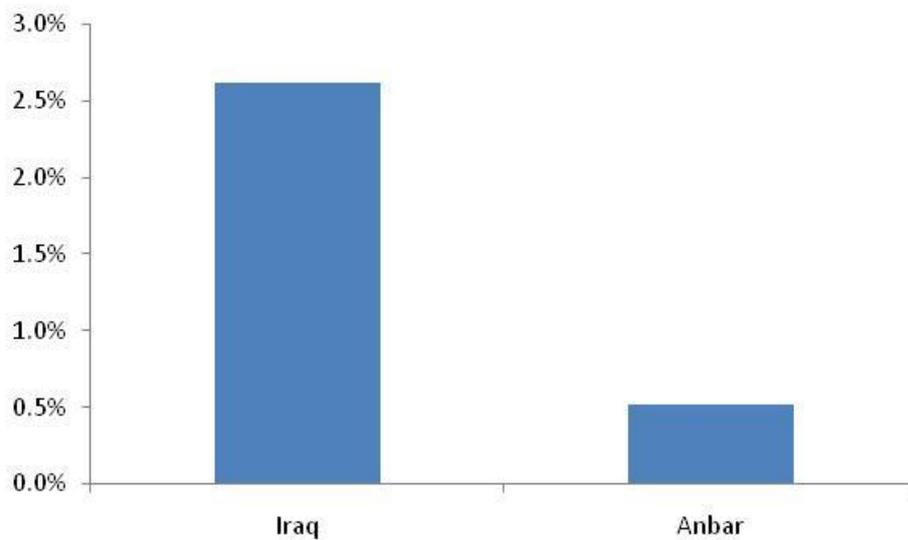


A strong indicator of Anbar SME attitudes toward government are the findings regarding doing business with it. The amount of business conducted with SOEs is so far below the Iraq average as to be nearly infinitesimal by comparison. This may relate to its high degree of agriculture. It also is confirmed by a strong retail and end-user activity bias. More important, direct answers to questions about corruption and transparency, the degree of participation in and value of associational activities, confirm a major concern that the government is to be held at arm's length and probably not trusted. Fewer SMEs in Anbar even understood the question about requirements for supplying SOEs (what is important to achieve them) than the population in general and the very few who wished to meet procurement criteria to do government business felt they could not do so and that it was useless anyway.

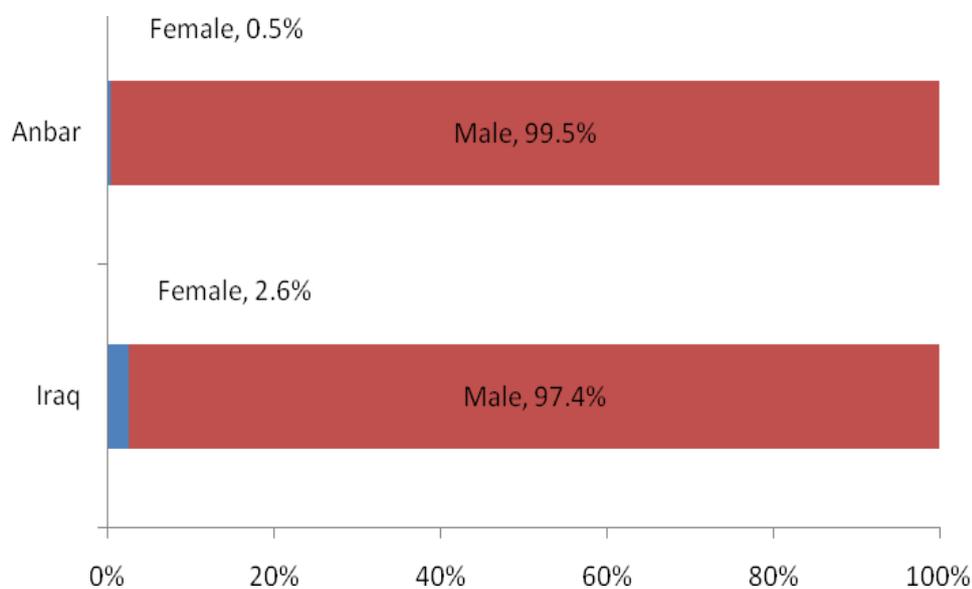
### **3.4 WOMEN AND SME OWNERSHIP**

All over the developing world, bringing women significantly into the workforce, and more important, into business ownership, has been economically transformative. Anbar's rate of women directly participating as owners of its SMEs is one-sixth of the Iraqi average.

**Figure 3-6: Women SME Ownership**



**Figure 3-7: SME Ownership Gender Comparison**



Their massive underutilization as a labor and ownership resource reflects pent up demand that may provide significant opportunity for a BDS component offering training courses and similar products. There are a number of models for doing so internationally. For example, the Office of Women's Business Ownership in the United States shows over 100 chapters of local Women's Business Centers whose experience can be drawn upon. On the other hand, in Anbar's very traditional culture, direct action that stimulates women's greater independence needs to be undertaken with great sensitivity and care.

## 4. ANBAR FIRM LEVEL CONSTRAINTS

### 4.1 INTRODUCTION

Firm level constraints discussed here include the following:

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

### 4.2 ACCESS TO FINANCE CONSTRAINTS

Financial constraints are one of the most significant issues facing Iraq SMEs. In that regard, Anbar enterprises are similar to the rest of Iraq with regard to being affected by cash flow problems and access to finance constraints. Table 4-1 below highlights constraints as ranked by Anbar and Iraqi businesses.

**Table 4-1: Ranked Constraints for Iraq and Anbar SMEs**

Hinderance	Anbar Rating <sup>1</sup>	Anbar Rank	Iraq Rank
Security	2.865572	1	3
Raise finance for growth	2.261306	2	2
Energy Shortages	2.238828	3	1
Cash flow	1.923532	4	4
Economic environment	1.775877	5	5
Keep up with new technology	0.833932	6	8
High competition	0.764887	7	6
Access to business opportunities	0.764537	8	7
Access to market intelligence/ information	0.75564	9	10
Employee skill limitations	0.640574	10	9
Governmental regulations	0.162162	11	11

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

As was the case with other regions in Iraq, savings and other informal sources of credit such as friends and family seem to be the prevalent form of operational and expansion funds for Anbar’s SMEs (see Figure 4-1: Sources of SME Finance in Anbar).

When SMEs were asked to highlight utilization of various sources of finance for their business, the vast majority claimed to self finance through business savings at least occasionally (95%), followed by personal savings (86%), and family and friends (58%).

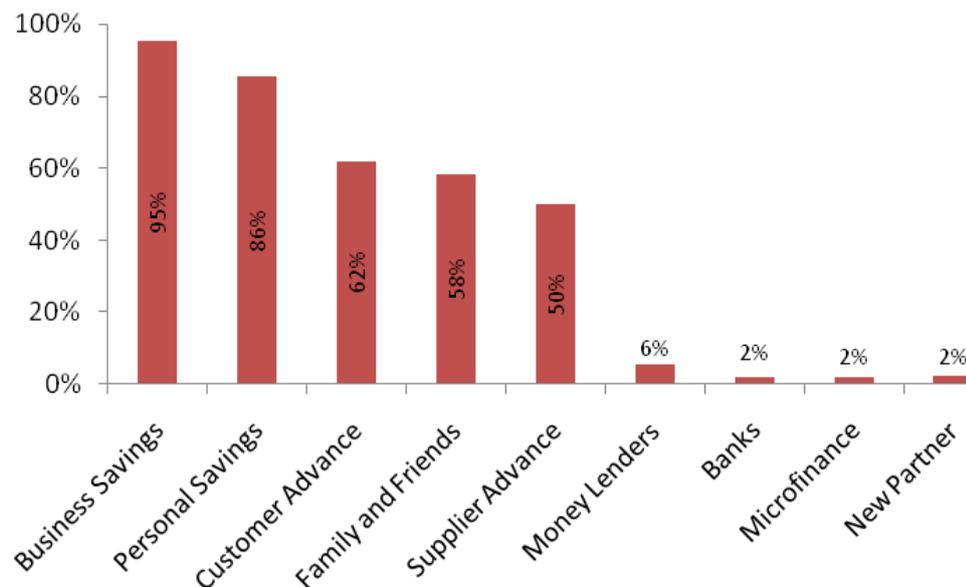
The percentage of Anbar SMEs using formal credit market institutions to finance their business is less than half the Iraq average. Two percent of SMEs in Anbar use banking sources, compared to an Iraq wide average of only 4.5%. In Anbar, microfinance borrowing is used by 1.8% of enterprises, while the Iraq average is approximately 2.7%.

Trade credit is a major source of finance. 62% of enterprises mention customer advances as a source of credit, and 50% report supplier credit as at least an occasional source of finance.

Another source of credit are money lenders, who are less common in Anbar than they are elsewhere in Iraq. In Anbar, 5.5% of SMEs use these at least on occasion, where as the rate for other Iraqi provinces averages 11%.

The concept of money lenders is very broad in Iraq and in the mind of SMEs included in this study. It covered everything from interest-free loans provided by charitable organizations and tribal leaders to moderate interest charging money dealers, to individual loan sharks who in the words of one SME owner “...can be found in every community in Iraq”.

**Figure 4-1: Sources of SME Finance in Anbar**



There appear to be several reasons influencing Anbar SMEs to utilize informal borrowing:

Survey results and discussions with SMEs indicate that most credit needs are for working capital and inventory financing. Demand for medium-term financing as a way to fund capital assets, especially among agribusiness and light manufacturing enterprises, also exists, but demand for working capital finance appears to be stronger based on:

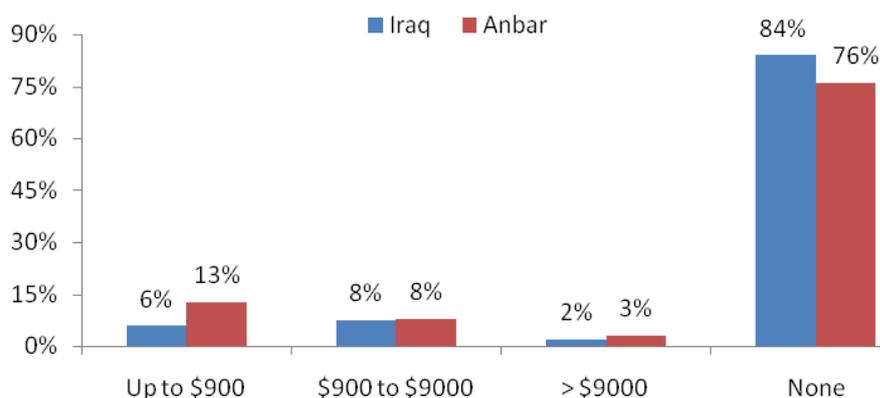
- The intensity of trade credit that SMEs use, which by definition is working capital credit (over 50% of SMEs use either supplier or customer financing at least on occasion).

- More than 85% of Anbar SMEs who have debt claim to hold less than \$9,000 in debt; 53% hold less than \$900 in debt (see Figure 4-2). In other words, debt is not used towards financing capital-intense purchases.
- Borrowing from family and friends (the fourth most popular source of finance for Anbar SMEs) is most likely to be short-term, small amount lending, implying that loans go towards working capital requirements.
- Over 35% of SMEs say they need no more than \$10,000 to finance their expansion (see Figure 4-3). In other words, as is the case with the second point above, in other words, debt is not used towards financing capital-intense purchases.
- Money lenders, who outperform banks and MFIs as a source of SME finance, are also generally short-term, small amount lenders, highly unlikely to finance capital assets.

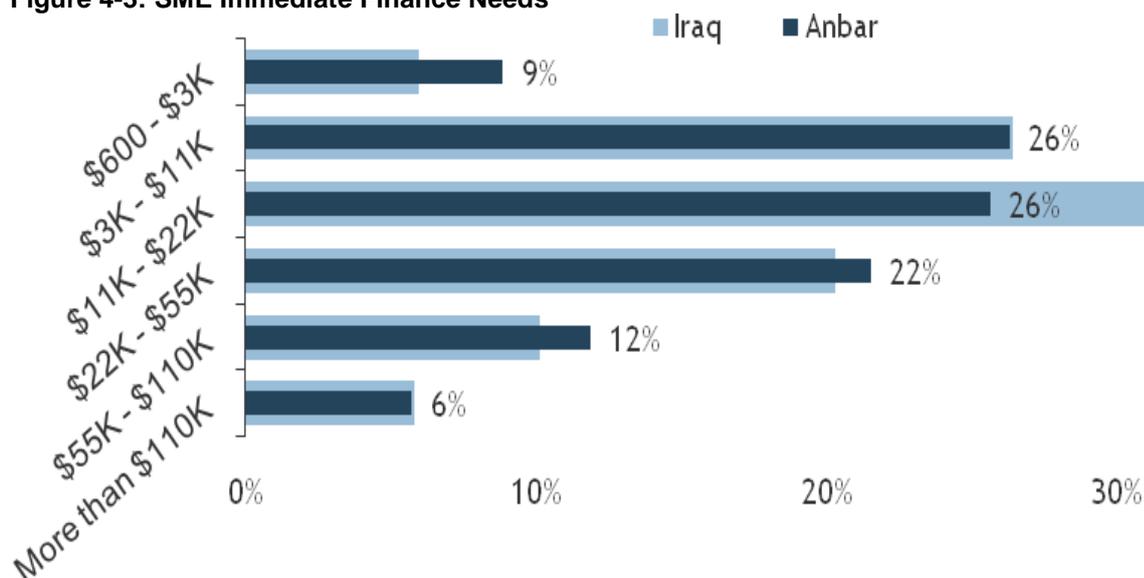
Although some banks are able to fulfill these types of credit needs, they remain relatively expensive credit sources in the opinion of most Anbar SMEs. Discussions also show that the majority of enterprises are unwilling to take on the transaction costs associated with bank lending for small-ticket loans of this nature unless faced with no other choice.

These findings have significant implications for commercial banks, but perhaps more so for microfinance institutions, especially those looking to upscale their client base from cottage industry clients.

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



**Figure 4-3: SME Immediate Finance Needs**



Anbar SMEs remain reluctant to approach banks. When asked why they were hesitant, they cited high interest, corruption, and red tape among other reasons including not needing loans or not being contacts (see percentages in Table 4-2 below). Auto service firms in the FG discussions also cited religious reasons for not using banks (at least the non-Islamic ones), desirous of loans from banks, but without interest because of perception that religion prohibits this.

Many enterprises, especially micro and some small businesses, also appear to have little understanding of microfinance, and many did not distinguish between MFI loans and grants. More than 11% of business owners claim (in their own words) *"I have never been nominated"* when asked why they have never taken an MFI or bank loan.

In previous years, when donor grant programs were the prevalent form of financing, businesses were often nominated to receive financial assistance by local leaders, grant officers, and NGOs. Although grant activity has subsided considerably, elements of its operating model appear to have resonated with some business owners. Table 4-2 below highlights approximate responses from Anbar based SMEs when asked why they have never applied for financing.

**Table 4-2: Reason Why Anbar SMEs Are Not Applying for Loans**

Reason	% of Respondents
High Interest/ Other interest related issues	34%
Never applied for a loan/ Don't need a loan	29%
No one has ever contacted me about loans / I have never been nominated	11%
Banks/ Lending Institutions are corrupt	9%
Collateral and guarantor related issues	7%
Cumbersome loan procedures	6%

Reason	% of Respondents
Others	4%

The most dominant form of lending by Iraqi banks continues to be fully secured lending. Enterprise owners who attempted to secure bank credit or had prior bank credit experience were sometimes asked to provide collateral as high as 250% of loan value. Clearly, this undermines the ability of Anbar enterprise owners to approach banks for credit facilities, especially given lender preference for real estate collateral, which appears to be in short supply amongst SMEs.

Another issue that appears to have an adverse effect on demand for credit market financing is the religious beliefs and practices of SME owners. A large number claimed usury or interest as the major deterrent to taking bank loans.

High interest rates in general appear to be a source of concern for Anbar's SME borrowers. Many 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.

Another reason that Anbar SME owners avoided bank credit was the corrupt practices of banking officials and loan officers. It was not uncommon to hear stories of credit officers requesting up to 30% of the principal loan amount in graft to approve loans.

A large number of Anbar SME owners are horticulturalists, and 68% operate from business premises that they own. Even though this is the case, practice would indicate that they are not willing to collateralize this property. Since on average, only 18% of Anbar SMEs own the property that they operate on, most properties cannot be used as collateral.

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

Anbar business owners also cite procedural complications, including preparation of financial statements, business plans, and projections, coupled with lack of banking knowledge/ experience as a major constraint to dealing with banks and entering the formal credit system. At least 6% of SMEs in Anbar claim to have approached a banking institution for credit, but were either turned down or put off by the procedures involved.

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

Access to finance is one of the more complicated constraints facing Anbar SMEs, but is an essential ingredient to encouraging their development. In other emerging markets, working to eliminate supply constraints is at best a medium-term process that requires unwavering

commitment on many stakeholder levels. Until that is achieved, however, the capacity of SMEs should be focused on better financial planning and acquiring the necessary skills to scale-up from mostly informal borrowing to mainstream credit markets.

Anbar SMEs have the lowest bank penetration rate in Iraq (See Table 4-3 below). The primary reasons given as barriers to dealing with banks by enterprises that don't, are liquidity constraints, lack of confidence in the banking sector, inexperience with banks, tax authority related issues, inconvenient geographical locations of banks, corrupt practices, and cumbersome procedures.

**Table 4-3: Bank Penetration Rates Amongst Iraqi SMEs<sup>2</sup>**

Najaf	Babil	Baghdad	Salah Addin	Thiqrar	Anbar
26%	12%	8%	8%	6%	4%

Anbar SME bank customers, like most other provinces in Iraq, are more in favor of public than private banks. Accounts with government banks were mentioned at twice the rate as accounts at private banks. For a number of reasons including absence of a dynamic private banking presence in Anbar, most SMEs favor public banking with the two largest state banks: Al-Rasheed or Al-Rafdayn.

More than 50% of banked enterprises manage more than one bank account. Because of limited networking between banks and amongst branches of the same bank, these Anbar SMEs have more than one account. Another motivation for multiple bank accounts is trade links: the more trade links an enterprise has with suppliers and customers, the more likely it is to keep more than one bank account.

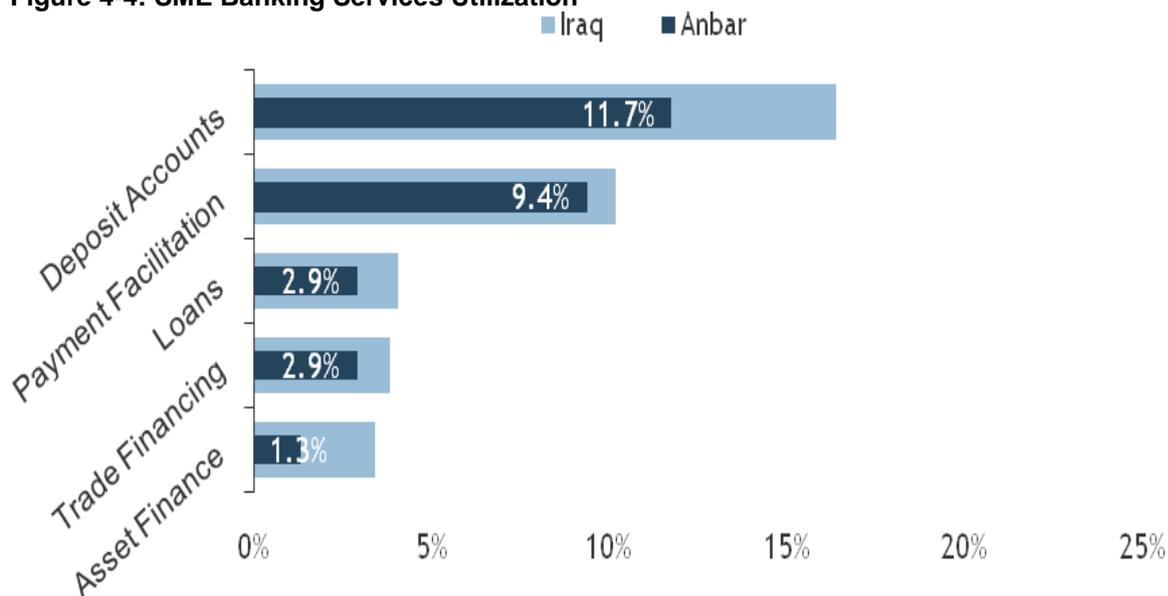
SME banking customers in Anbar have the highest usage rates for deposit and savings services, with an average of 12% using them (Figure 4-4). This is higher than the 4% account holders highlighted above, though the 4% pertains to business accounts, while the 12% is a combination of business and personal accounts. There are many reasons why entrepreneurs do not distinguish between business and personal banking, resulting in personal bank accounts being used for business needs and vice versa. In addition to deposit services, 9% of Anbar SMEs use bank fund transfers (including check collection) for trade related purposes.

Anbar SMEs underperform the average for other Iraqi provinces on all indicators of banking service utilization including credit facilities. Figure 4-4 below shows that Anbar SMEs are across the board less likely to utilize a given banking service than peers from other provinces.

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<sup>2</sup> Bank penetration rates are measured by business account activity.

**Figure 4-4: SME Banking Services Utilization**

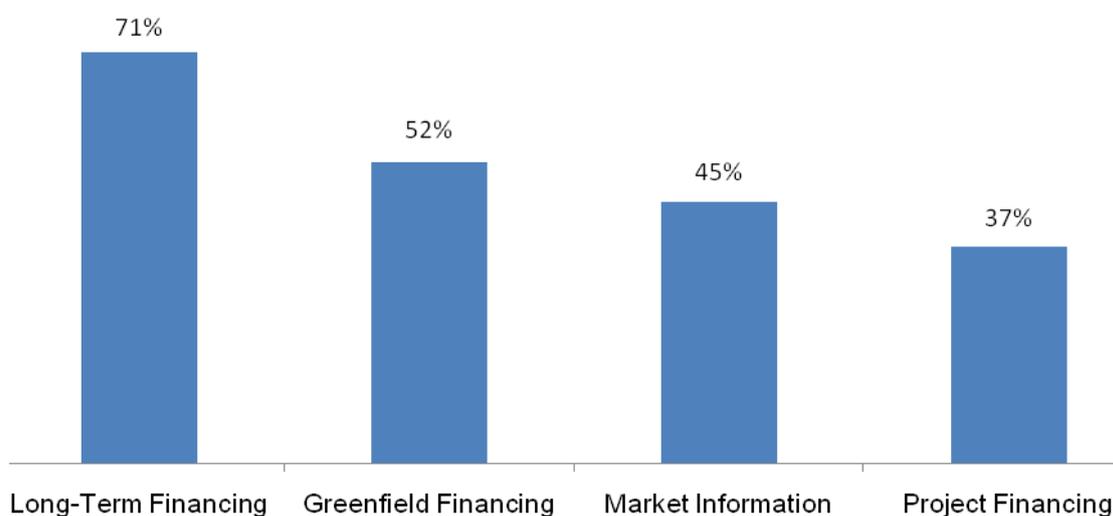


#### 4.2.1 ANALYSIS BY SECTOR

Not surprisingly, service utilization rates vary across industries and closely correspond to the financial services needs of each economic sector. The construction sector, which is the highest banked sector, has the highest utilization rates across all bank products. Money transfer services, trade finance, asset finance, overdrafts, and loan services are also high in the wholesale and retail trade sectors, driven by their need to constantly move funds around and finance trade deals.

There is a significant needs gap for additional financial services offered by banks in long term finance, risk capital, and project finance categories. Nearly 71% of Anbar SMEs stressed the need for banks to increase long-term finance offerings for capital assets and business expansion. Similarly, 52% of the surveyed enterprises indicated demand for greenfield/risk capital finance. Construction and manufacturing and businesses represented most of the demand for increased project finance products, which is needed by 37% of SMEs.

**Figure 4-5: Demand for Additional Bank Financing Services**



Non-financial, or value-added, banking services do not exist in Iraq, and Iraqi SMEs are not accustomed to the concept of such services. As noted earlier, less than 1% of Anbar SMEs have ever asked 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.

A large amount of the demand for value-added banking services appears to be driven by the absence of traditional service providers. In addition, most enterprise owners do not care who provides these services so long as they are affordable and of acceptable quality.

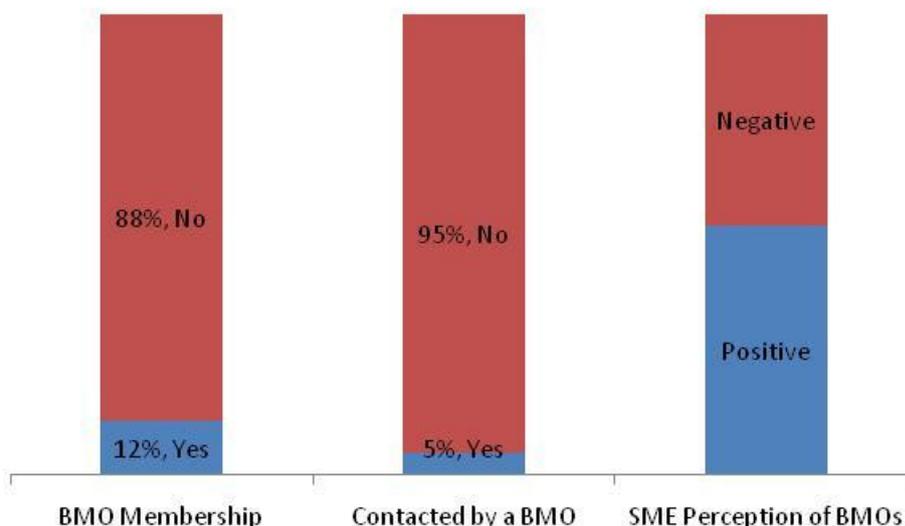
In its current stage of development, SME value-added services may not top the list of banking industry priorities in Iraq, however, the opportunity presented in extending even very basic information and outreach services may have significant impact towards increasing banking penetration rates for non-banked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

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

### 4.3 SME ORGANIZATION

SME membership in business organizations (BMOs) is very low in Anbar. Only 12% of SMEs report membership in chambers of commerce and business associations, with the Anbar Chamber of Commerce accounting for at least 70% of such organizations. Figure 4-6 below highlights membership levels, BMO outreach, and SME perception towards the benefit of business associations in Anbar.

**Figure 4-6: SME – BMO Relations**



Considering the dynamics of the BMO sector in Iraq, the low penetration rate is understandable. The sector is dominated by formerly government controlled chambers of commerce at governorate levels and operate under a federation of chambers umbrella. Previously, registration for all business was mandatory and often enforced with heavy-hand tactics, which partially explains the highly publicized figure of 250,000 Baghdad Chamber of Commerce membership base alone.

Though they are now managed as autonomous NGOs, 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 from Baghdad “...after [the fall of the previous regime] our Chamber [Baghdad Chamber of Commerce] registration was the only proof we had of our company’s legitimate existence”.

It’s therefore understandable that business organization rates are low. The situation is partially explained by:

- Fragmentation of the BMO sector with a significant number of new entrants since 2003 claiming to represent various business and industrial interests.
- Limited outreach by business membership organizations. Only 5% of survey respondents claim to have ever been contacted by a business membership organization offering membership services or otherwise.
- Considerably high membership fees, especially in light of the limited services currently offered by business associations.
- Residual 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.
- Competition from professional associations and syndicates which indirectly compete/ substitute for BMOS to provide business development services (when applicable e.g. Engineers Syndicate, Pharmacists’ syndicate) and other benefits to member business owners. Notably, only 2% of enterprises hold membership in both professional syndicates and business associations.

In spite of the low levels of SME organization highlighted above, 54% of Anbar SMEs believe business membership organizations can help small business. However, there was some very harsh criticism among the 46% of SMEs that did not believe so and are aware of the concept of BMOs. Comments across multiple provinces in Iraq, such as “business associations are useless”, “business associations only service the needs of large companies”, “chambers don’t care about farmers” and “chambers of commerce only exist to maintain status quo” were not at all uncommon from SME enterprise owners quizzed about their lack of BMO membership.

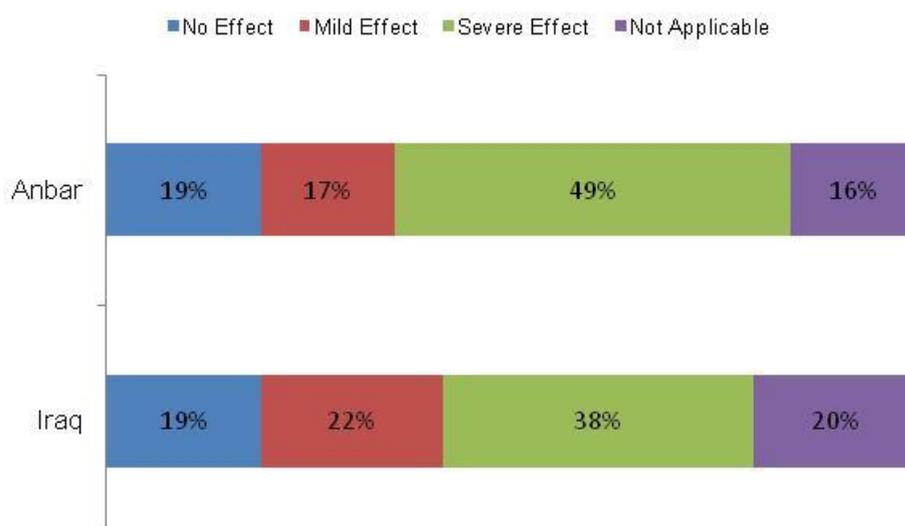
Table 4-4 below highlights some of these responses and their approximate frequency.

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

Why do you not think that business association support	% of
They have no role to play	55%
They provide no financial or moral support	25%
These associations don't support small businesses	15%
I don't know what these associations do	5%
Associations don't have the financial capacity to support small business	8%

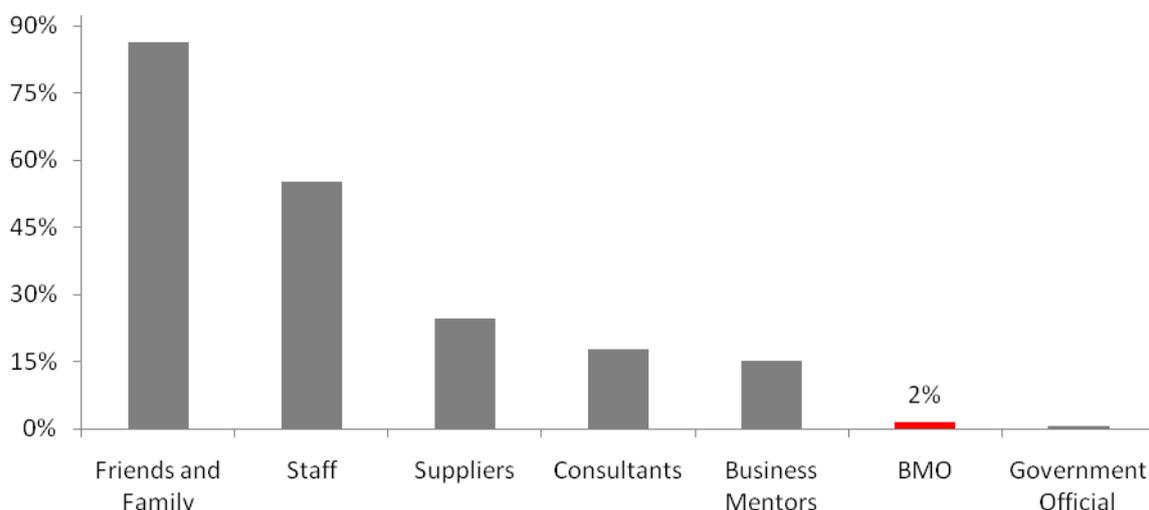
Enterprise owners voice similar attitudes towards BMOs when asked about problems pertaining to sales and marketing efforts. The majority of SMEs (49%) perceived “lack of business association support” to have negative impact on their sales and marketing ability. While these results may seem lower and better than Iraq wide averages, they are actually identical when response frequencies are weighted to the different constraints categories.

**Figure 4-7: 'Lack of Business Association Support' Effect on SME Sales and Marketing Efforts**



Approximately 2% of Anbar’s SMEs claim to turn to a BMO for advice and problem solving versus 4% for the rest of Iraq. Yet, even so, twice as many SMEs in Anbar consult BMOs than they do to their bankers.

**Figure 4-8: SMEs: Sources of Advice and Problem Solving**



Anbar SME organization culture is less developed than in the rest of Iraq. SMEs in Anbar lack awareness to a greater degree with regards to understanding the benefits of organization and use of services available in institutions that serve them. This presents an opportunity for business membership organizations to increase outreach through expanding their platform base by enhancing current offerings and developing new value added services for the benefit of Anbar SMEs.

#### 4.4 INFORMATION AND TECHNOLOGY CONSTRAINTS

Technology constraints come in different forms. Among the most prominent of these constraints are issues dealing with computer and internet usage, as well as telecommunications such as mobile phone usage. As can be noted from Table 4-5 below, the consideration that most Anbar 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 urgency, perhaps due mainly to the fact that the customer base is also not technologically savvy. Computers, mobiles, the internet and other forms of mass communication driven by the IT industry are underutilized.

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

Source	Weighted Rating <sup>3</sup>	Anbar Rank	Iraq Rank
Word of mouth	4.158112	1	1
Customers	3.153214	2	2
Employees	2.234109	3	3

<sup>3</sup> 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 5<sup>th</sup> and lowest ranked response.

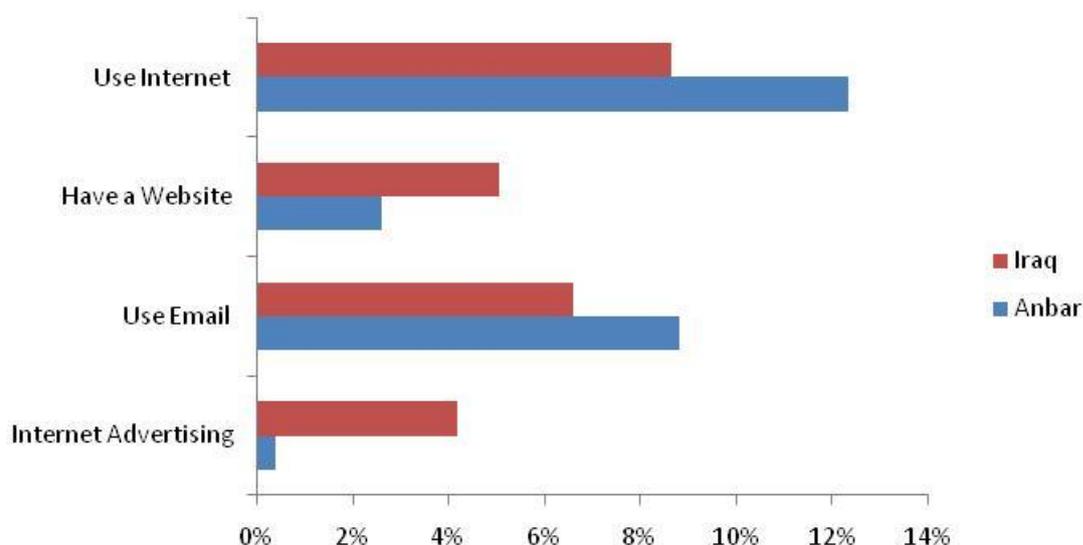
Source	Weighted Rating <sup>3</sup>	Anbar Rank	Iraq Rank
Suppliers	1.563446	4	4
SMS messages	1.141872	5	5
Rival firms	0.663582	6	6
Internet	0.490807	7	9
Newspapers	0.475767	8	8
Business associations	0.452886	9	7
Television	0.377358	10	10
Radio	0.177015	11	11

As 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 Anbar. This same trend is reflected in the Iraq data as a whole.

#### 4.4.1 INTERNET AND EMAIL USAGE

Few SMEs in Anbar use the internet to conduct their business, but surprisingly more than the rest of Iraq does. Almost 13% reported using the internet, and 9% email, both of which are several percentage points above the Iraqi norm (Figure 4-9). Fewer companies, however, have websites and almost none use the internet for advertising.

**Figure 4-9: Percentage of SMEs that use the Internet to Conduct Business**



One of the unique aspects of Anbar that may explain the above differences is the vast size of the province and difficulty that people have in getting around at times due to dust storms and geographical distances. The many issues that impede comfortable mobile phone or other phone communications all push SMEs to use alternative forms of communication that are cost effective and efficient.

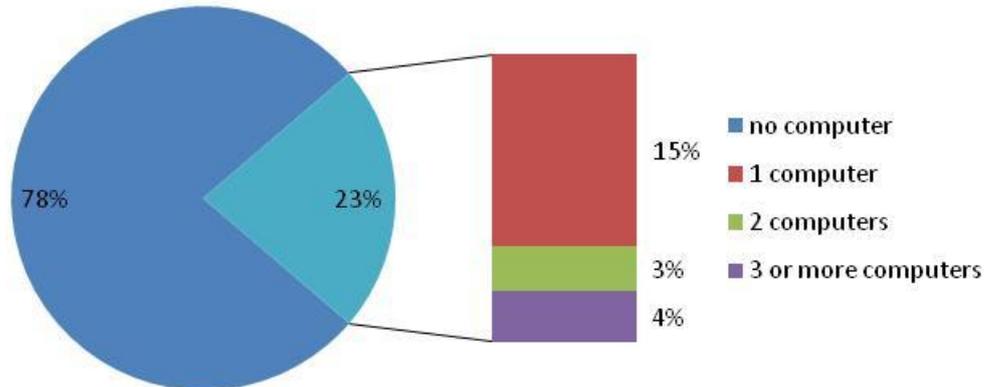
Customers and SMEs alike have much to learn and benefit from streamlining the process of interaction through internet usage that will make doing business less costly and more efficient. Many SME owners feel uneasy about the internet due to lack of trust issues. Rather, they prefer face to face exchanges, which are much more costly. These cannot be substituted with the internet at the outset of a business relationship, but can be developed as the relationship is established and progresses can be maintained.

#### 4.4.2 COMPUTER USAGE

A prerequisite to usage of internet is knowledge and possession of computers that are utilized for business. Figure 4-10 shows that 23% of businesses in Anbar use computers (6% higher than the rest of Iraq). 65% of those using computers use only one computer. The majority of the remaining 7% do not use networks, as only 2% have reported using networking between their computers. That leaves 5% of SMEs with multiple computers that are not networked.

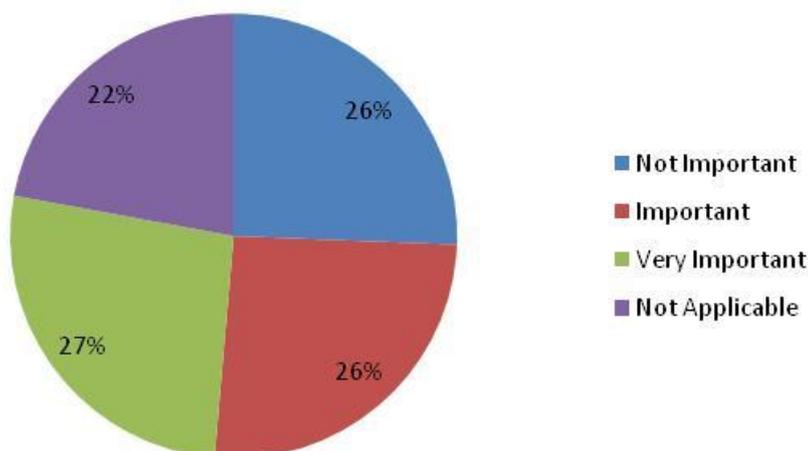
Over half (57%) of the computer users use their computers to access the internet. The remaining 43% of computer users surely could benefit from training in how to use their computers more effectively, considering they have already made the purchase and acquired a computer and have some knowledge as to how it works and how to operate it, but not sufficient knowledge or resources to use it effectively.

**Figure 4-10: Percent of Anbar Businesses that Use Computers and How Many**



Approximately 5% of all SMEs have utilized computer training to increase their knowledge and abilities on computers. More effective use of computers is something that SMEs have not traditionally sought from BMOs, but the groundwork has been laid, with more than 50% of all SMEs reporting that they see BMOs as important for developing capacity and know-how in general, not the least of which could be computer training. Moreover, SMEs in Anbar believe that BMOs play a useful role to support small businesses at a rate that is 10% greater than the average SME in other parts of Iraq.

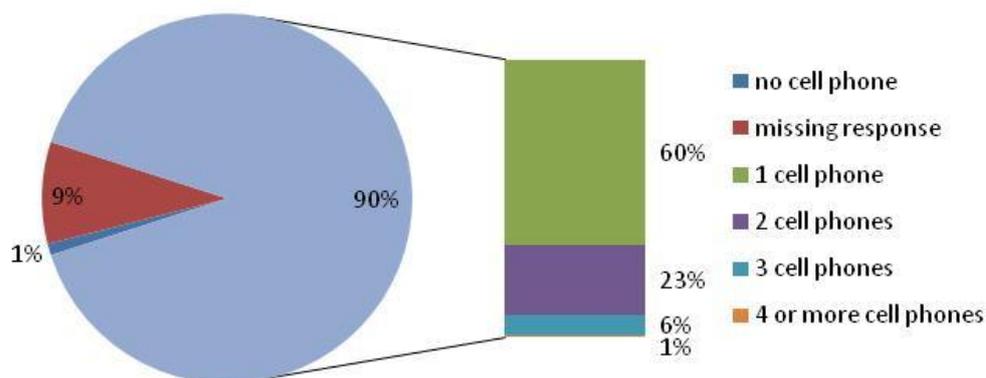
**Figure 4-11: Importance of BMOs in Building Capacity and Know-How in Anbar**



#### 4.4.3 MOBILE TELEPHONE COMMUNICATIONS

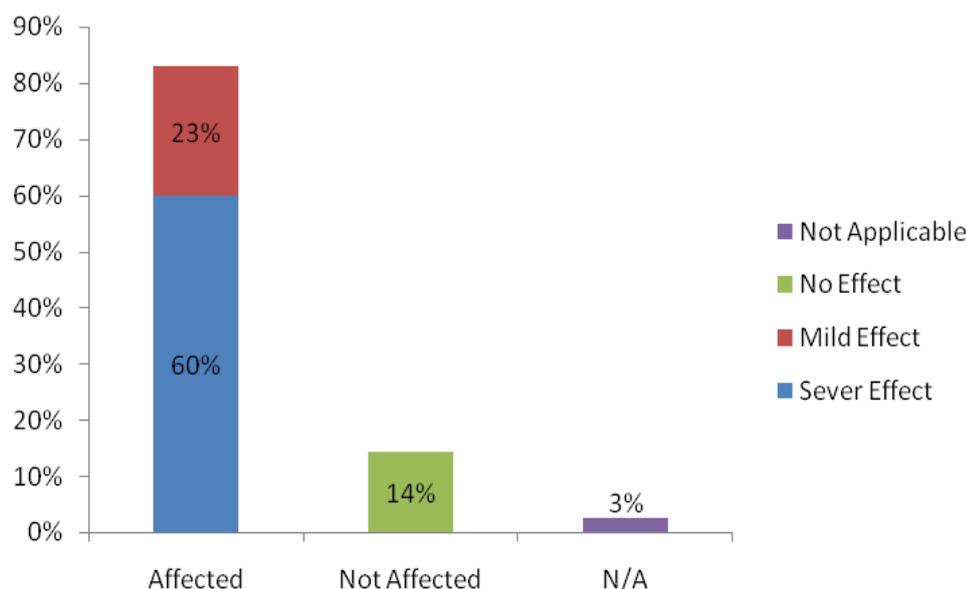
Only 1% of all businesses in Anbar do not use cell phones (Figure 4-12). This is not surprising given the importance of communication and the lack of any other options that provide sufficient means. Telephone land lines often do not work or are not available and do not provide the same mobility. This is reflected all across Iraq to the same degree, only numbers of cell phones differ. The average number of cell phones per person in Anbar is about the same as the rest of Iraqi SMEs (approximately 1.5 cell phones per person).

**Figure 4-12: Percent of Anbar Businesses that Use Mobile Telephones and How Many**



Issues with mobile/cell phone communications are going to be further discussed in the BEE constraints having to do with infrastructure, however, inadequate cell phone coverage is an issue that SMEs in Anbar have cited as a business inhibitor. As mentioned in the discussion of on infrastructure constraints, over 80% of SMEs are affected by poor mobile telephone service, 60% of which are severely affected (Figure 4-13).

**Figure 4-13: Percent of SMEs in Anbar Affected by Inadequate Mobile Phone Coverage**



## 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 also needs to 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, personnel management, amongst others.

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

### 4.6.1 EDUCATIONAL CONSTRAINTS

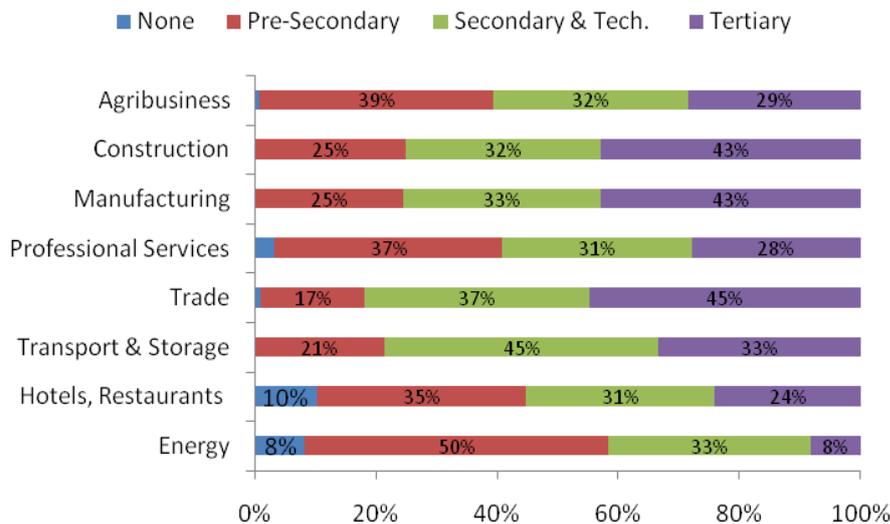
Anbar SME owners are considerably less educated than peers in other parts of Iraq. 36% of Al-Anbar entrepreneurs have graduated university, which almost twice the average for the rest of Iraq.

It is hard to argue that entrepreneurship in Anbar is driven by educational exclusion as is the case in many other jurisdictions in the Middle East region. Over 72% of SME owners hold at least secondary school degree (enough to qualify the holder for a much sought after government job), and as highlighted above, 36% hold tertiary (university and above) degrees.

While arguably the higher the educational attainment the better equipped an entrepreneur might be to run their business, we found no evidence of this in Anbar. SME owners at different levels of education performed consistently (2007, 2008 turnover) across their industry peer group regardless of their level of education. Similarly, education appears not to be a factor in SME asset base size, registration, or the age of the business.

With regards to industry distribution, the highest education levels are within the trade, transportation, and manufacturing industries (Figure 4-14). Lower educational levels were observed in the energy, restaurant, and professional services industry which are mostly represented by automobile maintenance and automobile repair workshops. Agribusiness owners in Anbar perform surprisingly well on the education front compared to other Iraq provinces. This might be partially explained by previous government land rehabilitation programs which distributed plots of land exclusively to Agricultural and technical degree graduates in Anbar.

**Figure 4-14: SME Owners Education by Industry**



#### 4.6.2 TECHNICAL KNOWLEDGE (COGNITIVE COMPETENCE) CONSTRAINTS

Businesses fail for a variety of causes, many related to the knowledge and experience of owners in their field of business or their general understanding of business principles. Such constraints affect some fields more than others. Although we don't know how Iraqi businesses benchmark against regional or international standards, we can make some conclusions about which business sectors are most constrained by cognitive competence. Figure 4.17 below indicates that, as expected, it is high among professional service/manufacturing SMEs. It is low in industries whose markets and/or dynamics have developed or changed rapidly, or in which cognitive competence was low to begin with. An example of the latter has been agribusiness.

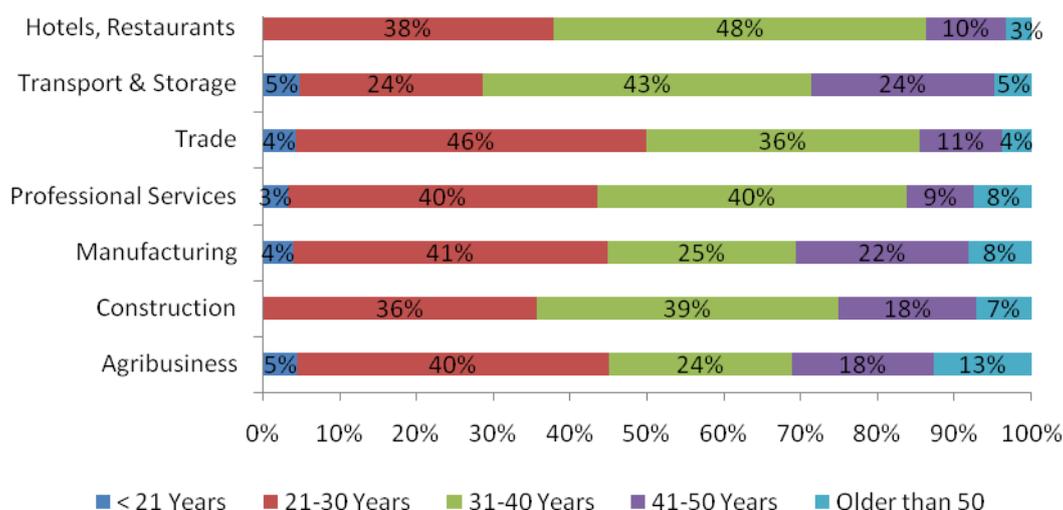
Farmers traditionally have depended on government provided technical expertise that no longer is available. Lacking that support today, farmers and livestock breeders who have not had the opportunity or faced the necessity of developing their businesses without that high level of support have suffered.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

In addition to sector differences, the age of an entrepreneur is a factor in cognitive competency<sup>4</sup>. In this case, the younger the SME owner, the more cognitive competence he/she has. It would be expected that younger owners tend to establish themselves in industries with low technical and experience requirements, but this is not the case in Iraq,

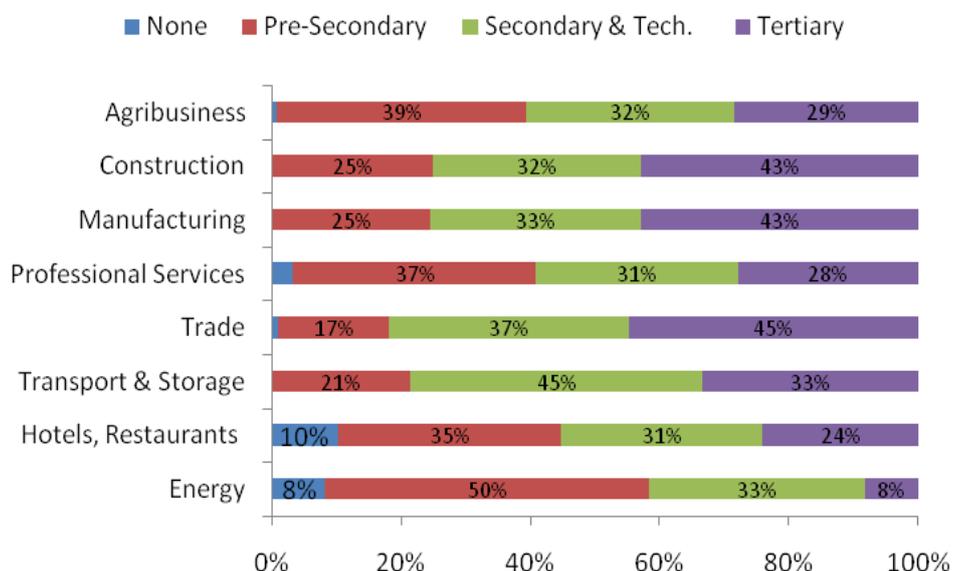
<sup>4</sup> Cognitive competence refers to a combination of education and technical skill sets.

with the highest growth rates for industries such as trade that demonstrate at the same time high cognitive competence.

**Figure 4-15: Age of Entrepreneur by Sector**

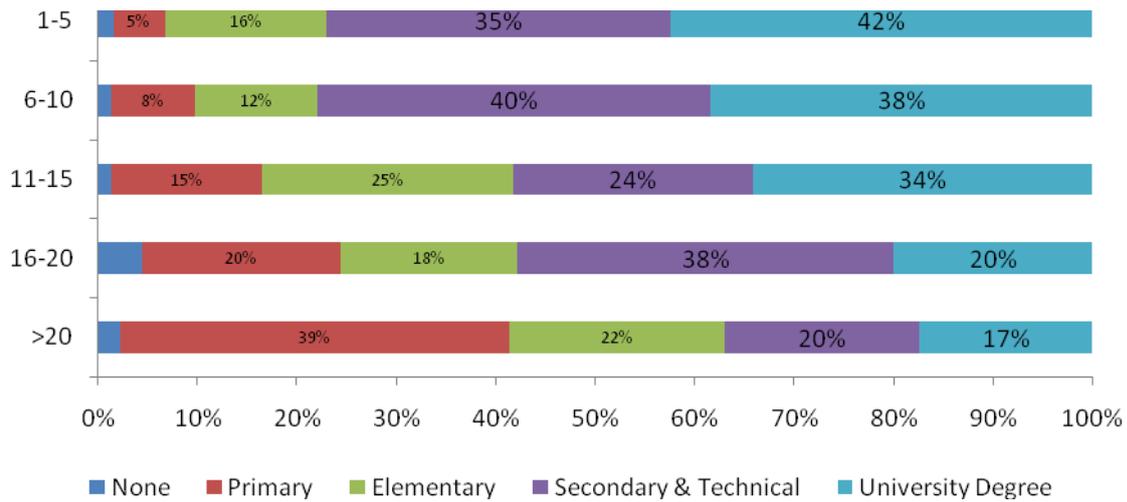


**Figure 4-16: SME Owners Education by Industry**



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 4-17: Measures of Cognitive Competence and the Age of the Business**

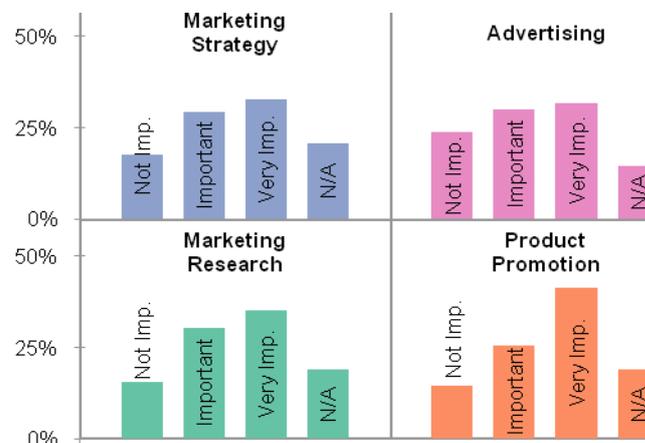


**4.6.3 TRAINING**

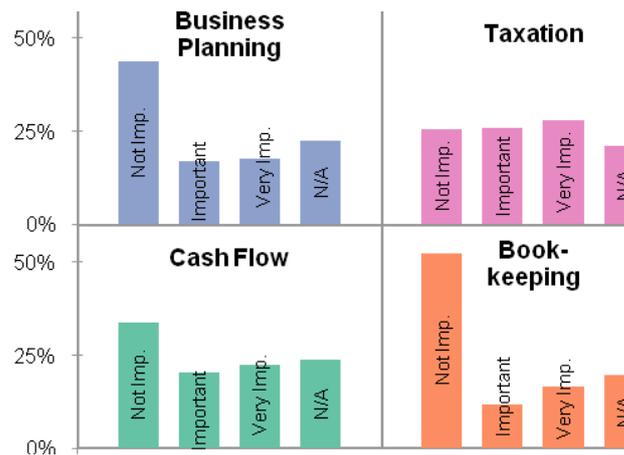
Lack of training is a serious SME business constraint throughout Iraq, not just in Anbar. Training can be of various sorts, basic skill training for unskilled workers, upgraded skill training for semi-skilled or skilled workers, management training to staff, or entrepreneurial training. However, the survey found that on several aspects of training, SME owners believe that it is unnecessary. That may be because they are traditional or cynical and lack awareness as to the benefits of training. 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, largely, it is assumed, for reasons having to do with a lack of understanding or awareness as to the value of training and what proper training can do to improve business.

Here are results for two important skills for overall business improvement: marketing and finance. Generally 15 to 20% of the SME owners believe training in these areas are not important.

**Figure 4-18: Importance of Marketing Training**

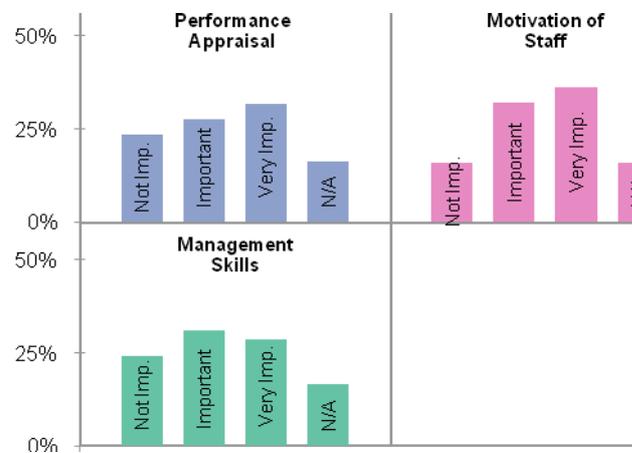


**Figure 4-19: Importance of Finance Training**



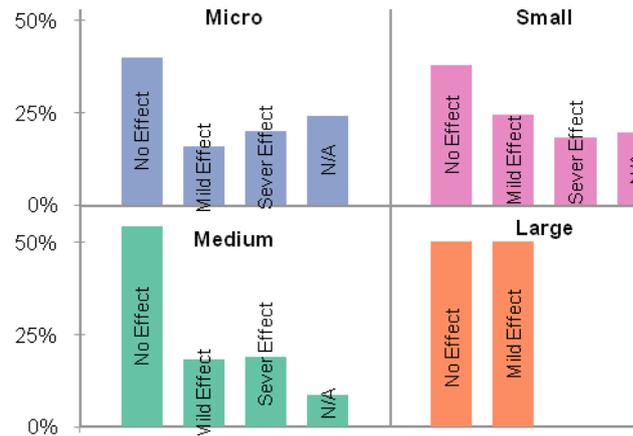
Human resource training fares better in the view of respondents(Figure 4-20).

**Figure 4-20: Importance of Human Resources Training**



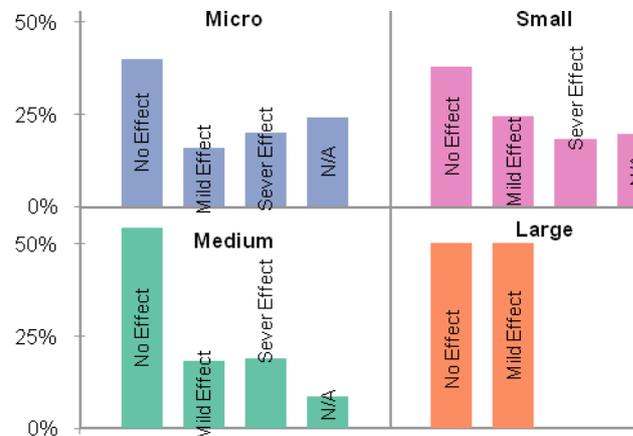
When SME owners were asked to evaluate the effect of lack of vocational training, large businesses were about evenly divided between believing that this had either no effect or very little effect.

**Figure 4-21: Effect of “Lack of Vocational Training”**

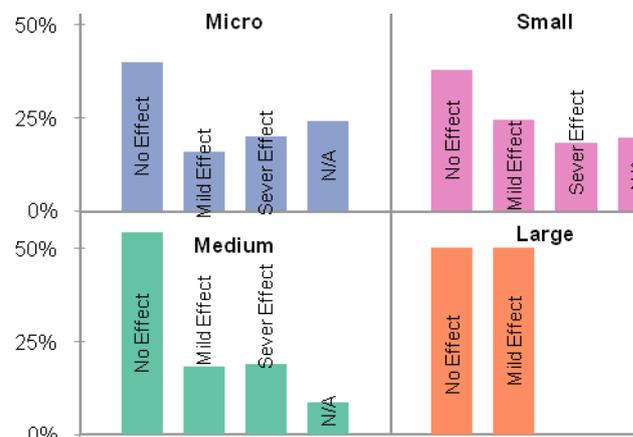


Management training shows the same general pattern, the more sophisticated the business, the greater appreciation of the benefits of training (Figure 4-22 and Figure 4-23).

**Figure 4-22: Effect of “Lack of Trained Middle Management”**



**Figure 4-23: Effect of “Lack of Trained Higher Management”**



#### 4.6.4 EXPOSURE AND ATTITUDES

Trade is a critical element of Anbar business. It has a long history of small business in trade-related areas and, of course, agriculture. It has a strong history in advanced education and a relatively educated workforce. Given those cultural and social attributes, one would think Iraqi businessmen would be quick to adopt new ideas and techniques. By and large, that is not the case. SMEs have not taken to modern business concepts, especially in the areas of innovation and entrepreneurship. Their mode of business organization remains traditional, informal, simple, and often comfortable in the status quo. SME business attitudes are more rooted in neighborhood and trade than in education. The future also is more uncertain here than in most places. That is why there is so little interest in technology, upgrading the workforce, undertaking new modes of marketing, and instituting instruments of management and financial control. It also explains, at least in part, SME owner attitudes toward associational activity.

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 or 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, all of which are evidenced throughout this report, both above and further below.

### 4.6 LABOR MARKET CONSTRAINTS

The majority of SMEs in Anbar are labor intensive with a high percentage of unskilled workers. The average number of employees is 5.6 employees, 50% of whom are unskilled workers (Table 4-6). As is the case in other Iraqi provinces, construction sector enterprises have the highest average number of employees in Anbar (10.6 employees). Other than the construction industry, Anbar SMEs tend to be more labor intensive than their Iraqi peers by an average of 4%. Differences in labor intensity are amplified in critical Anbar industries such as transportation, where the average number of employees per firm in Anbar exceeds the Iraqi wide average sector by as much as three employees. Table 4-6 below compares the average number of employees per economic sector in Anbar and Iraq.

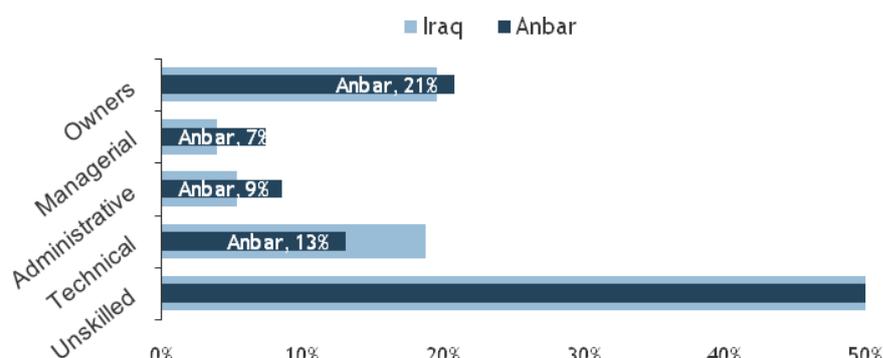
**Table 4-6: Average Number of Employees Per Economic Sector**

Sector	Anbar	Iraq
Construction	10.6	15.5
Hotels and Restaurants	8.1	7.7
Manufacturing	7.9	7.4

Sector	Anbar	Iraq
Agribusiness	6.6	6.1
Transport and Storage	6.4	3.4
Electricity, Gas, Oil	4.7	5.2
Wholesale, Retail Trade	4.7	4.5
Communications	4.0	6.4
Professional Services	3.6	4.1
Overall Average	5.6	6.1

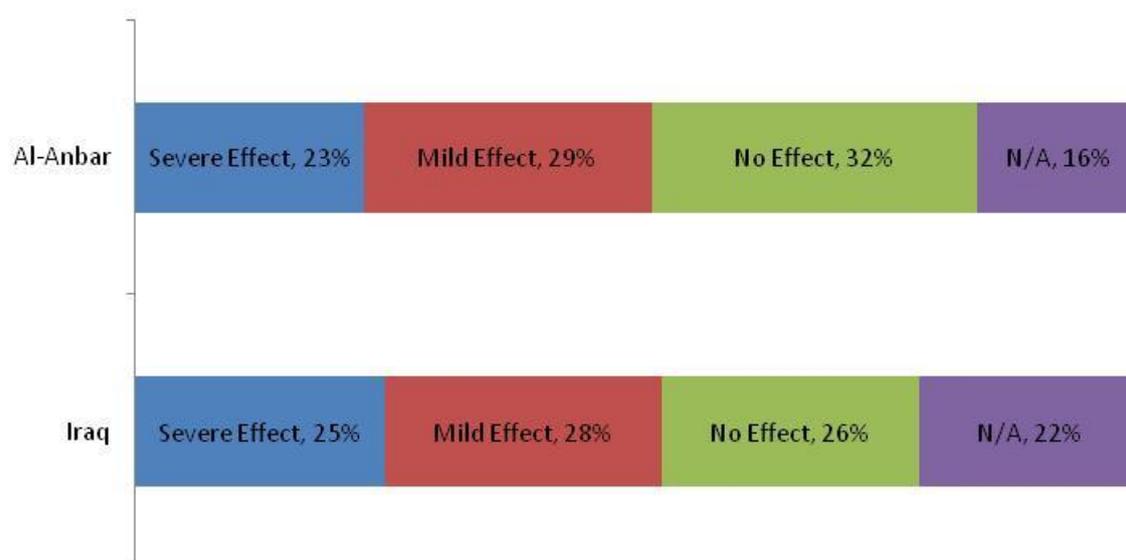
With the exception of technical labor, Anbar’s SME labor force closely aligns with SME labor composition in the rest of Iraq. Unskilled labor is the highest occupational category representing 50% of all SME labor. Excluding SME owners as an occupational category, technical labor is the second most significant category, representing 13% of SME employees. Figure 4-24 below highlights the labor composition within SMEs in Anbar as compared to the rest of Iraq.

**Figure 4-24: Labor Composition of SMEs in Anbar vs. Rest of Iraq**

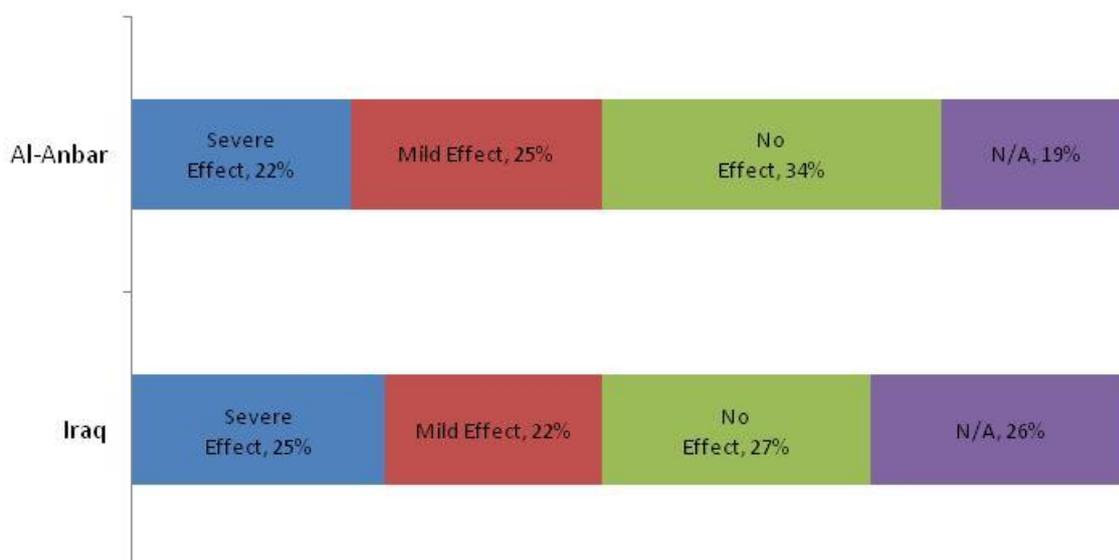


Given the higher than average proliferation of ‘technical oriented’ enterprises in Anbar such as light engineering, and mechanical repair shops, it’s not entirely clear why technical labor rates in Anbar are lower than in the rest of Iraq. However, it might be that enterprise owners are themselves the technical labor component in many of these enterprises. As indicated by Figure 4-25 below, Anbar SME owners are less affected by ‘lack of qualified technical labor’ compared to the other Iraqi peers, yet the applicability of technical labor is higher in Anbar by virtue of the ‘not applicable’ category responses; indication that SME owners are themselves the likely technical labor component. Figure 4-26, shows that responses to the ‘effects of inadequate vocational training’ yielded similar results, with Anbar SMEs reporting milder effects in response to ‘inadequate vocational training’, yet reporting higher applicability rates.

**Figure 4-25: Effects of Inadequate Vocational Training on Iraqi and Anbar SMEs**



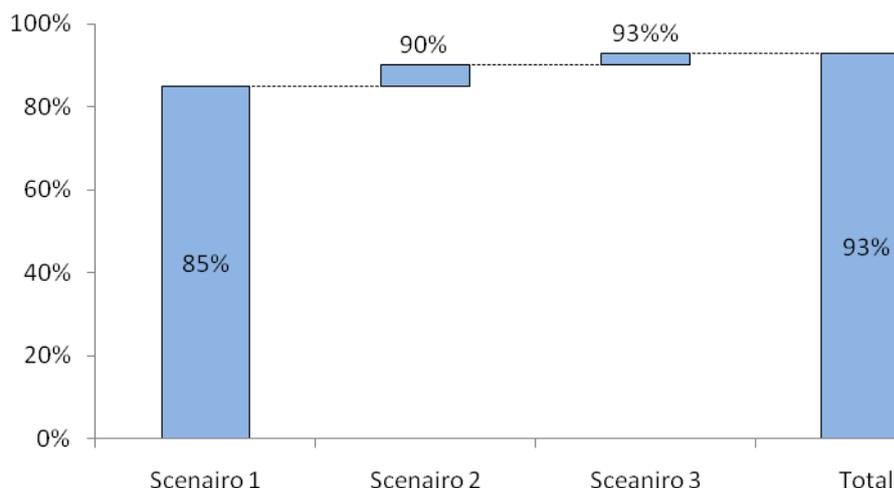
**Figure 4-26: Effects of Lack of Technical Training on Iraqi and Anbar SMEs**



#### 4.6.1 INFORMALITY OF LABOR

The overwhelming majority of SME labor in Anbar is informal. Three scenarios are graphically presented below in Figure 4-27. Under best case scenario conditions in which we assume only informal / unregistered firms employ informal labor, 85% of Anbar 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 almost 90%. In a third case scenario in which we consider 'unemployed family members' employed by registered to be also informal raises labor informality to 93%.

**Figure 4-27: Informality of the Labor Force in Anbar Under Three Different Scenarios**



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

- The majority of Anbar SMEs operate in the shadow economy. More than 88% 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 Anbar 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 ABOUT LABOR**

Table 4-7 below highlights employee concerns as ranked by Anbar enterprise owners and their peers in other Iraqi provinces. In the opinion of Anbar SMEs, labor market constraints are moderately less binding than in the rest of Iraq. When asked to rank their most deliberating constraints to growth, Anbar SMEs ranked labor related concerns second to last in a list of 11 input and output constraints. In another survey question, almost 22% of enterprise owners claim to have no labor related constraints at all.

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.

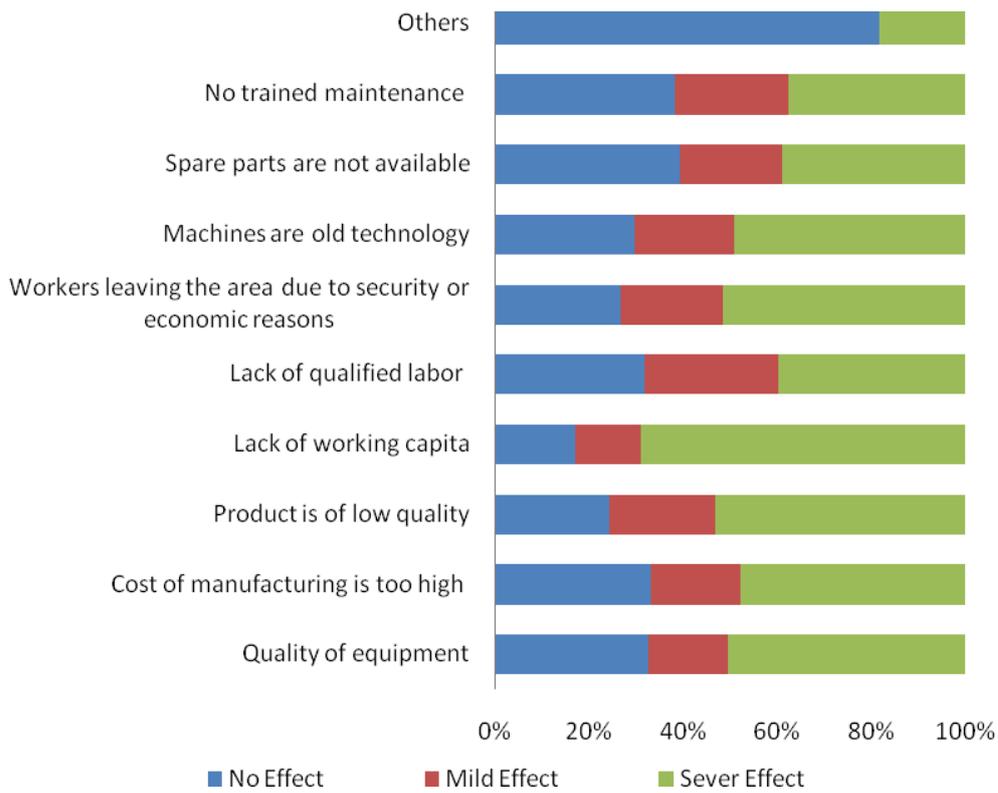
**Table 4-7: Concerns Related to Employment Issues for Anbar SMEs**

<b>Employee SME Constraints</b>	<b>Anbar Ranking</b>	<b>Iraq Ranking</b>
Compensation rates are not justified	1	1
Lack of Appropriate skill for the required tasks	2	2
Unable to find component supervisors	3	3
Cannot freely choose employees	4	7
Lack of workplace discipline	5	4
Social Security/Tax contributions	6	5
Cost of hiring is too high	7	6
Employee Absenteeism	8	9
Lack of motivation unrelated to job issues	9	8
cannot retain employees	10	10

## **4.7 PRODUCTION CONSTRAINTS**

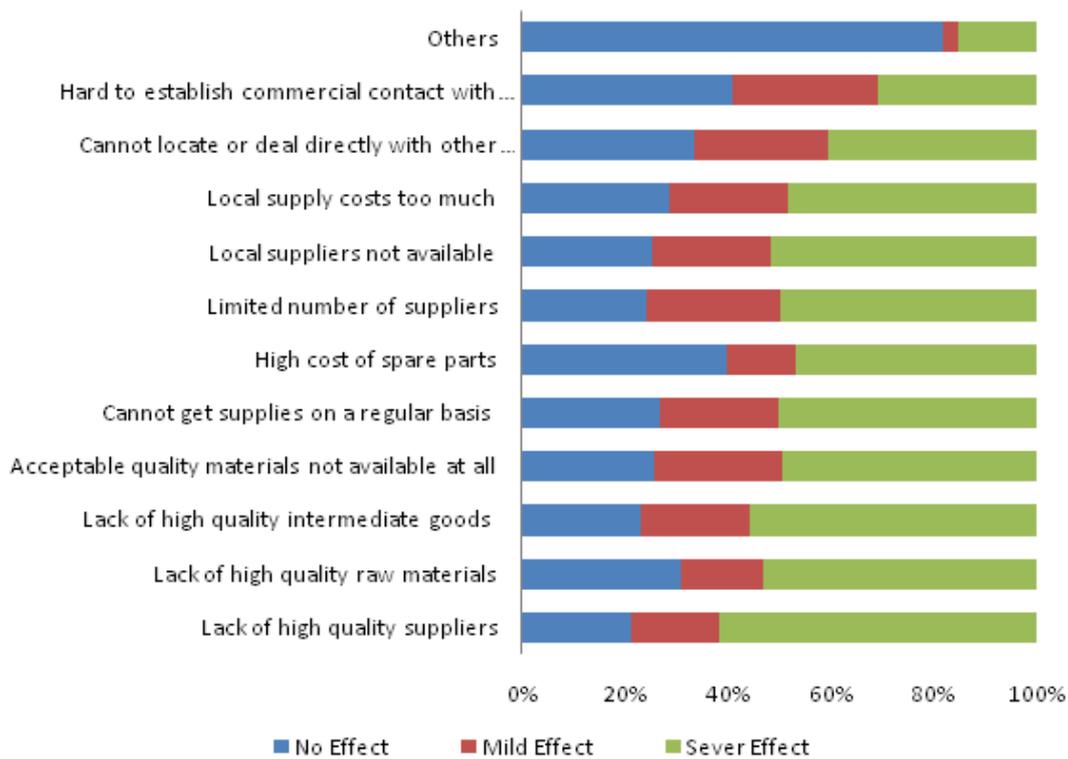
Production constraints on the input side largely pertain to supply. This is in addition to lack of working capital, equipment, supply quality issues, and labor shortages.

**Figure 4-28: Anbar SME Operational Constraints**



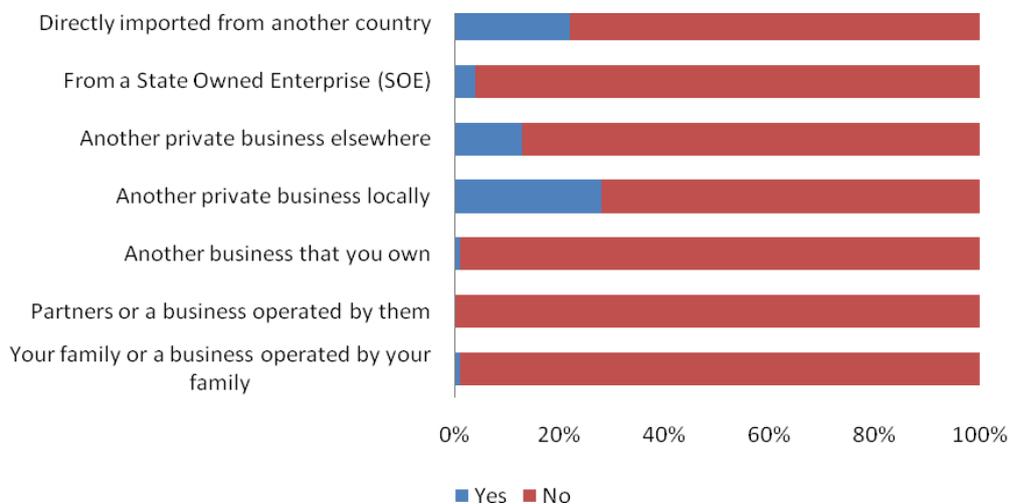
Supply constraints receive high ratings of effect on SME business across the board in Anbar, with the exception of ability to contact and touch base with suppliers. Cost issues, quality issues, and number of options are among the highest rated severely affecting constraints.

**Figure 4-29: Anbar SME Supplier Constraints**



Anbar SMEs obtain supplies from local sources at a rate that is nearly 30% higher than the average Iraqi SME in other provinces. Looking within the province, local supply is the highest source of raw materials followed closely by importing.

**Figure 4-30: Anbar SME Sources for Raw Materials**



# 5. ANBAR ENABLING ENVIRONMENT CONSTRAINTS

## 5.1 INTRODUCTION

Contained in this section is a discussion of the following:

- Discussion on Free Zones – Al-Qaim
- Informality (Regulatory Issues)
- Infrastructure Constraints
- Security Constraints

## 5.2 FREE ZONE – AL-QA’IM

Special economic zones are used around the world to spur economic growth. These geographical enclaves within a given economy, are typically designed to provide for a more business friendly environment than offered beyond their borders. Government or public sector sponsored, special economic zones attract investors (occupants) by virtue of fiscal and financial incentives, improved regulatory environment, and better overall infrastructure within the parameters of the economic zone.

It is well established that more often than not, enterprises operating within the realms of a special economic zone outperform their peers on the outside.<sup>5</sup> The same logic is used to argue that special economic zones can have a catalytic effect towards the development of SME occupants. Anbar is only one of four Iraqi governorates to house a special economic zone, in this case a free zone.

While the whole of Iraq can readily be considered a ‘free zone’ when it comes to relaxed import regulations, the opportunity to Anbar SMEs here is not so much exemption from national export and import duties, as much as it is the opportunity to operate in a privileged environment where regulations, infrastructure, market exposure, and access to business support services are more conducive to conducting business than the environment they currently operate in.

Anbar is the only Iraqi province to share borders with all of Jordan, Saudi Arabia, and Syria. On the Syrian – Iraqi border is the town of Al-Qa’im where Iraq’s first free zone is located. Although Iraqi free zone regulation goes back to 1998, it is only recently that talk of reviving Iraq’s free zone areas has started amidst efforts to attract investments and a measure of import policy reform.

The legal framework and significant infrastructure to serve free zone occupants is now in place. Adopting an aggressive strategy to encourage Anbar SMEs to relocate or establish presence in the Al-Qa’im free zone presents a valuable SME development opportunity in Anbar.

Regional experiences in Algeria, Egypt, Jordan, and UAE, highlight that special economic enclaves, including free zones can fast-track SME development by virtue of the fiscal, financial, regulatory, and infrastructure foundations in place within these zones. If indeed the

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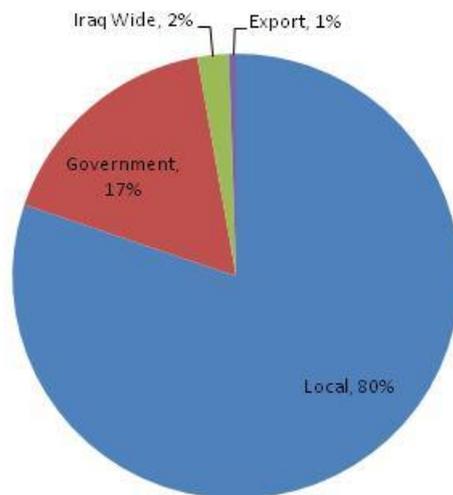
<sup>5</sup> Jayanthakumaran, K. (2003), “Benefit-Cost Appraisals of Export Processing Zones: A Survey of the Literature,” Development Policy Review

Al-Qa'im free zone enclave development plans are fulfilled, Anbar SMEs are strategically placed to leverage the free zone towards their development.

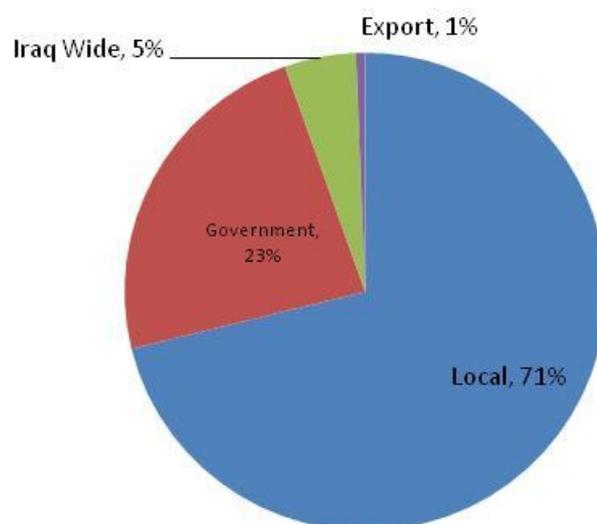
### 5.2.1 EXPORT PROMOTION

Similar to the rest of Iraq, less than 1% of SME output in Anbar is exported (see Figure 5-1 below). This is not at all surprising considering the recent economic past of Iraq and minimal investments in export capabilities on part of SMEs and Government of Iraq. In fact and as highlighted previously, the majority of SMEs are focused on trying to protect their domestic markets from the threats posed by cheap imports and heavily subsidized state owned enterprises.

**Figure 5-1: Geographical Distribution of SME Sales: Al-Anbar**



**Figure 5-2: Geographical Distribution of SME Sales: Iraq**



Notwithstanding the issues mentioned above, up to 14% of Anbar SMEs, claim they are strategizing to begin exporting or expand their businesses to foreign markets next year. Particular attention is due to these responses, because they are concentrated in Anbar's competitively advantaged sectors of date farming, commercial transportation, and trade

which are not only high growth sectors, but compared to other industry sub-sectors they show the most potential for export orientation. SMEs in Anbar strategizing to export next year are:

- More established than the rest of their peers in Al-Anbar by an average of eight months.
- Already export on average twice as much of their output than other firms.
- Likely to have more employees by an average of 0.7/employee than other SMEs.

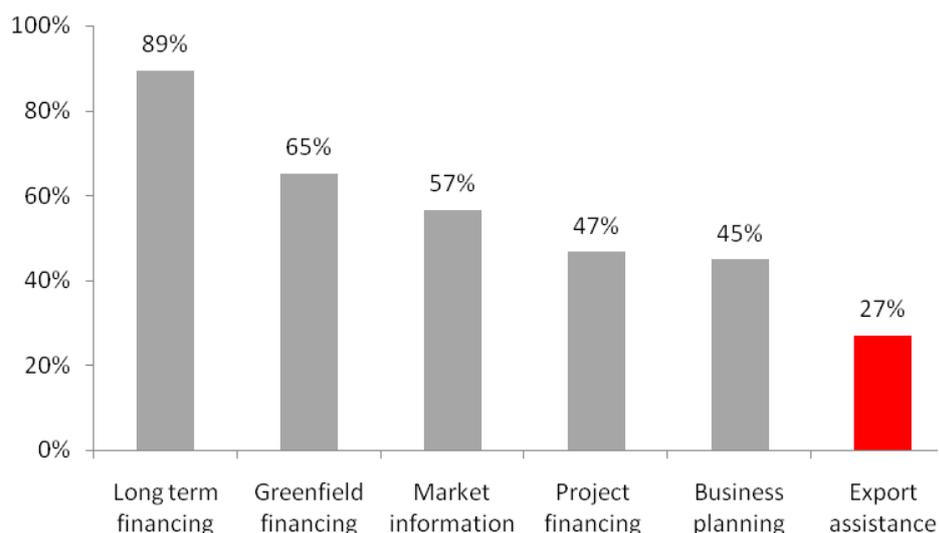
Understandably export competitiveness is not only a factor of regulatory environment, and functioning infrastructure, but it certainly helps. Survey results indicate for example that almost 40% of Anbar SMEs feel their business development capacity constrained by lack export promotion assistance, ranking it fourth among a list of twelve other constraints. Table 5-1 below highlights sales and business development constraints ranked by Anbar SMEs in order of severity and applicability to their business.

**Table 5-1: Constraints to Sales and Business Development**

Sales and Business Development Constraints	Anbar Rank	Iraq Rank
Declining popularity of the product	1	2
Lack of avenues for promotion and advertising	2	8
Not able to place products with some outlets	3	5
Business Associations do not provide enough assistance	4	3
Too many barriers to export	5	9
The cost of promotion and advertising is too high	6	7
Lack of information to access new markets	7	4
Government does not sufficiently support local production	8	1
Cannot operate outside of local area	9	6

**Export promotion services are in relatively high demand by SMEs from banks in the form of value added services, and from business membership organizations. The demand levels validate the export constraints highlighted above, and further strengthen the argument for prioritizing an aggressive SME export promotion strategy. Figure 5-3 and Table 5-2 below highlight SME demand for export services through banks and business membership organizations respectively.**

**Figure 5-3: Anbar SME Demand for Services Banks Can Provide**



**Table 5-2: Anbar SME Demand for BMO Services**

Business Association Service	Anbar		Iraq	
	Rank	Demand (%SMEs)	Rank	Demand (%SMEs)
Market research	1	63%	2	62%
Search for a potential investor	2	52%	4	46%
Loan application assistance	3	51%	1	59%
Banking financing assistance	4	51%	3	57%
Business planning	5	47%	6	42%
Enterprise restructuring	6	45%	5	42%
Recruitment services	7	33%	7	34%
Legal assistance	8	36%	8	36%
Accounting and bookkeeping	9	51%	9	26%
Seminars and exhibitions	10	29%	10	26%
Export assistance	11	21%	11	23%

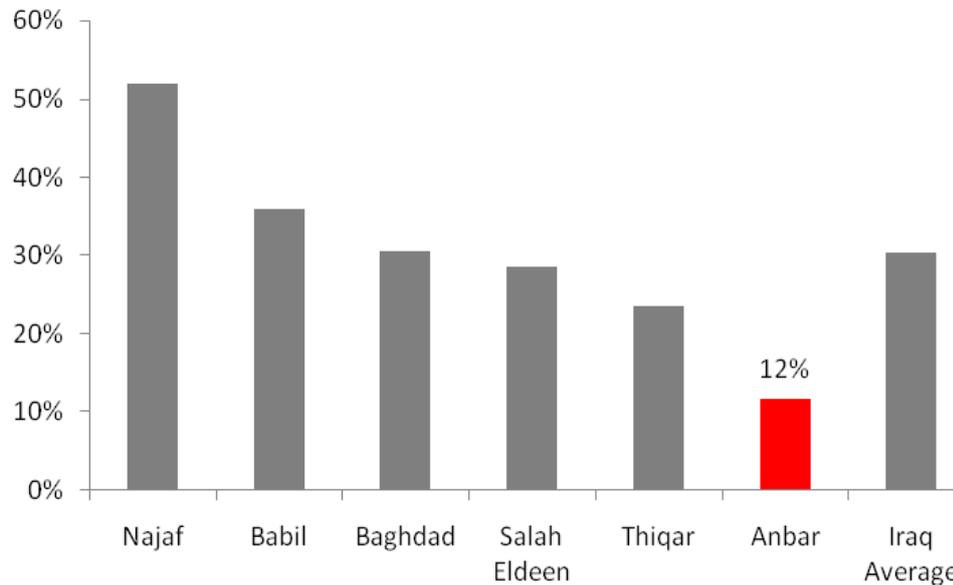
### 5.3 INFORMALITY

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

### 5.3.1 COMPANY REGISTRATION

In Anbar, less than 12% of enterprises claim to be registered with government agencies. This is by far one of the lowest business formality rates amongst all Iraqi provinces, and is less than half the average for Iraq overall which is currently in the 29-30% range.

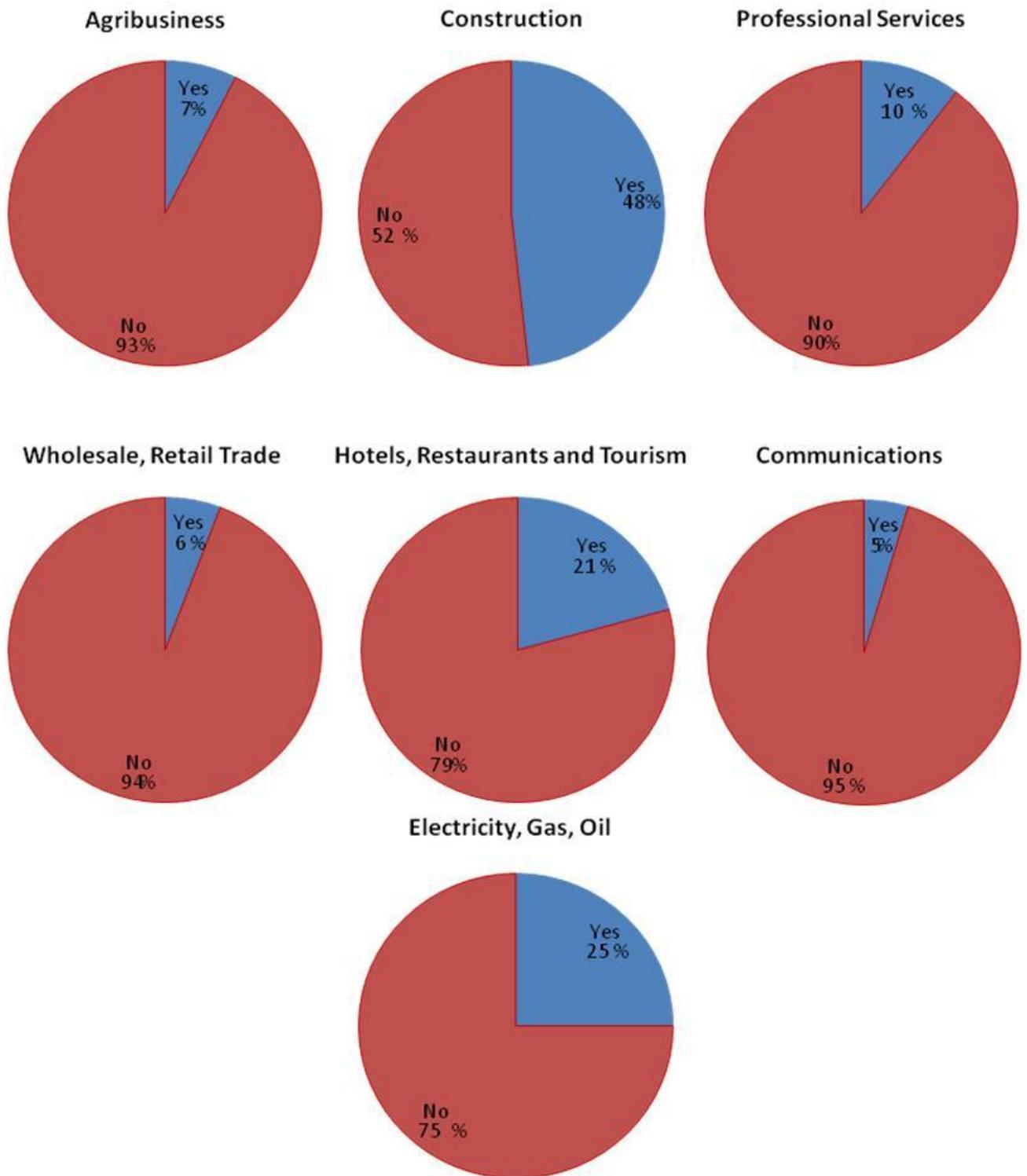
**Figure5-4: Company Registration According to Province and National Average**



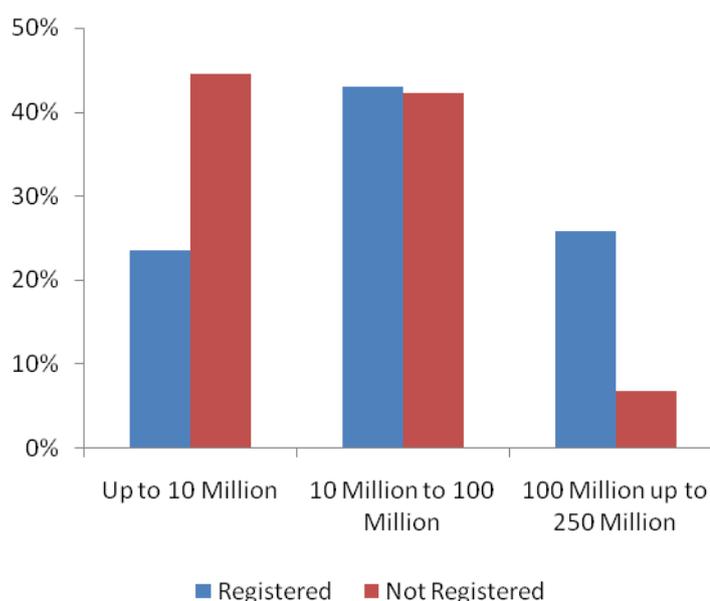
Construction industry enterprises, have the highest registration rate amongst Anbar businesses (48%). There are several reasons for this, i) the construction industry primarily services government customers which require SMEs to be registered before being awarded business (approximately 80% of non-retail construction output is for government and state owned enterprise clients), and ii) SMEs working in the extraction (sand and gravel) sub-sector of the construction industry need also maintain registration in order to secure concessionary and land rights.

Other industries with high registration rates include energy (25%), which is mostly comprised of fuel stations and private electricity generation. Petrol stations are older businesses much more likely to have registered before 2003, at a time when registration was heavily enforced. Fuel stations need also register to receive government rationed petrol and fuel products. Figure 5-5 below highlights survey industries and respective registration rates.

Figure 5-5: Registration Rates by SME Industry



Many Iraqi SMEs appear oblivious to the fact that informality comes at a high cost to them and to their enterprises. Hesitant to invest in fixed assets to avoid asset-seizure risks or attracting the attention of authorities, informal SMEs in Anbar appear to have smaller asset bases than their formal peers. Table 5-4 below indicates that the concentration of informal enterprises is more in the asset base category of IRD 10 million to IRD 100 million, formal enterprises dramatically outdo shadow economy companies in all higher asset base categories.



**Table 5-3: Registered and Informal Averages According to Traits**

Traits	Registered Firms Mean	Unregistered Firms Mean
Age of business/ Years	2.37	1.87
Number of Employees	8.39	5.24
Number of Partners	2.04	1.91
Number of Managers	0.75	0.4
Number of Owners	1.36	1.14
Number of Technical Specialist	1.49	0.68
% of Assets Base - Receivables	21.81	19.46
% Assets Base - Machinery and Equipment	13.59	11.7

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

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

Another example of how informality appears to undermine the competitiveness of registered firms by manipulating input dynamics is presented by a restaurant owner from Babil explains “... I am the only restaurant on this street that has to pay commercial rates for electricity, because I’m registered as a commercial enterprise with Al-Watiniya [National Grid], everyone else [other restaurants] pays residential rates. Of course that affects my costs”<sup>6</sup>

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

The notation of ‘heartache’ associated with registration is particularly strong in Al-Anbar. The single most cited reason for non-registration is “the registration process is too bureaucratic/ complicated/ difficult”. In fact, so overwhelming in numbers was this particular response that the research team decided to reevaluate responses by calling surveys participants to determine that there was no particular bias or issue we may not be aware off.

Other cited reasons by order of frequency include “no relevant authority to register my business with”, “my project is too small to register”, “I don’t have the time”, “I don’t know how”, “I don’t want to deal with the government”, “because of taxes”, “my project is not important to the government”. Interviews and focus group discussions eluded to similar reasoning. Table 5-4 below highlights reasoning as to why Anbar SMEs are not registering with the relevant government authorities, and an approximate percentage of frequency count:

**Table 5-4: Reasons Cited by SMEs for not Formalizing**

Reasons	% Frequency
The process if difficult/ cumbersome/bureaucratic	34%
The security situation does not allow me to register	18%
No relevant authority with which to register my business	13%
My business does not need to register	11%
I don’t want to register	8%
I don’t know how to register	5%
Other	5%
Tax authority will come after me	4%
I refuse to answer	2%

<sup>6</sup> Companies are charged a higher rate for electricity than residences are in Iraq. Because of this business’ formality, the owner is penalized by having to pay fees that other businesses are not subject to because they are not registered and therefore not held accountable to the standards that companies are especially with regard to fees.

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

**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 Middle East and North Africa region, 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 or not its all the same, or at worst lack of registration is more beneficial has created a sense of apathy towards formalization by some business owners.

### 5.3.2 REGULATORY ISSUES

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

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

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

	General	Detailed Description	Frequency
1	Government Imposed Taxes and Fees	Revoking the tax laws which were previously imposed under normal working conditions.	Mentioned 11 times
2	Industry Subsidies and Government Quality Control	Ministry of Trade, Transportation or Agriculture (or other relevant GOI entity) purchasing products, importing them, and then distributing them to companies at reduced/subsidized cost.	Mentioned 7 times
3	Trade and Manufacturing Protection	Levy taxes on imported products/goods in order to protect the local product.	Mentioned 6 times
4	Streamlining Bureaucratic Procedures	Amending the law of companies registration to cut down registration fees and limit routine procedures, as well as cut out as much unnecessary routine in the conduct of daily business as possible to reduce bureaucracy and opportunities for graft	Mentioned 5 times
5	Industry Specific Quality Control	Establishing a society or guild with bylaws and codes regulating subsector businesses and production quality as well as fair and best practices.	Mentioned 3 times
6	Labor Benefits	Enact a law for establishing health and retirement insurance for workers	Mentioned 2 times

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

**Table 5-6: Transportation Suggestions for Legal Reform**

	General	Detailed Description	Frequency
1	Streamlining Bureaucratic Procedures	Decreasing the routine and bureaucracy at borders that results in delays up to several days and weeks	Mentioned 3 times
2	Government Quality Control	Enact laws that fight corruption at border and customs posts by establishing observers and committees to provide oversight	Mentioned 3 times
3	Government Imposed Taxes and Fees	Revoking tariffs for entry and exit of transportation vehicles across borders	Mentioned 3 times
4	Streamlining Bureaucratic Procedures	Establishment of free zones	Mentioned 2 times
5	Industry Subsidies	Provision of subsidies for fuel rationing or discounted fuel	Mentioned 1

	and Government Quality Control	purchased for transportation companies	times
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**Table 5-7: Light Manufacturing Suggestions for Legal Reform**

	General	Detailed Description	Frequency
1	Access to Finance	Reopening agricultural banks to lend to farmers free of interest.	Mentioned 1 time
2	Industry Subsidies and Government Quality Control	Restore the Industrial Development Department to take advantage of their services in obtaining original raw materials from known international sources with competitive prices.	Mentioned 1 time
3	Government Imposed Taxes and Fees	Revoke taxes and duties on imported and locally produced raw materials	Mentioned 1 time

**Table 5-8: Construction Suggestions for Legal Reform**

	General	Detailed Description	Frequency
2	Industry Specific Quality Control	Establishing quality control regulations that will set industry standards.	Mentioned 3 times
3	Industry Subsidies	Providing fuel to construction companies at subsidized rates	Mentioned 2 times
4	Public Services	Introducing entities that provide services, instead of municipal entities – filling in the gaps where government provided services are not adequate to meet needs	Mentioned 2 times
5	Access to Finance	Amending regulations related to loans and their interest rates as well as providing easy loans	Mentioned 2 times
6	Public Integrity	Form committees for following up contracting procedures and contracting awards	Mentioned 2 times

**Table 5-9: Agriculture Suggestions for Legal Reform**

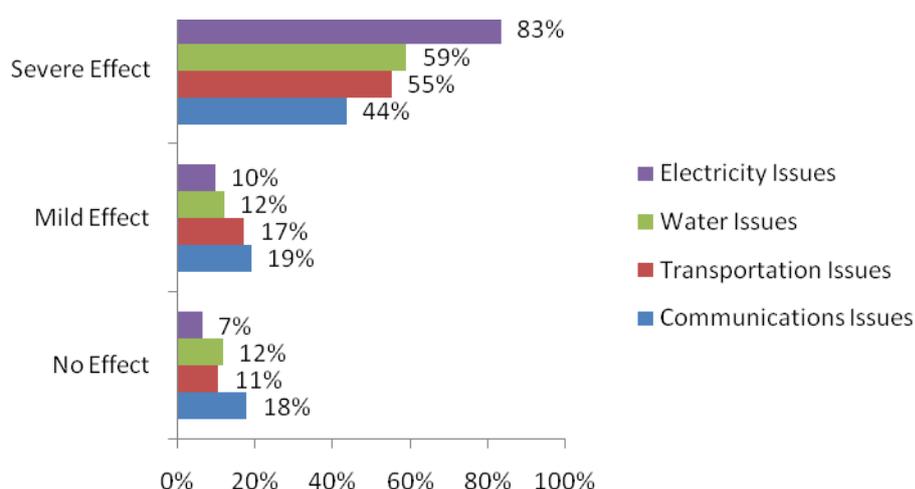
	General	Detailed Description	Frequency
1	Access to Finance	Reopening agricultural banks to lend to farmers free of interest.	Mentioned 1 time
2	Import Restrictions	The Ministry of Agriculture should provide seeds and fertilizers to facilitate the farmers' work and increase production.	Mentioned 1 time
3	Import Restrictions	Increasing the number of warehouses and silos specializing in storing wheat.	Mentioned 1 time
4	Marketing Restrictions	Giving the responsibility of marketing and distributing products to the government.	Mentioned 1 time
5	Industry Subsidies	Providing electric power lines at special discounts for field	Mentioned 1

	General	Detailed Description	Frequency
		owners.	time
6	Access to Finance	Providing lending facilities guaranteed by the production of the field.	Mentioned 1 time
7	Import Restrictions	Licensing field owners to import raw materials.	Mentioned 1 time
8	Industry Subsidies	Canceling water fees.	Mentioned 1 time

## 5.4 INFRASTRUCTURE CONSTRAINTS

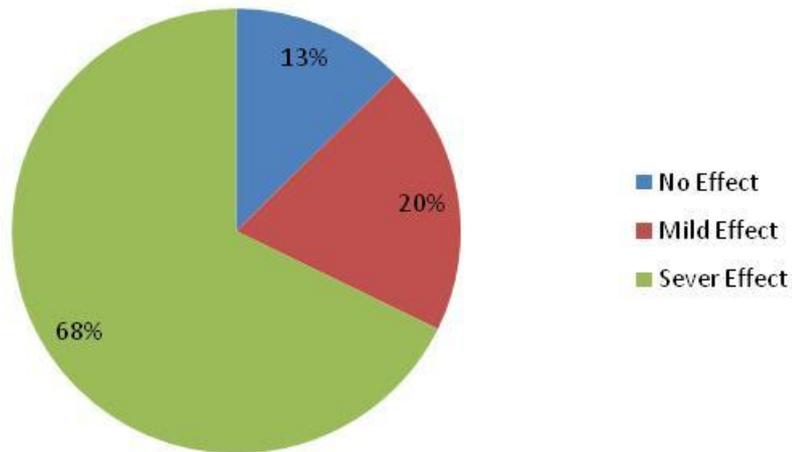
While the issues surrounding infrastructure in Iraq are constantly repeated to the point of boring development audiences and politicians alike, the importance of these issues as constraints cannot be ignored in this report. Although they are not going to be described here in vast detail as all are already familiar with them, they must be mentioned and highlighted yet again for the reason that particularly electricity, as a main pillar of infrastructure, has been cited by SMEs surveyed in Iraq as the number one constraint that they face in the enabling environment.

**Figure 5-6: Comparison of Aggregate Effect of Main Infrastructure Issues on SMEs in Anbar**

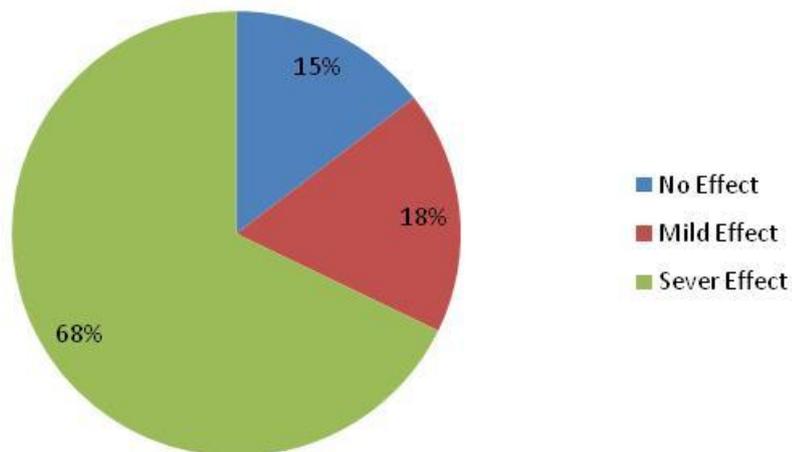


The above chart demonstrates the issues regarding infrastructure that most severely impact SMEs in Anbar. As is depicted, the impact of electricity shortages, rates, availability, etc is much greater than other issues, although for every area, over 40% of all businesses are severely affected. The figures in the chart above represent the means of the frequencies of the different areas of infrastructure impact in the questionnaire.

**Figure 5-7: Effect of Infrastructure Issues on SMEs: Other Iraq**



**Figure 5-8: Effect of Infrastructure Issues on SMEs: Anbar**



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 same amount of businesses in Anbar are severely impacted by the same issues that businesses in Iraq in general are, and within a 2% 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 Anbar**

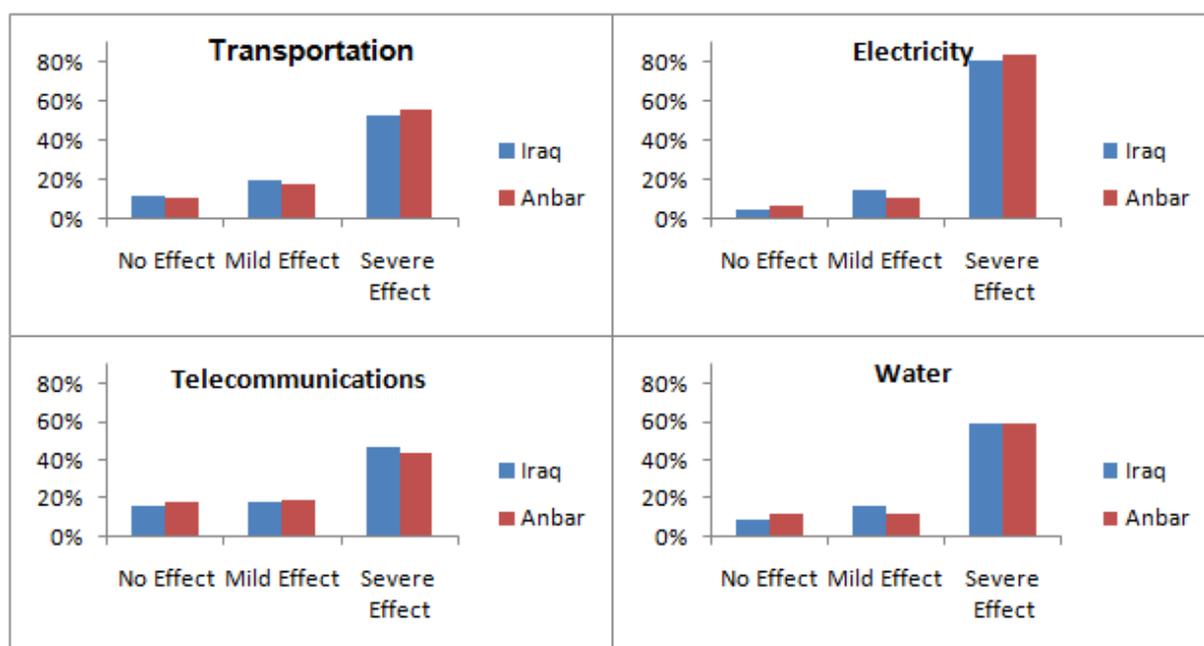
Sector	Issue	Rating <sup>7</sup>	Anbar Rank	Iraq Rank
Electricity	Unreliable supply	2.77124183	1	1
Electricity	Phase supply not available	2.710560626	2	3
Electricity	High rates	2.653194263	3	2
Transportation	High rates	2.641361257	4	4
Electricity	Poor service quality	2.528720627	5	5
Electricity	Corrupt utilities	2.450391645	6	7
Transportation	Poor availability	2.425587467	7	9
Electricity	High cost of backup power	2.420157068	8	8
Telecom	Inadequate cell phone coverage	2.402088773	9	6
Telecom	High rates	2.20130719	10	10
Water	Water quality is poor	2.167320261	11	12
Water	Water supply is intermittent	2.167101828	12	11
Telecom	Poor wire line service	2.12992126	13	16
Telecom	Land line telephone service does not exist or is inadequate	2.104438642	14	13
Transportation	Cannot send products to certain areas	2.081151832	15	15
Transportation	Cannot obtain supplies from certain areas	1.988219895	16	14
Transportation	Lack of storage facilities	1.880263158	17	17

The infrastructure issues that affect businesses in Anbar are broken out in the table above and ranked according to degree of importance of “weighted effect.” The top three issues as well as six of the top ten issues that businesses face deal with electricity. Transportation seems to be of second highest importance, followed by telecom issues. Water concerns are not even once mentioned in the top ten issues.

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<sup>7</sup> 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.

**Figure 5-9: Comparison of Infrastructure Issues' Effect in Anbar and Iraq**

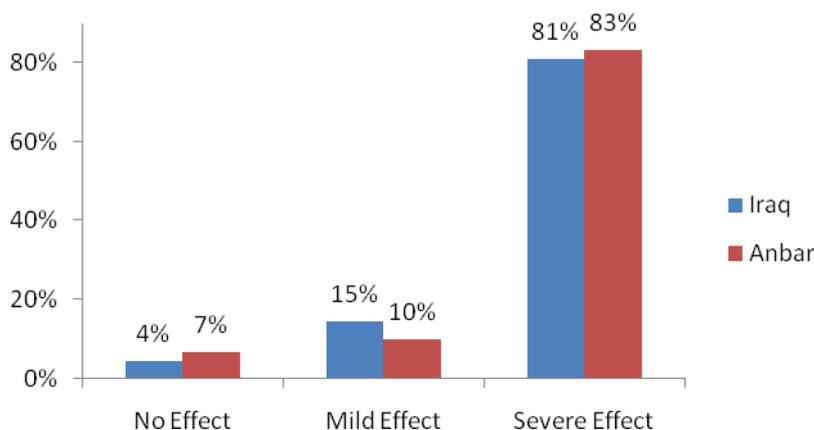


Provided here is a brief description of infrastructure constraints that have been cited by surveyed SMEs in Anbar in the form of electricity, water, transportation, and communication issues. The chart above demonstrates the importance of these four factors and their severe effect on SME operations in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

### 5.4.1 ELECTRICITY

The affect of unreliable electricity supply in Anbar is more severe than the rest of Iraq. This is across the board in areas of unreliable supply, high rates, high cost of backup power, corrupt utilities, phase supply not available, and poor service quality. The below graph provides a comparison of Anbar with the rest of Iraq. 83% of businesses claim that they are severely impacted by electricity issues.

**Figure 5-10: Effect of Electricity Issues on Businesses - Iraq and Anbar Comparison**



Though the severity of energy issues as well as infrastructure issues in general equals that of the rest of Iraq, energy shortages rank 3<sup>rd</sup> on the list of all constraints affecting SMEs in Anbar. They rank first on the aggregate list of all constraints that affect Iraq SMEs in general.

in Iraq. This is due to the fact that Anbar SMEs are much more highly affected by security concerns and access to financing than other Iraqi SMEs.

**Table 5-11: Ranking of Concerns that Hinder Business Growth in Anbar and in Iraq**

Hinderance	Anbar Rating <sup>8</sup>	Anbar Rank	Iraq Rank
Security	2.865572	1	3
Raise finance for growth	2.261306	2	2
Energy Shortages	2.238828	3	1
Cash flow	1.923532	4	4
Economic environment	1.775877	5	5
Keep up with new technology	0.833932	6	8
High competition	0.764887	7	6
Access to business opportunities	0.764537	8	7
Access to market intelligence/ information	0.75564	9	10
Employee skill limitations	0.640574	10	9
Governmental regulations	0.162162	11	11

Of the fifteen focus groups that were conducted in Anbar, electricity issues were the most commonly mentioned infrastructure issue. 13 out of 15 focus groups reported mentioning of electricity shortages as a main problem the participants face. Construction companies, car service companies, and agribusinesses companies all specifically cited electricity is one of their main constraining issues.

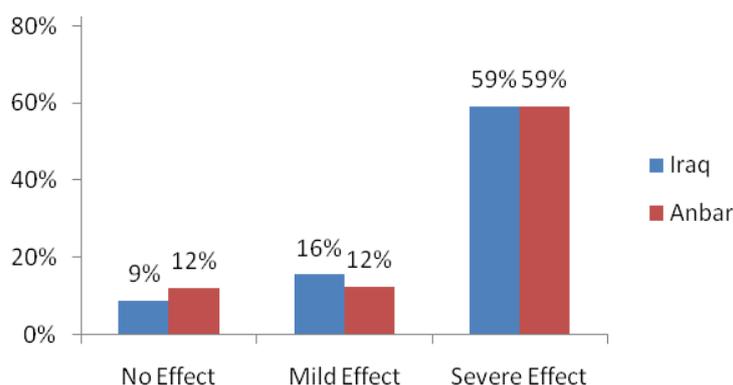
#### 5.4.2 WATER

Water issues are the second most important infrastructure concern behind electricity that affects SMEs. The overall impact of this issue is more or less equal to the impact of this issue on SMEs in the rest of Iraq.

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

**Figure5-11: Effect of Water Issues on Businesses - Iraq and Anbar Comparison**

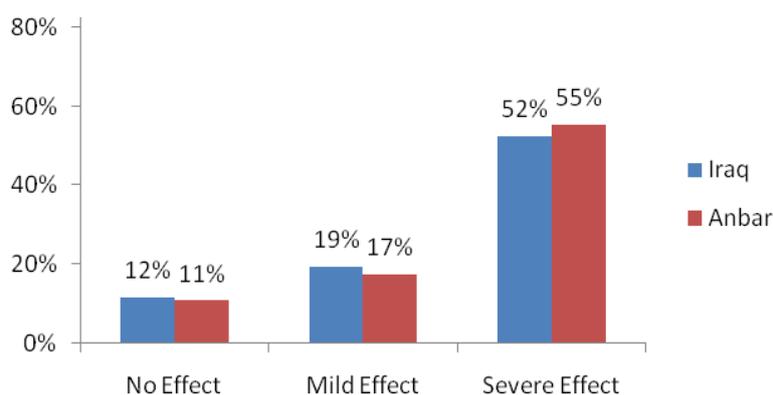


More than half (59%) of SMEs in Anbar state that lack of water availability and quality severely impacts their business. An additional 12% cite that they are mildly impacted, for a total of approximately 70% of all SMEs feeling the effects of water issues.

### 5.4.3 TRANSPORTATION

Transportation is the third severely impacting of all infrastructure issues. A total of 55% of SMEs are severely impacted by transportation deficiencies, while 17% are mildly impacted. The total percentage of SMEs impacted by inadequate transportation availability is 72%. This total is almost identical to the percentage of impacted SMEs on the national scale, however the percentage ratio of severely impacted SMEs to mildly impacted SMEs is slightly less.

**Figure 5-12: Effect of Transportation Issues on Businesses - Iraq and Anbar Comparison**



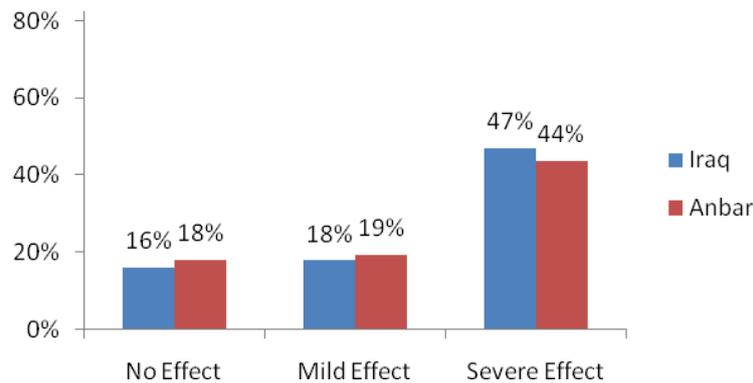
Transportation issues were mentioned by most focus group participants, particularly construction companies as well as agribusinesses, as major hinderances to work. Among specific issues cited were increase in transportation costs, unavailability of the modes of transport and vehicles needed, as well as closed and blocked roads.

### 5.4.4 COMMUNICATION

Communication inadequacies are cited as the least most severely impacting of all infrastructure issues, but still remaining fairly high. 44% of all SMEs say that they are severely impacted by communications issues. This is only 3 percentage points below the other SMEs in Iraq. A significant number of SME owners have become more dependent

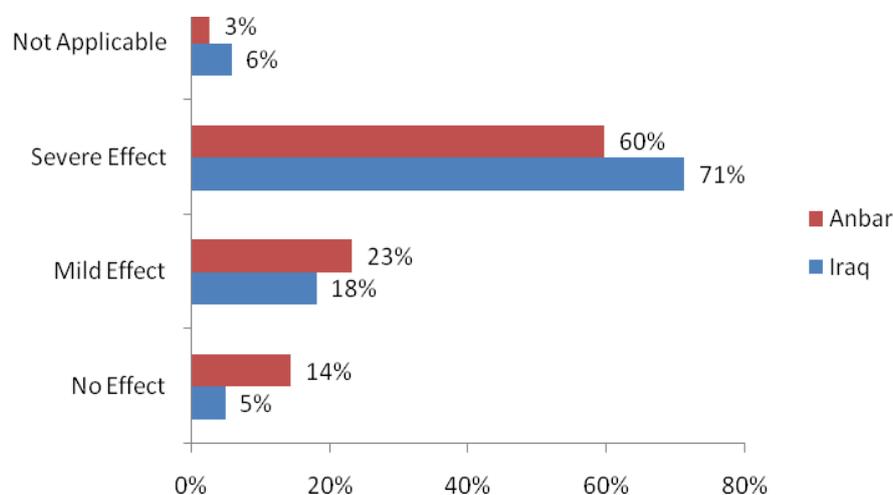
upon cell phone provision and therefore are not so affected by other forms of telecommunication infrastructure.

**Figure 5-13: Effect of Communication Issues on Businesses - Iraq and Anbar Comparison**



Cell phone service inadequacies and their affect on SMEs are perhaps the greatest concern of all communications issues. A much greater percentage of Anbar SMEs are affected by Cell Phone Coverage issues in particular.

**Figure 5-14: Effect of Inadequate Cell Phone Coverage on Anbar SMEs**



## 5.5 SECURITY CONSTRAINTS

Security is the most important issue in Anbar when it comes to constraints. It is ranked as the number one hinderance that businesses have that keeps them from growing. Concerns for security in Anbar are greater than they are in other provinces in Iraq.

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

**Table 5-12: Ranking of Concerns that Hinder Business Growth in Anbar and in Iraq**

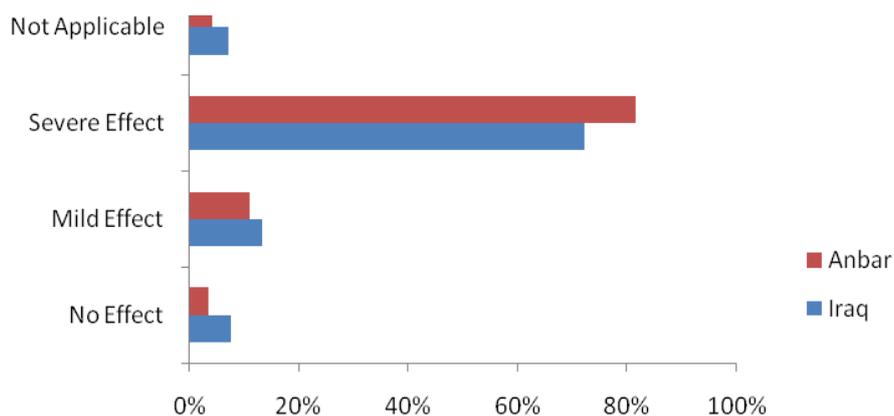
Hinderance	Anbar Rating <sup>9</sup>	Anbar Rank	Iraq Rank
Security	2.865572	1	3
Raise finance for growth	2.261306	2	2
Energy Shortages	2.238828	3	1
Cash flow	1.923532	4	4
Economic environment	1.775877	5	5
Keep up with new technology	0.833932	6	8
High competition	0.764887	7	6
Access to business opportunities	0.764537	8	7
Access to market intelligence/ information	0.75564	9	10
Employee skill limitations	0.640574	10	9
Governmental regulations	0.162162	11	11

Over 80% of Anbar SMEs report that they are severely affected by security issues, with an additional 11% mildly affected, bringing the total percentage of affected SMEs up to over 90% (see Figure 5-15 and Figure 5-16 below). The two charts below give a good picture of the effect of security on Anbar SMEs versus other Iraqi SMEs.

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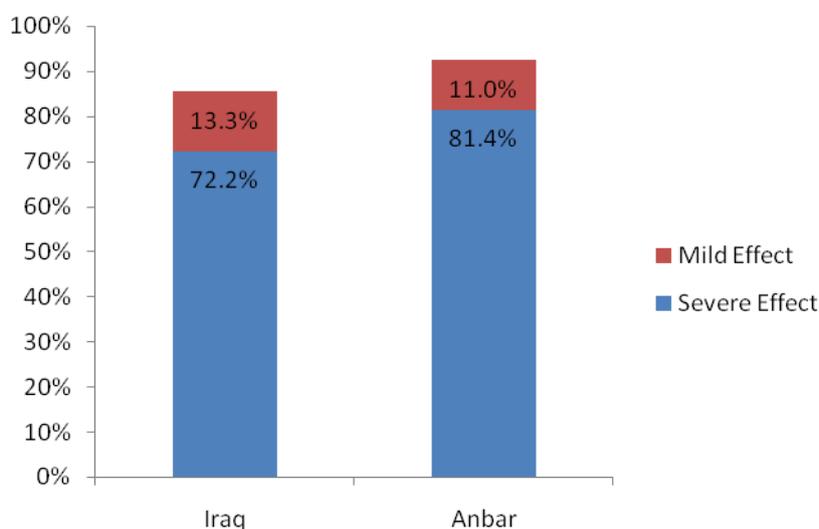
<sup>9</sup> Rating is generated by weighting the frequency of responses for ranking of 1 with a weight of 5, ranking of 2 with a weight of 4, ranking of 3 with a weight of 3, ranking of 4 with a weight of 2, and ranking of 5 with a weight of 1. The weighted frequencies for each ranked response were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

**Figure 5-15: Effect of Security in SMEs - Iraq Aggregate and Anbar Comparison**



	No Effect	Mild Effect	Severe Effect	Not Applicable
Anbar	3.5%	11.0%	81.4%	4.1%
Iraq	7.5%	13.3%	72.2%	7.0%

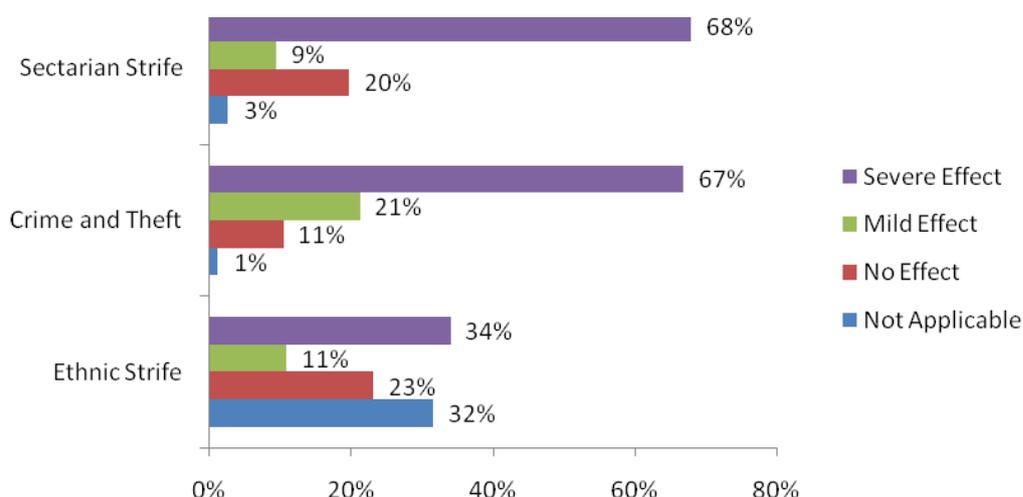
**Figure 5-16: Effect of Security Concerns on SMEs - Iraq and Anbar Comparison**



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.

Beginning with the latter, more than two thirds of all Anbar SMEs indicated that they are severely impacted by sectarian strife and crime and theft.

**Figure 5-17: Effect of Security Related Issues on SMEs in Anbar**

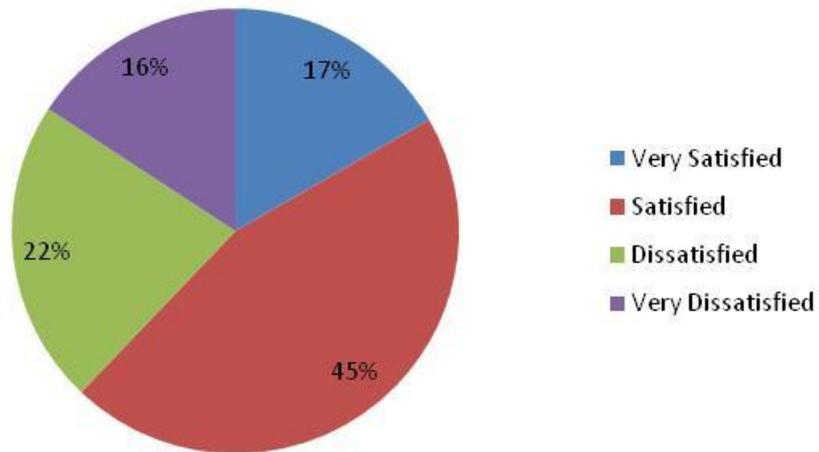


On the transportation front, construction companies in particular cited in the FG discussions that road closures and concrete barriers create constant delays in work. Transporters themselves are very much affected by the security situation, afraid for their lives and unsure whether they will be attacked, robbed, or killed each time they make a delivery or anywhere in between. Of three transport company FGs, this was repeated all three times. Moreover, transport companies are not able to open up representative offices in other parts of the country like Basra due to sectarian strife and differences in ethnicity. Therefore transport companies are limited in their customer base and thus are forced to charge higher prices.

With regards to labor, agribusinesses are most heavily affected by lack of skilled and unskilled laborers that are able to report to the location of work at an affordable rate. This is in large part due to security concerns.

All of this said, Anbar businesses and Iraqi business as a whole are not looking to the government for security improvements. Citizens of Anbar are fairly forgiving of the Iraqi Government, with only 38% out of all SMEs surveyed indicating that they are dissatisfied (22% dissatisfied, 16% very dissatisfied) with the government's ability to guarantee security. Strangely, 45% are satisfied and even 17% are *very* satisfied with what the government is doing in Anbar 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 5-18: Anbar SME Satisfaction with Government Provision of Security**



## 6. ANBAR IN FOCUS – HORTICULTURE, TRANSPORTATION, AND AUTO SERVICES

### 6.1 INTRODUCTION

Three main areas representing the highest concentration of SME business presence in Anbar are agriculture, construction, and light manufacturing companies. Together, they represent 183 of the 772 "clean" interviews (24%) and the vast preponderance of the FG discussants. The research team examined each interview with the goal of comparing answers of the representatives from the constituent firms with those of Anbar businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Anbar.

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

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

Firm Level	Subsector Level	Sector Level
Horticulture	Agriculture	Agribusiness
Auto Services	Professional Services	Professional Services
Commercial Transportation	Commercial Transportation	Transportation

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

### 6.2 CLOSER LOOK AT HORTICULTURE [85 INTERVIEWS]

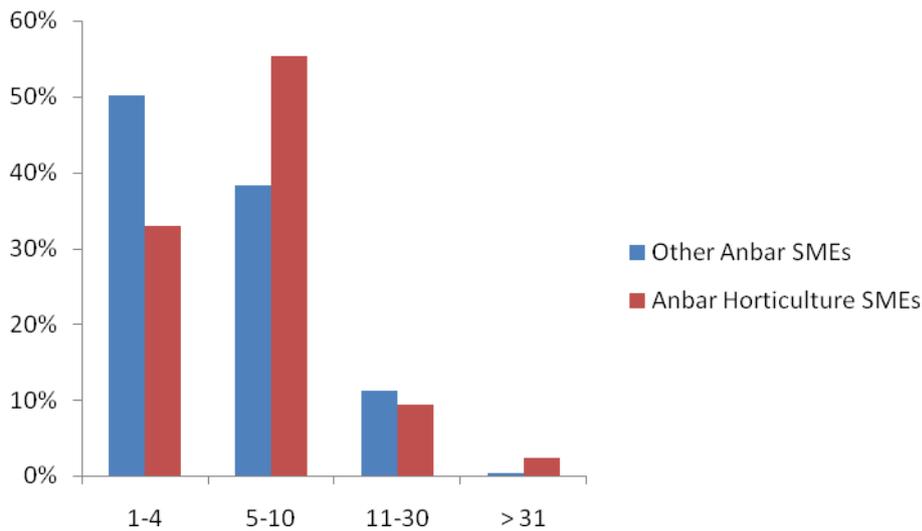
Horticulture SMEs in Anbar are owned by people in general a bit younger than other SMEs in the province. Their education level is lower than other SMEs, which would be expected, but still over 60% of horticulture SME owners have at least a secondary education, which is very high. Most of the firms are older, the majority being 6 years old and older, which is different from other SMEs, where the majority is between 1 and 5 years old.

21% of the horticulture companies surveyed were date farms, the remaining 79% are citrus fruits and vegetable farming operations.

#### 6.2.1 EMPLOYEES AND CUSTOMERS

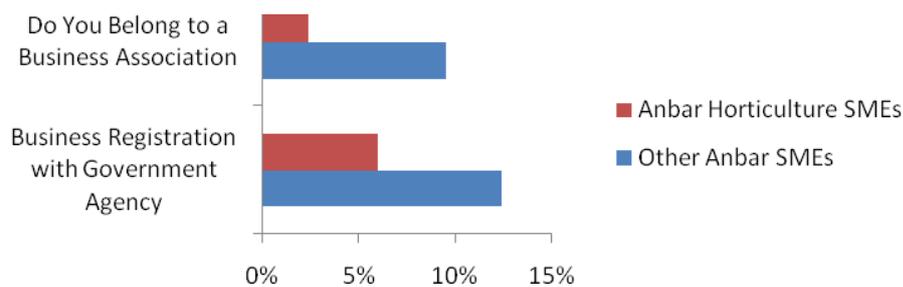
Anbar horticulture SMEs employ a greater number of employees, skilled and unskilled, than other Anbar SMEs. The average number of employees for a horticulture company in Anbar is 6.6, while other SMEs in Anbar employ an average of 4.7.

**Figure 6-1: Number of Employees – Anbar Horticulture vs. Other SMEs**



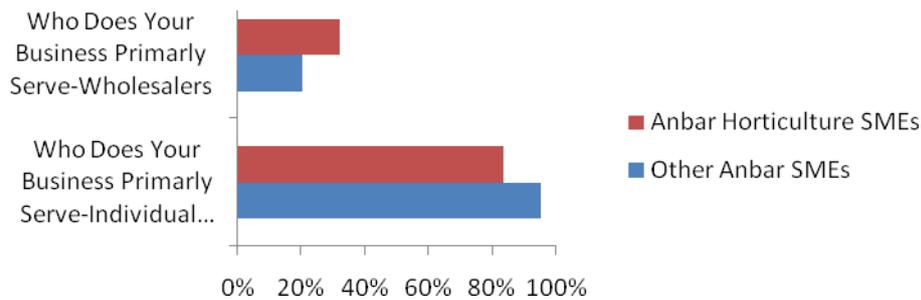
As would be expected, horticulture SMEs are more family owned, about 16% more than other Anbar SMEs. A great deal more of horticulture SMEs own their own business premises, almost 70%. This compared to the rest of Anbar SMEs as well, they are more informal, which is different from trends that have been seen in Babil for other kinds of agribusiness, for example, with regards to wheat and barley farmers, who are significantly more formal than other SMEs in their province. A percentage of half as many are registered with the government, and one third as many belong to BMOs.

**Figure 6-2: Formality Indicators for Anbar Horticulture and Other SMEs**



Most Anbar horticulture companies deal with individual customers or wholesalers, less individual customers than the norm and more wholesalers than the norm.

**Figure 6-3: Primary Customers for Horticulture vs. Other Anbar SMEs**



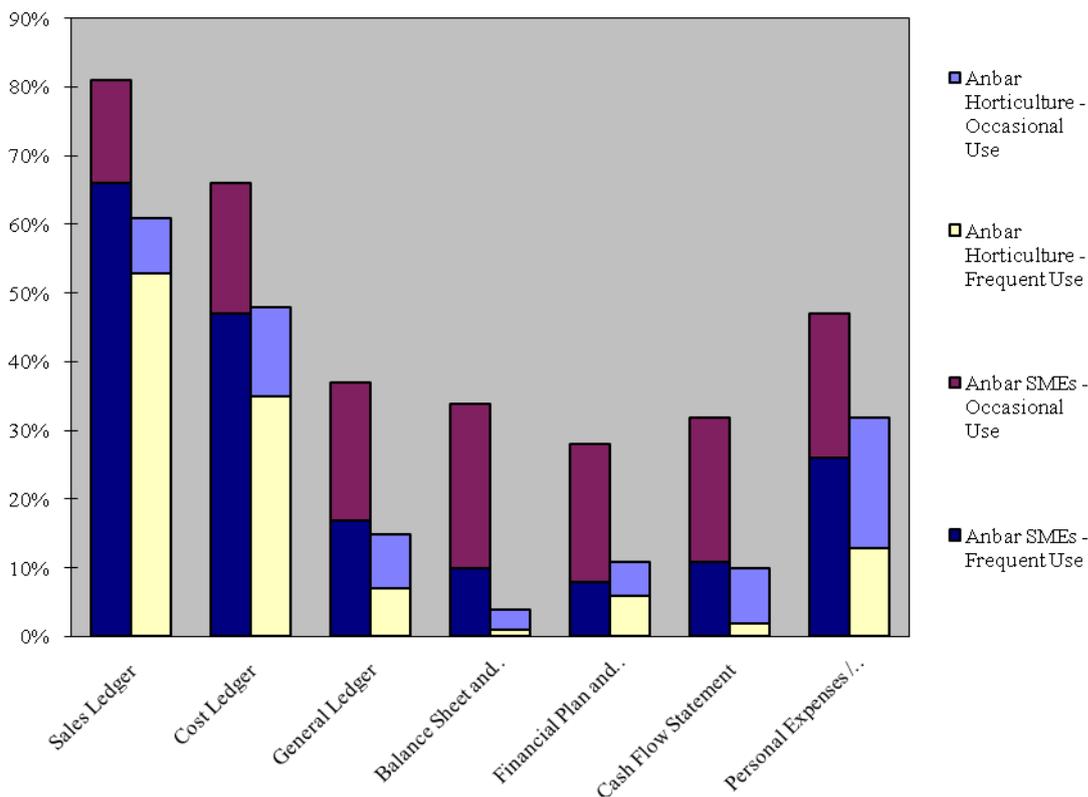
Anbar horticulture SMEs are in general across the board less sophisticated and less inclined to reach out for services that a financial institution or BMO would provide. None of them use computers and their usage of cell phones is less than other SMEs. They do own or lease on average one vehicle, however, which is a little higher than the Anbar norm.

On sources of concern regarding employees, 42% indicated they had no issues. This is a great deal different from other Anbar SMEs, only 17% of which have no issues. For those that do have issues, the kinds of issues are similar, with employee skill sets being appropriate for the task they have being of greatest concern.

### 6.2.2 ACCOUNTING AND BANKS

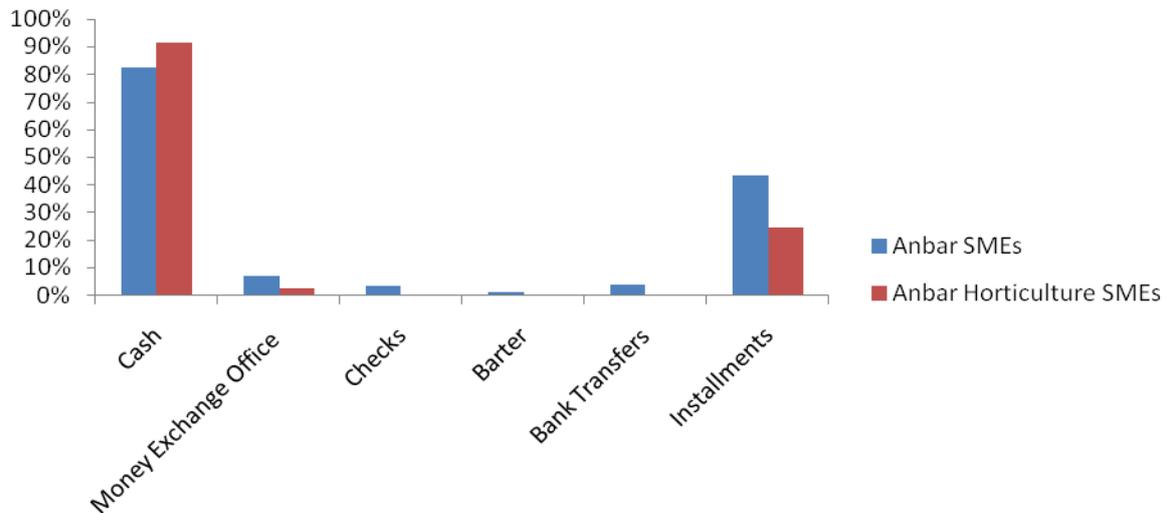
Horticulture SMEs are a great deal less utilizing of accounting services and tools that are the most basic of instruments required to run a business, as demonstrated in Figure 6-4.

**Figure 6-4: Use of Ledgers – Anbar Horticulture Firms and Other Anbar SMEs**



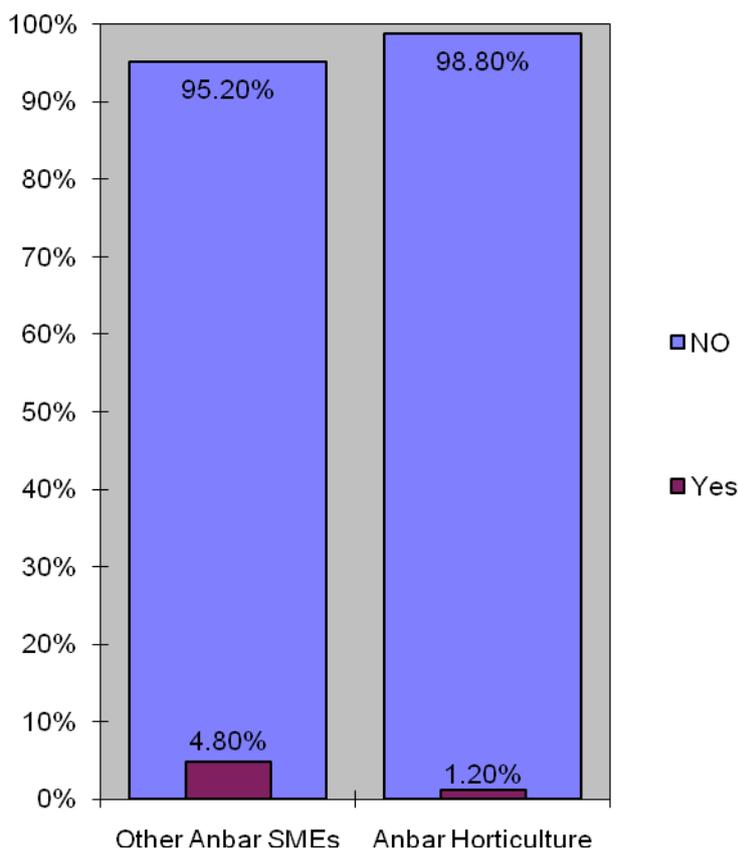
Regarding specific money exchange methods utilized when doing business, horticulture companies reported overwhelmingly cash was preferred way of payment, with just over 20% reporting using installments as well. Virtually no horticulture SMEs use banking instruments to exchange money.

**Figure 6-5: Money Exchange for Horticulture and Other Anbar SMEs**



Of the 85 horticulture companies that were interviewed and surveyed, only 1 person (1.2% of all horticulture SMEs) has a business bank account. The particular business who has this bank account holds it at the Al-Rasheed Bank in Heet, a government bank.

**Figure 6-6: Use of Business Bank Accounts**



In addition to this, also one (1) person (also 1.2%), who is different from the person who holds the business bank account mentioned above, has had a loan from a bank or a microfinance institution – which interestingly is a greater percentage than rest of Anbar SMEs, who have one of the lowest bank utilization rates in the country.

Lack of bank usage does not mean they are unwilling or unserious of working with banks as a concept. 61% of horticulture SMEs would like banks to provide long-term financing (72% of Anbar SMEs would like as well). Banks already do provide long-term financing, but it would seem not with the level of facilitation that makes it possible for horticulture SMEs to take advantage of their services. It may also be the case that there is a general lack of awareness among Anbar SMEs regarding banking services and how to access them.

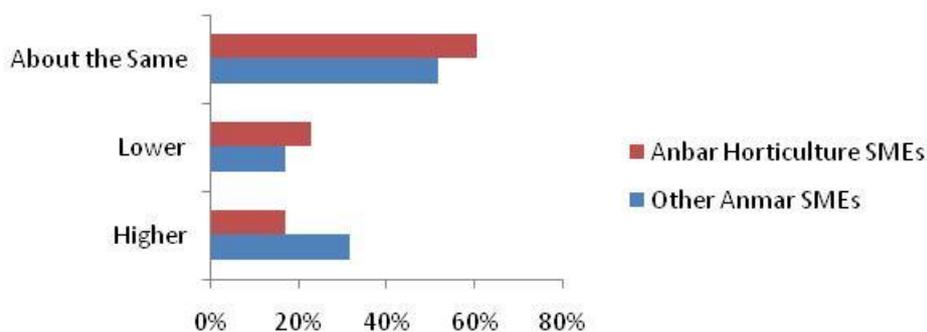
When asked about the degree of financing horticulture companies would need, the greatest percentage of horticulture companies indicated their financing needs to be between \$10,000 - \$20,000, which is a little greater than the \$3,000 - \$10,000 for the rest of Anbar SMEs.

When seeking advice, only 2% of horticulture companies talk to an accountant; none talk to bankers. Most talk to family and staff – 85%, 56% respectively. This is the same as other Anbar companies.

### 6.2.3 SALES AND STRATEGY

Sales turnover over the past financial year has been mostly about the same or lower than other Anbar SMEs (see Figure 6-7).

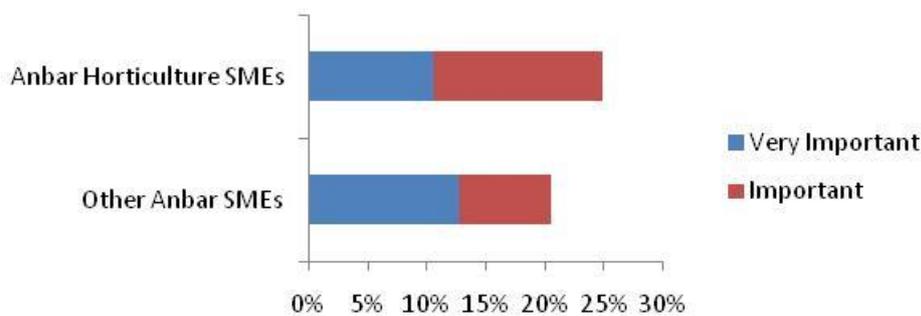
**Figure 6-7: Annual Sales Changes for Horticulture and Other Anbar SMEs**



Perhaps in reaction to the stasis or declining sales situation, over the next two years horticulture business strategy is thinking more about exporting than the rest of Anbar. 15% have indicated that they would like to pursue an exporting strategy next year, which is 5% greater than the rest of Anbar SMEs.

In accordance with this indication, a greater percentage of Anbar horticulture companies indicated the importance of Exporting Consulting Services. This is especially significant when noting that horticulture companies ranked importance of all other possible consulting and information services that a BMO could provide as less important than other Anbar SMEs ranked them. Export Consulting Services were the only services that were of greater importance to horticulture companies than they were to anyone else.

**Figure6-8: Importance of Export Consulting Services**

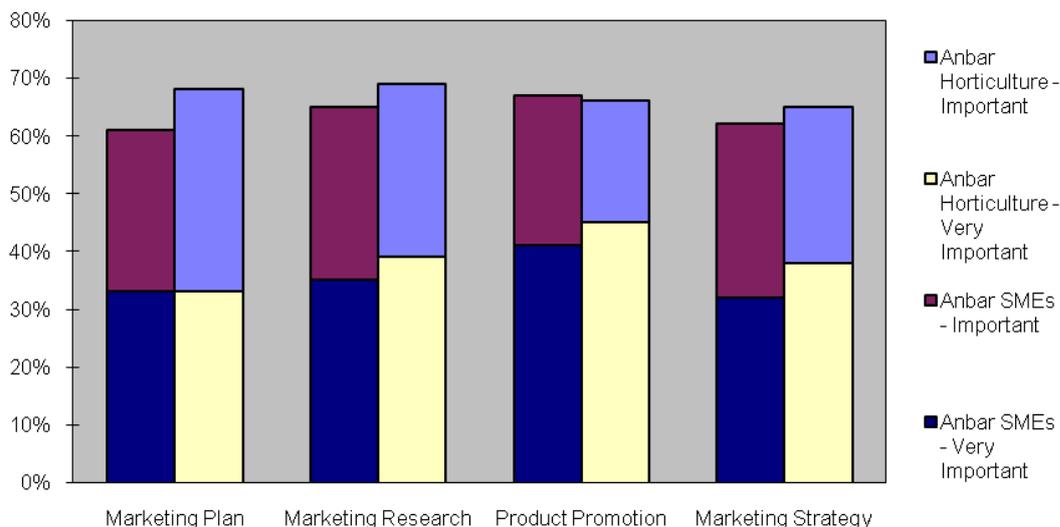


A potential valuable service that a BMO could offer would be in this regard. Many things affect the ability of a company in Iraq to export products, some of which are firm level constraints including awareness and connections, others may have to do with the BEE. A BMOs ability to bridge the regulatory reformation efforts with the practical consulting services that firms need would be invaluable to initiating export activities.

Regarding BMOs, there is a bit of ground that needs to be gained with horticulture SMEs, as less think that BMOs play a useful role, 42% compared to 56% of other Anbar SMEs. This is even after a higher percentage (7% compared to 5%) have been contacted by BMOs.

Along with export assistance, all aspects of marketing training was another area that horticulture companies ranked of higher importance than other Anbar SMEs, this time in the field of training services. All other training services were seen by horticulture SMEs as less important than other Anbar SMEs saw them.

**Figure 6-9: Importance of Marketing Training for Horticulture and Other Anbar SMEs**



### 6.2.4 CONSTRAINTS

Anbar horticulture SMEs ranked the top five hinderances to business growth pretty much the same as other SMEs in Anbar have ranked them, with Security being the number one concern, followed closely by Energy Shortages.

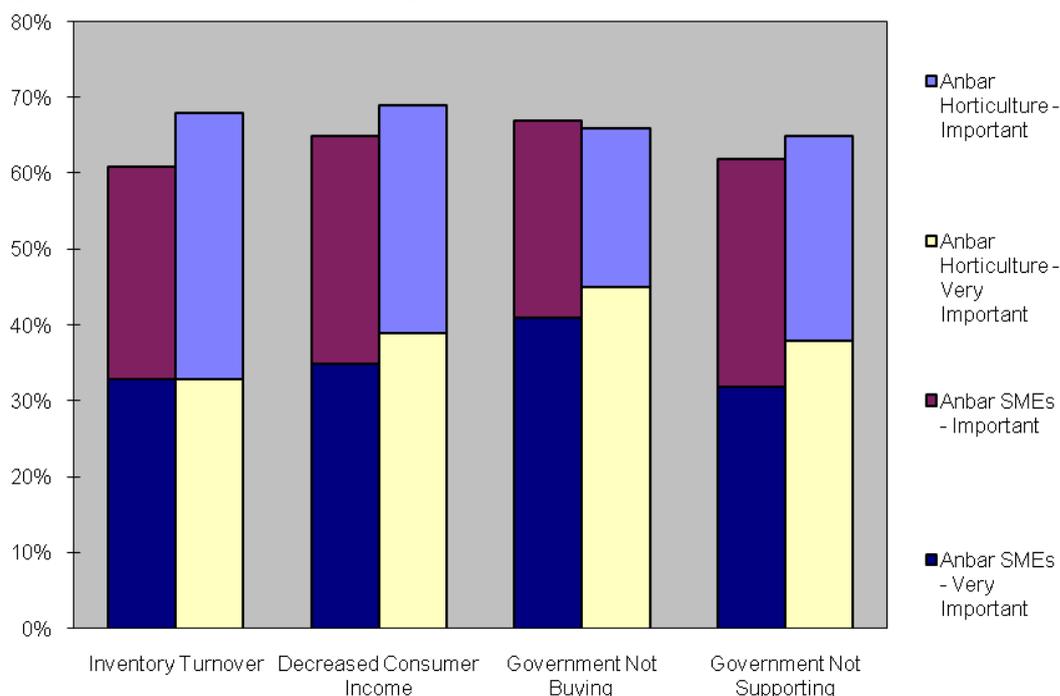
**Table 6-2: Ranking of Hinderances for Horticulture and Other Anbar SMEs**

Concern	Weighted Score	Anbar Horticulture SME Ranking	Other Anbar SMEs Ranking
Security	2.952380952	1	1
Energy Shortages	2.702380952	2	3
Raise finance for growth	2.273809524	3	2
Economic environment	2.107142857	4	5
Cash flow	1.583333333	5	4
Keep up with new technology	0.857142857	6	6
Access to market intelligence/ information	0.607142857	7	9
High competition	0.607142857	8	8
Access to business opportunities	0.583333333	9	7
Employee skill limitations	0.511904762	10	10
Governmental regulations	0.202380952	11	11

With regards to financial, HR, marketing and sales, operational, supplier, competition, and infrastructure constraints, horticulture firms indicated a much lesser degree of concern for all with few exceptions. The exceptions include:

- Cash Flow Constraints: Inventory Turnover
- Marketing/Sales Constraints: Disposable Income of Consumers has Decreased
- Marketing/Sales Constraints: Government does not Buy from the Private Sector
- Marketing/Sales Constraints: Government does not Sufficiently Support Local Production

**Figure 6-10: Constraints Affecting Horticulture SMEs in Anbar**



The affect of inventory turnover on horticulture SMEs is most likely due to the seasonal nature of the business, and long term financing strategies that are designed to assist these firms must take this into account.

Horticulture SMEs in Anbar are fairly untouched by macro and monetary constraints as well as regulation and BEE constraints – as much as 3 times less affected than other Anbar SMEs.

## 6.2.5 ANBAR HORTICULTURE SUMMARY

### A Review of Constraints

Multi-level constraints experienced by horticulture SMEs in Anbar:

- **High cost of inputs** - Violence throughout Anbar province since 2003 has caused considerable disruption in the system of channel irrigation from the Euphrates and its tributaries. Replacement of current irrigation systems or upgrading them to higher technology pump irrigation systems requires high capital costs that the shrinking market for horticultural products will not bear. Lack of registration among horticultural SME owners is a barrier to seeking what government or association support there might otherwise be. Horticulture is both an "old" economic activity and a labor intensive one. The tendency of SME owners to look inward to families instead of engaging in more formal activities limits their ability to find and acquire the labor they need.
- **High management and service costs** - Banking is almost nonexistent for horticulture SMEs. It constrains the marketability of products. It affects every part of the growth and distribution cycle. Unlike other regions in which the lack of banking is offset by advances from suppliers and purchasers, there is almost no such sourcing of funds among the owners of horticulture SMEs. It is an artifact of the largely informal, tribal, and family way

business is conducted. Disruptions in water delivery is amplified by uneven and unpredictable electrical supply. Both drive up costs, cause over reliance on unskilled labor, cause uncertainty in the market.

- **High cost of outputs** - Transportation constraints force a higher degree of sales to wholesalers and intermediaries than is typical for other agricultural products within Anbar and for Iraq as a whole. It contributes to a lack of an export market
- **Business Enabling Environment** - As everywhere in Iraq, corruption drives up the cost of doing business and makes it less attractive. Security affects some of the water and electrical problems experienced in this sector.

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

- Aggressiveness in active pursuit of opportunities and diversification in financing represents an opportunity at the firm and sector level. An intermediary that can help prepare farmers for bank loans, can help link together 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.
- Encouragement of export of horticultural products, especially dates, meets a demand that horticulture SME owners have already expressed forcefully. There is precedent for greater BMO participation in this area, because non-horticulture businesses in Anbar already are engaging in it. Overcoming this constraint will impact firm, sector, and BEE issues. As a part of this process, quality certification may create predictability in export markets.
- Formalization and expansion of horticultural training by BMOs and BDS deliverers, along with marketing and finance training represents a source of sustainability for the helping institution.
- A public awareness campaign that seeks to encourage confidence in government and to make registration more universal is necessary to address an important concern that has had a major impact on the BEE.

### **6.3 A CLOSER LOOK AT TRANSPORTATION [40 INTERVIEWS]**

Business owners are younger and fairly highly educated, as far as the rest of Anbar SMEs are concerned. 82% have at least a secondary education. This is 13% higher than the rest of Anbar, which itself is 16% better than the rest of Iraq. There was one female business owner out of 40 transportation companies interviewed. She is one of four business owners interviewed in Anbar (a total of 0.5%). Anbar has one of the lowest percentages of participation of female business owners in SMEs in the country.

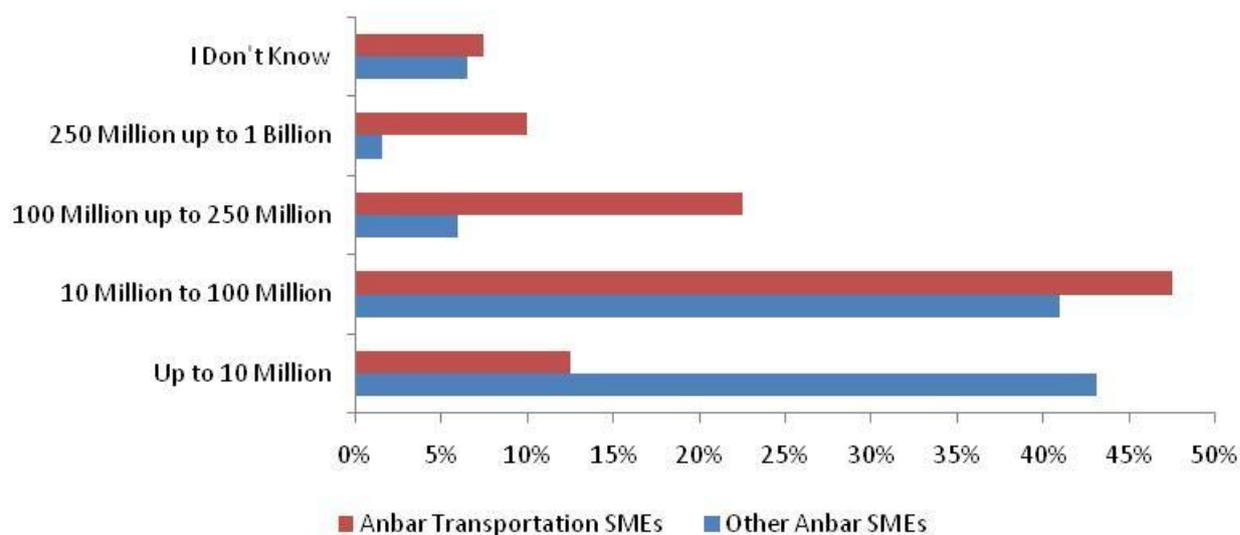
Most companies are new companies (60%) similar proportion to the other SMEs in Anbar.

Only approximately 12% are registered, similar proportion to the other SMEs in Anbar. 22.5% belong to a BMO, which is a rate about 15% higher than other Anbar SMEs.

#### **6.3.1 ASSETS AND TURNOVER**

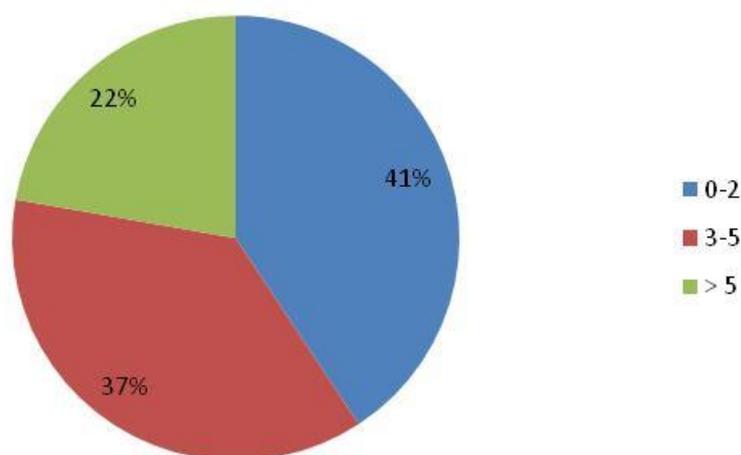
Anbar transportation SMEs have larger asset base than other Anbar SMEs. Transportation companies significantly outweigh other kinds of Anbar SMEs with assets above 100 Million Iraqi Dinar (equal to approx. \$90,000 US). This is demonstrated in Figure 6-11 below.

**Figure 6-11: Size of Asset Base – Anbar Transport and Other SMEs (in Iraqi Dinar)**



As would be expected, a great deal of this asset base. 48% of the transportation SMEs indicated that vehicles composed between 40% and 90% of their asset base. This is a stark contrast to the rest of Anbar SMEs, where only 2 companies (0.3%) indicated that vehicles comprised at least 40% of their asset base. As to the number of vehicles owned, a majority of the companies own 3 vehicles or more.

**Figure 6-12: Number of Vehicles Owned by Anbar Transportation SMEs**



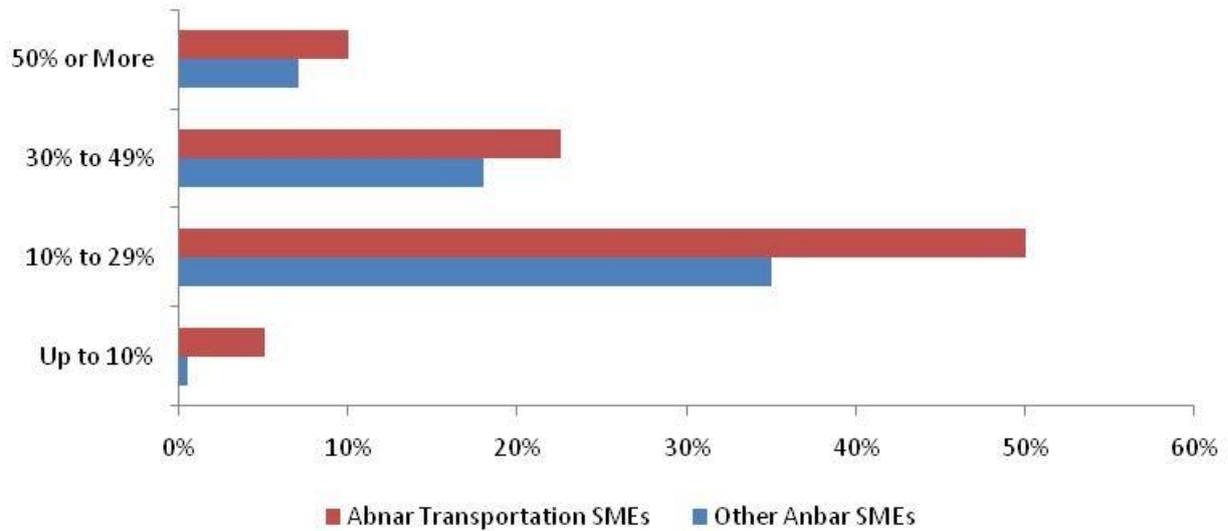
Turnover in 2007 and 2008 for transportation companies was also greater than that of other Anbar SMEs. In both 2007 and 2008 the percentage of transportation firms generating over 10 Million ID in sales was twice as large as other Anbar SMEs.

### 6.3.2 CUSTOMERS AND SALES

74% serve individual customers, followed by wholesalers (58%) and tourists (30%). The service of tourists is an interesting unique distinction regarding transportation companies in Anbar. Other SME interaction with tourists is very minimal (only 3%). Anbar transportation companies sales are more directed to government than other Anbar companies (see Figure

6-13 below). Also, more than half of Anbar transportation SMEs are involved in Iraqi-wide sales, whereas only 10% of other Anbar SMEs do business Iraq-wide.

**Figure 6-13: Percentage of Anbar SME Sales to the Iraqi Government**

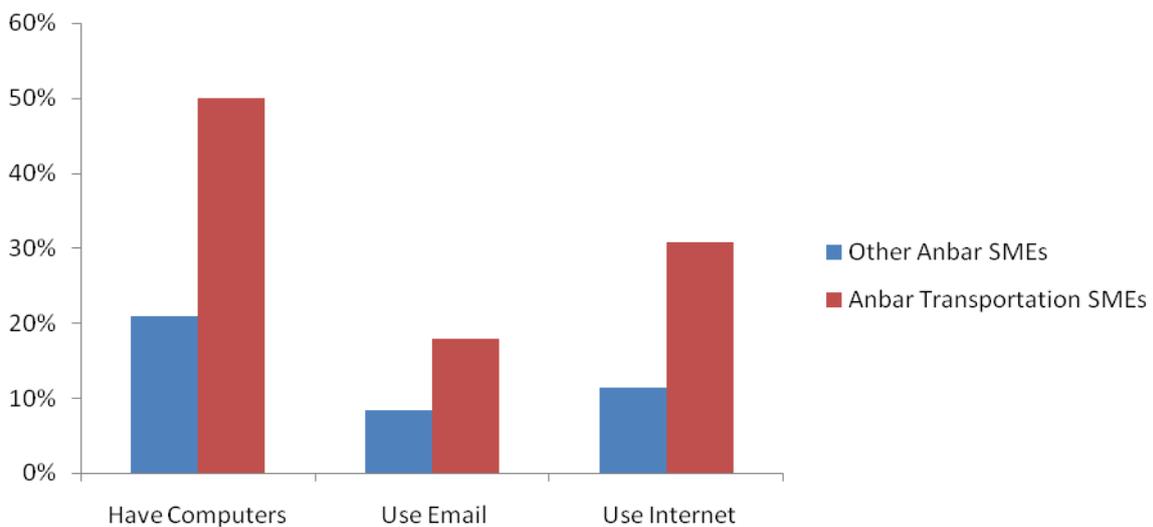


More than 70% of the Anbar transportation SMEs indicated that business volume does not have much seasonal fluctuation. As many as 17% of the firms indicate that there are large buyers for their services. Again, this is very different from the rest of ANbar SMEs, only 2% of which indicate there are large buyers for their products or services.

### 6.3.3 TECHNOLOGY

Anbar’s transportation SMEs are more technologically advanced than other SMEs. About one-half of transportation companies use computers, compared to only 21% of other Anbar SMEs using computers (Figure 6-14). Twice as many transportation companies use email (18% vs. 8%) and three times as many use internet to conduct business (31% vs. 11%).

**Figure 6-14: Utilization of Technology by Anbar Transportation and Other SMEs**



### 6.3.4 EMPLOYMENT AND LABOR

Transportation companies on average have more employees than other companies. 73% have 5 employees or more – 60% have 5-10, and 13% more than 10 employees. On average, they employ 6.25 employees total, about half (3.1) of which are unskilled workers. In comparison, only 50% of other Anbar companies employ 5 employees or more. Most of these companies have at least 1 unpaid family member working for them, which absorbs some of their employment costs. In fact, most transportation companies are family owned (83%), compared with other Anbar companies (only 69% family owned).

65% of Anbar transportation companies indicated that an employment agency would provide a useful service to their business, which is 18% greater than the percentage of other Anbar SMEs. 58% of transportation companies said they would pay for such services.

Table 6-4 summarizes the personnel concerns of Anbar transportation companies when compared to the rest of Anbar. They share the top two personnel concerns which are the lack of appropriate skill and compensation rates not being justified. However, Anbar transportation companies differ strongly from the rest of the SMEs in Anbar with regard to cost of hiring and ability to find competent supervisors. Transportation companies rank cost of hiring as their third major concern, whereas with other Anbar companies it is 8<sup>th</sup>, the opposite is true with regard to competent supervisors. For transportation companies, supervisor competency is not an important issue, whereas other Anbar SMEs rank it as 3<sup>rd</sup> most important.

**Table 6-3: Other Anbar SME Employee Concerns**

#### Other Anbar SMEs

Rank	Rating	Employee-Related Concern
1	1.368605573	Compensation rates are not justified
2	1.344409035	Lack of Appropriate skill for the required tasks
3	0.660763473	Unable to find component supervisors
4	0.596346497	Cannot freely choose employees
5	0.535394237	Lack of workplace discipline
6	0.368838996	Social Security/Tax contributions
7	0.166349828	Employee Absenteeism
8	0.157483789	Cost of hiring is too high
9	0.093919294	Lack of motivation unrelated to job issues
10	0.043282874	cannot retain employees

#### Anbar Transportation SMEs

Employee-Related Concern	Rating	Rank
Lack of Appropriate skill for the required tasks	1.164759725	1
Compensation rates are not justified	0.967963387	2
Cost of hiring is too high	0.549199085	3
Social Security/Tax contributions	0.505720824	4
Cannot freely choose employees	0.47826087	5
Lack of workplace discipline	0.462242563	6
Employee Absenteeism	0.339816934	7
Unable to find component supervisors	0.217391304	8
cannot retain employees	0.130434783	9
Lack of motivation unrelated to job issues	no responses	10

### 6.3.5 ADVERTISING AND MARKETING

With regard to seeking out new employees, 36% of transportation companies utilize street advertisements, compared to 7% of the rest of Anbar SMEs.

### 6.3.6 FINANCIAL MANAGEMENT

Transportation companies use accountant services much more than other Anbar SMEs. Slightly more than 20% of all of the transportation companies have a full time accountant, whereas only 3% of other Anbar SMEs have one. In addition, 20% more transportation SMEs (26%) seek advice from accountants than other Anbar SMEs (6%).

A percentage of about 30% of transportation SMEs use money exchange offices versus only 5% for all other SMEs in Anbar. – 30% vs. 5%.

More transportation companies finance through business savings than is the case for other SMEs. Only around 2% use banks as a source of finance. This is not due to any lack of demand for long term financing in particular as a service that a bank would provide. Almost three-fourths of the transportation companies remarked that they would be interested in this, the majority of whom (65%) indicated they would need a loan of at least \$20,000 US.

In their plans for the next 2 years, transportation companies are looking more at outside market expansion than other Anbar SMEs, and less to diversification of services offered (Figure 6-15).

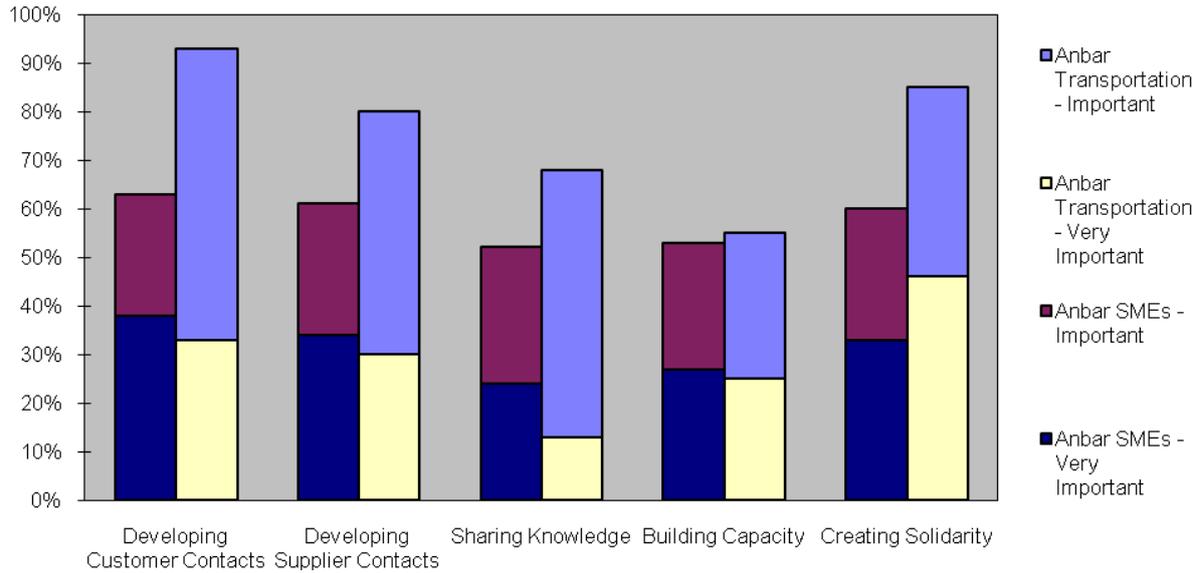
**Figure 6-15: Key Business Strategy for the Next Two Years**



### 6.3.7 BMOS

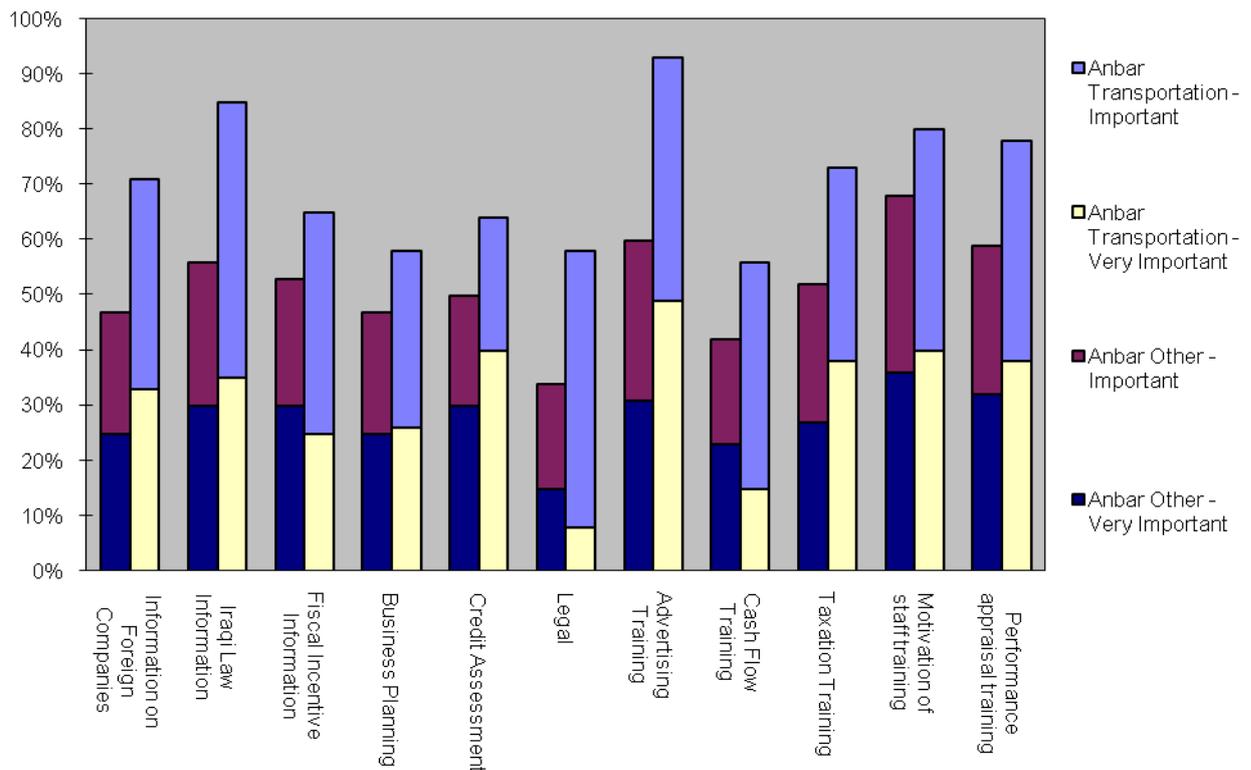
Slightly more than one-half (55%) of transportation companies believe BMOs can play a useful role in supporting SMEs. Moreover, large percentages of transportation companies believe that BMOs are particularly useful for developing customer and supplier contacts, sharing knowledge and creating solidarity (see Figure 6-16 below).

**Figure 6-16: Importance of BMOs in the Provision of Services in Anbar**



When further asked which services would be useful for BMOs to provide, transportation companies indicated information, consulting, and training services would be important for a BMO to provide. These services are shown and rated against the indications of other Anbar SMEs in Figure 6-17 below.

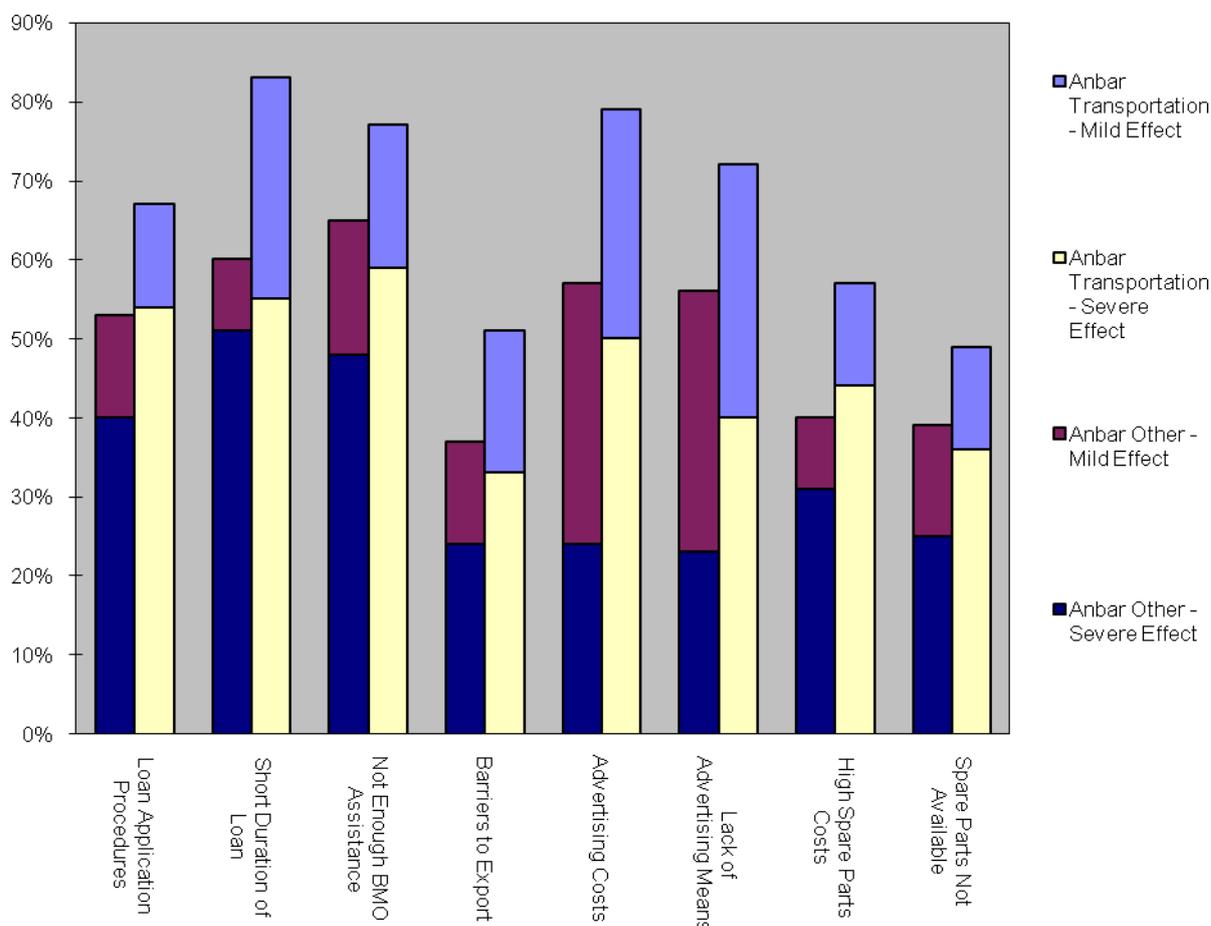
**Figure 6-17: Comparative Ratings of Importance for Services to be Provided by BMOs**



### 6.3.8 CONSTRAINTS

Of a large number of financial, cash flow, human resource, marketing, supplier, competition, operational, and infrastructure constraints, transportation companies in Anbar indicated that credit constraints, a number of marketing constraints, and spare parts are the main issues which they face to a greater degree than other Anbar SMEs (Figure 6-18). All of the other issues are ranked in the same way as by other Anbar SMEs.

**Figure 6-18: Constraints Affecting Transportation and Other SMEs in Anbar**

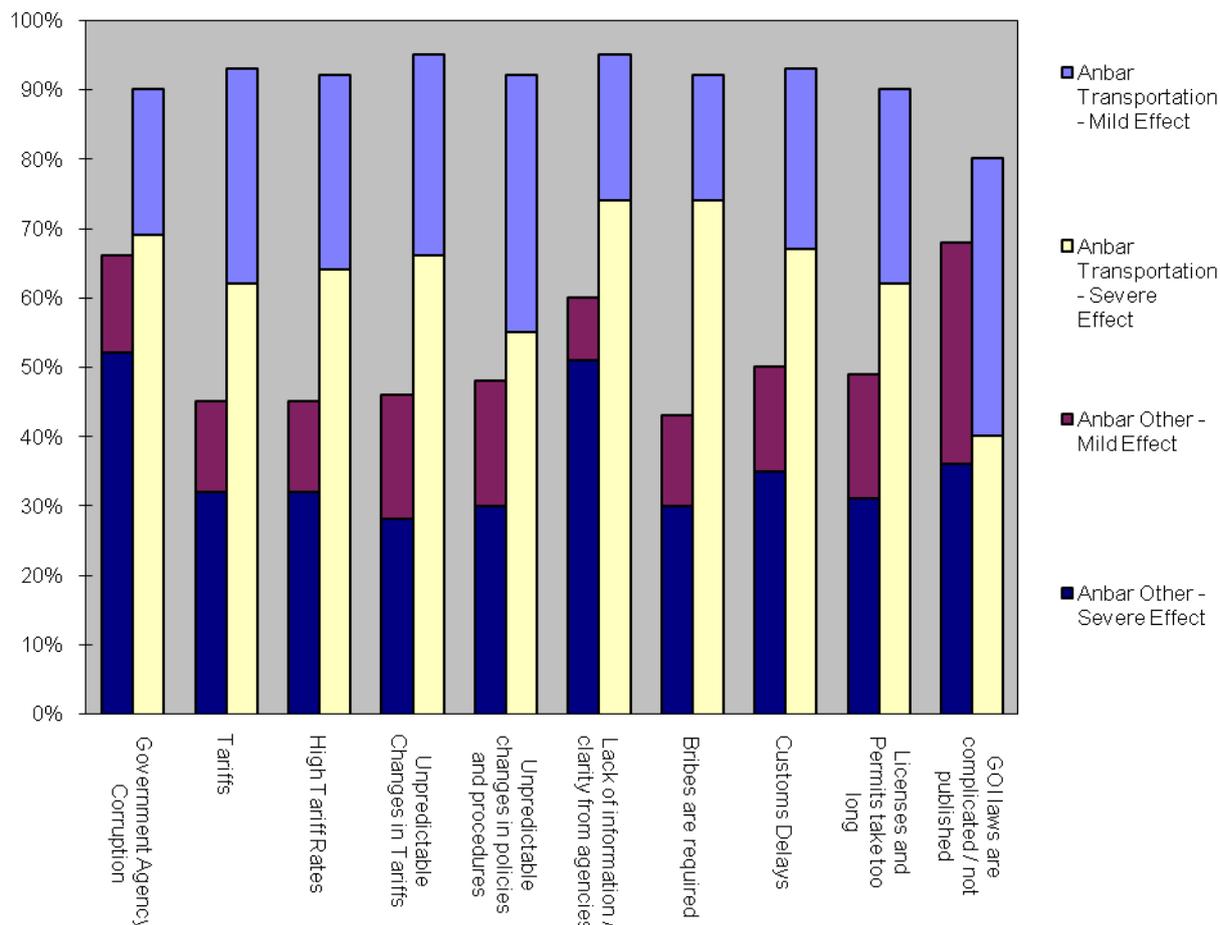


Marketing constraints, particularly those that deal with advertising, are a theme that has been repeated and evidenced throughout the responses of Anbar transportation companies and more so than with other Anbar SMEs.

With regard to monetary and macro constraints, transportation companies stressed more than other Anbar SMEs the effects of exchange rate volatility and high cost of foreign exchange.

In the final category of BEE and regulatory constraints, Anbar transportation companies were affected much more severely than other Anbar SMEs. The differences for all of the 10 issues surveyed are demonstrated below in Figure 6-19. This difference is striking and reflects the fact that transportation business necessitates dealing with many different regulatory agencies.

**Figure 6-19: Regulation and Business Enabling Environment Constraints for Anbar Transportation and Other SMEs**



The differences across the board with regard to BEE issues are rather striking and worthy of note, since the nature of the transportation business necessitates dealing with many different regulatory agencies.

### 6.3.9 SUMMARY OF ANBAR TRANSPORTATION

#### A Review of Constraints

- **Infrastructure and Security (BEE)** - Poor quality of roads and security issues make longer hauls and a healthy wholesale distribution and logistics business both expensive and risky.
- **Input constraints** - Although three-fifths of transportation SME owners have more than one delivery vehicle and their relationships with the banking sector are healthier than elsewhere, shortcomings in the banking system and credit that is too restricted tends to choke expansion. This is as true for businesses of small asset size as it is for sectors that need to acquire high value assets that reduce capitalization constraints and create economies of scale for the transportation sector.
- **High management and service costs** - SME owners have experienced difficulties in finding qualified workers at both the skilled and unskilled level, and depend on internal training, which tends to produce uneven results without any kind of quality control check.

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

- Improve training for transportation workers to better justify rates of pay
- Create employment and "finder" services for drivers and transportation/logistics workers, which can be provided perhaps through government, but more likely to be used and maintained through private sector.
- Create a network of information sharing between BMOs in other parts of the country that can refer customers, with a particular emphasis on border and port stations.

### **6.4 A CLOSER LOOK AT AUTO SERVICES [58 INTERVIEWS]**

Auto services include mechanics, parts sales retailers, companies specialized in painting vehicles and body work, as well as other auto service related activities. The education level of business owners is a little lower than the rest of Anbar SMEs. These businesses are also a little older than other Anbar SMEs. They are just as informal as other Anbar SMEs, only 14% of auto services SME's are registered with the government, compared with 12% of all other Anbar SMEs. Only three percent of auto service companies belong to a BMO, which is about one-half the percentage of other Anbar companies. However, 21% of these firms belong to professional associations, which is three times the participation rates of other Anbar companies.

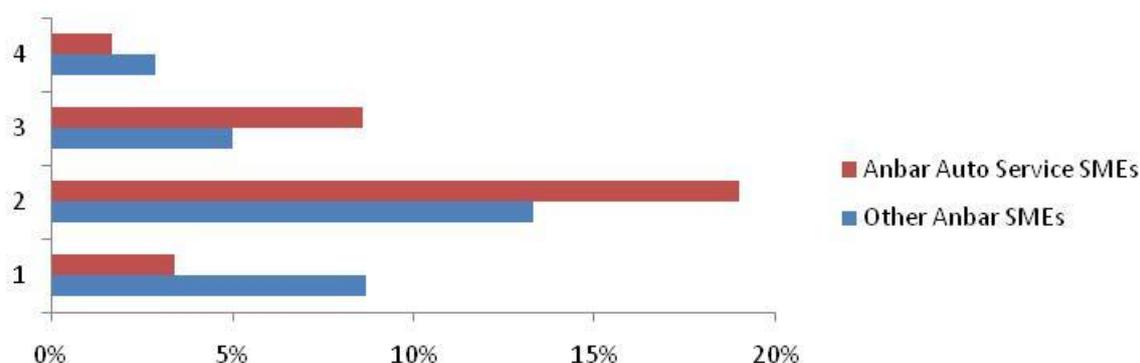
Auto service SMEs do not use ICT technology. Only 10% have computers, which is under half the percentage reported by other Anbar SMEs. It therefore follows suit that for the most part they do not use the internet.

Almost all 98% of auto service SMEs indicate that they primarily serve individual customers, while 20% also serve government agencies. About one-half of the firms set prices on a cost-plus basis. One-third of auto service SMEs reported that their sales turnover this financial year is on the decline, about double the rate of other Anbar SMEs. Another 14% of them reported that their businesses were simply not profitable. This again is almost twice the rate of the same for other Anbar SMEs. Over 80% of the auto service firms report an annual turnover of less than 10 Million ID (approx \$9,000 US) for 2007 and 2008. Almost one-third (31%) indicated that their business strategy for the coming year is just to survive.

#### **6.4.1 LABOR AND EMPLOYEES**

Auto service companies are smaller and more technically oriented from the standpoint of the trade they are engaged in. Almost two-thirds (62%) of the companies employ 1-4 employees. Of these employees, 2 to 3 are most likely technical specialists. Auto service SMEs employ a higher rate of technical specialists than other Anbar SMEs on average. Figure 6-20 below demonstrates that Anbar auto service companies employ 2 and 3 technical specialists at a rate of approximately 30% greater than other SMEs in Anbar, which generally employ only 1-2 technical specialists.

**Figure 6-20: Percentage of SMEs Employing Technical Specialists and How Many**



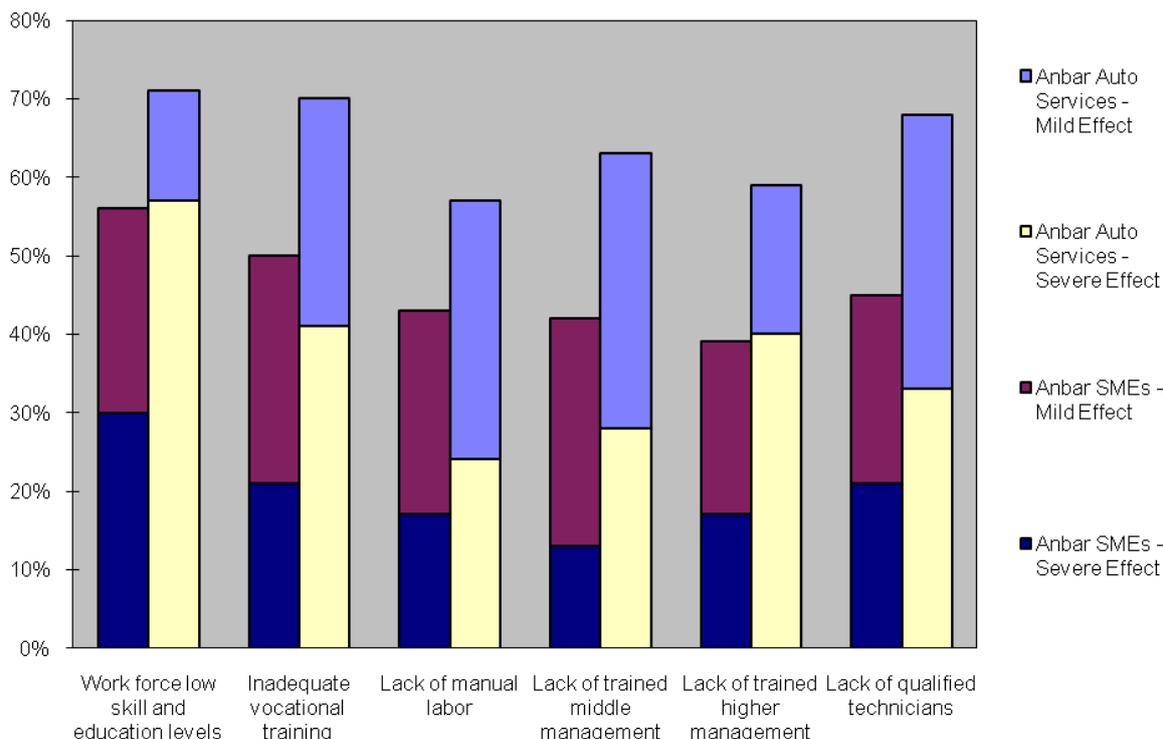
Auto service SMEs are most concerned about finding employees with the appropriate technical knowledge (Table 6-4). Following second to this is their concern about the pay rates. Following closely behind these two concerns is the ability to manage and control quality.

**Table 6-4: Comparative Ranking of Concerns Regarding Employees for Anbar SMEs**

Labor Concern	Anbar Auto Service Rating	Auto Service Ranking	Other Anbar SME Ranking
Lack of Appropriate skill for the required tasks	1.436868687	1	2
Compensation rates are not justified	1.343434343	2	1
Unable to find competent supervisors	0.654040404	3	4
Lack of workplace discipline	0.621212121	4	6
Cannot freely choose employees	0.542929293	5	5
No Issues	0.522727273	6	3
Social Security/Tax contributions	0.383838384	7	7
Employee Absenteeism	0.224747475	8	9
Cost of hiring is too high	0.159090909	9	8
Lack of Motivation	0.055555556	10	10

Inadequate employee skill levels both in administrative and technical fields, is a concern that is often raised by auto service SMEs in Anbar. Figure 6-21 below further illustrates the great differences of concern that auto service SMEs have over this matter. Insufficient labor know-how accounted for as much as 20% of the differences in regard to the constraints on the ability of the SME to conduct business.

**Figure 6-21: Labor Constraints Comparison**



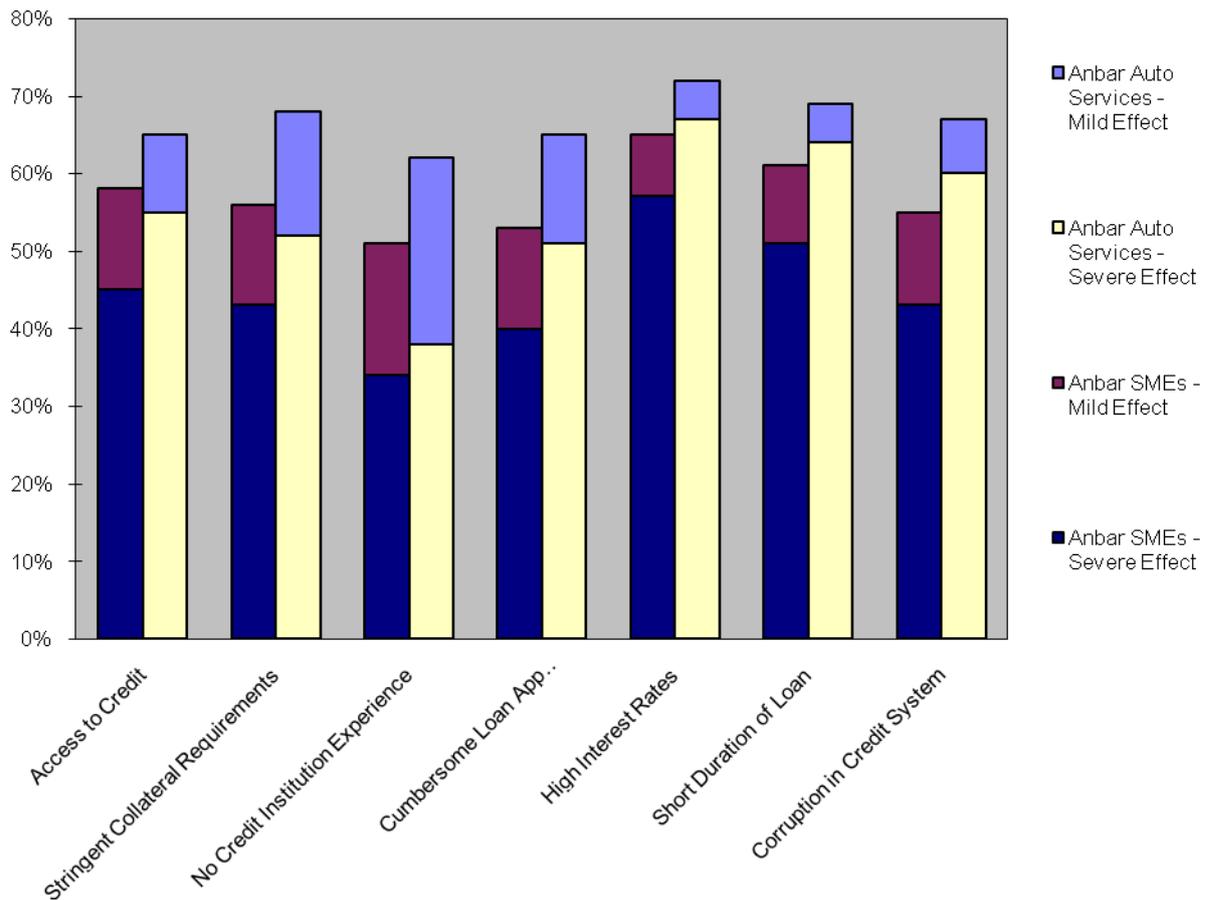
### 6.4.2 FINANCING

Most (88%) auto service SMEs fund their business through business savings. They also rely heavily on family and friends and customer advances, more so than the rest of Anbar SMEs. As is the case with other Anbar SMEs, almost none utilize banks and loans from banks or even money lenders (less than 2%). Not a single auto service company has a business bank account.

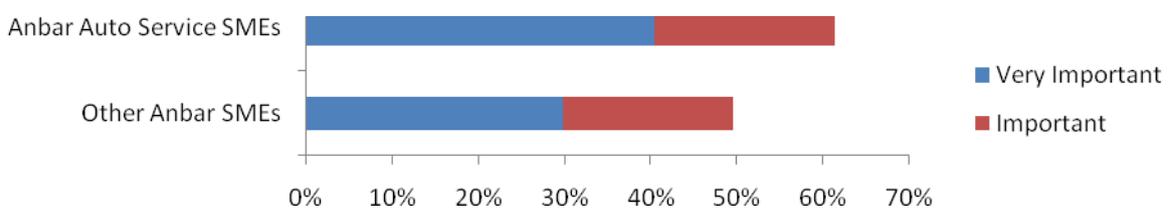
As is the case with other Anbar SMEs, however, many of the auto service SMEs are interested in services that banks can provide despite their near non-existent usage of banks. Four-fifths of the auto service SMEs indicated they were interested in long-term financing from a bank. This is about, 10% higher than what other Anbar SMEs indicated. The disparity between a desire for various banking services on part of companies that do not use banks at all may be explained by a lack of awareness and understanding regarding banking services in general as well as cumbersome requirements (legitimate or non-legitimate) or high interest rates.

About one-half of these SMEs 51% (11% more than other Anbar SMEs) indicated that cumbersome loan application procedures had a severe effect on their businesses. About two-thirds (10% more than other Anbar SMEs) indicated the same concerning high interest rates, and three-fifths (17% more than other Anbar SMEs) indicated the same concerning corruption in the credit process (see Figure 6-22 below). This is further evidenced by the fact that auto service companies have indicated a greater desire for assistance with completing loan applications to a greater degree than other Anbar SMEs (see Figure 6-23 below).

**Figure 6-22: Financial Constraints Comparison**



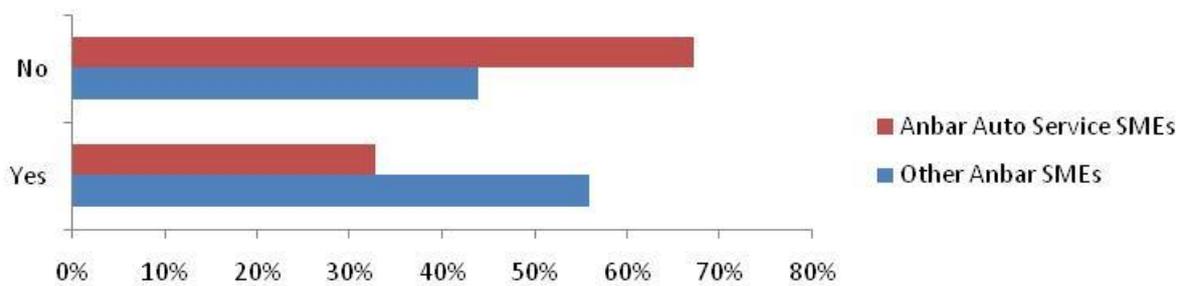
**Figure 6-23: SMEs Needing Assistance From BMOs for Completing Loan Applications**



### 6.4.3 BMOS

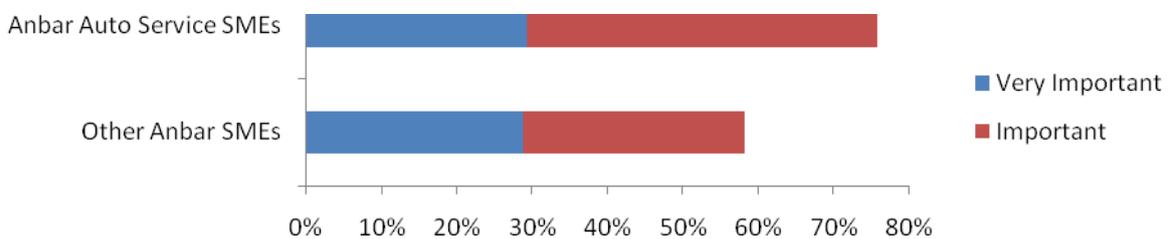
Auto service companies are much less interested in BMOs than other Anbar SMEs (Figure 6-24). Only one-third of the auto service companies believed BMOs play a useful role to support small business, whereas almost three-fifths of the other Anbar SMEs found BMOs useful.

**Figure 6-24: Belief that BMOs Play a Useful Role to Support Small Business**



The only three services that were more interesting to auto service SMEs than other Anbar SMEs were 1) assistance in completing loan applications (see Figure 6-23 above), 2) enterprise restructuring, and 3) management skills training (see Figure 6-25 below). Access to finance and improving existing work practices are seen by auto service companies as issues they need to focus on in order to improve business.

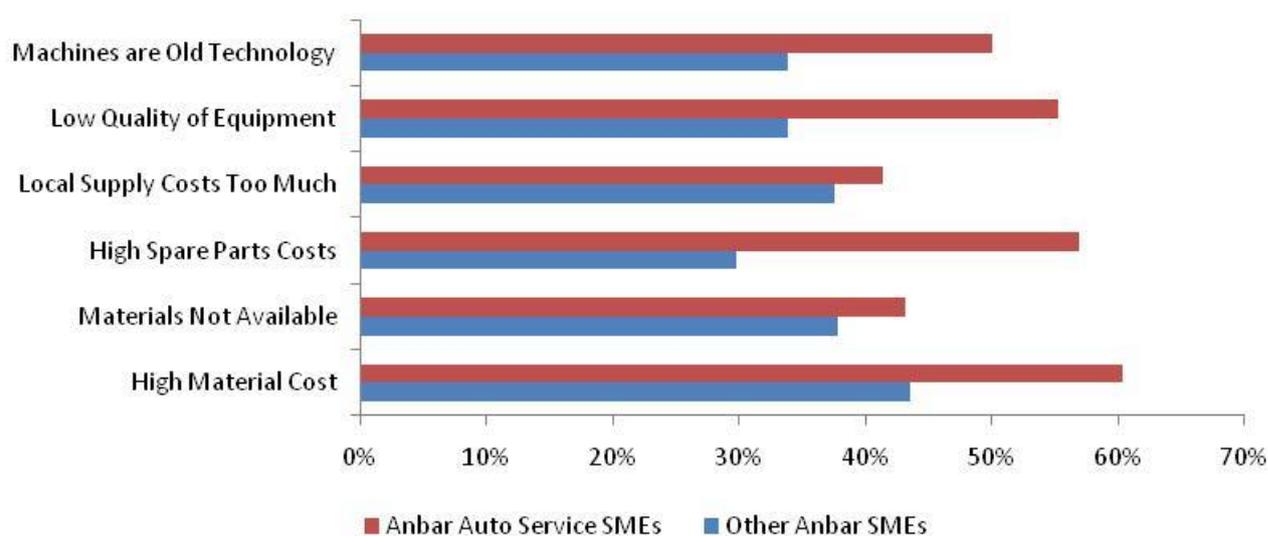
**Figure 6-25: SMEs Needing Management Training Assistance From BMOs**



**6.4.4 INPUTS AND SUPPLY CONSTRAINTS**

Auto service SMEs in Anbar, similar to transportation companies in the section above, face challenges locating inputs (spare parts and other). As many as 60% of the firms indicate that the high cost of quality materials is affecting business severely, while only about 45% of other Anbar SMEs have similar concerns (Figure 6-26). Almost three-fifths of the firms indicate that they are severely affected by spare parts high costs, which is almost double the rate of other Anbar SMEs. In addition to materials, equipment is also outdated and substandard. More than 55% of auto service SMEs indicate that they are severely affected by low quality equipment, while only 35% of other Anbar SMEs have similar concerns.

**Figure 6-26: Comparison of Severe Impact of Input Constraints on Anbar SMEs**



## 6.4.5 SUMMARY OF ANBAR AUTO SERVICES

### A Review of Constraints

- **Low quality, high priced inputs** - Finding parts calls out the best in imagination for auto repair and maintenance SME owners. However, decent used parts are almost impossible to find or are very uncertain quality, and new parts are either unavailable or take so long to receive after ordering as to make the business unpredictable.
- **Management and service constraints** - Formal banking relationships are rare. Supplier financing is utilized; but most expansion is financed out of owner savings. Because the sector features low entry barriers and small businesses with few employees who are largely self or informally trained, the skill and educational levels are low. Poor government relations are the norm, with complaints about the costs and constraints of registration, licensing, regulation, and information.
- **Output constraints** - Uncertain supply and poor marketing opportunities keep the customer base individual and prevent this sector from what should be a natural hookup with the transportation sector.
- **BEE** - Whether pounding, patching, or painting, the uncertain electrical supply exercises a significant constraint on work schedules and predictable timing.

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

- Establish better certification and training for workers in all areas of automobile service and repair.
- Initiate supply chain training and national and particularly international sourcing support for spare parts.
- Create banking and financing systems to enable the purchase of spare parts and even parts inventories that will bring down the cost and increase access to higher quality materials.
- Create BMO and other networks to facilitate the establishment of economies of scale in ordering parts.

# 7. BUSINESS ENABLING ENVIRONMENT AND FIRM LEVEL OPPORTUNITIES

## 7.1 ENABLING ENVIRONMENT

### 7.1.1 REGULATORY REFORM

Anbar SMEs operate within a perplexing business regulatory environment that hinders their growth potential and keeps many of them in a shadow economy. Constrained by burdensome laws, regulations, and administrative procedures at all levels of government, Iraqi SME competitiveness is disadvantaged. The resources SMEs invest towards operating in such a complex and uncertain environment undermines many of their gains, and threatens the viability of SME development initiatives.

Improving regulations that impact SMEs and the business community in general should be prioritized at central, 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 reform administrative barriers to SME growth and operations.

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

### 7.1.2 PRIVATE-PUBLIC DIALOG

The opportunity exists for initiation of formal GOI/Iraqi private sector-driven Private-Public dialogues featuring the following issues:

- 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."

Issues that have to be addressed at a systemic, legislative, governmental, or policy level need to be resolved, but they are not a good practical initial investment of time and money for BMOs getting involved with SME advocacy campaigns.

## 7.2 SECTOR-SPECIFIC

Ample opportunities exist across sectors and are outlined as follows. Each opportunity requires a tailor-made 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 Anbar 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 require a detailed analysis, both a bottom-up and top-down fashion. Expansion should normally proceed in the pattern of a stone dropped into a pool, that is in circles expanding outward, first among Iraq's neighbors, etc.

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

**Diversification of agricultural fruit and vegetable products**, to take advantage of natural climate and water flow changes, plus education by ministry on how to make the best use of new products.

**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 Anbar and other provinces.

Although women and men business owners largely face many of the same SME issues in Iraq, the study highlights that women may have much more limited access to finance, information, and business development services. Other women entrepreneurship issues include the following: 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 (including participation in BMOs), 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 to the greatest degree possible
- Encouraging businesswomen self-help groups either across generic or specific business sectors.
- Sensitize trainings and other events where women participation is encouraged to meet their specific needs (event timing, child care, transportation, etc.).

**Taking similar steps regarding returning refugees.** A large cohort of Iraq's best business talent now resides in Jordan, Syria, Egypt, Indonesia, and elsewhere. They cannot stay abroad forever and in fact will be "forced" back to Iraq if they do not volunteer. They can be a

potentially economic disruptive force in a good or bad way, depending on how sectoral forces address their issues.

### 7.3 FIRM-LEVEL

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

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

### 7.4 TABLE OF INTERVENTIONS

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

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

# 8. APPENDIX 1: FOCUS GROUP SUMMARY REPORTS

## 8.1 FOCUS GROUP REPORT #1

**Province:** Anbar                      **Moderator:** Dr. Laith Al-Mansoor  
**Sector:** Auto Services      **Date:** 30/8/2009

**Table 8-1: Focus Group #1 Participants**

Serial	Name
1	N. S. A. <sup>10</sup>
2	H. A. A.
3	M. Z.
4	B. A. A.
5	A. A. A.
6	M. A.
7	Q. K.
8	Y. J.
9	O. B.

### 8.1.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- In the focus group discussions, all the participants complained of the failure of the state to provide adequate municipal services in their work area. They singled out two points in particular: the first is the general lack of services; the second is the low quality of services which are provided, forcing all owners of car servicing workshops to fend for themselves in providing services for their business.
- The high taxes paid by owners. These taxes are not commensurate with the size of the businesses and profits gained, which has led to the closure of many auto service workshops, adding to the problem of unemployment.
- Public transportation and the increase in the cost of transportation have negatively impacted work flow and continuity. Costs of services provided for consumers are on the rise. Most the drivers of public transportation cars have abandoned these jobs due to poor economic and security conditions.
- The lack of electricity in Iraq is one of the most difficult issues facing businesses, and it has affected all aspects of life. Car service workshops have been badly affected by the

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<sup>10</sup> Actual participant names have been replaced with initials only for security-related concerns, to protect the anonymity of the focus group participants.

lack of electric power, which has forced them to buy medium-sized back-up generators or to rent large back-up generators. In addition, there are extra costs for maintenance, oils, fuel and other services provided for the generators.

- The spread of administrative and financial corruption in Iraq, which is one of the largest drains on the Iraqi economy, causing many setbacks in its businesses and production capacity. Corruption adds extra costs and wasted efforts, in addition to squandering public finances.

### **8.1.2 ENTERPRISE LEVEL CONSTRAINTS**

- Businessmen working in SMEs complain of the lack of capital and the lack of honest and practical funding parties. However, most businessmen in need of funding and whose businesses are not active asked whether grants and loans they are considering applying for are linked to bank profits that could be taken as usury. Further discussion showed that they are all in favor of non-profit loans. This preference applies to most of Iraqi society, which means that they all never have, and never will, deal with banks lending money for profits.
- Most owners of these workshops, as well as others in the car service profession, complained of the shortage of labor and of high wages paid, both in the technical and skilled workforce. One of the reasons for this is the mass emigration of the Iraqi people due to sectarian conflicts after 2003.
- The lack of high quality spare parts from internationally trusted sources. The available parts in local markets are of the lowest quality, and some are even from counterfeit sources, including label. In spite of this, these parts come at a high cost, adding additional burdens to the ordinary customer who cannot afford to pay for them. This has lead to a slowing of business activities.

### **8.1.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Revoking the tax laws which were previously imposed under normal working conditions.
- Establishing a society or guild with bylaws and codes regulating the business of car services workshops.



- The lack of electricity, forcing contractors to use back-up generators. This adds to the costs of the project.

### **8.2.2 ENTERPRISE LEVEL CONSTRAINTS**

- All construction companies and contractors cite the lack of funding as a major constraint. They wanted to be sure that any funding they receive is not linked to interest rates, which they consider usury. They prefer the principle of mutual profit (*murabaha*). Most banks have no services in this area, and their services they do offer are deficient.
- The lack of skilled and unskilled labor in this field, added to and their high costs (if they exist at all). It is contradictory here that despite the large number of unemployed in the country, wages go up periodically, creating confusion for contractors as costs may change several times during the course of the project.
- The persistent problem of construction material. Materials of high quality are in short supply, due to the increase of those of unknown origins that don't meet the standards due to the lack of quality control procedures. In spite of this, low quality materials are sold for high prices on the local market, adding costs to projects.
- The lack of specialized machinery. Among these are pumps and other machines for lifting concrete, as well as cranes. These were once abundant in Iraq but have since been looted and smuggled out of the country.

### **8.2.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Imposing quality control measures on all materials.
- Cancelling taxes.



linked to interest rates, which they consider usury. They prefer the principle of mutual profit (*murabaha*).

- The lack of skilled and unskilled labor in this field, added to their high costs. The issue of supply and demand is a factor here, adding pressure to the contractor.
- The persistent problem of construction material. Materials of high quality are in short supply, due to the increase of those of unknown origins that don't meet the standards due to the lack of quality control procedures.
- The lack of specialized machinery. Among these are pumps and other machines for lifting concrete, as well as cranes. Contractors depend on old machinery that causes delays.

### **8.3.3 SUGGESTIONS**

- Cutting routine procedures followed by the government.
- Introducing entities that provide services, instead of municipal entities.
- Providing low cost fuel for people in this profession.
- Facilitating the process of issuing loans and taking over sites through providing efficient employees and supervisors.
- Importing construction materials by the Ministry of Trade and distributing them among contractors. The government should import the best quality materials.

### **8.3.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Canceling or reducing taxes levied.
- Imposing quality control measures on all materials.



services. All participants wanted to be certain that did not benefit from funding that is linked to interest rates, which they consider usury. They prefer the principle of mutual profit (*murabaha*).

- The lack of skilled and unskilled labor in this field, added to their high costs. The issue of supply and demand is a factor here, adding pressure to the contractor.
- The persistent problem of construction material. Materials of high quality are in short supply, due to the increase of those of unknown origins that don't meet the standards due to the lack of quality control procedures.
- The lack of specialized machinery. Among these are pumps and other machines for lifting concrete, as well as cranes. Contractors depend on old machinery that causes delays.

### **8.4.3 SUGGESTIONS**

- Cutting routine procedures followed by the government.
- Introducing entities that provide services, instead of municipal entities.
- Providing low cost fuel for people in this profession.
- Facilitating the process of issuing loans and taking over sites through providing efficient employees and supervisors.
- Importing construction materials by the Ministry of Trade and distributing them among contractors. The government should import the best quality materials.

### **8.4.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Canceling or reducing taxes levied.
- Imposing quality control measures on all materials.



- The lack of good construction materials and prices that are constantly rising. This causes problems in keeping accurate records of costs. The low quality of these materials and their unknown origins are detrimental to this business.

### **8.5.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Canceling or reducing taxes levied.
- Establishing a special guild for construction and related fields.
- Loosening governmental restrictions and procedures related to the business.



- The lack of skilled and unskilled workers, leading to an increase in the wages of available workers. Wages continuously go higher, which has an adverse effect on construction.
- An insufficient number of vehicles needed for transporting the labor force and materials, which leads in turn to a rise in transportation costs. Part of the problem is the lack of public transportation.
- The lack of good construction materials and prices that are constantly rising. This causes problems in keeping accurate records of costs. The low quality of these materials and their unknown origins, and their availability in the local market without passing quality control tests, are detrimental to this business.

### **8.6.3 SUGGESTIONS**

- Opposing all governmental red tape measures.
- Forming specialized committees to follow up contracting jobs and projects.
- Forming highly specialized committees for granting contracts.
- Importing all construction materials through the Ministry of Trade from known and trusted origins, and distributing them at reasonable prices.
- The fair distribution of projects and contracts, rather than limiting them to a particular entity.

### **8.6.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Enacting a law to regulate taxes.



- The lack of transportation services due to the limited number of available vehicles and the high costs of fuel. Any delay in transporting crops will destroy them. There are no state funded transportation services.
- The lack of electricity.
- The government has aggravated the crisis these farmers face by not providing adequate seeds and fertilizers. In the past, the government provided these materials to farmers at planting time, the cost of which could be paid after the harvest.
- Canceling agricultural cooperatives and limiting their role has caused a major problem for farmers, especially in growing wheat and barley. This has led to a shortage of various agricultural machineries for the farm and field. If these are available in the local markets, they are very costly and of low quality.

### **8.7.2 ENTERPRISE LEVEL CONSTRAINTS**

- All participants stressed the need for funding. Farming has become a high cost business that farmers can no longer afford. As a result, all participants were willing to use the services of a specialized agricultural bank.

### **8.7.3 SUGGESTIONS**

- Reconstituting agricultural cooperatives.
- Reopening agricultural banks to lend to farmers free of interest.
- The Ministry of Agriculture should provide seeds and fertilizers to facilitate the farmers' work and increase production.
- Raising taxes levied on imported crops in order to protect the local product.
- Facilitating the transportation and delivery of crops each season.
- Increasing the number of warehouses and silos specializing in storing wheat.

### **8.7.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Canceling taxes levied from wheat and barley farmers.
- Enacting a law for the formation of agricultural cooperatives.



afford. They are willing to use the services of a specialized agricultural bank to provide them with loans.

- The shortage in the number of vehicles available for transportation, accompanied by their high costs.
- The lack of a specialized work force and the rising wages that add to costs.
- The lack of good quality fodder at reasonable prices, in the absence of a supporting governmental entity.

### **8.8.3 SUGGESTIONS**

- Providing raw materials (chicks, fodder, vaccines) by the state.
- Raising tariffs on imported products to protect the local ones.
- Providing administrative facilities for poultry raisers.
- Giving the responsibility of marketing and distributing products to the government.
- Providing electric power lines at special discounts for field owners.
- Providing lending facilities guaranteed by the production of the field.

### **8.8.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Cancelling taxes and irrigation fees.
- Raising tariffs on imported products to protect the local ones.
- Licensing field owners to import raw materials.

## 8.9 FOCUS GROUP REPORT #9

**Province:** Anbar **Moderator:** Dr. Laith Al-Mansoor  
**Sector:** Agricultural – Fish Farms **Date:** 10/9/2009

**Table 8-9: Focus Group #9 Participants**

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

### 8.9.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- The high rates of taxes levied on fisheries. Fishery owners must cut expenses in order not to raise the prices of their products.
- The lack of municipal services for fisheries, leading to an unhealthy with piled up and attracting bacteria. Raising fish is a sensitive business and raisers have been forced to take over the waste disposal themselves.
- A shortage of water, endangering fish raising activities. Providing water through tankers is costly.
- The lack of interest in these projects on the part of the government, as well as the deteriorating economic condition.
- The lack of electricity is a major constraint to this business. Raisers must use back-up generators, which add to the costs of production.
- The lack of a marketing policy on the part of the government. Any delay in marketing causes huge losses.

### 8.9.2 ENTERPRISE LEVEL CONSTRAINTS

- The lack of realistic funding facilities. Costs of running fisheries have doubled, so that starting a project requires millions of Iraqi Dinars raisers cannot afford.
- The shortage in the number of vehicles available for transportation, accompanied by their high costs.
- The lack of a specialized work force and the rising wages that add to costs.
- The lack of good quality fodder at reasonable prices, in the absence of a supporting governmental entity.

### **8.9.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Cancelling agricultural fees levied on raisers.
- Repealing taxes on fisheries.
- Canceling water fees.

## 8.10 FOCUS GROUP REPORT #10

**Province:** Anbar

**Moderator:** Dr. Laith Al-Mansoor

**Sector:** Industry – Water Bottling and Pipes

**Date:** 13/9/2009

**Table 8-10: Focus Group #10 Participants**

Serial	Name
1	A. A. L.
2	B. M. J.
3	H. I. M.
4	A. Q. S. D.
5	M. K. N.
6	W. J. A.
7	A. S. F.
8	F. R. A.

### 8.10.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- The high rates of taxes levied on this business. Business owners need to cut expenses in order not to raise the prices of their products.
- The lack of municipal services in their areas, causing piled up garbage and waste and creating an unhealthy environment. Factories owners are obliged to pay extra costs for cleaning services that the government doesn't provide.
- The lack of cooperation by governmental entities. They don't facilitate the work of factories, due to an absence of protection measures for local products.
- An unreasonable increase in fuel prices created by the government negatively affects factories and workshops. Many factories were sold or turned into other businesses.
- The lack of electricity is a major constraint to the factory industry, causing high costs of production and slowing the production process, which in turn leads to the closing of most factories. Using back-up generators adds to the costs of production.

### 8.10.2 ENTERPRISE LEVEL CONSTRAINTS

- The lack of funding facilities. Costs of running factories have doubled for several reasons related to wages and other factors. Owners have requested revitalizing industrial banks to support this sector with loans and facilities needed for production. All the participants expressed their lack of trust in local banks because of their outdated and shady dealings.
- The lack of necessary raw materials, whether in quantity or quality. The available materials are of low quality yet are sold at high prices. This negatively affects this sector, especially in the absence of a governmental entity in charge of importing to regulate the process.

- The lack of a specialized skilled and unskilled work force and rising wages add extra costs. This is due to security conditions and the immigration of most workers outside of the country.

### **8.10.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Participants unanimously asked for imposing higher taxes on all imported products.
- Canceling taxes levied on factories and industrial projects.
- Enacting a law for the protection of local products.

## 8.11 FOCUS GROUP REPORT #11

**Province:** Anbar

**Sector:** Building Block Manufacturers

**Moderator:** Dr. Laith Al-Mansoor

**Date:** 14/9/2009

**Table 8-11: Focus Group #11 Participants**

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

### 8.11.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- Increasing rate of taxes which burdens the owners of the structural factories (Concrete Blocks) beyond reasonable rates.
- Lack of municipal services - even lack of departments for these services make the owners of these factories rely on themselves to bring and rent machines and trucks to transport waste - and man-power with them - and this causes an increase in spending which would be imposed on the final price that be borne by the consumer.
- Lack of cooperation from the government – FG participants indicated that this causes chaos and delay, also disabling for all the energies and possibilities.
- Following the previous observation, the only state presence comes in the form of excess procedural bureaucracy which is a major problem for the factory owners. Participants mentioned that there are things related to their work presented by them years ago and are not yet resolved, which causes frustration for them and breeds distrust, and ultimately reluctance to go to any governmental office after that.

### 8.11.2 ENTERPRISE LEVEL CONSTRAINTS

- All the factory owners need urgent and essential access to finance and credit, FG participants mentioned that there is no a specialized bank in the industry, as it was previously called the industrial bank which had facilitated for them credit, bank dealings and financial facilities. Absence of credit led to most of the factory owners to stop producing or sell their factories.
- The lack of manpower – in terms of technical manpower (skilled) and unskilled labor. The factory owners complain about the rising cost of manpower, if potential employees are available. All people were referring to the migration and flight of most of the Iraqi technically proficient manpower out of their areas or outside Iraq because of the sectarianism and violence in Iraq.
- The lack of government-provided electricity. The owners of the small and medium industries are the most affected by this issue, so most of them bought generators at

additional expense, plus fuel, raw materials and manpower operating them - some people could not bear these extra costs, forcing him to close that project or factory.

- Raw materials is still a major barrier for industries, the participants have mentioned that the lack of these materials with high quality that have been substituted and imported from low quality and poor sources was a major cause of delay for Iraqi industry, even that rising of their prices significantly make that matter reflect negatively on the local product.

### **8.11.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Issue a law to protect the local production and the factory owners
- Issue a law to revoke the taxes on the raw materials used in local industries.
- Issue a law to reduce or revoke the governmental bureaucracy

## 8.12 FOCUS GROUP REPORT #12

**Province:** Anbar

**Moderator:** Dr. Laith Al-Mansoor

**Sector:** Light Manufacturing (Metal)

**Date:** 15/9/2009

**Table 8-12: Focus Group #12 Participants**

Serial	Name
1	F. E. M.
2	E. M.
3	A. A. L.
4	H. A.
5	A. N. R.
6	A. G. Y.
7	H. N.

### 8.12.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- The increasing rate of taxes imposed on the production of various industrial companies, including the aluminum industry and auto parts. Taxes have become a heavy load on companies because they pay twice, from one hand they pay personal taxes as industrial businessmen and from another hand they pay taxes on their production which is calculated rising on them.
- Poor municipal services and the general lack of them cause for light manufacturers a lot of problems and constraints surrounding the accumulation of waste of their production, rubbish and debris from just outside their factories that is simply left for the factory owners to deal with and are environmental and humanitarian problems that force business owners to expend their own resources to clean up.
- The absence of social security (insurance) for workers is a major problem that faced by the employer because the working conditions are unknown and there is a lot of risk to the worker. Maintenance is itself a major constraint, although social security/insurance is a real case linking the worker with his job and allowing him to ensure his future and the future of his family, which affect positively on the increasing of production and improving of quality by monitoring a lot of incentives and rewards to work through this service.
- The state does not provide laws and regulations to protect local production which leaves industrialists with a disaster. Most factory owners complain from the uselessness of their production because they are not able to compete with the importer, who has all the facilities available to him in the town or country from whence he imports. As a result, most of the factories in Iraq are abandoned, closed or sold. It is an economic disaster and heavy burden on the economy of Iraq.
- The factory owners, or all employers in general, do not experience any cooperation with the government departments that are responsible for regulating or supporting specific sectors of private sector work in actually facilitating work. This has been confirmed by all the owners of small and medium-sized factories - also they added that most of the government departments related to their work only complicate issues and never resolve them.

### **8.12.2 ENTERPRISE LEVEL CONSTRAINTS**

- The problem of funding and the lack of supportive and funded banks along with the lack of banking facilities in general is a main obstacle facing this sector. Most of the factory owners do not have enough cash to run their own factories, and are serious about cooperation with a specialized Industrial Bank to give them banking facilities that they need.
- There is no problem bigger and more complex problem than the issue of electricity, the problem is not in its being cut off, but in the complete non-existence of it, which poses a real disability, especially for small and medium industries. The government is not serious about solving this problem, therefore most people depended on themselves and are forced to buy large generators and bear the expenses for fuel, raw materials and operational manpower which cost huge amounts of money to sustain their work and improve and increase their production, ultimately adding more costs onto price making their products that much less competitive.
- One of the inherent obstacles beside of the industry is the transportation - the problem is the presence of trucks and in terms of their high prices with a great extent as a result of unjustified high fuel prices. From this all the factory owners complain from transportation issues where they face great problems that hinder their work.
- Low Quality and general non-availability of raw materials used in private industry, in the aluminum and manufacturing factories of auto parts. Not only this, but the rising of their prices are a major obstacle to their businesses.

### **8.12.3 SOLUTIONS**

- Opening an Industrial Bank to support the factories and facilitate all financial matters.
- Restore the Industrial Development Department to take advantage of their services in obtaining original raw materials from known international sources with competitive prices.
- Closure of the border or increasing customs on the similar importer to keep the price of local product high
- Enacting laws to protect local produce
- Providing mechanisms for purchase or lease of vehicles under the oversight of the Ministry of Transport to make business costs more affordable.

### **8.12.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Enact a law for establishing health and retirement insurance for workers
- Revoke the tax law
- Issue a law to protect the local businesses

## 8.13 FOCUS GROUP REPORT #13

**Province:** Anbar

**Moderator:**

Dr. Laith Al-Mansoor

**Sector:** Transportation

**Date:**

16/9/2009

**Table 8-13: Focus Group #13 Participants**

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

### 8.13.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- Increasing rate of taxes imposed on companies of transportation which have undermined their work and reduced the chances of their development.
- Lack of government offices that organize the distribution of business opportunities. The owners of offices of transportation and vehicle owners from Anbar, when they go to Basra to work and bring goods from the port of Um Qasr, are unable to obtain a load due to the non-existence of offices that market for them in Basra. They are not able to establish the offices in Basra and other provinces because of the security situation.
- The government does not cooperate to provide work for specialists in the field of transport and cargo.
- One of the biggest problems that truck owners and offices of transport face is the delays in completing the customs transactions and other government routine procedures at the border points. It is not uncommon to spend days and weeks to complete all of the necessary transactions at the border.
- The poor quality or altogether lack of municipal services. The owners of offices end up having to rely on themselves to bring machines and manpower to remove debris and garbage.
- No comprehensive insurance whether on vehicles or workers, which is needed due to the nature of their work and constant movement making them prone to accidents and traffic problems on the road.

### **8.13.2 ENTERPRISE LEVEL CONSTRAINTS**

- The problem financing is one of the most important issues. The owners of the transport offices and owners of trucks said that the most important thing that they need to develop themselves is the capital which they lack. They suggested establishing a specialized bank for supporting and financing them and they are ready for all obligations towards that end.
- The main and direct problem that the owners of travel agents and cargo owners feel is the subject of increasing unreasonably fuel prices which limit them much more forcing them to pay large amounts of money at every step.
- The financial corruption and bribery at the border are incredible and no one notices or does anything about it.
- The other problem, which is also key to this sector, is the lack of security. The poor security situation on the roads causes a great deal of uncertainty regarding personal safety of workers in this sector. Drivers do not know who is their enemy and their friend.

### **8.13.3 SOLUTIONS**

- Establish offices of government oversight to ensure the equitable distribution of work
- The state should import large trucks, similar to what they do already with small cars, and distribute with regulations on the owners of offices and trucks with installments
- Reduce government routine with regard to public transport
- End all the delayed proceedings at the border through the presence of government observers

### **8.13.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Establishment of free zones, similar to the neighboring countries of Iraq.
- Issue a law similar to the laws of countries that do not allow any foreign driver to enter the country, forcing foreign drivers to come to a specialized parking and transfer zone to transfer their loads to Iraqi trucks
- Revoking of the tariffs imposed on the entry and exit for load cars.

## 8.14 FOCUS GROUP REPORT #14

**Province:** Anbar  
**Sector:** Transportation

**Moderator:** Dr. Laith Al-Mansoor  
**Date:** 16/9/2009

**Table 8-14: Focus Group #14 Participants**

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

### 8.14.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- Increasing the rate of taxes greatly harms the owners of transportation offices and the owners of trucks. The participants stated that the taxes that they paid to the GOI are increasing their burden because they pay twice with large quantities - they pay personal tax and the other is the business tax on cars and office.
- The government does not support private offices of transportation. The same is true for cargo owners. This runs contrary to the drivers and offices of neighboring countries who are protected by their countries and they are sure to compete with the ongoing work of the Iraqi offices and drivers.
- Re-raising the problem of governmental routine at the borders and control of power and access. Corruption and abuse of this power, if unresolved and un-controlled, will become a pandemic and difficult to control, noting that some goods are subjected to the damage caused by delays. There is no insurance and concern for this on the part of the government, and in the event of damage to any article will be borne by the driver or the office.
- Lack of comprehensive insurance services to life or property caused disabilities in work and the increasing dangers which make the driver or the office not able to afford the burden and the consequent action of any incidents.

### 8.14.2 ENTERPRISE LEVEL CONSTRAINTS

- Lack of funding through the modern financing of a bank is a major constraint and the problem for the owners of the transporting offices and the owners of trucks. All are interested in developing their business and their properties through the development of specialized and developed banks with good services that make it easier for all by getting what they need from loans to develop their business. They also want to ensure the existence of financing to import trucks and purchase them through installments.
- The problem of high fuel prices caused by the government was one of the most important problems that, and is keenly felt by the industry.

- The high prices of raw materials needed by their vehicles which need to be changed constantly, also poor sources which are forcing them to the continuous change of these backup tools that is increasing their loss which negatively affect their profits.
- The unstable security situation is perhaps the most important of constraints faced by the transportation company owners and the owners of the trucks because they live this and are facing it daily in the streets and international roads making them feel more than others their vulnerability.

### **8.14.3 SOLUTIONS**

- Reducing or revoking fees imposed on trucks
- Establishing government offices for the distribution of work and ensuring the trucks
- Giving priority to the truck drivers to end their transactions at the borders
- Establishing committees from the Ministry of Finance and Transport to oversee and control the governmental routine and financial and administrative corruption
- The government should provide services with special prices for trucks

### **8.14.4 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Establishing of free zones in Iraq
- Revoking of all charges relating to the entry or exit of trucks
- Issue of a comprehensive insurance law

## 8.15 FOCUS GROUP REPORT #15

**Province:** Al-Anbar                      **Moderator:** Dr. Laith Al-Mansoor  
**Sector:** Transportation              **Date:** 17/9/2009

**Table 8-15: Focus Group #15 Participants**

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

### 8.15.1 BUSINESS ENABLING ENVIRONMENT CONSTRAINTS

- The fees imposed on the owners of trucks and transportation offices are high and form a big burden on them because they paid twice, first as a personal tax and second as a work tax which are calculated on increasing increments.
- The specialized governmental offices do not cooperate with the offices and owners of trucks to facilitate their work, note that all the markets of neighboring countries are supported by their countries for facilitating work and continued transport.
- The problem of governmental routine at the border and customs procedures are one of the biggest problems faced by owners of trucks and offices and even goes beyond that to further damage in many cases due of delays and weather conditions. Many food materials particularly are vulnerable to damage and loss, for which the driver and the transportation business must bear the losses, in addition to bribery and money paid.
- The lack of comprehensive insurance services is the biggest obstacle to continue and develop of the work of carriers and trucks companies. All said that they are exposed to many accidents due to continuous travel, it will be the end of the owner of truck or a big loss for the company if there is no insurance, many of these funds are in jeopardy and there is no one compensating them.
- Lack of government control and the lack of offices for the organization of transport put the transport sector and the owners of trucks in very difficult and complex situation.

### 8.15.2 ENTERPRISE LEVEL CONSTRAINTS

- Financing is a collective problem for this sector. Particularly funding from banks to purchase vehicles with competitive prices and convenient installments.
- The most important concern for transport and cargo owners is the subject of rising fuel prices because of their direct impact on their work.
- Offices of public transport note lack of state-run electricity and its negative impact on their work. Most of them are forced to buy generators and pay for their fuel and raw materials, operators and generators, this causes additional costs calculated in advance.

- The problem of the security situation was universal among the participants. The offices of transport and cargo owners are in direct contact with the subject and they understand it at every step of their journey and when they are on international routes and between provinces. It is one of the major constraints they face, especially when they stop at the checkpoints run by the government and experience delays in time.

### **8.15.3 LEGAL REFORM SUGGESTIONS FROM PARTICIPANTS**

- Establishment of free zones in Iraq.
- Opening offices in the governorates to oversee the distribution of work.
- Lifting of restrictions and fees on entry and exit of vehicles.
- Giving the trucks fuel with a discounted price, especially in support of their work.

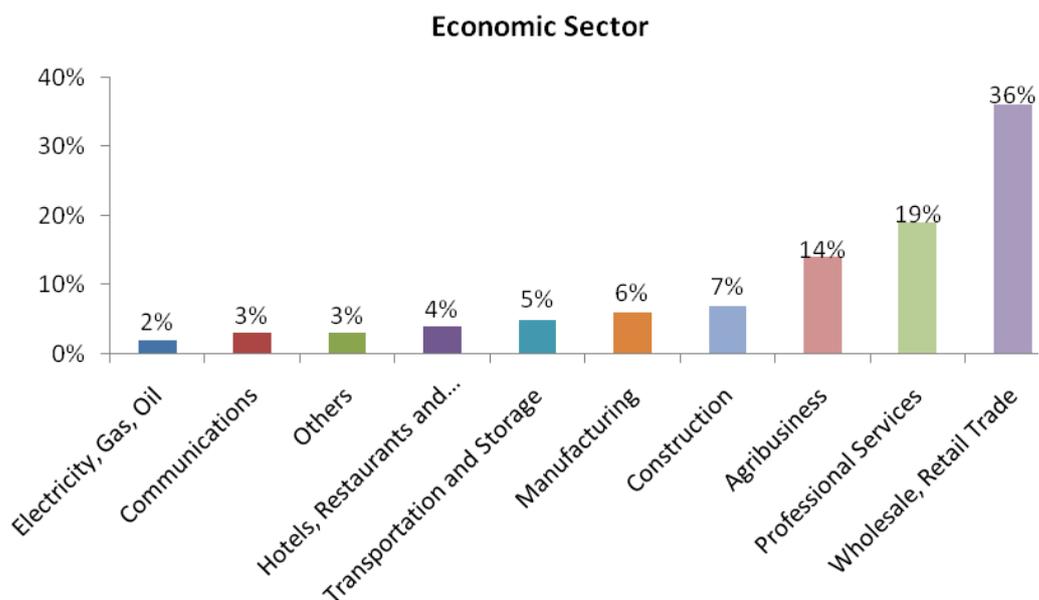
## 9. APPENDIX 2: TABULATIONS AND GRAPHS

Provided here are the tabulations of the data resulting from the survey of 772 SMEs in Anbar covering 76 questions with 547 variables, which enabled the analyst team to run close to 1,500 separate analysis scenarios. Please note that none of the tables in this appendix are included in the list of tables at the beginning of the report.

### 9.1 MSME CHARACTERISTICS RESPONSES

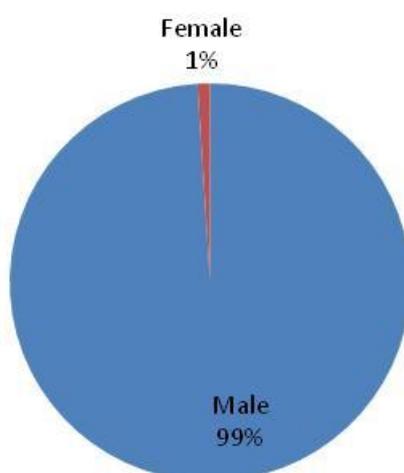
1. In which economic sector does your business mainly operate?

Economic Sector	Frequency	Percent
Wholesale, Retail Trade	281	36%
Professional Services	147	19%
Agribusiness	109	14%
Construction	56	7%
Manufacturing	49	6%
Transportation and Storage	42	5%
Hotels, Restaurants and Tourism	29	4%
Others	25	3%
Communications	22	3%
Electricity, Gas, Oil	12	2%
<b>Total</b>	<b>772</b>	<b>100%</b>



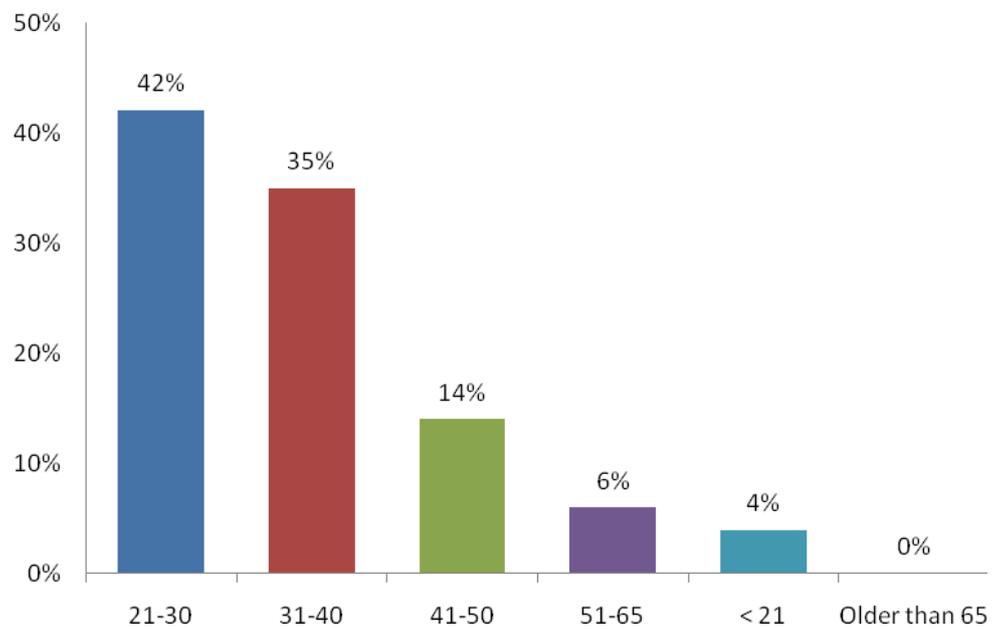
2. What is the business owner's gender?

Gender	Frequency	Percent
Male	768	99%
Female	4	1%
<b>Total</b>	<b>772</b>	<b>100.0</b>



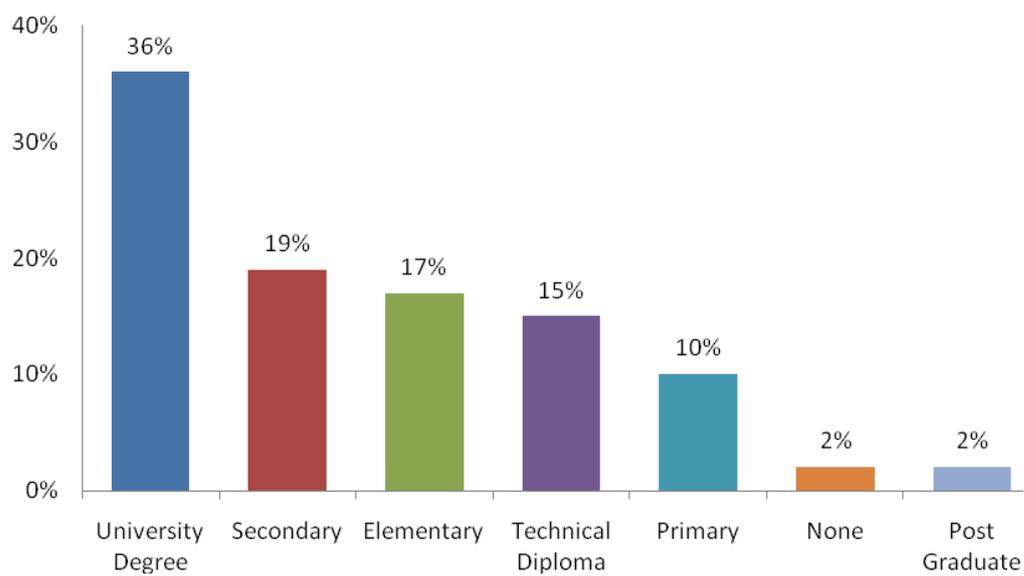
### 3. How old is the business owner?

Age (Years)	Frequency	Percent
< 21	31	4%
21-30	323	42%
31-40	266	35%
41-50	105	14%
51-65	44	6%
Older than 65	3	0%
<b>Total</b>	<b>772</b>	<b>100%</b>



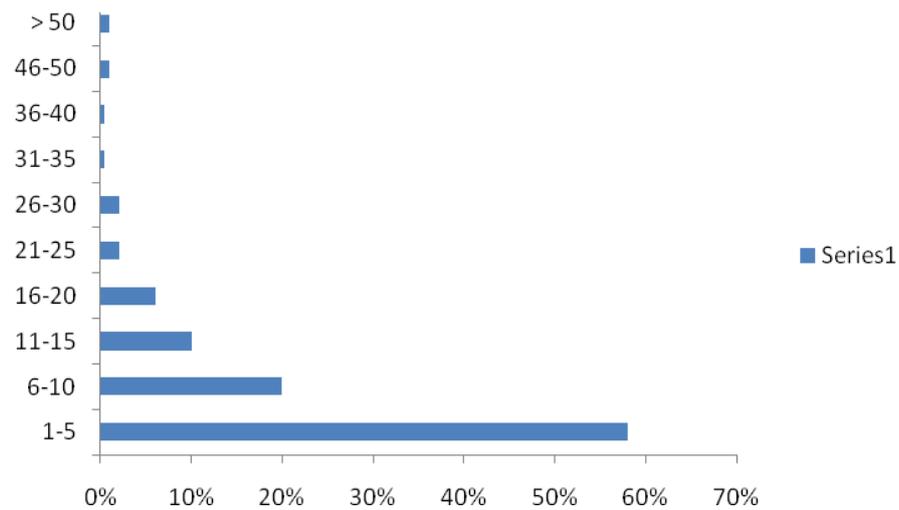
4. What is the education level of the business owner?

Education Level	Frequency	Percent
None	13	2%
Primary	75	10%
Elementary	130	17%
Secondary	145	19%
Technical Diploma	116	15%
University Degree	279	36%
Post Graduate	14	2%
<b>Total</b>	<b>772</b>	<b>100%</b>



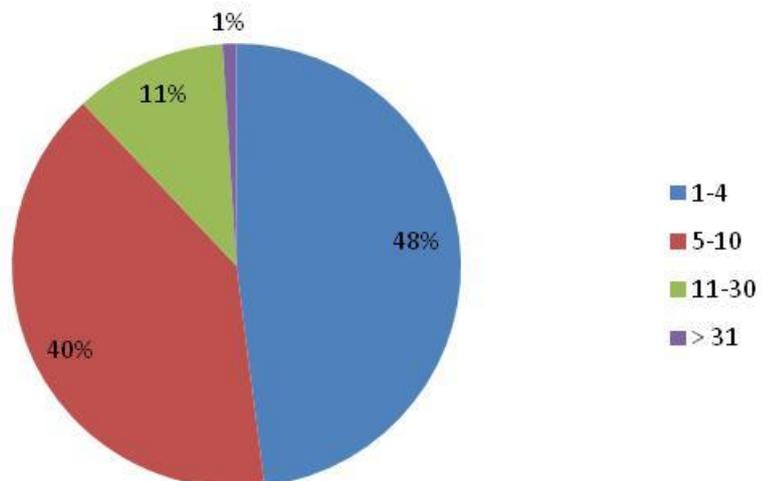
5. How old is your business enterprise?

Age (Years)	Frequency	Percent
1-5	448	58%
6-10	154	20%
11-15	79	10%
16-20	45	6%
21-25	17	2%
26-30	14	2%
31-35	3	0.4%
36-40	3	0.4%
46-50	4	1%
> 50	5	1%
<b>Total</b>	<b>772</b>	<b>100%</b>



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

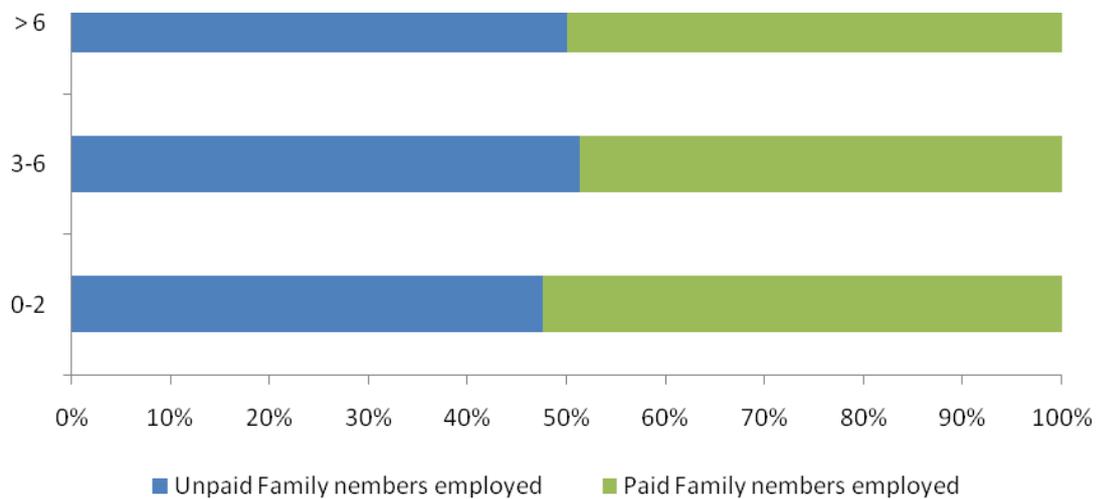
Number of Employees	Frequency	Percent
1-4	373	48%
5-10	310	40%
11-30	85	11%
> 31	4	1%
<b>Total</b>	<b>772</b>	<b>100%</b>



7. How many family members are employed by your enterprise?

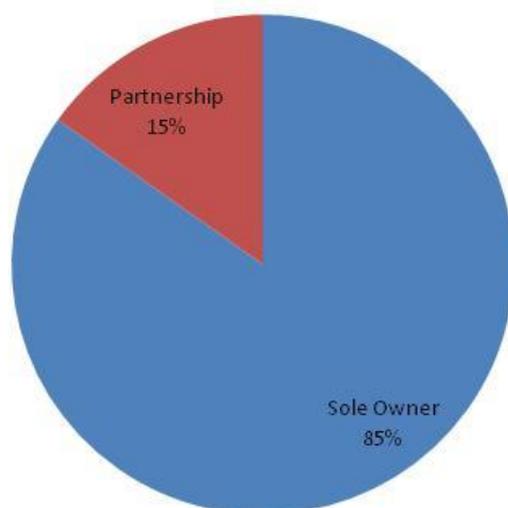
**Family Members employed Crosstabulation**

		Family Members Employed			Total
		0-2	3-6	> 6	0-2
Paid Family members employed	Count	298	35	5	338
	%of Respondents	45.8%	5.4%	.8%	52.0%
Unpaid Family members employed	Count	270	37	5	312
	%of Respondents	41.50%	5.70%	%0.80	48.00%
<b>Total</b>	<b>Count</b>	<b>568</b>	<b>72</b>	<b>10</b>	<b>650</b>
	<b>%of Respondents</b>	<b>87.4%</b>	<b>11.1%</b>	<b>1.5%</b>	<b>100.0%</b>



### 8. Who owns your business?

Type of Ownership	Frequency	Percent
Sole Owner	649	84%
Partnership	119	15%
<b>Total</b>	<b>768</b>	<b>100%</b>
Missing Responses	4	
<b>Total</b>	<b>772</b>	

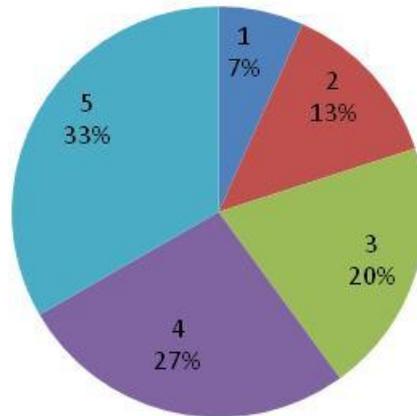


### Number of Partners

Number of partners	Frequency	Percent
1	31	28.4
2	62	56.9
3	10	9.2
4	4	3.7
5	2	1.8
<b>Total</b>	<b>109</b>	<b>100.0</b>

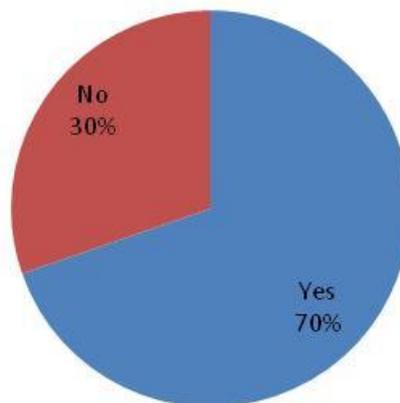
Missing Responses	663	
<b>Total</b>	<b>772</b>	

Number of partners



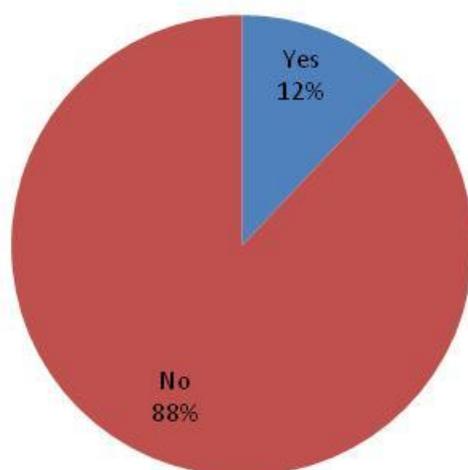
9. Is your business family owned?

Family Owned	Frequency	Percent
Yes	533	69%
No	234	30%
<b>Total</b>	<b>767</b>	<b>99%</b>
Missing Response	5	1%
<b>Total</b>	<b>772</b>	<b>100%</b>



10. Is your business registered with a government agency?

Government Registration	Frequency	Percent
Yes	90	12%
No	678	88%
<b>Total</b>	<b>768</b>	<b>100%</b>
Missing Responses	4	
<b>Total</b>	<b>772</b>	



11. Do you belong to a business membership organization (BMO)?

BMO Membership	Frequency	Percent
Yes	67	9%
No	701	91%
<b>Total</b>	<b>768</b>	<b>100%</b>
Missing Responses	4	

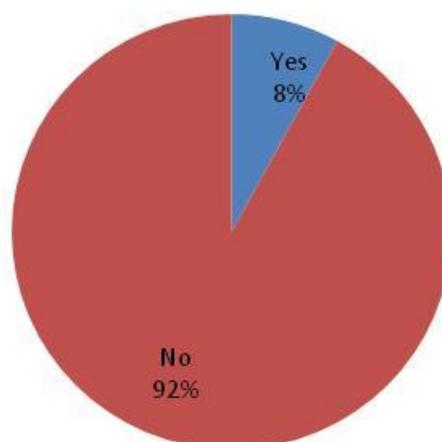
### BMO Membership



12. Do you belong to a professional association?

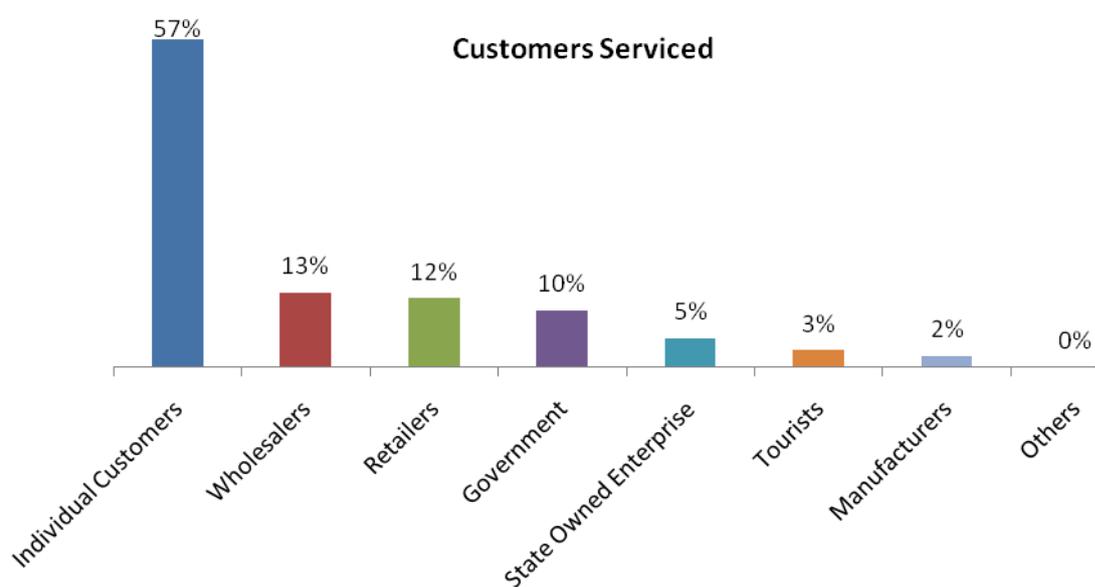
Professional Association	Frequency	Percent
Yes	58	8%
No	708	92%
<b>Total</b>	<b>766</b>	<b>100%</b>
Missing	6	1%
<b>Total</b>	<b>772</b>	<b>100.0</b>

### Professional Association



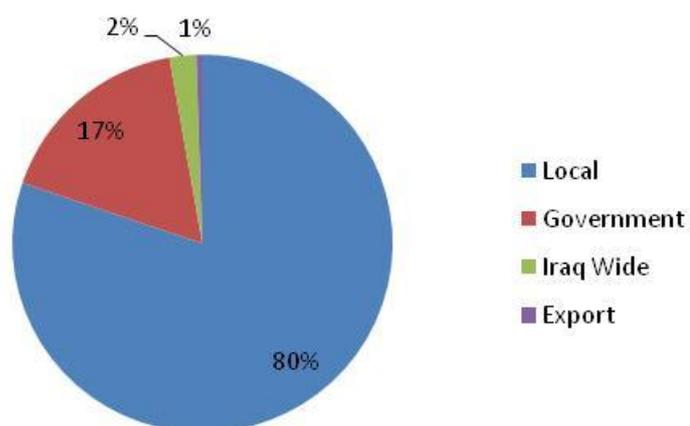
14. Whom does your business primarily serve? (Multi-response question)

Enterprise Customers	Frequency	Percent
Individual Customers	720	57%
Wholesalers	164	13%
Retailers	147	12%
Government	125	10%
State Owned Enterprise	58	5%
Tourists	33	3%
Manufacturers	20	2%
Others	3	0%
<b>Total Responses</b>	<b>1270</b>	<b>100%</b>



15. Where are your customers located?

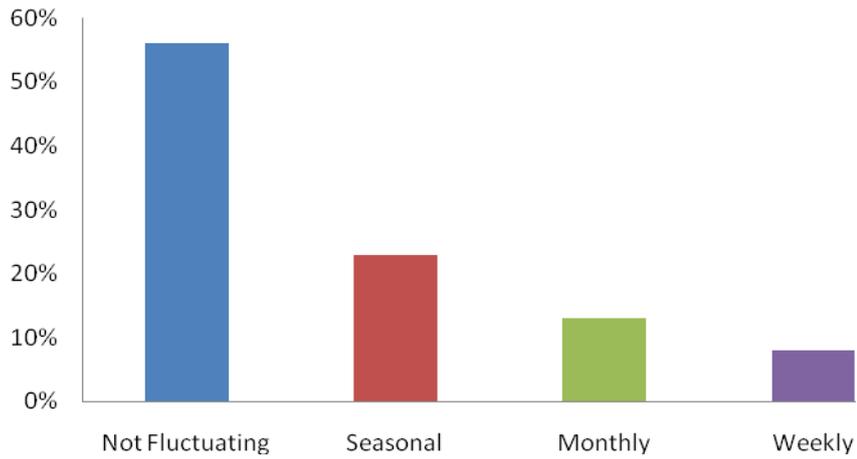
	Frequency	Percent
Locally	619	80%
Government	131	17%
Iraq-Wide	17	2%
Exports	4	1%
<b>Total</b>	<b>772</b>	<b>100%</b>



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

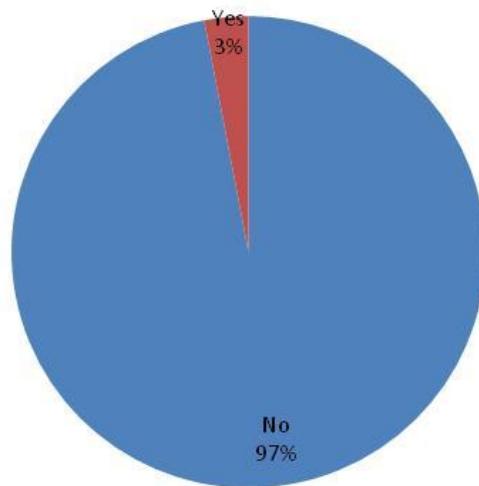
	Frequency	Percent
Weekly	63	8%
Monthly	99	13%
Seasonal	178	23%
Not Fluctuating	432	56%
<b>Total</b>	<b>772</b>	<b>100%</b>

**Business Activity Fluctuations**



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

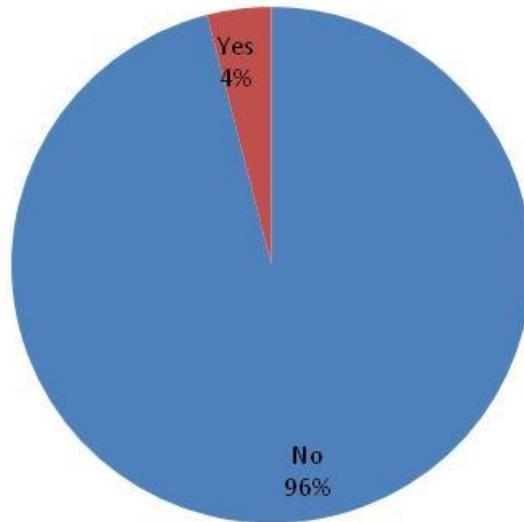
	Frequency	Percent
Yes	21	3%
No	751	97%
<b>Total</b>	<b>772</b>	<b>100%</b>



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

	Frequency	Percent
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Yes	29	4%
No	743	96.2%
<b>Total</b>	<b>772</b>	<b>100.0</b>

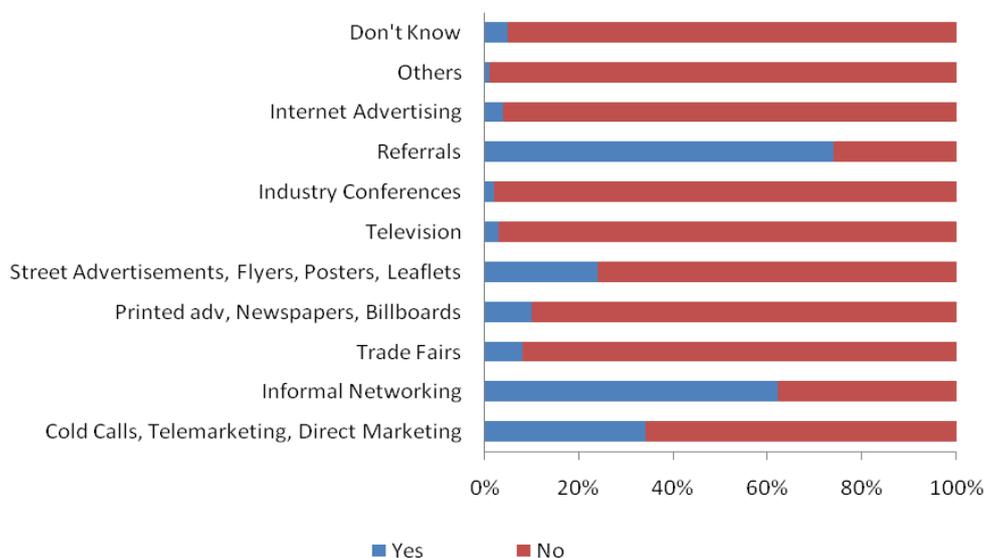


19. Which of the following techniques do you use to connect to your customers?

		Utilization		Total
		Yes	No	
Referrals	Frequency	568	204	772
	%of Respondents	74%	26%	100%
Informal Networking	Frequency	480	292	772
	%of Respondents	62%	38%	100%
Cold Calls, Telemarketing, Direct Marketing	Frequency	260	512	772
	%of Respondents	34%	66%	100%
Street Advertisements, Flyers, Posters, Leaflets	Frequency	187	585	772
	%of Respondents	24%	76%	100%

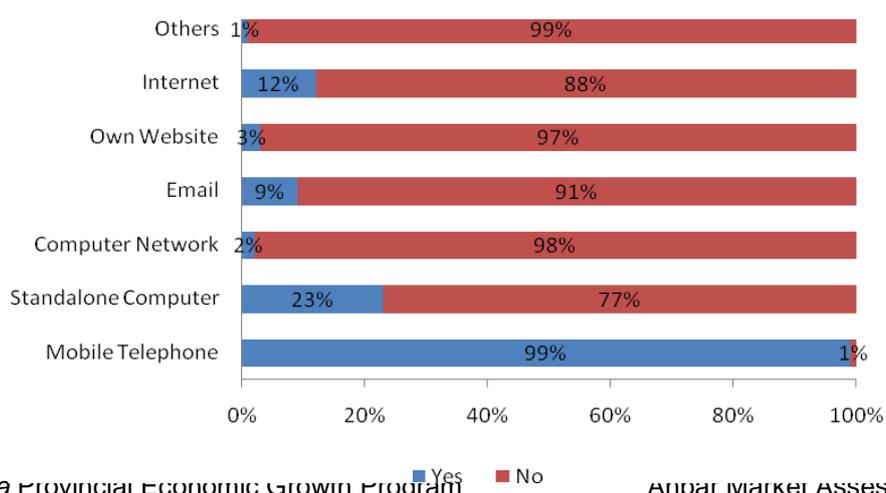
Printed Advertisements, Newspapers, Billboards	Frequency	75	697	772
	%of Respondents	10%	90%	100%
Trade Fairs	Frequency	65	707	772
	%of Respondents	8%	92%	100%
Don't Know	Frequency	35	737	772
	%of Respondents	5%	96%	100%
Internet Advertising	Frequency	27	745	772
	%of Respondents	4%	97%	100%
Television	Frequency	26	746	772
	%of Respondents	3%	97%	100%
Industry Conferences	Frequency	14	758	772
	%of Respondents	2%	98%	100%
Others	Frequency	9	763	772
	%of Respondents	1%	99%	100%

### Marketing/ Connecting to Customers



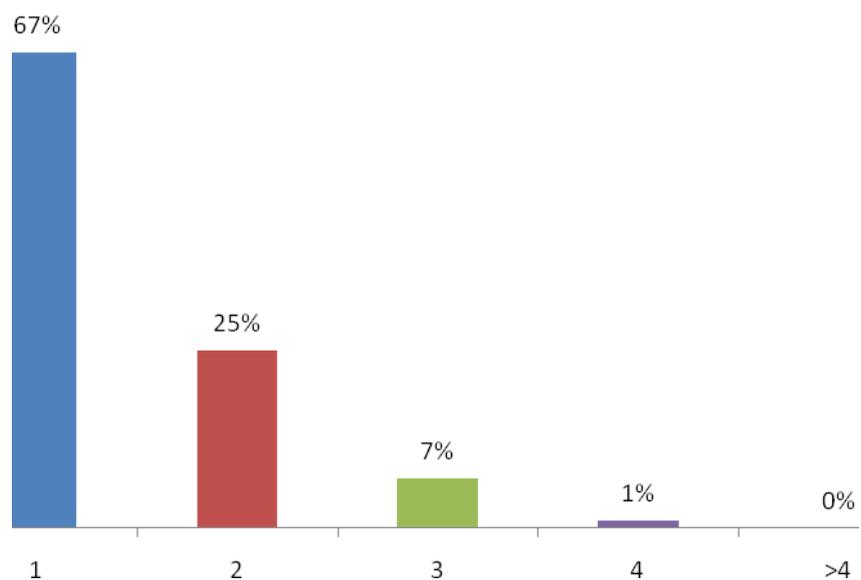
20. Indicate which of the following technologies you use to conduct business (multiple responses)

Technologies Used to Conduct Business		Utilization			Missing Responses
		Yes	No	Total	
Mobile Telephone	Frequency	760	9	769	3
	%of Respondents	99%	1%	100%	0.4%
Standalone Computer	Frequency	171	589	760	12
	%of Respondents	23%	77%	100%	2%
Internet	Frequency	94	666	760	12
	%of Respondents	12%	88%	100%	2%
Email	Frequency	67	692	759	13
	%of Respondents	9%	91%	100%	2%
Own Website	Frequency	20	739	759	13
	%of Respondents	3%	97%	100%	2%
Computer Network	Frequency	15	744	759	13
	%of Respondents	2%	98%	100%	2%
Others	Frequency	2	770	772	0
	%of Respondents	1%	99%	100%	0%



## 20A. Mobile Phone Ownership

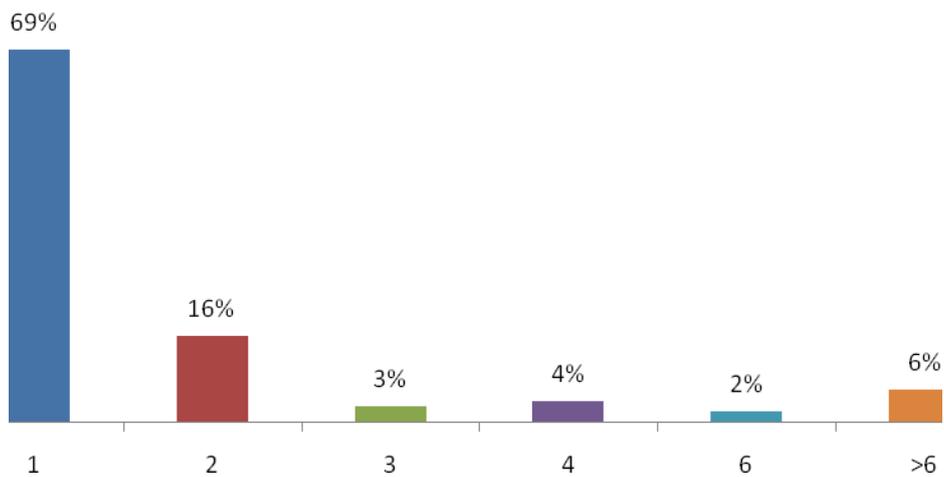
Number of Cell Phones Owned	Frequency	Percent
1	460	67%
2	175	25%
3	49	7%
4	6	1%
>4	1	0%
<b>Total</b>	<b>691</b>	<b>100%</b>
Missing Responses	81	
<b>Total</b>	<b>772</b>	



## 20B. Standalone Computer Ownership

Number of Computers	Frequency	Percent
1	117	69%
2	27	16%
3	5	3%
4	7	4%
6	4	2%
>6	10	6%
<b>Total</b>	<b>170</b>	<b>100%</b>
Missing Responses	602	
<b>Total</b>	<b>772</b>	

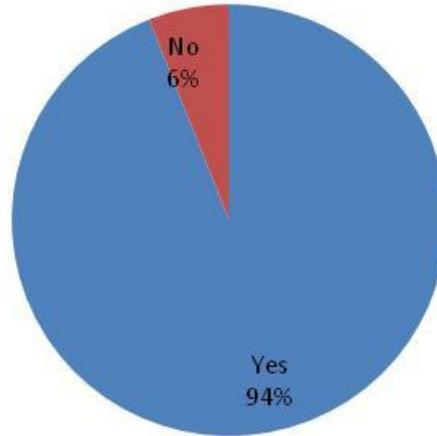
Number of Computers



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

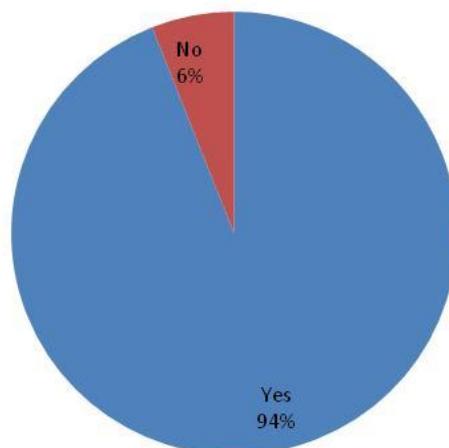
	Frequency	Percent
--	-----------	---------

Yes	720	94%
No	47	6%
<b>Total</b>	<b>767</b>	<b>100%</b>
Missing	5	
<b>Total</b>	<b>772</b>	



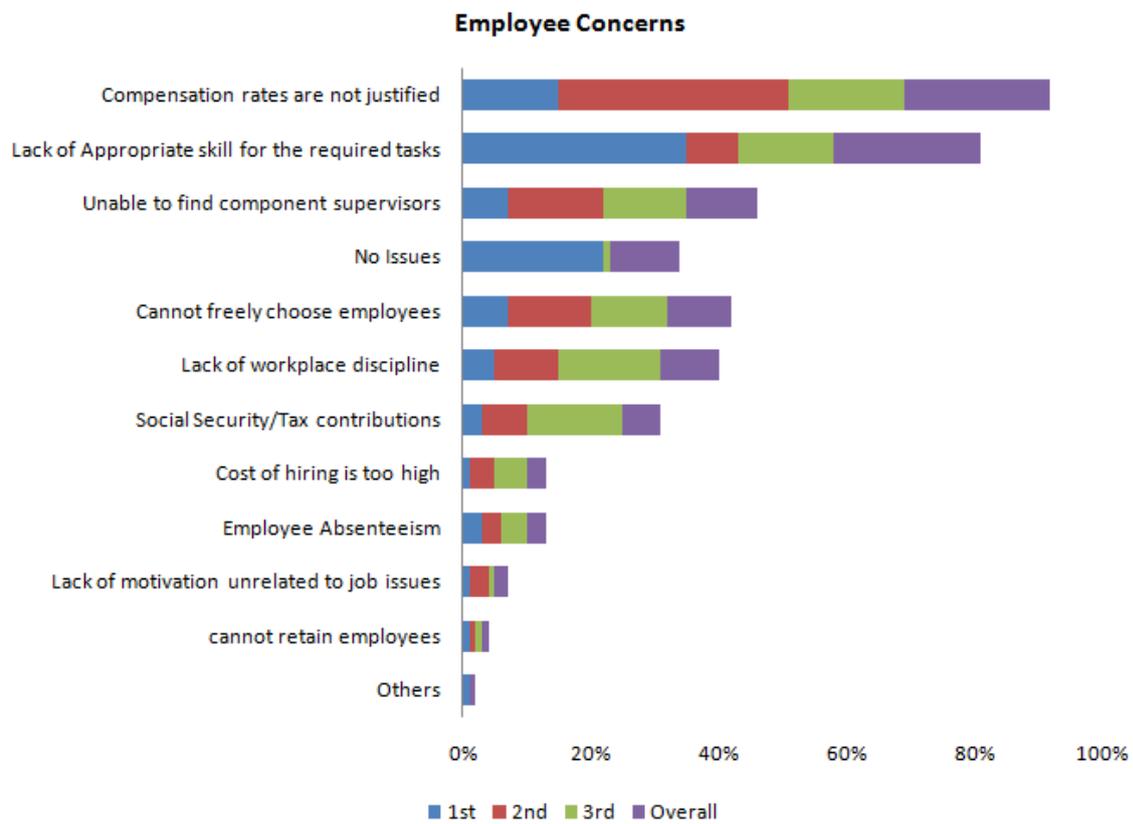
22. Can you currently find enough skilled workers for your business?

	Frequency	Percent
Yes	724	94%
No	46	6%
<b>Total</b>	<b>770</b>	<b>100%</b>
Missing	2	
<b>Total</b>	<b>772</b>	



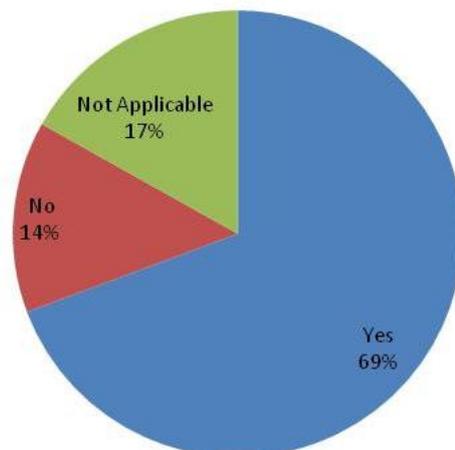
23. Rank the three main sources of concern regarding your employees

	1st		2nd		3rd		Weighted Rank	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Rank	Weight
Lack of appropriate skill for the required tasks	249	35%	43	8%	80	15%	1	23%
Compensation rates not justified	110	15%	200	36%	96	18%	2	23%
No Issues	157	22%	1	0%	7	1%	3	11%
Unable to find component supervisors	49	7%	86	15%	70	13%	4	11%
Cannot freely choose employees	48	7%	74	13%	68	12%	5	10%
Lack of workplace discipline	39	5%	58	10%	89	16%	6	9%
Social Security/Tax contributions	22	3%	38	7%	81	15%	7	6%
Employee Absenteeism	20	3%	14	3%	22	4%	8	3%
Cost of hiring is too high	10	1%	24	4%	26	5%	9	3%
Lack of motivation unrelated to job issues	6	1%	15	3%	6	1%	10	2%
Cannot retain employees	6	1%	4	1%	4	1%	11	1%
Others	5	1%	0	0%	1	0%	12	1%
<b>Total</b>	<b>721</b>	<b>1</b>	<b>557</b>		<b>550</b>	<b>100%</b>		
Missing	51		58		64			
<b>Total</b>	<b>772</b>		<b>615</b>		<b>614</b>			



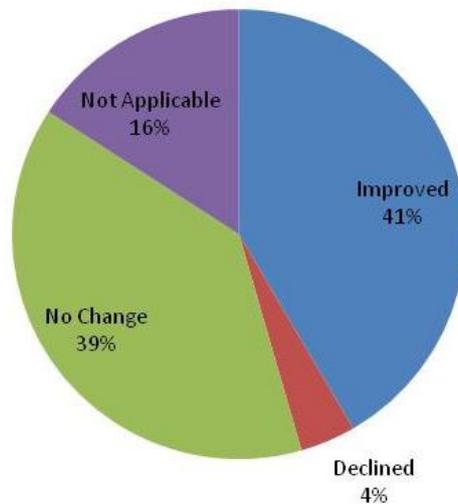
24. Are required skills learned on the job (in-house training)?

	Frequency	Percent
Yes	535	69%
No	105	14%
Not Applicable	129	17%
<b>Total</b>	<b>769</b>	<b>100%</b>
Missing Responses	3	
<b>Total</b>	<b>772</b>	



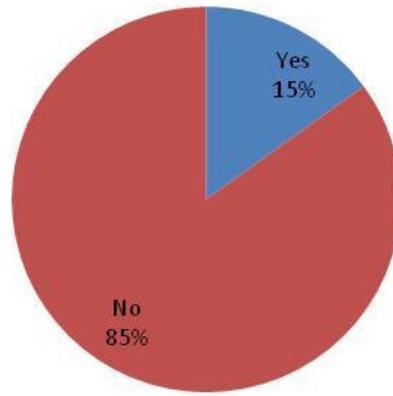
25. How has the availability of qualified labor changed over the past three years?

	Frequency	Percent
Improved	321	41%
No Change	298	39%
Not Applicable	121	16%
Declined	30	4%
<b>Total</b>	<b>770</b>	<b>100%</b>
Missing Responses	2	
<b>Total</b>	<b>772</b>	



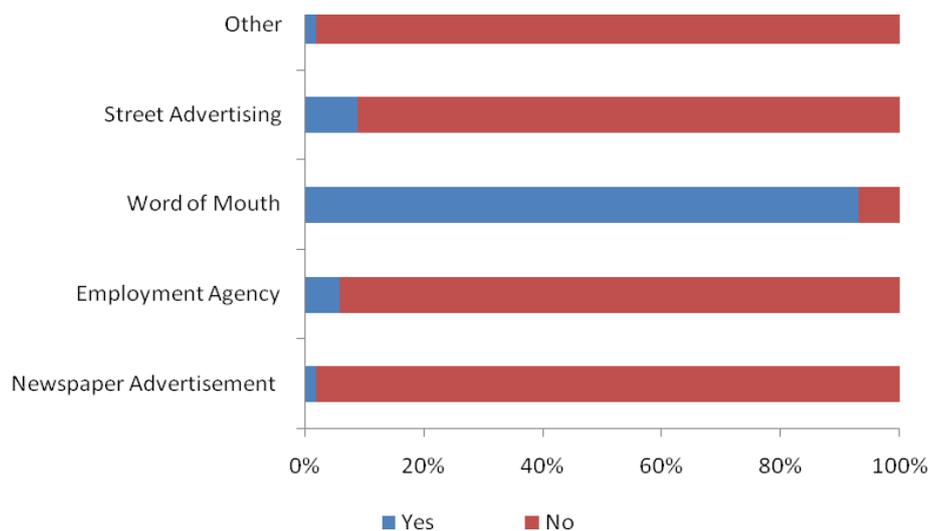
26. Do you employ people seasonally?

	Frequency	Percent
Yes	112	15%
No	647	85%
<b>Total</b>	<b>759</b>	<b>100%</b>
Missing Responses	13	
<b>Total</b>	<b>772</b>	



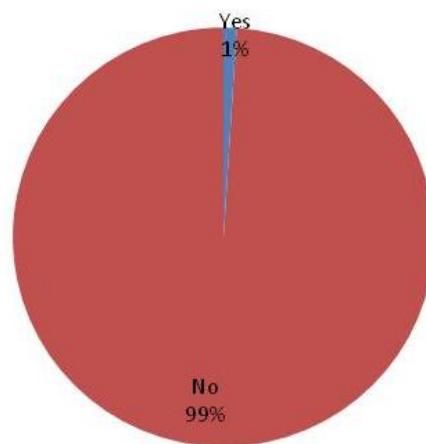
27. How do you go about hiring new employees?

How do You go about Seeking New Employees?		Utilization		Total
		Yes	No	
Word of Mouth	Frequency	717	50	767
	%of Respondents	94%	7%	100%
Street Advertising	Frequency	66	689	755
	%of Respondents	9%	91%	100%
Employment Agency	Frequency	43	714	757
	%of Respondents	6%	94%	100%
Newspaper Advertisement	Frequency	14	743	757
	%of Respondents	2%	98%	100%
Other	Frequency	7	290	298
	%of Respondents	2%	97%	100%



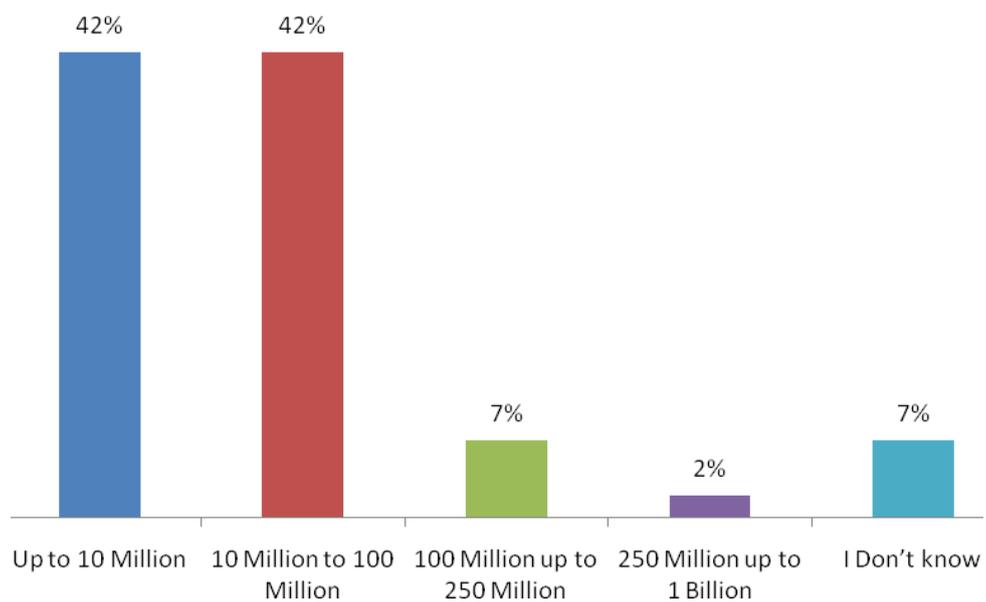
28. Are there companies in your area whose business it is to provide new employees (employment agencies)?

	Frequency	Percent
Yes	6	1%
No	762	99%
<b>Total</b>	<b>768</b>	<b>100%</b>
Missing Responses	4	
<b>Total</b>	<b>772</b>	



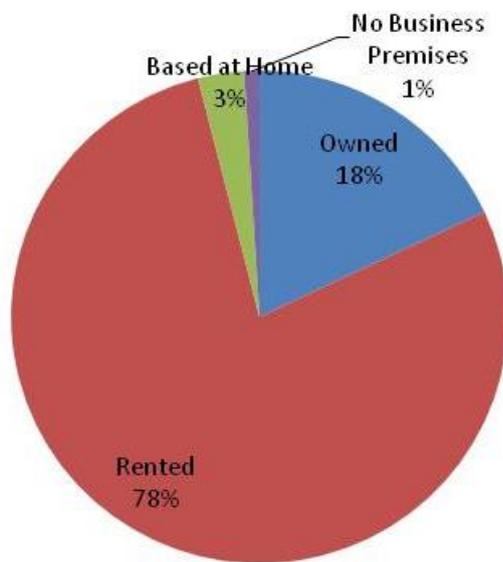
29. What is the approximate value of your current business assets (Iraqi Dinar)?

Asset Value (Iraqi Dinar)	Frequency	Percent
Up to 10 Million	321	42%
10 Million to 100 Million	319	42%
100 Million up to 250 Million	53	7%
250 Million up to 1 Billion	16	2%
I don't know	51	7%
<b>Total</b>	<b>760</b>	<b>100%</b>
Missing Responses	12	
<b>Total</b>	<b>772</b>	



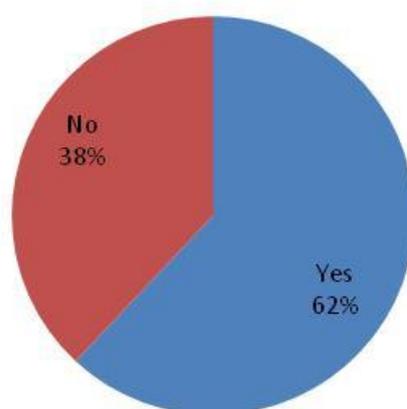
30. Where are your business premises located?

Location	Frequency	Percent
Rented	595	78%
Owned	141	18%
Based at Home	26	3%
No Business Premises	6	1%
<b>Total</b>	<b>768</b>	<b>100%</b>
Missing Responses	4	
<b>Total</b>	<b>772</b>	



32. Does your business own or lease any vehicles?

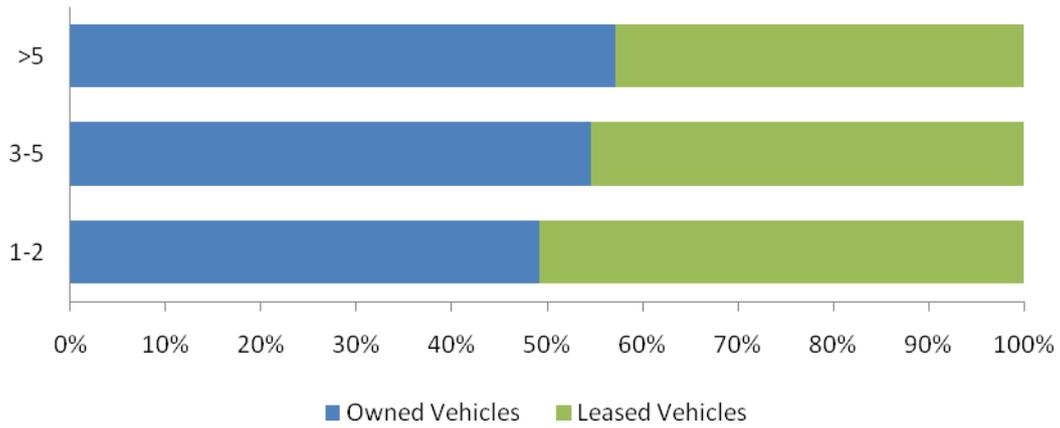
	Frequency	Percent
Yes	470	62%
No	293	38%
<b>Total</b>	<b>763</b>	<b>100%</b>
Missing Responses	9	
<b>Total</b>	<b>772</b>	



32A. Number of vehicles owned /leased

Number of Vehicles	Owned Vehicles		Leased Vehicles	
	Frequency	Percent	Frequency	Percent
1-2	207	84%	301	87%
3-5	30	12%	35	10%
>5	10	4%	11	3%
<b>Total</b>	<b>247</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

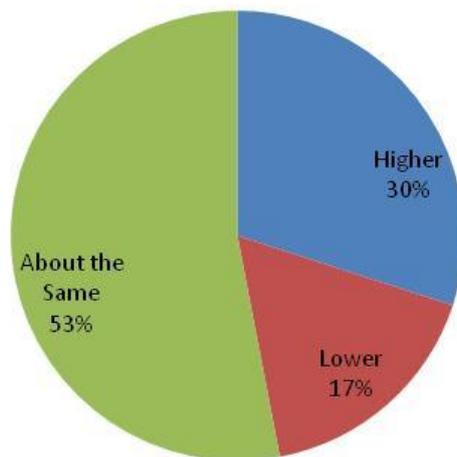
### Number of Vehicles



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

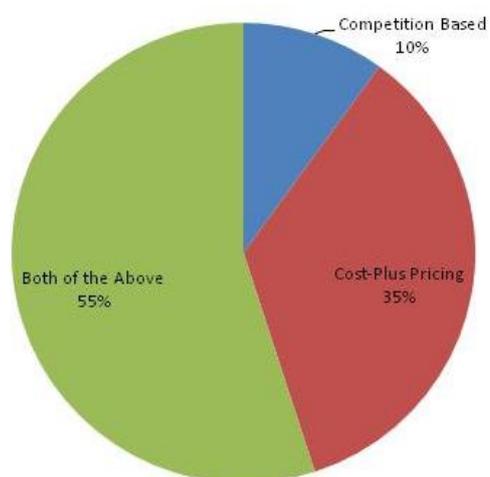
Sales	Frequency	Percent
Higher	229	30%
Lower	133	17%
About the Same	404	53%
<b>Total</b>	<b>766</b>	<b>100%</b>
Missing Responses	6	
<b>Total</b>	<b>772</b>	

### Sales Turnover Fluctuations



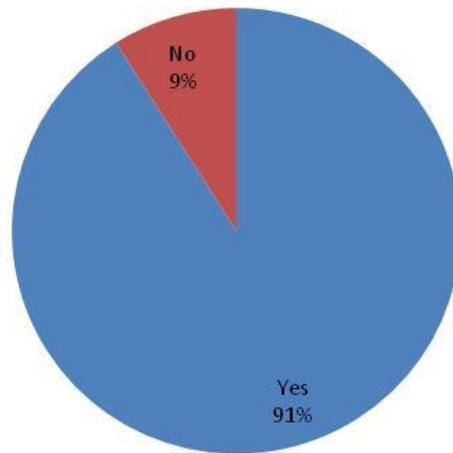
34. What pricing strategy do you use for your products/services?

Pricing Strategy	Frequency	Percent
Both of the Above	420	55%
Cost-Plus Pricing	267	35%
Competition Based	77	10%
<b>Total</b>	<b>764</b>	<b>100%</b>
Missing Responses	8	
<b>Total</b>	<b>772</b>	



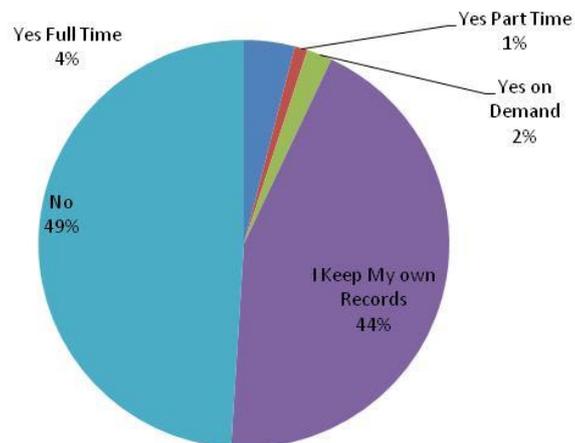
35. Is your business profitable?

	Frequency	Percent
Yes	690	91%
No	67	9%
<b>Total</b>	<b>757</b>	<b>100%</b>
Missing Responses	15	
<b>Total</b>	<b>772</b>	



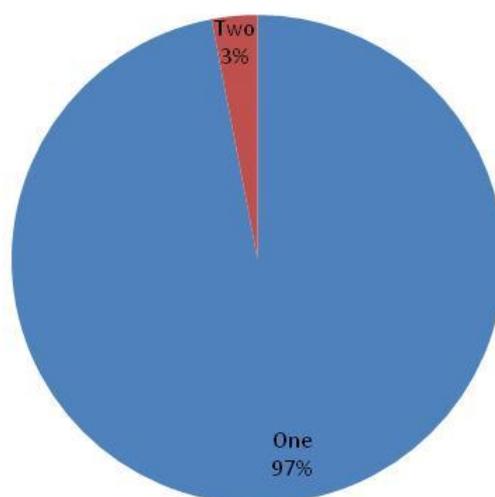
36. Do you employ the services of an accountant?

	Frequency	Percent
No	375	49%
I keep my own records	338	44%
Yes full time	29	4%
Yes on demand	17	2%
Yes part time	7	1%
<b>Total</b>	<b>766</b>	<b>100%</b>
Missing	6	
Total	772	



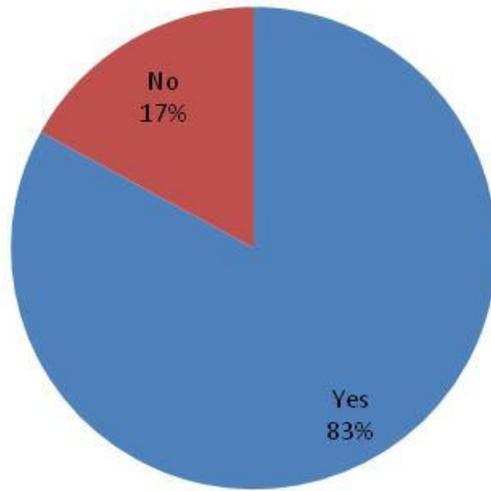
36a. How many accountants do you employ?

Accountant	Frequency	Percent
One	28	97%
Two	1	3%
<b>Total</b>	<b>29</b>	<b>100%</b>
Missing Responses	743	
<b>Total</b>	<b>772</b>	



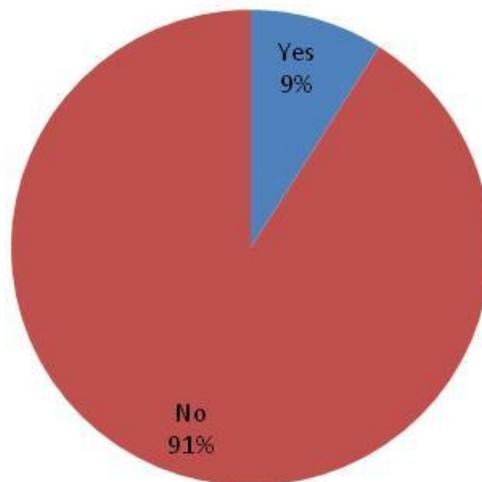
37. Do you keep your business accounts separate from family accounts?

	Frequency	Percent
Yes	625	83%
No	132	17%
<b>Total</b>	<b>757</b>	<b>100%</b>
Missing Responses	15	
<b>Total</b>	<b>772</b>	



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

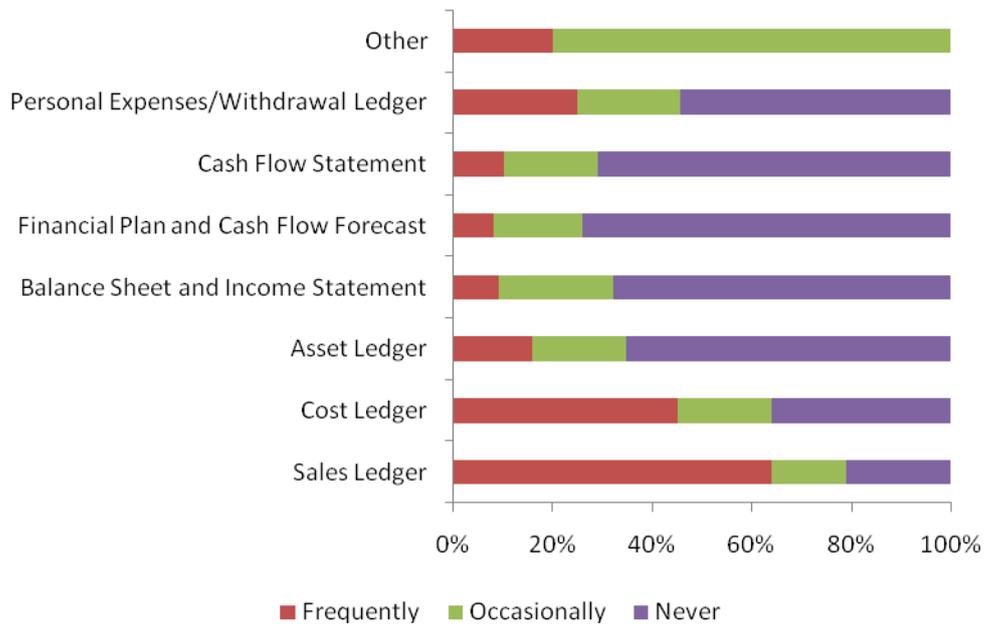
	Frequency	Percent
Yes	66	9%
No	694	91%
<b>Total</b>	<b>760</b>	<b>100%</b>
Missing Responses	12	
<b>Total</b>	<b>772</b>	



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

Accounting Records		Utilization			Total
		Frequently	Occasionally	Never	
Sales Ledger	Frequency	492	111	162	765
	%of Respondents	64%	15%	21%	100%
Cost Ledger	Frequency	347	142	275	764
	%of Respondents	45%	19%	36%	100%
Personal Expenses/Withdrawal Ledger	Frequency	187	158	414	759
	%of Respondents	25%	21%	55%	100%
Asset Ledger	Frequency	121	142	500	763
	%of Respondents	16%	19%	66%	100%
Cash Flow Statement	Frequency	73	148	541	762
	%of Respondents	10%	19%	71%	100%
Balance Sheet and Income Statement	Frequency	70	173	519	762
	%of Respondents	9%	23%	68%	100%
Financial Plan and Cash Flow Forecast	Frequency	62	139	562	763
	%of Respondents	8%	18%	74%	100%
Other	Frequency	16	60	142	218
	%of Respondents	7%	28%	65%	100%

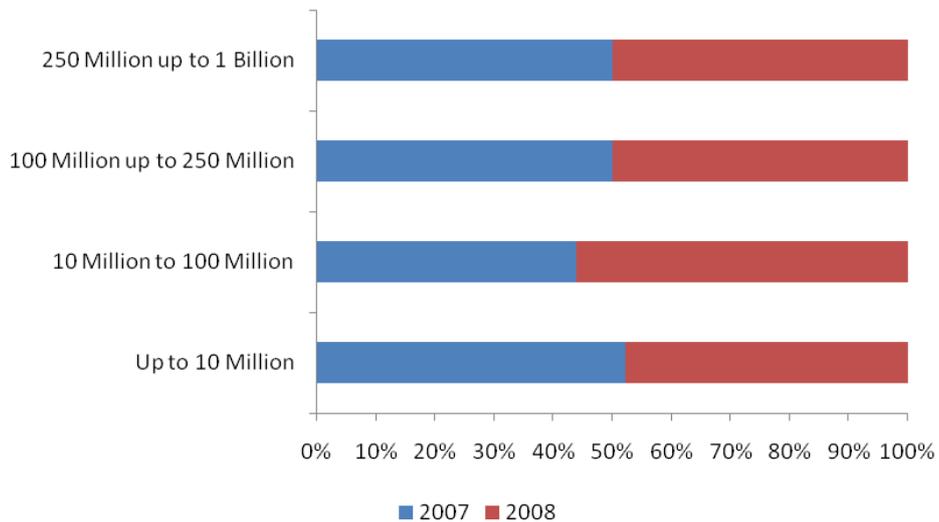
### Accounting Records



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

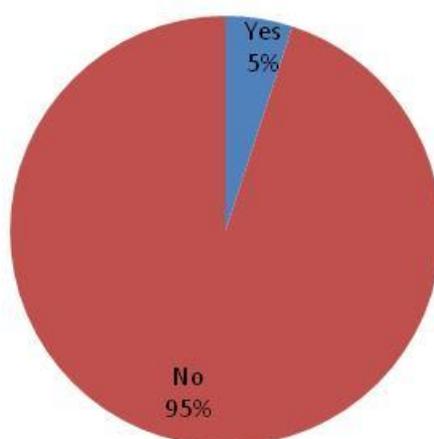
Fiscal Year		Annual Sales Turnover – Iraqi Dinar				Total
		Up to 10 Million	10 Million to 100 Million	100 Million up to 250 Million	250 Million up to 1 Billion	
2007	Frequency	499	177	22	4	702
	%of Respondents	71%	25%	3%	1%	100%
2008	Frequency	468	228	23	5	724
	%of Respondents	65%	32%	3%	1%	100%

### Sales Turnover



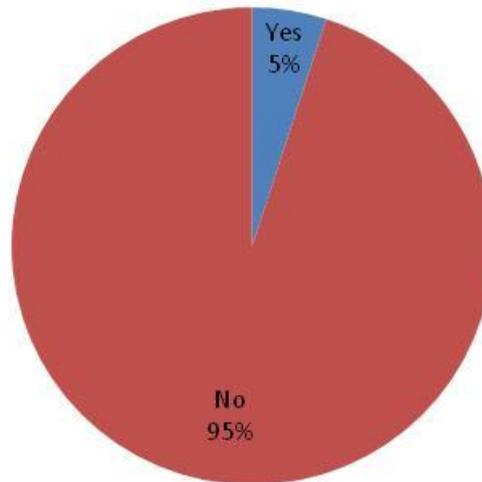
41. Do you know any state owned enterprise which buys products of the type you make?

	Frequency	Percent
Yes	38	5%
No	723	95%
<b>Total</b>	<b>761</b>	<b>100%</b>
Missing Responses	11	
<b>Total</b>	<b>772</b>	



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

	Frequency	Percent
Yes	41	5%
No	717	95%
<b>Total</b>	<b>758</b>	<b>100%</b>
Missing Responses	14	
<b>Total</b>	<b>772</b>	

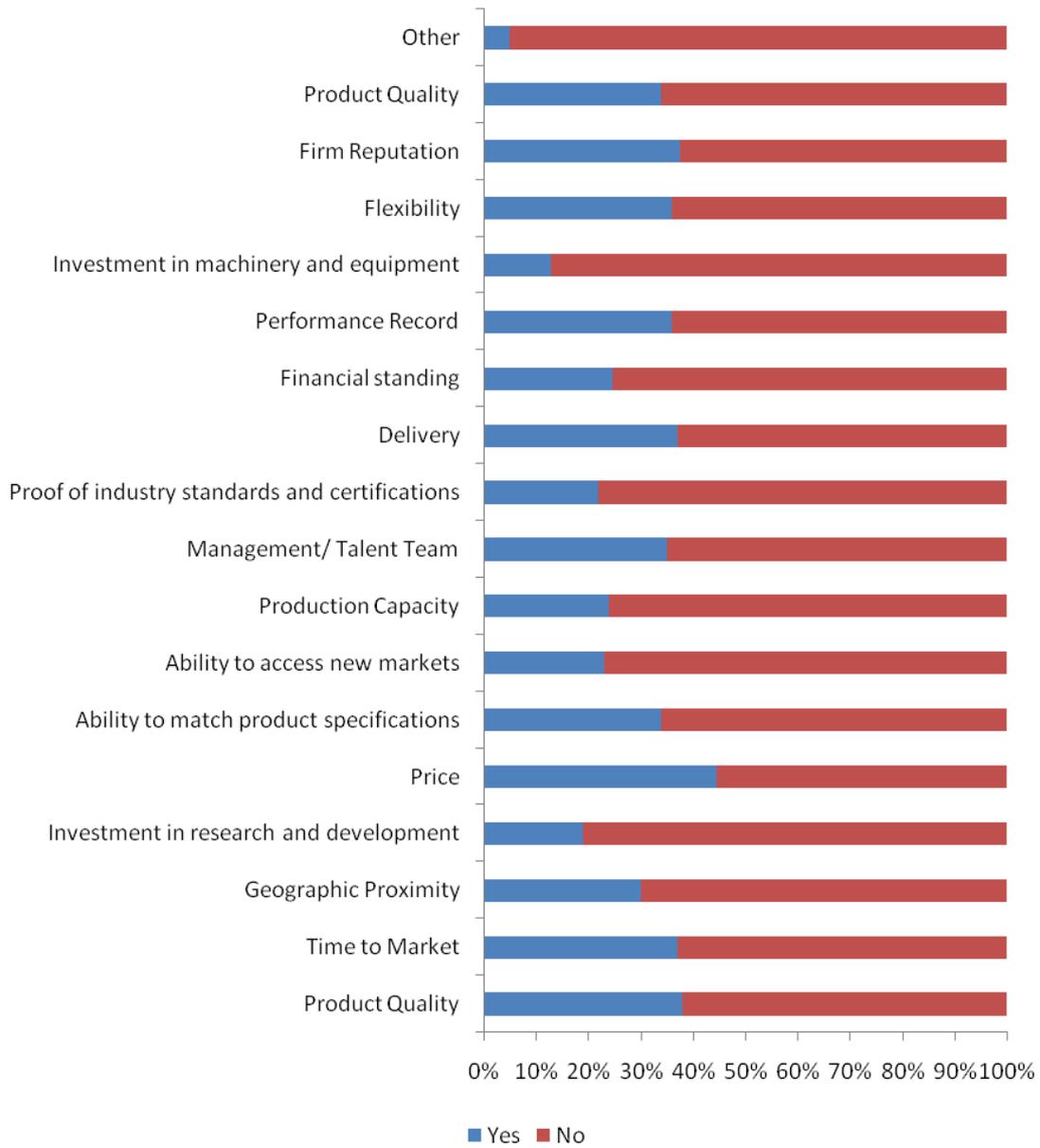


43. What do you think are the main criteria that large customers and SOEs use in deciding whether to do business with your company?

Large Customer and SOE Criteria		Response		Total
		Yes	No	
Price	Frequency	331	413	744
	%of Respondents	45%	55%	100%
Product Quality	Frequency	281	461	742
	%of Respondents	38%	62%	100%
Firm Reputation	Frequency	278	464	742
	%of Respondents	38%	62%	100%
Time to Market	Frequency	276	468	744
	%of Respondents	37%	63%	100%
Delivery	Frequency	276	467	743
	%of Respondents	37%	63%	100%
Flexibility	Frequency	270	471	741
	%of Respondents	36%	64%	100%
Performance Record	Frequency	265	477	742
	%of Respondents	36%	64%	100%

Large Customer and SOE Criteria		Response		Total
		Yes	No	
Management/ Talent Team	Frequency	257	485	742
	%of Respondents	35%	65%	100%
Ability to Match Product Specifications	Frequency	253	490	743
	%of Respondents	34%	66%	100%
Product Quality	Frequency	250	480	730
	%of Respondents	34%	66%	100%
Geographic Proximity	Frequency	220	524	744
	%of Respondents	30%	70%	100%
Financial Standing	Frequency	182	560	742
	%of Respondents	25%	75%	100%
Production Capacity	Frequency	176	566	742
	%of Respondents	24%	76%	100%
Ability to Access New Markets	Frequency	169	574	743
	%of Respondents	23%	77%	100%
Proof of Industry Standards and Certifications	Frequency	164	574	738
	%of Respondents	22%	78%	100%
Investment in Research and Development	Frequency	140	603	743
	%of Respondents	19%	81%	100%
Investment in Machinery and Equipment	Frequency	94	648	742
	%of Respondents	13%	87%	100%
Other	Frequency	15	263	278
	%of Respondents	5%	95%	100%

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

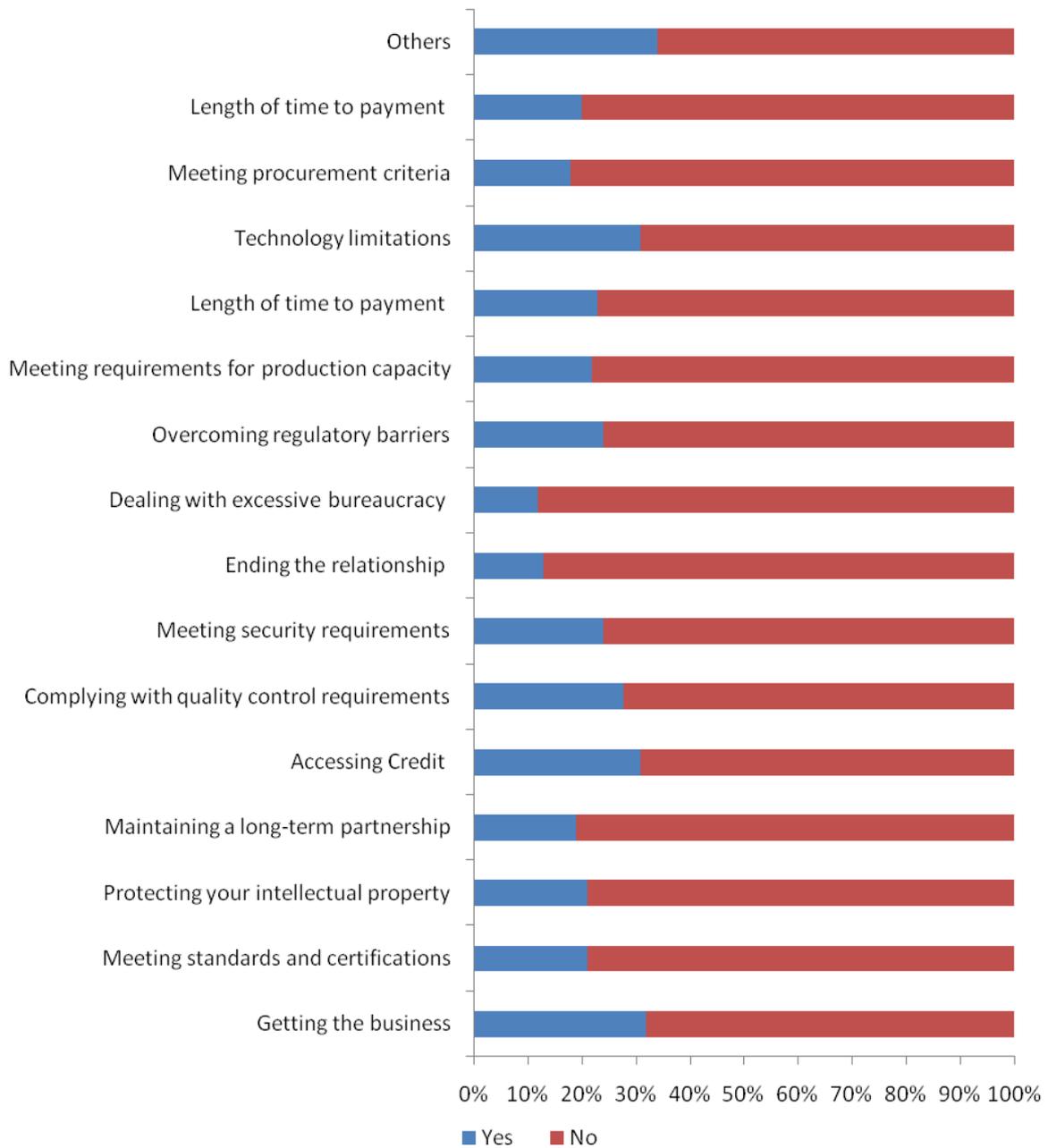


44. What are the main challenges your company has faced in being a supplier to a state owned enterprise /large buyers, if applicable?

Challenges to Supplying Large Customer and SOE Criteria		Response		Total
		Yes	No	
Others	Frequency	248	489	737
	%of Respondents	34%	66%	100%
Getting the Business	Frequency	234	504	738
	%of Respondents	32%	68%	100%
Technology Limitations	Frequency	230	509	739
	%of Respondents	31%	69%	100%
Accessing Credit	Frequency	229	509	738
	%of Respondents	31%	69%	100%
Complying with Quality Control Requirements	Frequency	203	534	737
	%of Respondents	28%	73%	100%
Meeting Security requirements	Frequency	176	562	738
	%of Respondents	24%	76%	100%
Overcoming Regulatory Barriers	Frequency	175	562	737
	%of Respondents	24%	76%	100%
Length of Time to Payment	Frequency	171	567	738
	%of Respondents	23%	77%	100%
Meeting Requirements for Production Capacity	Frequency	164	574	738
	%of Respondents	22%	78%	100%
Meeting Standards and Certifications	Frequency	157	581	738
	%of Respondents	21%	79%	100%

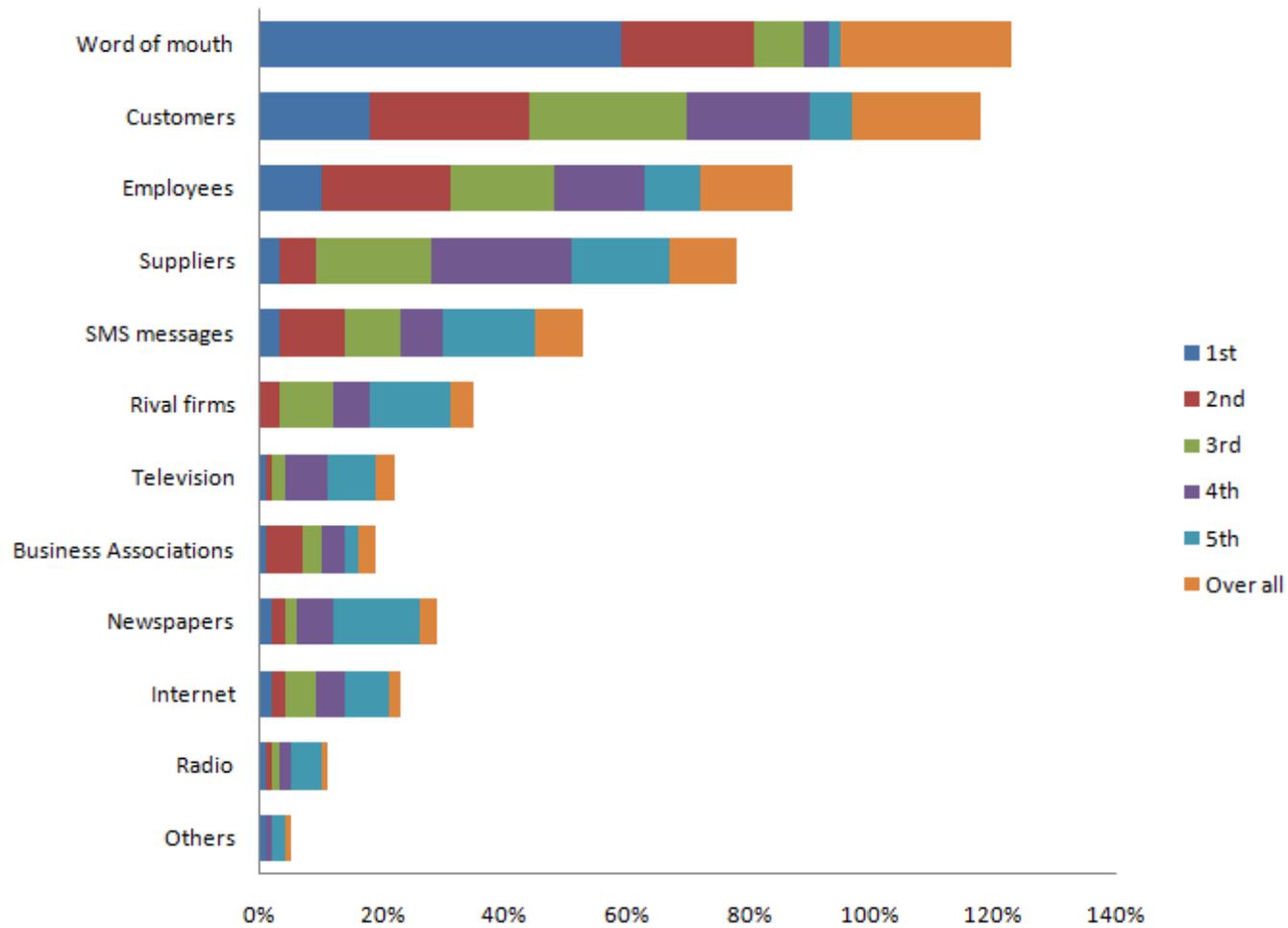
Challenges to Supplying Large Customer and SOE Criteria		Response		Total
		Yes	No	
Protecting your Intellectual Property	Frequency	154	584	738
	%of Respondents	21%	79%	100%
Length of Time to Payment	Frequency	149	588	737
	%of Respondents	20%	80%	100%
Maintaining a Long-term Partnership	Frequency	139	599	738
	%of Respondents	19%	81%	100%
Meeting Procurement Criteria	Frequency	132	606	738
	%of Respondents	18%	82%	100%
Ending the Relationship	Frequency	94	643	737
	%of Respondents	13%	87%	100%
Dealing with Excessive Bureaucracy	Frequency	88	650	738
	%of Respondents	12%	88%	100%

### Challenges to Supplying Large Customer and SOE Criteria



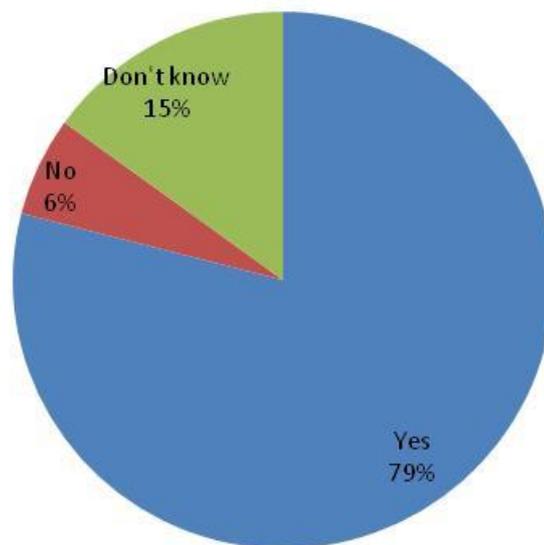
45. Rank in order of importance the top 5 main sources of news/information about business/customers.

	1 <sup>st</sup>		2nd		3rd		4th		5th		Over All Rank	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Rank	Weight
Word of Mouth	446	59%	158	22%	56	8%	29	4%	13	2%	1	28%
Customers	132	18%	189	26%	185	26%	131	20%	45	7%	2	21%
Employees	76	10%	155	21%	118	17%	98	15%	58	9%	3	15%
Suppliers	20	3%	43	6%	136	19%	153	23%	100	16%	4	11%
SMS Messages	22	3%	83	11%	60	9%	47	7%	94	15%	5	8%
Rival Firms	2	0%	23	3%	63	9%	42	6%	83	13%	6	4%
Newspapers	13	2%	14	2%	13	2%	39	6%	89	14%	7	3%
Internet	16	2%	13	2%	32	5%	35	5%	46	7%	8	2%
Business Associations	7	1%	42	6%	19	3%	25	4%	14	2%	9	3%
Television	7	1%	10	1%	16	2%	44	7%	48	8%	10	3%
Radio	5	1%	5	1%	6	1%	14	2%	31	5%	11	1%
Others	9	1%	1	0%	3	0%	5	1%	12	2%	12	1%
<b>Total</b>	<b>755</b>	<b>100%</b>	<b>736</b>	<b>100%</b>	<b>707</b>	<b>100%</b>	<b>662</b>	<b>100%</b>	<b>633</b>	<b>100%</b>		<b>100%</b>
Missing Responses	17		36		65		110		139			



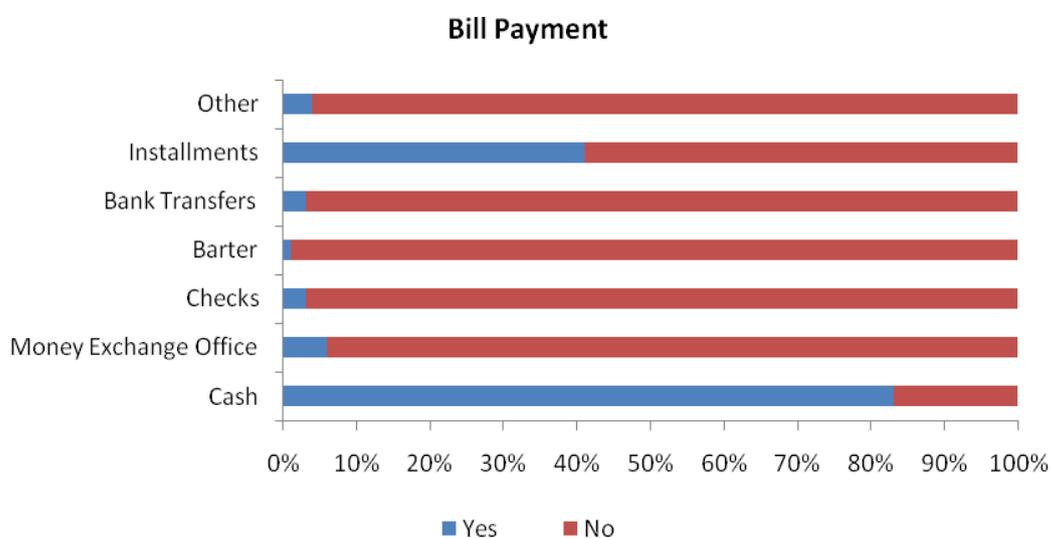
46. Do you plan to invest additional capital in your business in the next 24 months?

	Frequency	Percent
Yes	593	79%
No	45	6%
Don't know	115	15%
<b>Total</b>	<b>753</b>	<b>100%</b>
Missing Responses	19	
<b>Total</b>	<b>772</b>	



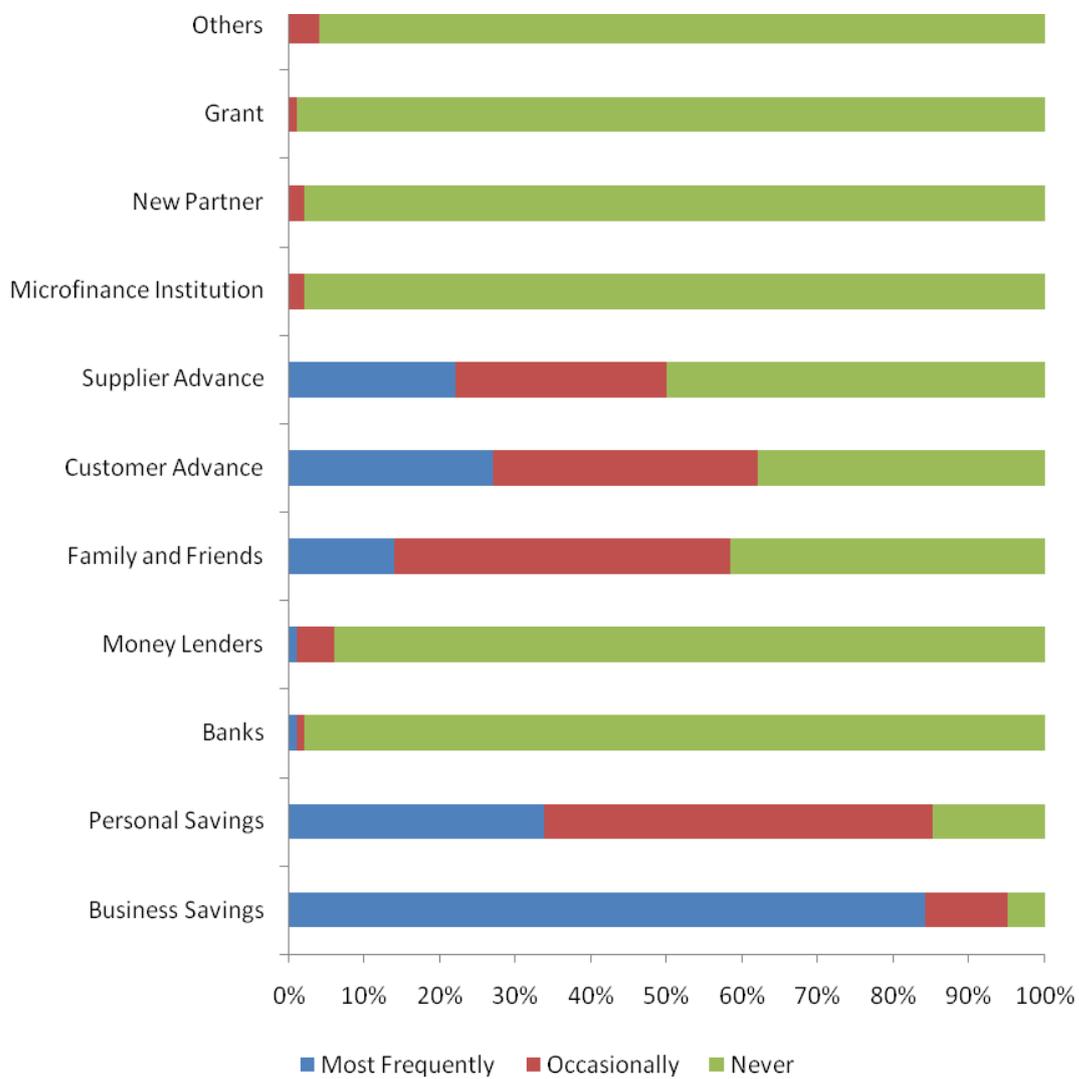
47. How do you settle your enterprise related bills?

How do you pay your bills?		Response		Total
		Yes	No	
Cash	Frequency	637	126	763
	%of Respondents	84%	16%	100%
Installments	Frequency	315	449	764
	%of Respondents	41%	59%	100%
Money Exchange Office	Frequency	47	713	760
	%of Respondents	6%	94%	100%
Bank Transfers	Frequency	25	733	758
	%of Respondents	3%	97%	100%
Checks	Frequency	21	738	759
	%of Respondents	3%	97%	100%
Other	Frequency	11	253	264
	%of Respondents	4%	96%	100%
Barter	Frequency	6	753	759
	%of Respondents	1%	99%	100%



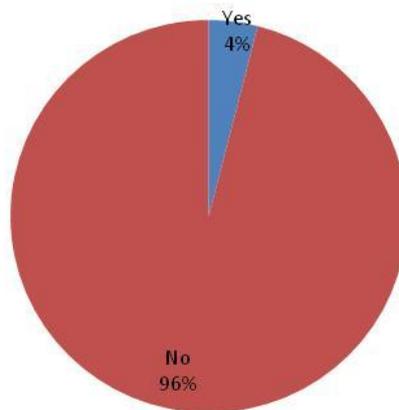
48. Which of the following sources do you use to fund your business?

Funding Source		Utilization			Total
		Most Frequently	Occasionally	Never	
Business Savings	Frequency	649	84	35	768
	%of Respondents	85%	11%	4%	100%
Personal Savings	Frequency	261	395	111	767
	%of Respondents	34%	52%	14%	100%
Customer Advance	Frequency	204	269	290	763
	%of Respondents	27%	35%	38%	100%
Supplier Advance	Frequency	168	214	381	763
	%of Respondents	22%	28%	50%	100%
Family and Friends	Frequency	104	343	319	766
	%of Respondents	14%	45%	41%	100%
Banks	Frequency	7	7	747	761
	%of Respondents	1%	1%	98%	100%
Money Lenders	Frequency	6	36	718	760
	%of Respondents	1%	5%	94%	100%
Grant	Frequency	3	9	746	758
	%of Respondents	0%	1%	99%	100%
New Partner	Frequency	3	15	746	764
	%of Respondents	0%	2%	98%	100%
Microfinance Institution	Frequency	0	14	750	764
	%of Respondents	0%	2%	98%	100%
Others	Frequency	0	9	196	205
	%of Respondents	0%	4%	96%	100%



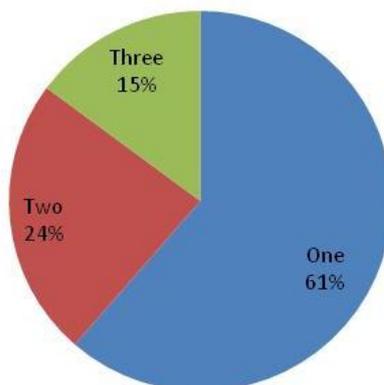
49. Do you hold a business bank account?

	Frequency	Percent
Yes	34	4%
No	738	96%
<b>Total</b>	<b>772</b>	<b>100.0</b>



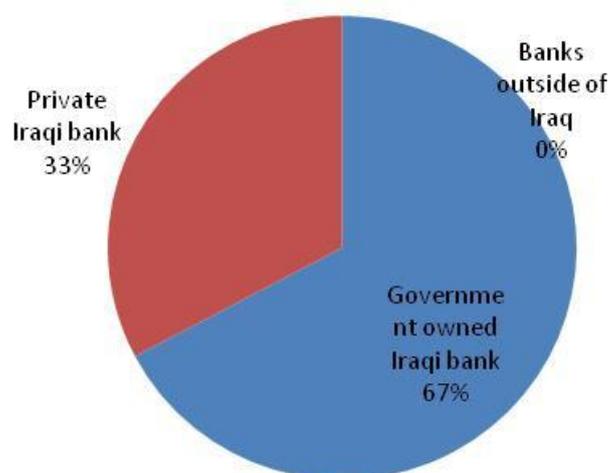
49a. How many bank accounts does your business have?

Bank Accounts	Frequency	Percent
One	21	62%
Two	8	24%
Three	5	15%
<b>Total</b>	<b>34</b>	<b>100%</b>



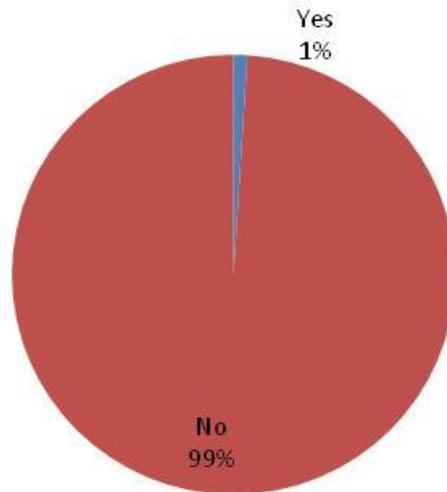
49b. With what type of bank does your business maintain its accounts?

Type of Bank		
Government owned Iraqi bank	Count	25
	%of Respondents	74%
Private Iraqi bank	Count	9
	%of Respondents	36%
Banks outside of Iraq	Count	0
	%of Respondents	0%



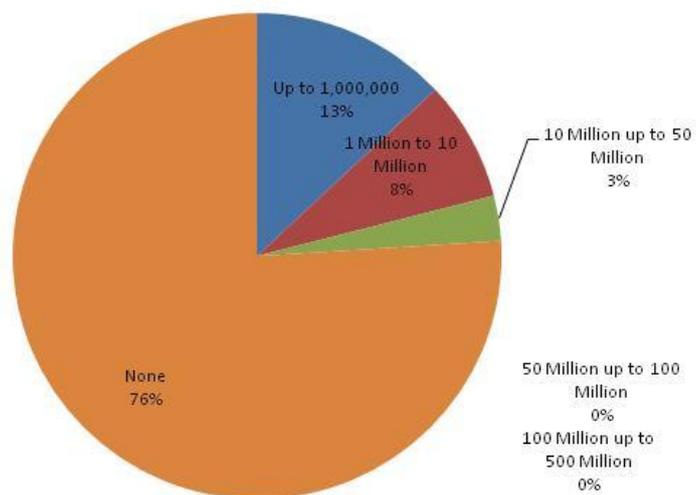
50. Have you ever borrowed from a bank or from a microfinance institution?

	Frequency	Percent
Yes	7	1%
No	720	99%
<b>Total</b>	<b>727</b>	<b>100%</b>
Missing Responses	45	5.8%
<b>Total</b>	<b>772</b>	<b>100.0</b>



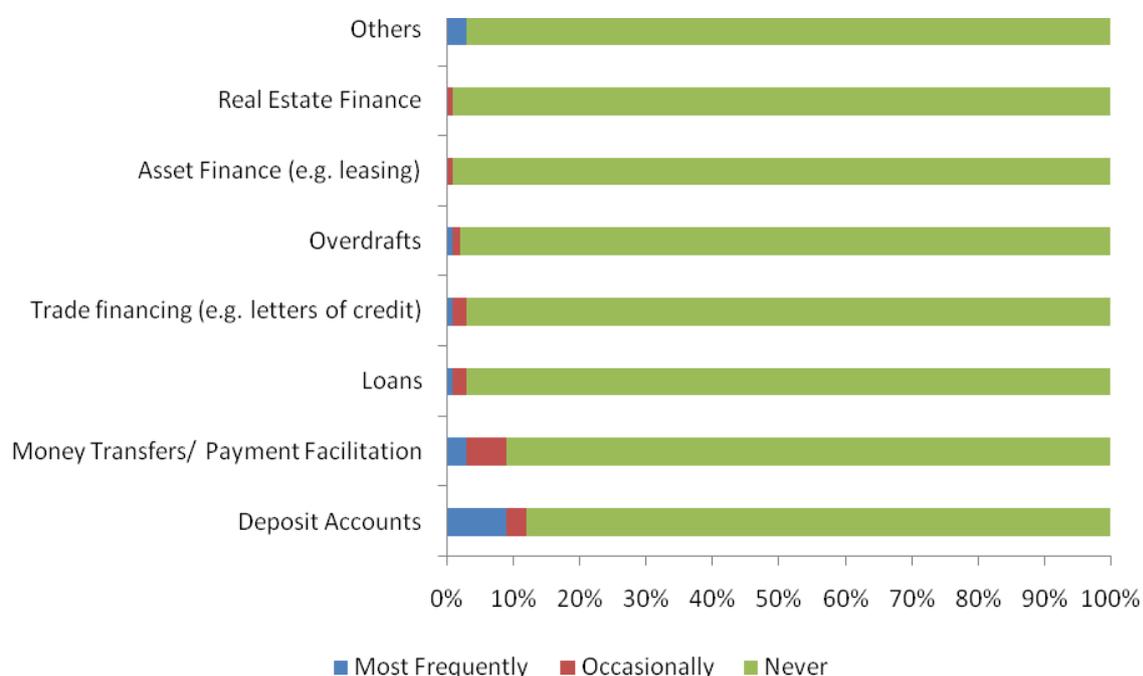
51. What is the total amount of credit owed by your business to others?

Credit (Iraqi Dinars)	Frequency	Percent
Up to 1,000,000	88	13%
1 Million to 10 Million	55	8%
10 Million up to 50 Million	20	3%
50 Million up to 100 Million	1	0%
100 Million up to 500 Million	2	0%
None	524	76%
<b>Total</b>	<b>690</b>	<b>100%</b>
Missing Responses	82	
<b>Total</b>	<b>772</b>	



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

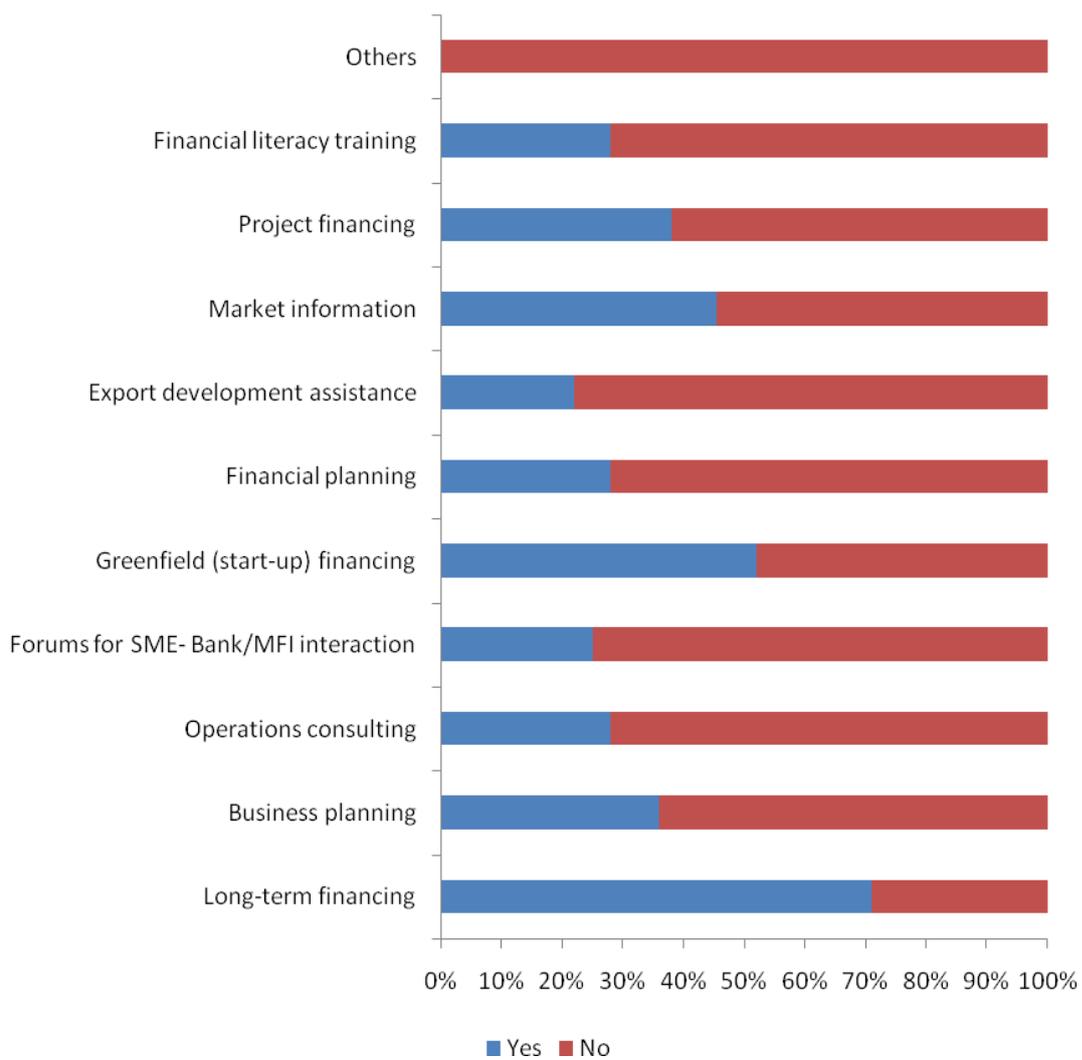
Banking Service		Utilization			Total
		Most Frequently	Occasionally	Never	
Deposit Accounts	Frequency	68	21	669	758
	%of Respondents	9%	3%	88%	100%
Money Transfers / Payment Facilitation	Frequency	26	45	687	758
	%of Respondents	3%	6%	91%	100%
Trade financing (e.g . letters of credit)	Frequency	10	12	736	758
	%of Respondents	1%	2%	97%	100%
Loans	Frequency	9	13	735	757
	%of Respondents	1%	2%	97%	100%
Overdrafts	Frequency	8	9	741	758
	%of Respondents	1%	1%	98%	100%
Others	Frequency	8	0	227	235
	%of Respondents	3%	0%	97%	100%
Asset Finance (e.g . leasing)	Frequency	2	8	748	758
	%of Respondents	0%	1%	99%	100%
Real Estate Finance	Frequency	2	5	747	754
	%of Respondents	0%	1%	99%	100%



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

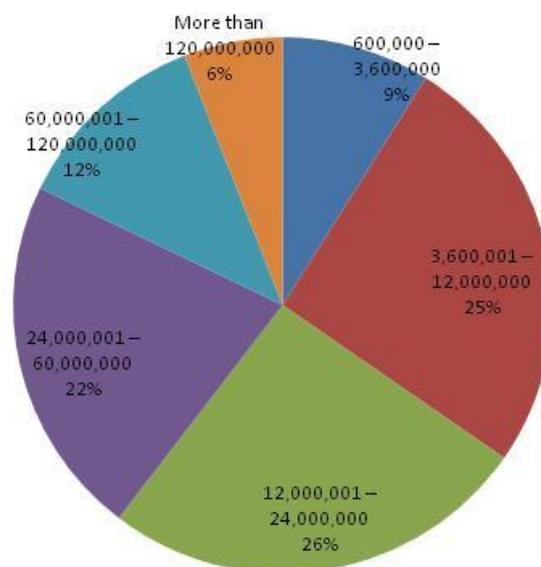
Additional Banking Services		Yes	No	Total
Long-term financing	Frequency	547	220	767
	%of Respondents	71%	29%	100%
Greenfield (start-up) financing	Frequency	400	364	764
	%of Respondents	52%	48%	100%
Market information	Frequency	348	416	764
	%of Respondents	46%	55%	100%
Project financing	Frequency	288	475	763
	%of Respondents	38%	62%	100%
Business planning	Frequency	276	487	763
	%of Respondents	36%	64%	100%
Operations consulting	Frequency	216	547	763
	%of Respondents	28%	72%	100%
Financial planning	Frequency	211	551	762
	%of Respondents	28%	72%	100%
Financial literacy training	Frequency	211	552	763
	%of Respondents	28%	72%	100%
Forums for SME -Bank/MFI interaction	Frequency	191	572	763
	%of Respondents	25%	75%	100%
Export development assistance	Frequency	167	596	763
	%of Respondents	22%	78%	100%
Others	Frequency	1	229	230
	%of Respondents	0%	100%	100%

### Additional Banking Services



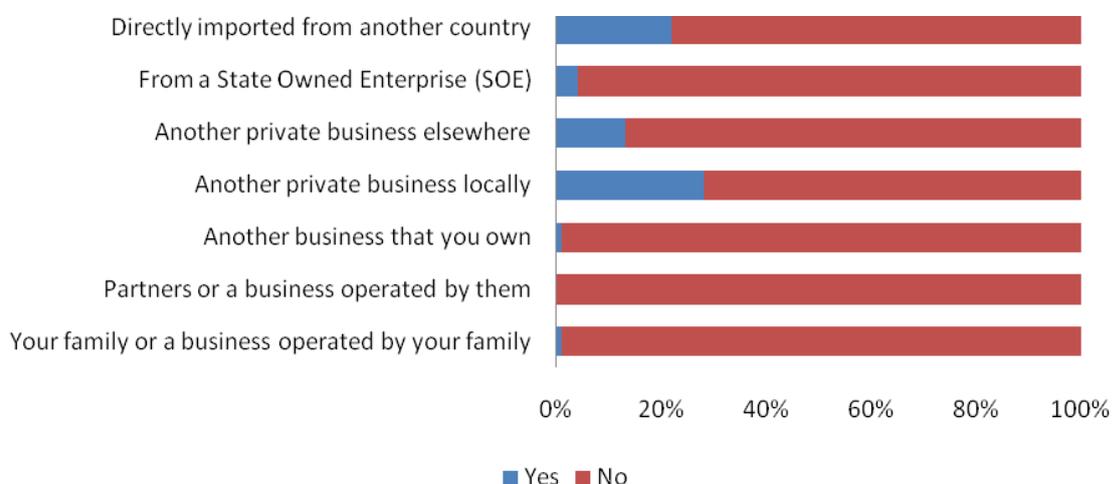
54. If you needed a loan from a bank or from a microfinance institution to expand your business, how much would you need?

Loan Amount (Iraqi Dinar)	Frequency	Percent
600,000 – 3,600,000	65	9%
3,600,001 – 12,000,000	193	26%
12,000,001 – 24,000,000	188	26%
24,000,001 – 60,000,000	158	22%
60,000,001 – 120, 000,000	87	12%
More than 120,000,000	42	6%
<b>Total</b>	<b>733</b>	<b>100%</b>
Missing Responses	39	5.1
<b>Total</b>	<b>772</b>	



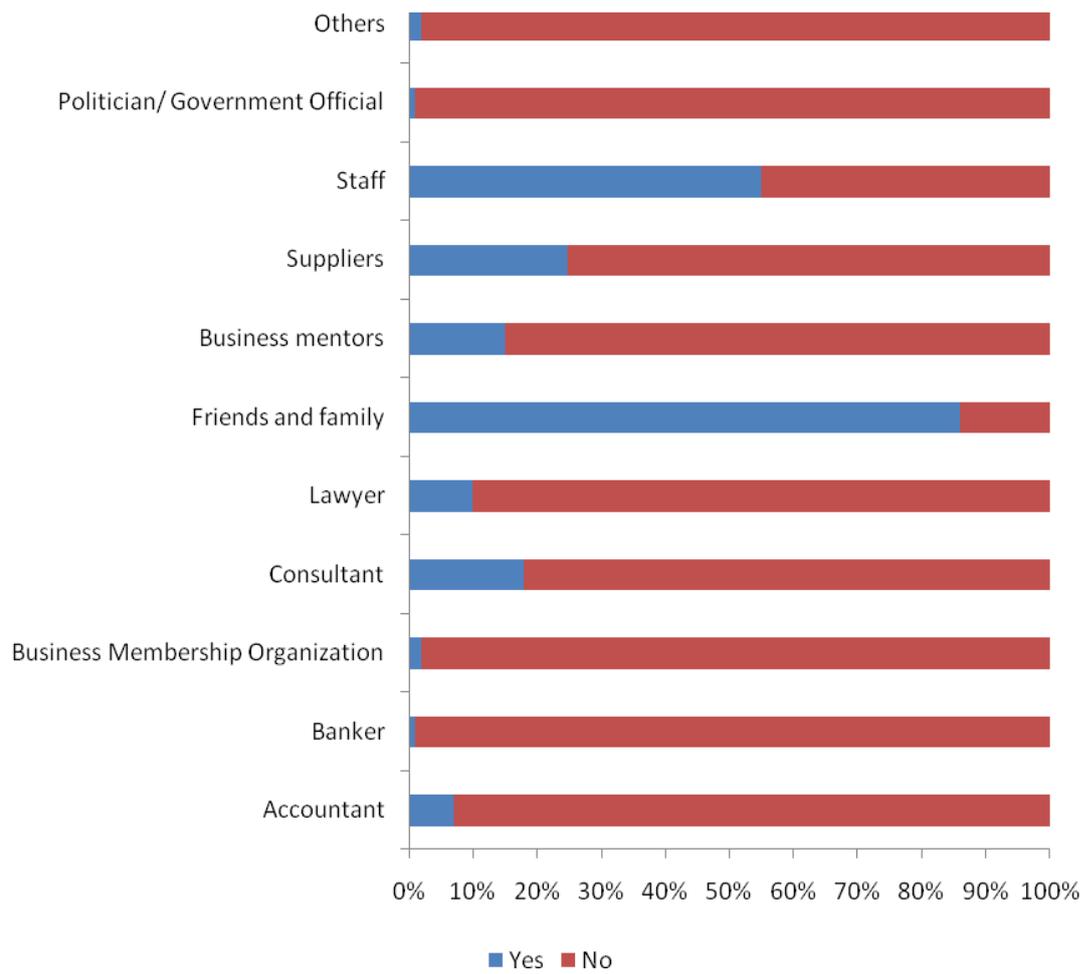
56. From where do you usually source your raw material?

Source of Raw Material		Response		Total
		Yes	No	
Another private business locally	Frequency	46	119	165
	%of Respondents	28%	72%	100%
Directly imported from another country	Frequency	33	120	153
	%of Respondents	22%	78%	100%
Another private business elsewhere	Frequency	21	143	164
	%of Respondents	13%	87%	100%
From a State Owned Enterprise (SOE)	Frequency	6	156	162
	%of Respondents	4%	96%	100%
Another business that you own	Frequency	1	162	163
	%of Respondents	1%	99%	100%
Your family or a business operated by your family	Frequency	1	161	162
	%of Respondents	1%	99%	100%
Partners or a business operated by them	Frequency	0	163	163
	%of Respondents	0%	100%	100%



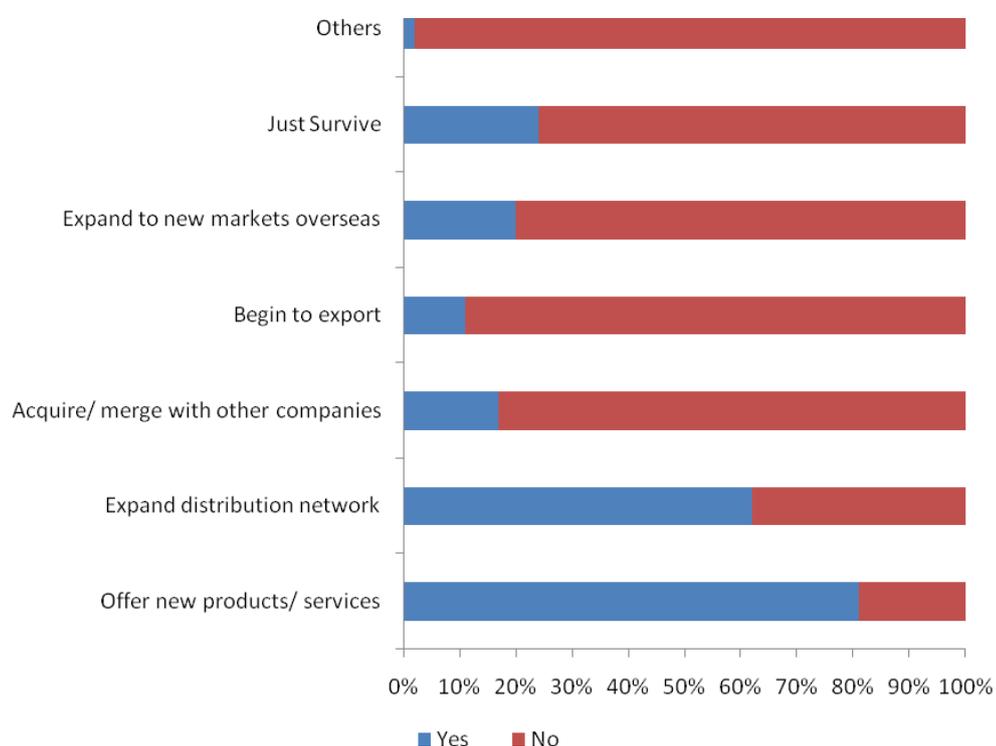
57. Whom do you approach to discuss a business idea or issue?

Source of Business Advice		Response		Total
		Yes	No	
Friends and family	Frequency	662	104	766
	%of Respondents	86%	14%	100%
Staff	Frequency	423	345	768
	%of Respondents	55%	45%	100%
Suppliers	Frequency	188	578	766
	%of Respondents	25%	76%	100%
Consultant	Frequency	135	629	764
	%of Respondents	18%	82%	100%
Business mentors	Frequency	116	647	763
	%of Respondents	15%	85%	100%
Lawyer	Frequency	79	686	765
	%of Respondents	10%	90%	100%
Accountant	Frequency	55	710	765
	%of Respondents	7%	93%	100%
Business Membership Organization	Frequency	12	753	765
	%of Respondents	2%	98%	100%
Banker	Frequency	6	759	765
	%of Respondents	1%	99%	100%
Politician /Government Official	Frequency	5	758	763
	%of Respondents	1%	99%	100%
Others	Frequency	4	234	238
	%of Respondents	2%	98%	100%



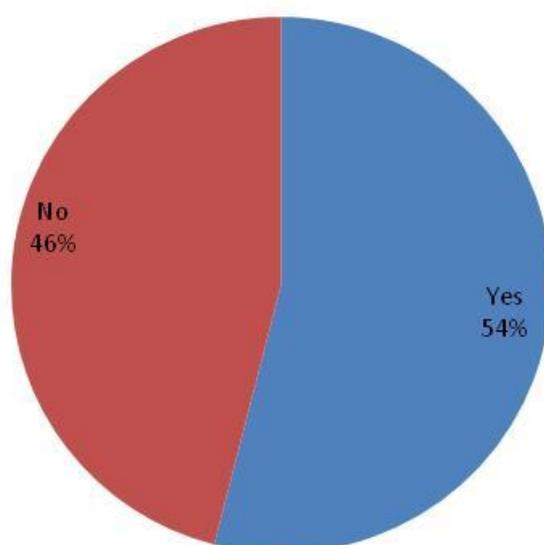
58. What is your key business strategy for the next two years?

Business Strategy		Response		Total
		Yes	No	
Offer new products /services	Frequency	622	145	767
	%of Respondents	81%	19%	100%
Expand distribution network	Frequency	474	295	769
	%of Respondents	62%	38%	100%
Just survive	Frequency	182	578	760
	%of Respondents	24%	76%	100%
Expand to new markets overseas	Frequency	151	614	765
	%of Respondents	20%	80%	100%
Acquire/merge with other companies	Frequency	133	634	767
	%of Respondents	17%	83%	100%
Begin to export	Frequency	83	684	767
	%of Respondents	11%	89%	100%
Others	Frequency	5	230	235
	%of Respondents	2%	98%	100%



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

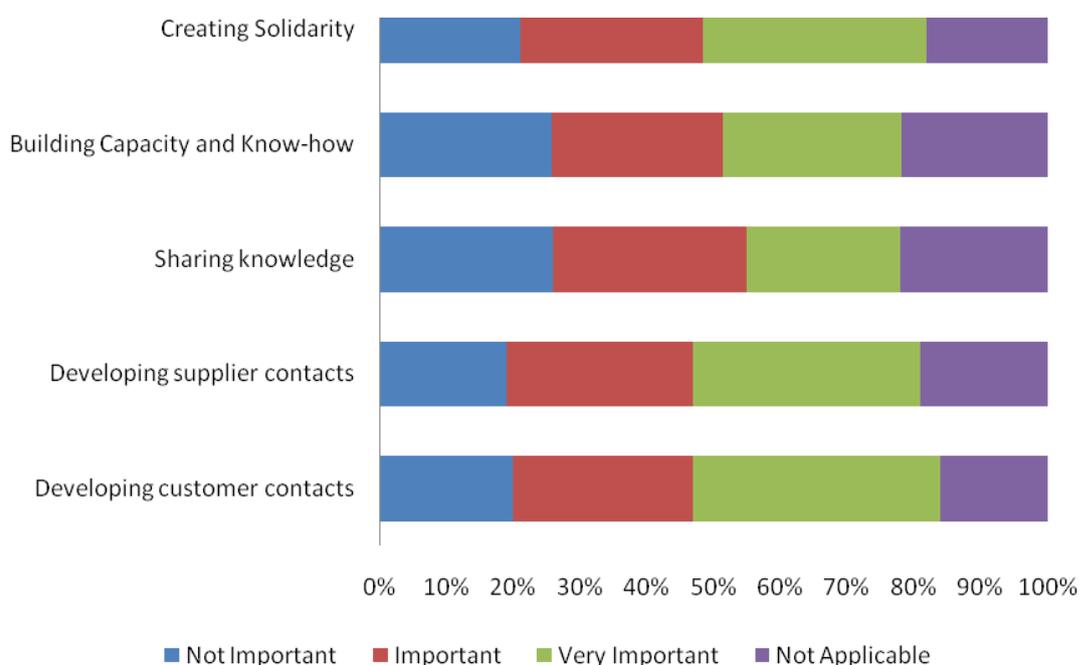
	Frequency	Percent
Yes	412	54%
No	348	46%
<b>Total</b>	<b>760</b>	<b>100%</b>
Missing Responses	12	
<b>Total</b>	<b>772</b>	



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

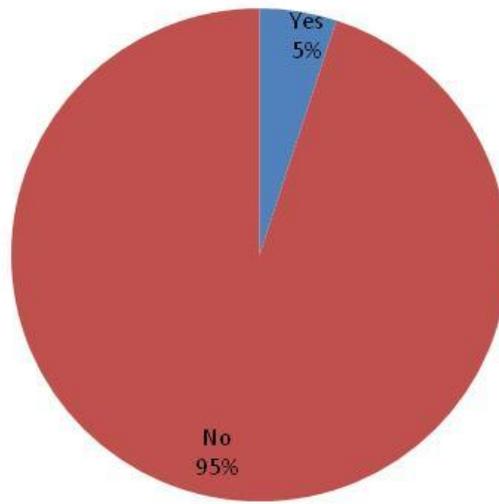
Perceived Benefits		Response				Total
		Not Important	Important	Very Important	Not Applicable	
Sharing knowledge	Frequency	200	221	178	165	764
	%of Respondents	26%	29%	23%	22%	100%
Building Capacity and Know-how	Frequency	196	197	203	169	765
	%of Respondents	26%	26%	27%	22%	100%
Creating Solidarity	Frequency	152	197	240	133	722
	%of Respondents	21%	27%	33%	18%	100%
Developing customer contacts	Frequency	149	206	285	125	765

Perceived Benefits		Response				Total
		Not Important	Important	Very Important	Not Applicable	
	%of Respondents	20%	27%	37%	16%	100%
Developing supplier contacts	Frequency	145	212	260	148	765
	%of Respondents	19%	28%	34%	19%	100%



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

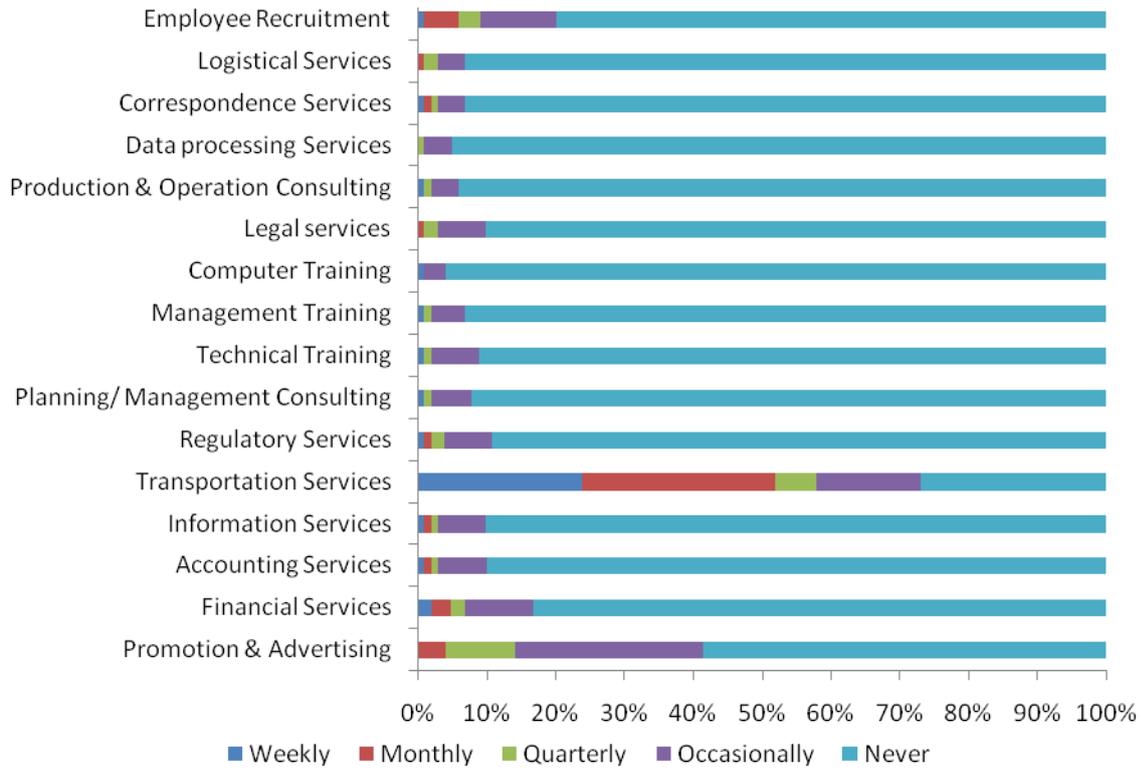
	Frequency	Percent
Yes	41	5%
No	726	95%
<b>Total</b>	<b>767</b>	<b>100%</b>
Missing Responses	5	
<b>Total</b>	<b>772</b>	



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

Business Services		Response					Total
		Weekly	Monthly	Quarterly	Occasionally	Never	
Transportation Services	Frequency	187	215	49	113	203	767
	%of Respondents	24%	28%	6%	15%	27%	100%
Financial Services	Frequency	15	23	13	75	642	768
	%of Respondents	2%	3%	2%	10%	83%	100%
Accounting Services	Frequency	9	11	8	56	684	768
	%of Respondents	1%	1%	1%	7%	90%	100%
Employee Recruitment	Frequency	9	38	22	81	560	710
	%of Respondents	1%	5%	3%	11%	80%	100%
Regulatory Services	Frequency	8	5	14	54	688	769
	%of Respondents	1%	1%	2%	7%	89%	100%
Technical Training	Frequency	8	3	10	51	697	769
	%of Respondents	1%	0%	1%	7%	91%	100%
Management Training	Frequency	8	2	4	38	717	769

Business Services		Response					Total
		Weekly	Monthly	Quarterly	Occasionally	Never	
	%of Respondents	1%	0%	1%	5%	93%	100%
Computer Training	Frequency	8	2	2	25	732	769
	%of Respondents	1%	0%	0%	3%	96%	100%
Production & Operation Consulting	Frequency	7	2	4	28	727	768
	%of Respondents	1%	0%	1%	4%	94%	100%
Information Services	Frequency	6	9	9	50	688	762
	%of Respondents	1%	1%	1%	7%	90%	100%
Planning / Management Consulting	Frequency	5	1	9	43	711	769
	%of Respondents	1%	0%	1%	6%	92%	100%
Correspondence Services	Frequency	4	6	8	30	720	768
	%of Respondents	1%	1%	1%	4%	93%	100%
Data Processing Services	Frequency	3	3	9	28	725	768
	%of Respondents	0%	0%	1%	4%	95%	100%
Logistical Services	Frequency	2	8	14	31	713	768
	%of Respondents	0%	1%	2%	4%	93%	100%
Promotion & Advertising	Frequency	1	34	80	210	447	772
	%of Respondents	0%	4%	10%	27%	59%	100%
Legal Services	Frequency	0	5	12	52	699	768
	%of Respondents	0%	1%	2%	7%	90%	100%



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

Information Services	Not Important		Important		Very Important		Not Applicable		Weight	Rank
	N	Percent	N	Percent	N	Percent	N	Percent		
Information about suppliers	118	0.1835148	240	0.397351	269	0.4395425	143	0.3325581	1.7098959	1
Information for start-up entrepreneurs	158	0.2457232	208	0.3443709	262	0.4281046	142	0.3302326	1.6780213	2
Information on Iraqi law	179	0.2783826	209	0.3460265	233	0.380719	146	0.3395349	1.6364278	3
Information about fiscal incentives	200	0.311042	184	0.3046358	229	0.374183	156	0.3627907	1.6079324	4
Information on foreign companies	222	0.3452566	176	0.2913907	195	0.3186275	177	0.4116279	1.5466814	5
Providing package of information for company registration	231	0.3592535	183	0.3029801	181	0.2957516	172	0.4	1.5345472	6
Others	52	0.0808709	5	0.0082781	13	0.0212418	161	0.3744186	0.2864938	7
Total	1160	1.8040435	1205	1.9950331	1382	2.2581699	1097	2.5511628		

Consulting Services	Not Important		Important		Very Important		Not Applicable		Weight	Rank
	N	Percent	N	Percent	N	Percent	N	Percent		
Market Research/Marketing	126	19.6%	242	40.1%	241	39.4%	155	36.0%	1.1249388	1
Search for a Potential Investor	217	33.7%	152	25.2%	242	39.5%	154	35.8%	1.0116841	2
Credit assessment (Loan application)	216	33.6%	152	25.2%	235	38.4%	163	37.9%	1.0008058	3
Banking and Credit Financing	200	31.1%	150	24.8%	237	38.7%	177	41.2%	0.9973481	4
Business Planning	248	38.6%	171	28.3%	191	31.2%	154	35.8%	0.9628095	5
Enterprise Restructuring	236	36.7%	141	23.3%	205	33.5%	184	42.8%	0.9403276	6
Employment (Recruitment)	372	57.9%	138	22.8%	116	19.0%	141	32.8%	0.8178997	7

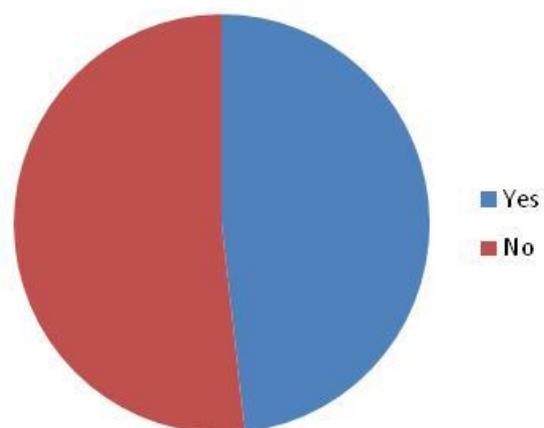
Consulting Services	Not Important		Important		Very Important		Not Applicable		Weight	Rank
	N	Percent	N	Percent	N	Percent	N	Percent		
Legal	308	47.9%	160	26.5%	113	18.5%	186	43.3%	0.8340393	8
Accounting and Book-keeping	424	65.9%	79	13.1%	120	19.6%	142	33.0%	0.7463969	9
Seminars and Exhibitions	354	55.1%	97	16.1%	123	20.1%	193	44.9%	0.7662059	10
Exporting	317	49.3%	65	10.8%	96	15.7%	284	66.0%	0.6676168	11
Others	49	7.6%	3	.5%	8	1.3%	158	36.7%	0.1299276	12
<b>Total</b>	3067	5	1550	3	1927	3	2091	5		

Training Services	Not Important		Important		Very Important		Not Applicable		Weight	Rank
	N	Percent	N	Percent	N	Percent	N	Percent		
Motivation of Staff	123	19.1%	246	40.7%	277	45.3%	122	28.4%	0.8257585	1
Product Promotion	112	17.4%	196	32.5%	317	51.8%	145	33.7%	0.8254372	2
Marketing Research	119	18.5%	233	38.6%	271	44.3%	146	34.0%	0.8119504	3
Advertising	182	28.3%	229	37.9%	243	39.7%	111	25.8%	0.7988538	4
Marketing Strategy	134	20.8%	226	37.4%	251	41.0%	159	37.0%	0.7948277	5
Marketing Plan	142	22.1%	223	36.9%	252	41.2%	151	35.1%	0.7945778	6
Management Skills	184	28.6%	237	39.2%	221	36.1%	126	29.3%	0.7876813	7
Performance Appraisal	180	28.0%	213	35.3%	244	39.9%	125	29.1%	0.7873234	8
Taxation	196	30.5%	199	32.9%	213	34.8%	161	37.4%	0.7599141	9
Business Planning	241	37.5%	178	29.5%	207	33.8%	140	32.6%	0.7505034	10
Cash Flow	257	40.0%	156	25.8%	172	28.1%	182	42.3%	0.7114237	11
Audit	334	51.9%	130	21.5%	135	22.1%	171	39.8%	0.6836785	12

Training Services	Not Important		Important		Very Important		Not Applicable		Weight	Rank
	N	Percent	N	Percent	N	Percent	N	Percent		
Bookkeeping	402	62.5%	91	15.1%	127	20.8%	150	34.9%	0.6680705	13
<b>Total</b>	2606	405.3%	2557	4	2930	5	1889	4		

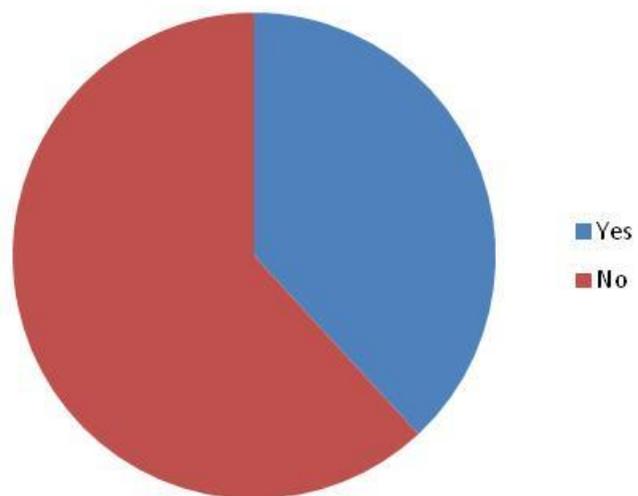
64. Does/ would an employment agency provide useful service to your business?

Response	Frequency	Valid Percent
Yes	367	48%
No	394	52%
Total	761	100.0



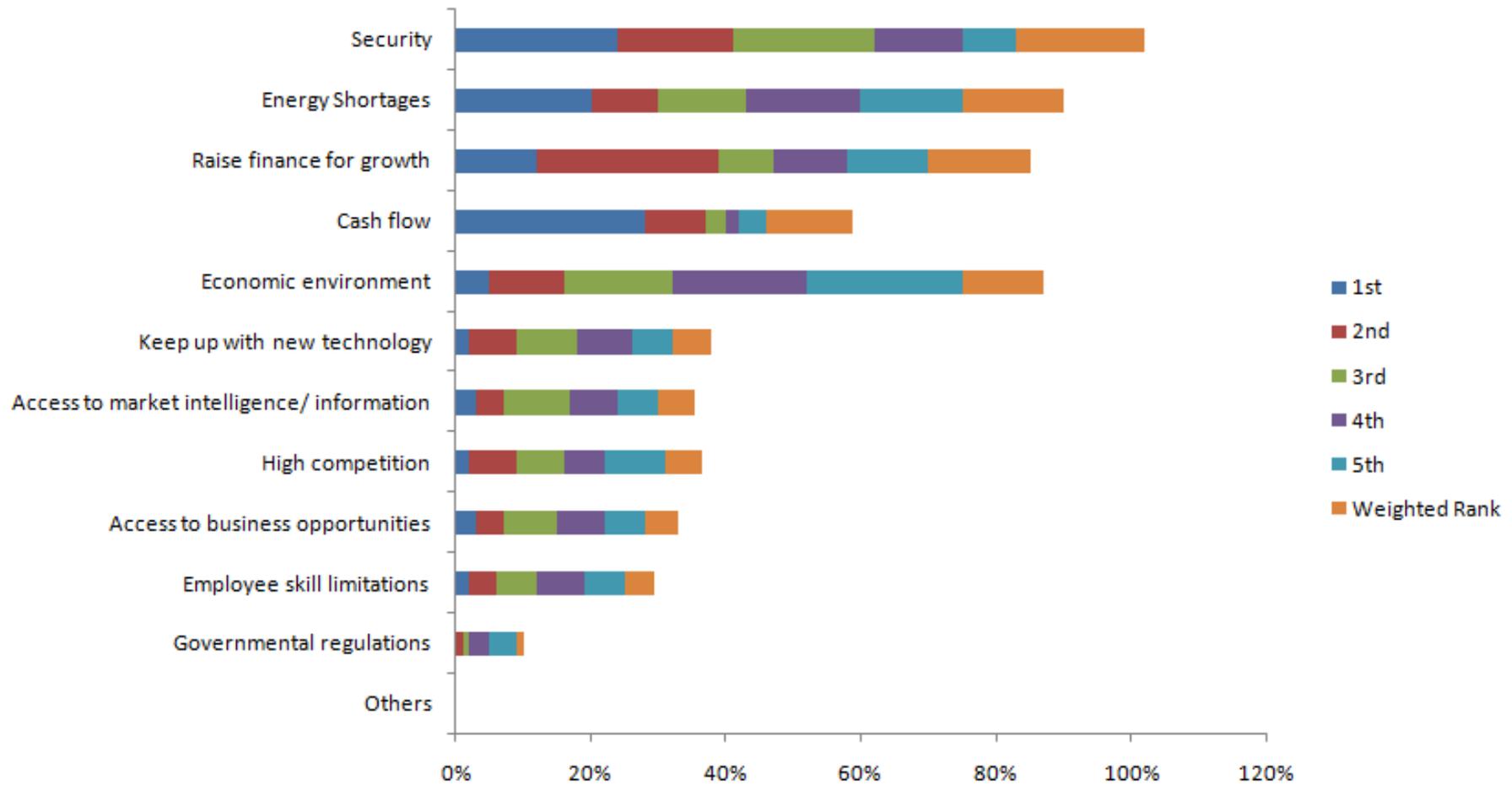
65. Do you pay/ are you willing to pay for employment agency services?

Response	Frequency	Valid Percent
Yes	290	38%
No	470	62%
Total	760	100



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

	1 <sup>st</sup>		2nd		3rd		4th		5th		Weighted Rank	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Rank	Weight
Security	188	24%	129	17%	161	21%	99	13%	59	8%	1	19%
Energy Shortages	152	20%	75	10%	97	13%	125	17%	112	15%	2	15%
Raise finance for growth	91	12%	209	27%	64	8%	80	11%	89	12%	3	15%
Cash flow	215	28%	66	9%	23	3%	18	2%	33	4%	4	13%
Economic environment	35	5%	86	11%	119	16%	153	20%	172	23%	5	12%
Keep up with new technology	12	2%	54	7%	66	9%	58	8%	47	6%	6	6%
Access to market information	19	3%	27	4%	73	10%	56	7%	43	6%	7	5%
High competition	15	2%	51	7%	51	7%	44	6%	64	9%	8	5%
Access to business opportunities	22	3%	33	4%	64	8%	53	7%	44	6%	9	5%
Employee skill limitations	17	2%	33	4%	42	6%	49	7%	48	6%	10	4%
Government regulations	3	0%	4	1%	4	1%	24	3%	32	4%	11	1%
Others	0	0%	1	0%	1	0%	0	0%	3	0%	12	0%
<b>Total</b>	<b>769</b>	<b>100%</b>	<b>768</b>	<b>100%</b>	<b>765</b>	<b>100%</b>	<b>759</b>	<b>100%</b>	<b>746</b>	<b>100%</b>	<b>-----</b>	<b>100%</b>
Missing Responses	3		4		7		13		26			

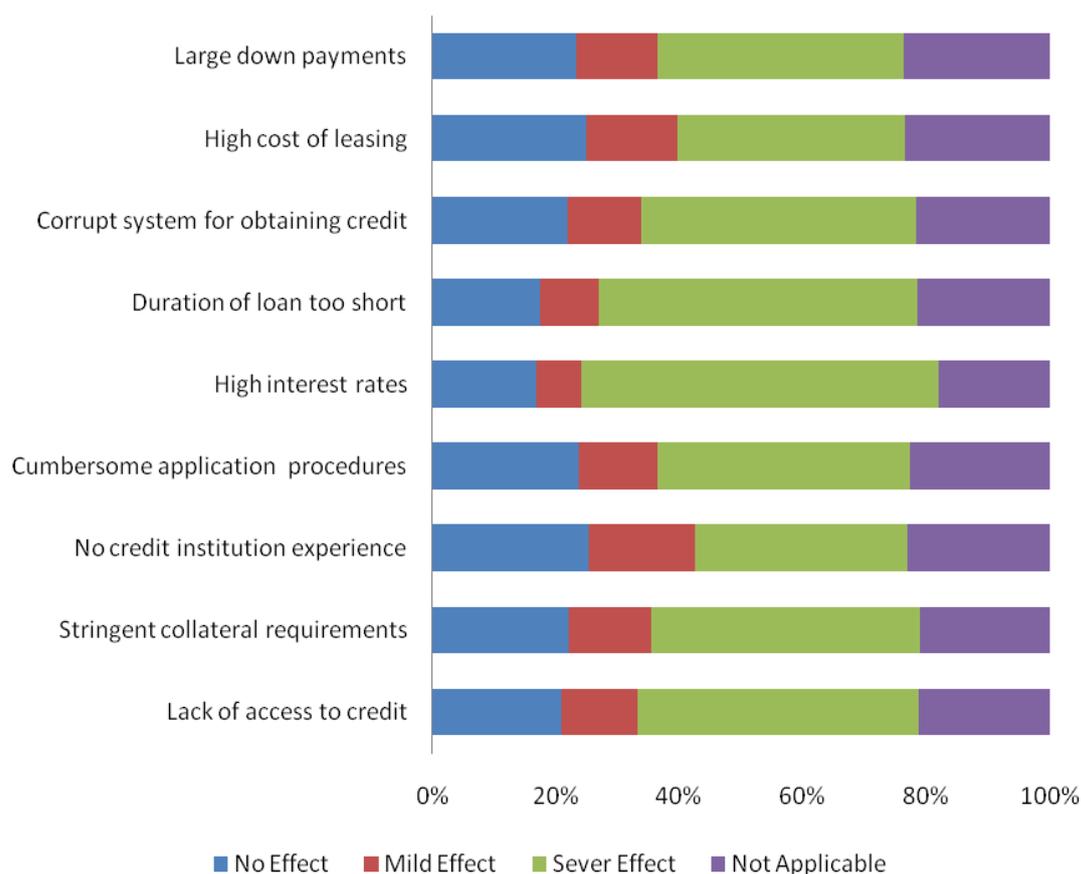


## 9.2 FIRM LEVEL CONSTRAINTS RESPONSES

67. Financial and HR constraints. Using a scale of 1 to 4, rank the effects of the greatest financial and HR constraints which affect your business operations.

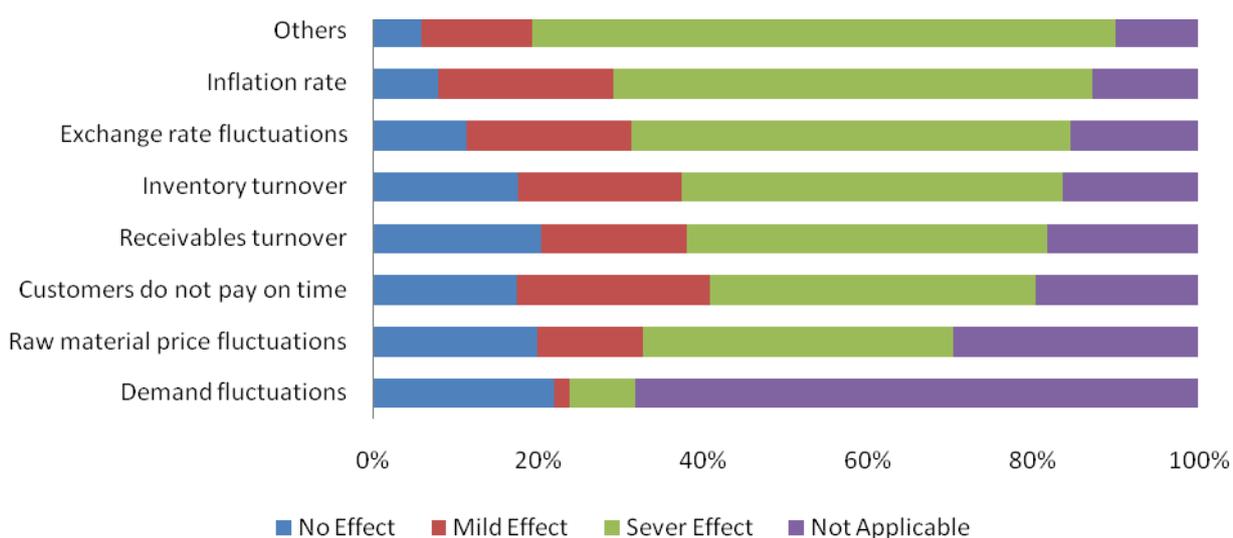
Financial Constraints		Financial and HR constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
High interest rates	Frequency	129	57	445	139	770
	%of Respondents	16.8%	7.4%	57.8%	18.1%	100.0%
Duration of loan too short	Frequency	134	73	397	165	769
	%of Respondents	17.4%	9.5%	51.6%	21.5%	100.0%
Lack of access to credit	Frequency	161	95	350	164	770
	%of Respondents	20.90%	12.30%	45.50%	21.30%	100.00%
Corrupt system for obtaining credit	Frequency	167	92	342	166	767
	%of Respondents	21.8%	12.0%	44.6%	21.6%	100.0%
Stringent collateral requirements	Frequency	169	104	333	162	768
	%of Respondents	22.00%	13.50%	43.40%	21.10%	100.00%
Cumbersome application procedures	Frequency	182	97	313	174	766
	%of Respondents	23.8%	12.7%	40.9%	22.7%	100.0%
Large down payments	Frequency	178	101	303	181	763
	%of Respondents	23.3%	13.2%	39.7%	23.7%	100.0%
High cost of leasing	Frequency	191	112	282	179	764
	%of Respondents	25.0%	14.7%	36.9%	23.4%	100.0%
No credit institution experience	Frequency	195	132	266	177	770
	%of Respondents	25.3%	17.1%	34.5%	23.0%	100.0%

### Financial Constraints



Cash flow Constraints		Financial and HR constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Demand fluctuations	Frequency	46	103	544	77	770
	%of Respondents	6.0%	13.4%	70.6%	10.0%	100.0%
Customers do not pay on time	Frequency	61	162	446	98	767
	%of Respondents	8.0%	21.1%	58.1%	12.8%	100.0%
Receivables turnover	Frequency	88	154	409	119	770
	%of Respondents	11.4%	20.0%	53.1%	15.5%	100.0%
Exchange rate fluctuations	Frequency	136	152	354	126	768
	%of Respondents	17.7%	19.8%	46.1%	16.4%	100.0%
Inflation rate	Frequency	157	134	335	140	766
	%of Respondents	20.5%	17.5%	43.7%	18.3%	100.0%
Inventory turnover	Frequency	134	179	303	150	766

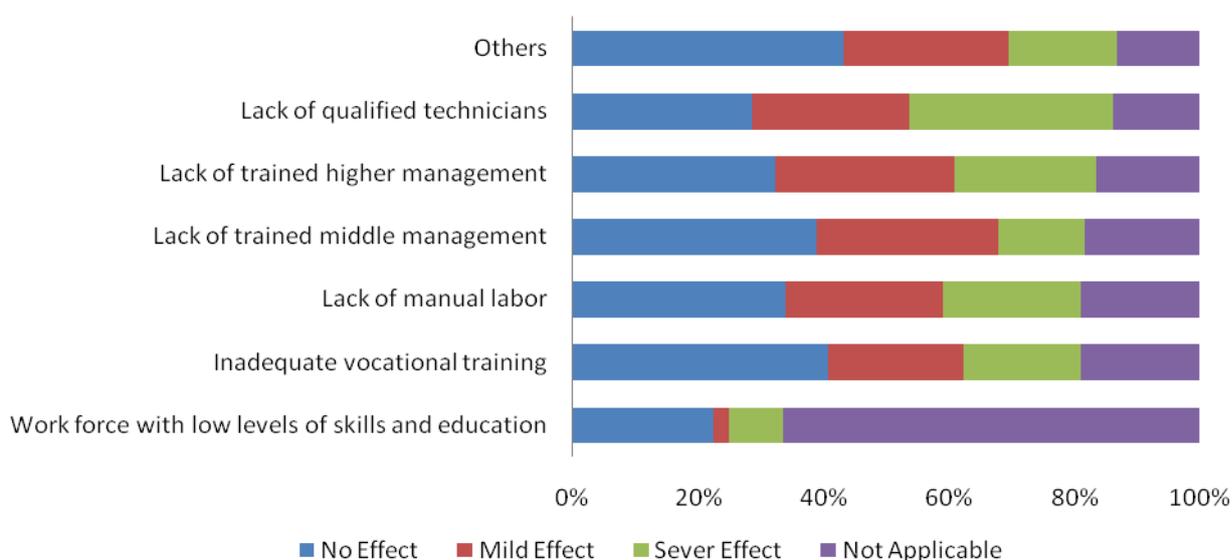
Cash flow Constraints		Financial and HR constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
	%of Respondents	17.5%	23.4%	39.6%	19.6%	100.0%
Raw material price fluctuations	Frequency	153	99	288	227	767
	%of Respondents	19.9%	12.9%	37.5%	29.6%	100.0%
Others	Frequency	47	4	17	146	214
	%of Respondents	22.00%	1.90%	7.90%	68.20%	100.00%



Human Resource Constraints		Financial and HR constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Work force with low levels of skills and education	Frequency	221	193	249	106	769
	%of Respondents	28.7%	25.1%	32.4%	13.8%	100.0%
Inadequate vocational training	Frequency	249	220	175	126	770
	%of Respondents	32.3%	28.6%	22.7%	16.4%	100.0%
Lack of qualified technicians	Frequency	259	191	167	145	762
	%of Respondents	34.0%	25.1%	21.9%	19.0%	100.0%
Lack of trained higher management	Frequency	314	166	143	146	769
	%of Respondents	40.8%	21.6%	18.6%	19.0%	100.0%

Human Resource Constraints		Financial and HR constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Lack of manual labor	Frequency	333	202	133	101	769
	%of Respondents	43.3%	26.3%	17.3%	13.1%	100.0%
Lack of trained middle management	Frequency	299	223	106	141	769
	%of Respondents	38.9%	29.0%	13.8%	18.3%	100.0%
Others	Frequency	52	6	20	154	232
	%of Respondents	22.40%	2.60%	8.60%	66.40%	100.00%

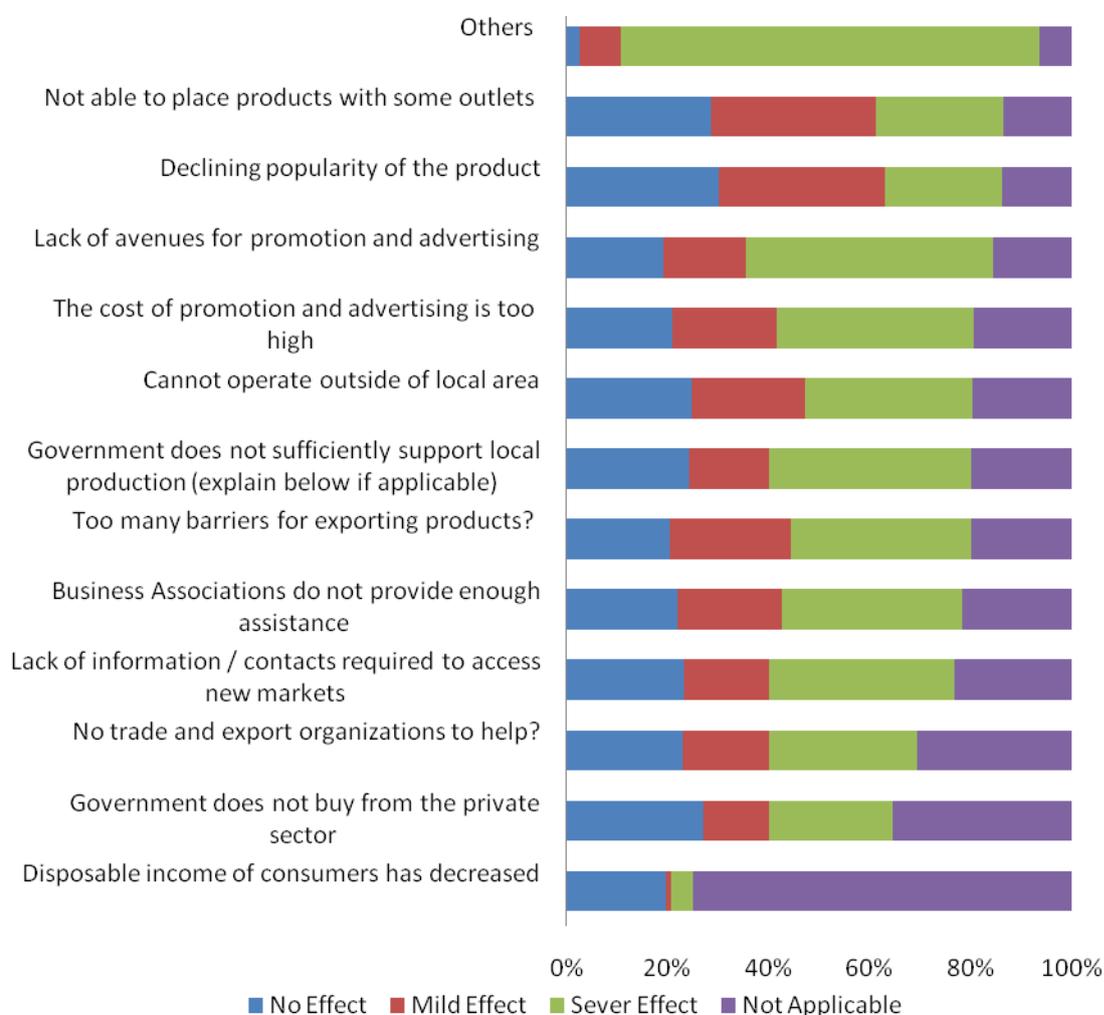
**Human Resource Constraints**



68. Marketing and Sales. Using a scale of 1 to 4, rank the effects of the greatest constraints which affect your marketing and sales.

		Marketing and Sales				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Disposable income of consumers has decreased	Frequency	20	62	635	49	766
	%of Respondents	2.6%	8.1%	82.9%	6.4%	100.0%
Business Associations do not provide enough assistance	Frequency	146	127	375	120	768
	%of Respondents	19.0%	16.5%	48.8%	15.6%	100.0%
Declining popularity of the product	Frequency	185	121	306	153	765

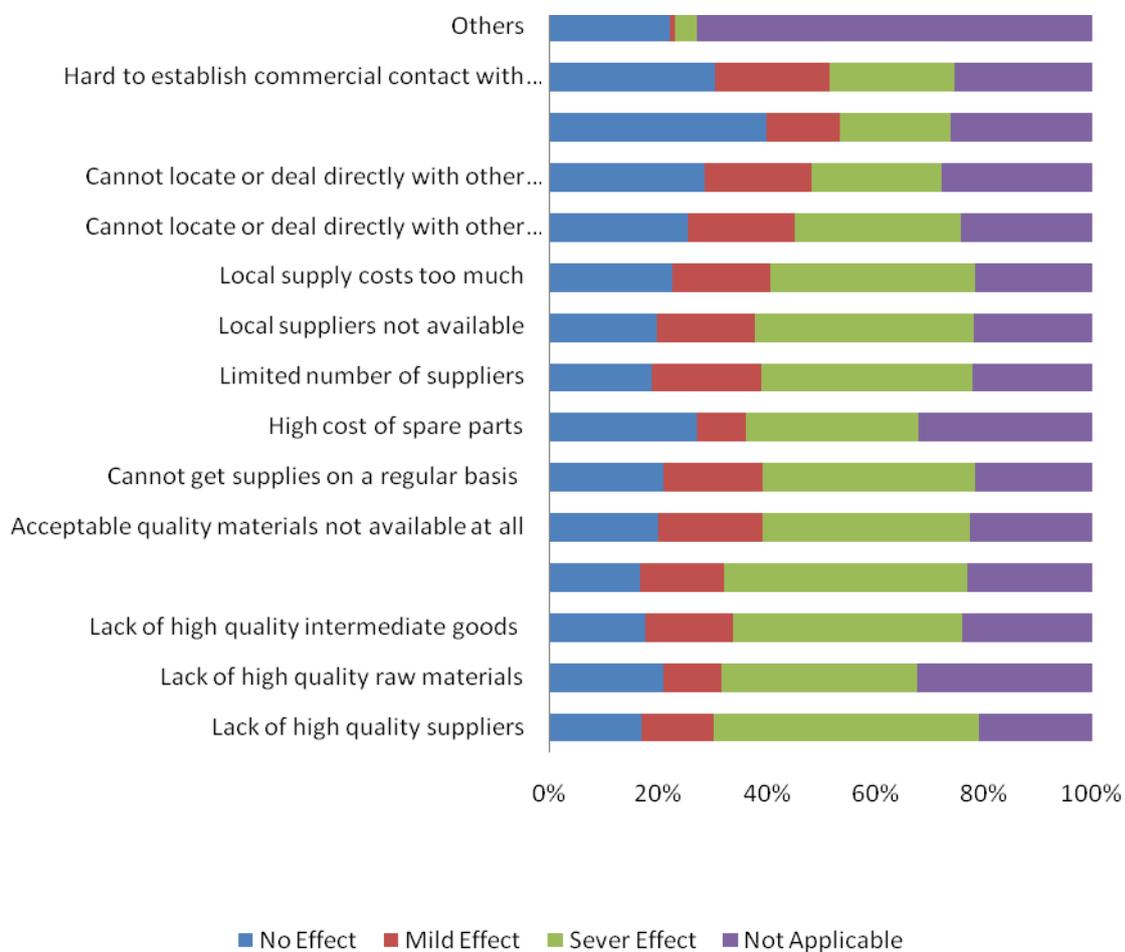
		Marketing and Sales				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
	%of Respondents	24.2%	15.8%	40.0%	20.0%	100.0%
Government does not buy from the private sector	Frequency	161	159	300	148	768
	%of Respondents	21.00%	20.70%	39.10%	19.30%	100.00%
Government does not sufficiently support local production	Frequency	178	129	281	178	766
	%of Respondents	23.2%	16.8%	36.7%	23.2%	100.0%
Cannot operate outside of local area	Frequency	157	184	272	153	766
	%of Respondents	20.5%	24.0%	35.5%	20.0%	100.0%
Not able to place products with some outlets	Frequency	168	157	271	166	762
	%of Respondents	22.0%	20.6%	35.6%	21.8%	100.0%
Lack of information /contacts required to access new markets	Frequency	188	173	254	149	764
	%of Respondents	24.6%	22.6%	33.2%	19.5%	100.0%
No trade and export organizations to help?	Frequency	176	132	225	234	767
	%of Respondents	22.9%	17.2%	29.3%	30.5%	100.0%
The cost of promotion and advertising is too high	Frequency	218	249	192	104	763
	%of Respondents	28.6%	32.6%	25.2%	13.6%	100.0%
Too many barriers for exporting products	Frequency	207	101	186	273	767
	%of Respondents	27.0%	13.2%	24.3%	35.6%	100.0%
Lack of avenues for promotion and advertising	Frequency	229	252	178	105	764
	%of Respondents	30.0%	33.0%	23.3%	13.7%	100.0%
Others	Frequency	40	2	9	153	204
	%of Respondents	19.6%	1.0%	4.4%	75.0%	100.0%



69. Supplier Constraints. Using a scale of 1 to 4, rank the effects of the supplier constraints that affect your business operations.

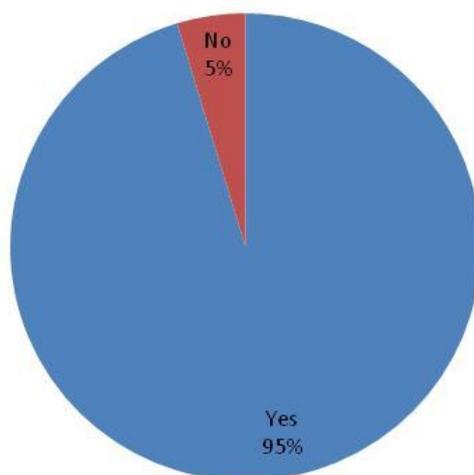
		Supplier Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Lack of high quality suppliers	Frequency	130	102	375	160	767
	%of Respondents	16.9%	13.3%	48.9%	20.9%	100.0%
Acceptable quality materials available only at high cost	Frequency	127	120	344	177	768
	%of Respondents	16.5%	15.6%	44.8%	23.0%	100.0%
Lack of high quality intermediate goods	Frequency	135	123	325	183	766

		Supplier Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
	%of Respondents	17.6%	16.1%	42.4%	23.9%	100.0%
Local suppliers not available	Frequency	151	140	310	168	769
	%of Respondents	19.6%	18.2%	40.3%	21.8%	100.0%
Cannot get supplies on a regular basis	Frequency	161	140	302	166	769
	%of Respondents	20.9%	18.2%	39.3%	21.6%	100.0%
Limited number of suppliers	Frequency	144	156	299	170	769
	%of Respondents	18.7%	20.3%	38.9%	22.1%	100.0%
Acceptable quality materials not available at all	Frequency	153	148	293	173	767
	%of Respondents	19.9%	19.3%	38.2%	22.6%	100.0%
Local supply costs too much	Frequency	172	137	289	164	762
	%of Respondents	22.6%	18.0%	37.9%	21.5%	100.0%
Lack of high quality raw materials	Frequency	161	82	277	249	769
	%of Respondents	20.90%	10.70%	36.00%	32.40%	100.00%
High cost of spare parts	Frequency	208	69	244	245	766
	%of Respondents	27.2%	9.0%	31.9%	32.0%	100.0%
Cannot locate or deal directly with other suppliers inside Iraq	Frequency	195	151	235	187	768
	%of Respondents	25.4%	19.7%	30.6%	24.3%	100.0%
Cannot locate or deal directly with other suppliers outside Iraq	Frequency	219	152	184	213	768
	%of Respondents	28.5%	19.8%	24.0%	27.7%	100.0%
Hard to establish commercial contact with suppliers outside local area	Frequency	233	161	176	193	763
	%of Respondents	30.5%	21.1%	23.1%	25.3%	100.0%
Required by customer to select preferred suppliers	Frequency	306	103	156	201	766
	%of Respondents	39.9%	13.4%	20.4%	26.2%	100.0%
Others	Frequency	49	2	9	161	221
	%of Respondents	22.2%	.9%	4.1%	72.9%	100.0%



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

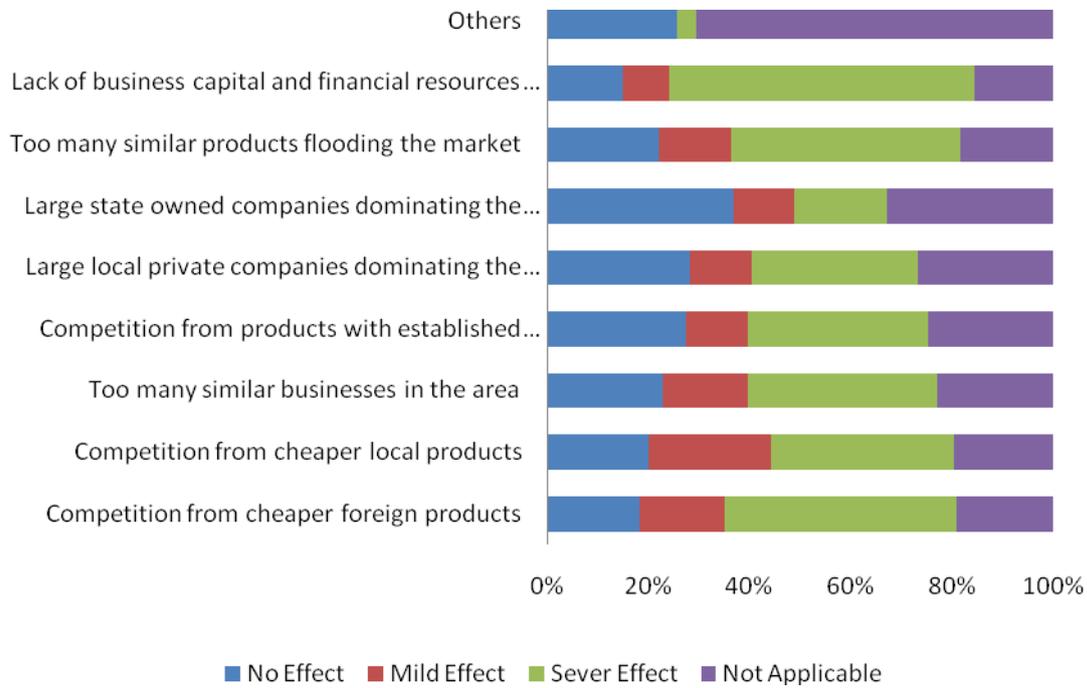
	Frequency	Percent
Yes	710	95.3
No	35	4.7
Total	745	100.0
Missing Responses	27	
Total	772	



71. Competition. Using a scale of 1 to 4, rank the effects of the greatest competition challenges which affect your business.

		Competition Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Lack of business capital and financial resources to compete	Frequency	114	72	459	118	763
	%of Respondents	14.9%	9.4%	60.2%	15.5%	100.0%
Competition from cheaper foreign products	Frequency	141	129	351	147	768
	%of Respondents	18.4%	16.8%	45.7%	19.1%	100.0%
Too many similar products flooding the market	Frequency	170	109	346	141	766
	%of Respondents	22.2%	14.2%	45.2%	18.4%	100.0%
Too many similar businesses in the area	Frequency	176	129	288	175	768
	%of Respondents	22.9%	16.8%	37.5%	22.8%	100.0%
Competition from cheaper local products	Frequency	154	185	278	151	768
	%of Respondents	20.1%	24.1%	36.2%	19.7%	100.0%
Competition from products with established brand name	Frequency	210	94	272	188	764
	%of Respondents	27.5%	12.3%	35.6%	24.6%	100.0%
Large local private companies dominating the market	Frequency	217	93	252	204	766
	%of Respondents	28.3%	12.1%	32.9%	26.6%	100.0%
Large state owned companies dominating the market	Frequency	283	90	141	251	765

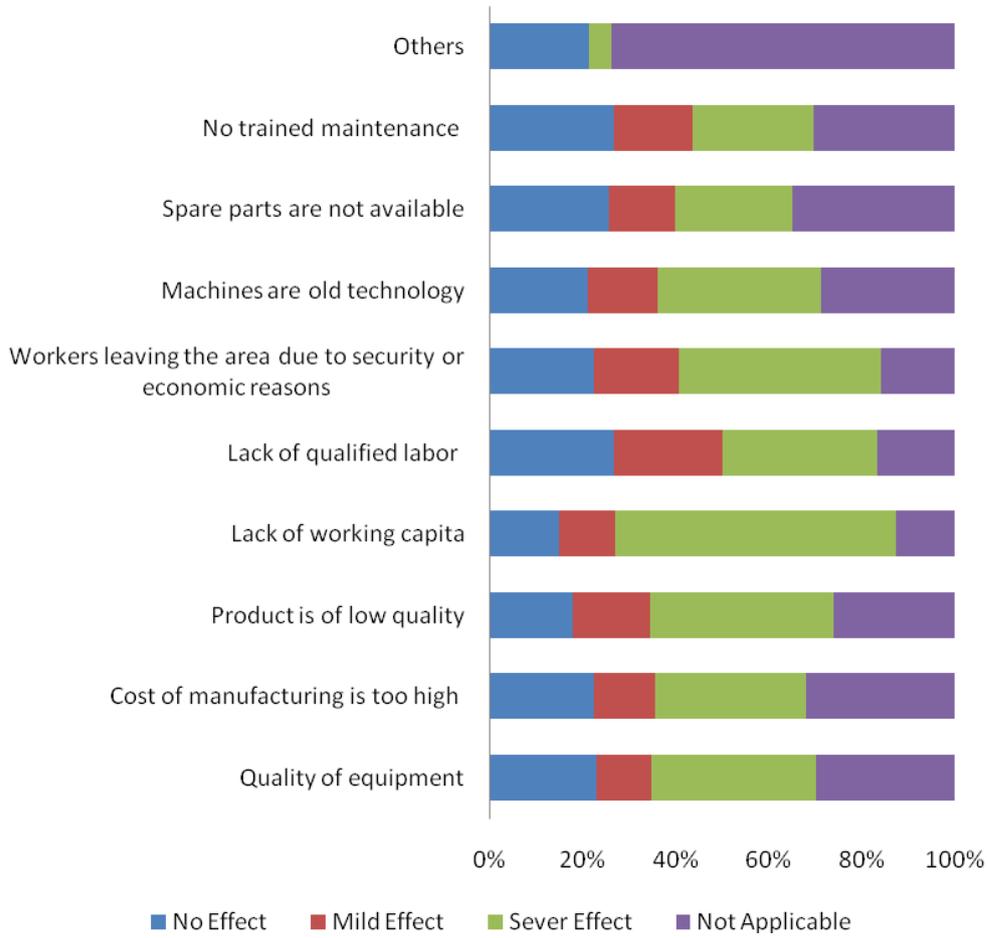
		Competition Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
	%of Respondents	37.0%	11.8%	18.4%	32.8%	100.0%
Others	Frequency	52	0	8	143	203
	%of Respondents	25.60%	%0.00	3.90%	70.40%	100.00%



72. Operations. Using a scale of 1 to 4, rank the effects of the greatest operational constraints which affect your business.

		Operational Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Lack of working capital	Frequency	116	92	462	96	766
	%of Respondents	15.1%	12.0%	60.3%	12.5%	100.0%
Workers leaving the area due to security or economic reasons	Frequency	173	140	333	121	767
	%of Respondents	22.6%	18.3%	43.4%	15.8%	100.0%
Product is of low quality	Frequency	138	128	301	199	766
	%of Respondents	18.0%	16.7%	39.3%	26.0%	100.0%
Quality of equipment	Frequency	176	91	272	229	768
	%of Respondents	22.9%	11.8%	35.4%	29.8%	100.0%
Machines are old technology	Frequency	162	115	268	220	765
	%of Respondents	21.2%	15.0%	35.0%	28.8%	100.0%
Lack of qualified labor	Frequency	205	180	255	127	767
	%of Respondents	26.7%	23.5%	33.2%	16.6%	100.0%
Cost of manufacturing is too high	Frequency	173	100	249	245	767
	%of Respondents	22.6%	13.0%	32.5%	31.9%	100.0%
No trained maintenance	Frequency	204	129	199	231	763
	%of Respondents	26.7%	16.9%	26.1%	30.3%	100.0%
Spare parts are not available	Frequency	197	109	194	267	767
	%of Respondents	25.7%	14.2%	25.3%	34.8%	100.0%
Others	Frequency	45	0	10	154	209
	%of Respondents	21.50%	%0.00	4.80%	73.70%	100.00%

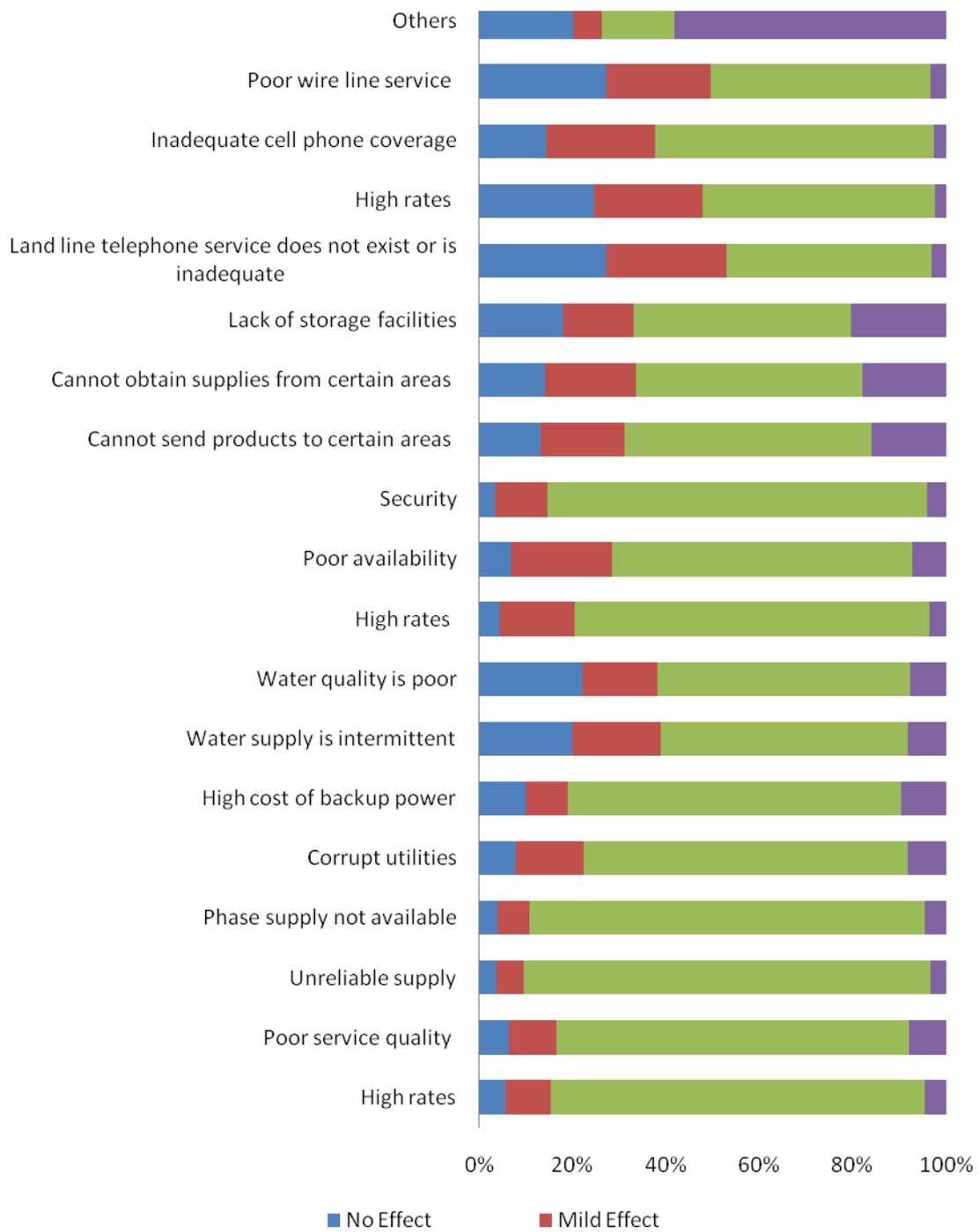
### Operational Constraints



73. Infrastructure and Logistics. Using a scale of 1 to 4, rank the effects of the greatest infrastructure and logistics constraints which affect your business.

		Infrastructure and Logistics:				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Unreliable supply	Frequency	28	44	668	25	765
	%of Respondents	3.70%	5.80%	87.30%	3.30%	100.00%
Phase supply not available	Frequency	31	52	648	36	767
	%of Respondents	4.00%	6.80%	84.50%	4.70%	100.00%
Security	Frequency	27	84	623	31	765
	%of Respondents	3.50%	11.00%	81.40%	4.10%	100.00%
High rates for power	Frequency	44	73	615	35	767
	%of Respondents	5.70%	9.50%	80.20%	4.60%	100.00%
High rates for transportation	Frequency	33	124	579	28	764
	%of Respondents	4.30%	16.20%	75.80%	3.70%	100.00%
Poor service quality	Frequency	48	79	577	62	766
	%of Respondents	6.30%	10.30%	75.30%	8.10%	100.00%
High cost of backup power	Frequency	76	69	545	74	764
	%of Respondents	9.90%	9.00%	71.30%	9.70%	100.00%
Corrupt utilities	Frequency	60	112	531	63	766
	%of Respondents	7.80%	14.60%	69.30%	8.20%	100.00%
Poor availability	Frequency	51	167	491	57	766
	%of Respondents	6.70%	21.80%	64.10%	7.40%	100.00%
Inadequate cell phone coverage	Frequency	110	178	458	20	766
	%of Respondents	14.40%	23.20%	59.80%	2.60%	100.00%
Water quality is poor	Frequency	169	122	415	59	765
	%of Respondents	22.10%	15.90%	54.20%	7.70%	100.00%
Water supply is intermittent	Frequency	152	145	406	63	766
	%of Respondents	19.80%	18.90%	53.00%	8.20%	100.00%
Cannot send products to certain areas	Frequency	100	137	405	122	764
	%of Respondents	13.10%	17.90%	53.00%	16.00%	100.00%

		Infrastructure and Logistics:				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
High rates for telephone service	Frequency	188	178	380	19	765
	%of Respondents	24.60%	23.30%	49.70%	2.50%	100.00%
Cannot obtain supplies from certain areas	Frequency	107	148	372	137	764
	%of Respondents	14.00%	19.40%	48.70%	17.90%	100.00%
Poor wire line service	Frequency	208	169	359	26	762
	%of Respondents	27.30%	22.20%	47.10%	3.40%	100.00%
Lack of storage facilities	Frequency	137	115	354	154	760
	%of Respondents	18.00%	15.10%	46.60%	20.30%	100.00%
Land line telephone service does not exist or is inadequate	Frequency	208	198	336	24	766
	%of Respondents	27.20%	25.80%	43.90%	3.10%	100.00%
Others	Frequency	43	13	33	124	213
	%of Respondents	20.20%	6.10%	15.50%	58.20%	100.00%

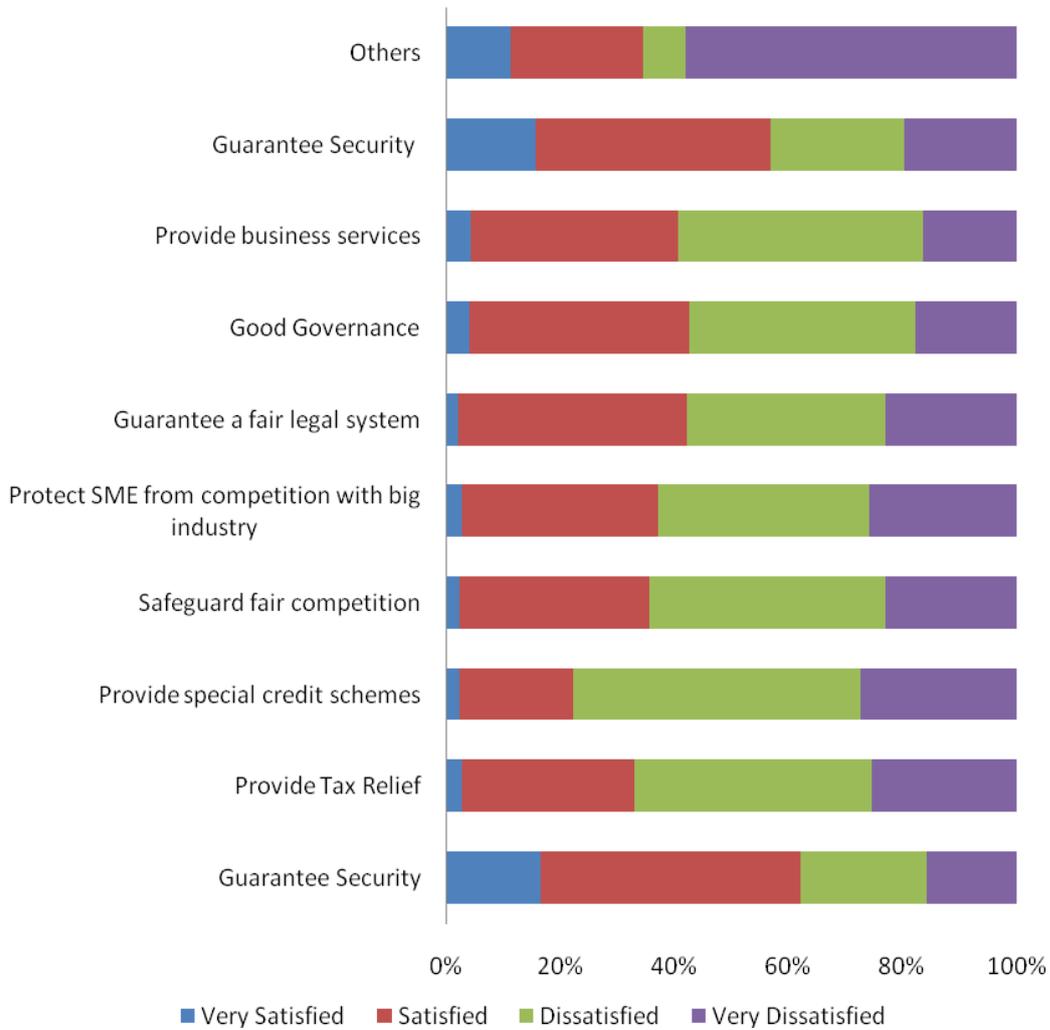


### 9.3 BUSINESS AND POLICY LEVEL CONSTRAINTS RESPONSES

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

		Government performance				Total
		Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	
Guarantee Security	Frequency	115	302	172	144	733
	%of Respondents	15.7%	41.2%	23.5%	19.6%	100.0%
Provide business services	Frequency	34	278	328	126	766
	%of Respondents	4.4%	36.3%	42.8%	16.4%	100.0%
Good Governance	Frequency	32	295	304	136	767
	%of Respondents	4.2%	38.5%	39.6%	17.7%	100.0%
Provide Tax Relief	Frequency	22	232	320	195	769
	%of Respondents	2.9%	30.2%	41.6%	25.4%	100.0%
Protect SME from competition with big industry	Frequency	22	262	284	198	766
	%of Respondents	2.9%	34.2%	37.1%	25.8%	100.0%
Safeguard fair competition	Frequency	19	254	317	176	766
	%of Respondents	2.5%	33.2%	41.4%	23.0%	100.0%
Provide special credit schemes	Frequency	19	153	386	211	769
	%of Respondents	2.5%	19.9%	50.2%	27.4%	100.0%
Guarantee a fair legal system	Frequency	16	308	268	176	768
	%of Respondents	2.1%	40.1%	34.9%	22.9%	100.0%
Others	Frequency	15	31	10	77	133
	%of Respondents	11.30%	23.30%	7.50%	57.90%	100.00%

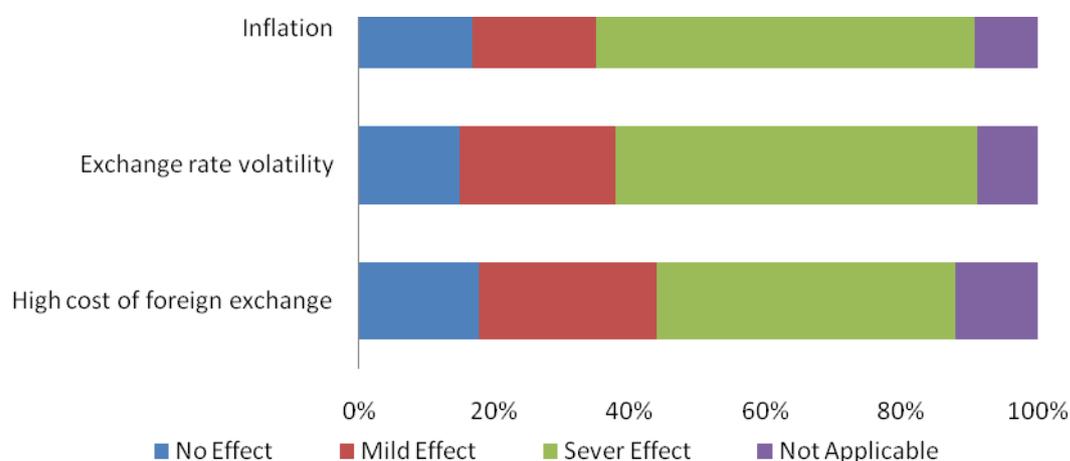
**Within the context of your business, rate your satisfaction with government performance in the following areas:**



75. Using a scale of 1 to 4, rank the effects of the following constraints on your business.

### Macro and Monterey Constraints

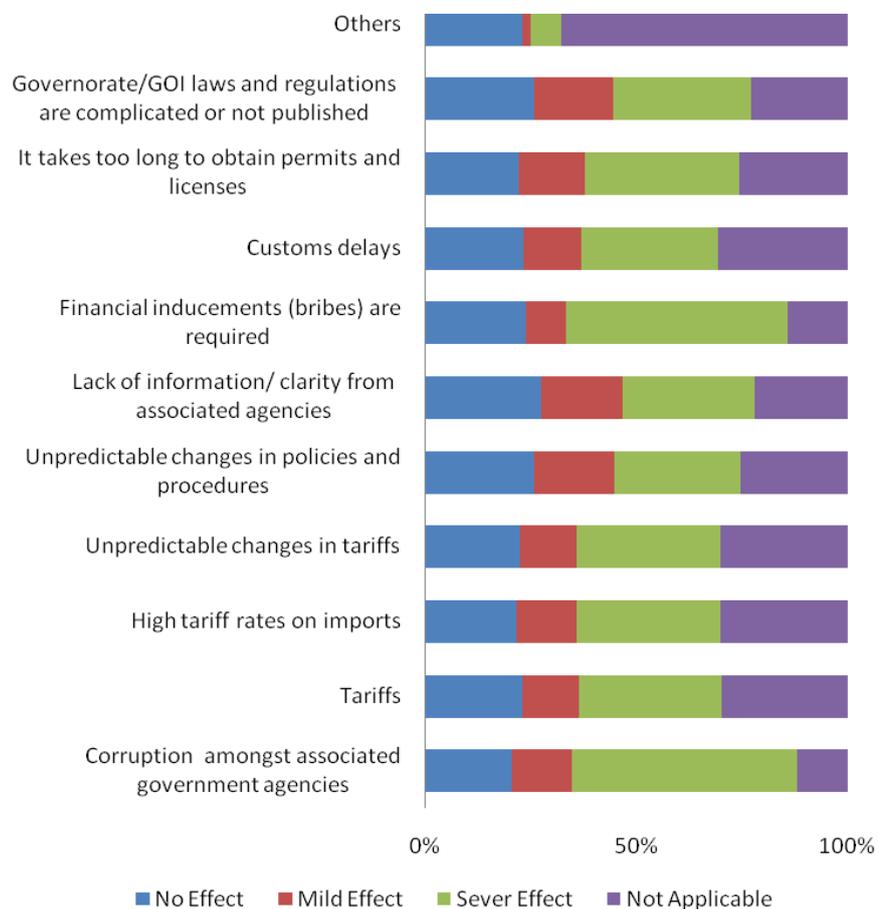
		Macro and Monterey Constraints				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Inflation	Frequency	128	140	427	71	766
	%of Respondents	16.70%	18.30%	55.70%	9.30%	100.00%
Exchange rate volatility	Frequency	114	177	409	68	768
	%of Respondents	14.8%	23.0%	53.3%	8.9%	100.0%
High cost of foreign exchange	Frequency	135	201	338	93	767
	%of Respondents	17.6%	26.2%	44.1%	12.1%	100.0%



## Regulation and Business Enabling Environment

		Regulation and Business Enabling Environment				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	
Corruption amongst associated government agencies	Frequency	158	109	406	93	766
	%of Respondents	20.6%	14.2%	53.0%	12.1%	100.0%
Financial inducements (bribes) are required	Frequency	184	73	402	110	769
	%of Respondents	23.9%	9.5%	52.3%	14.3%	100.0%
It takes too long to obtain permits and licenses	Frequency	172	119	280	197	768
	%of Respondents	22.4%	15.5%	36.5%	25.7%	100.0%
High tariff rates on imports	Frequency	167	109	262	231	769
	%of Respondents	21.7%	14.2%	34.1%	30.0%	100.0%
Unpredictable changes in tariffs	Frequency	173	104	260	232	769
	%of Respondents	22.5%	13.5%	33.8%	30.2%	100.0%
Tariffs	Frequency	177	103	259	230	769
	%of Respondents	23.0%	13.4%	33.7%	29.9%	100.0%
Governorate/GOI laws and regulations are complicated or not published	Frequency	198	144	250	174	766
	%of Respondents	25.8%	18.8%	32.6%	22.7%	100.0%
Customs delays	Frequency	180	105	248	235	768
	%of Respondents	23.4%	13.7%	32.3%	30.6%	100.0%
Lack of information/ clarity from associated agencies	Frequency	213	146	240	169	768
	%of Respondents	27.7%	19.0%	31.3%	22.0%	100.0%

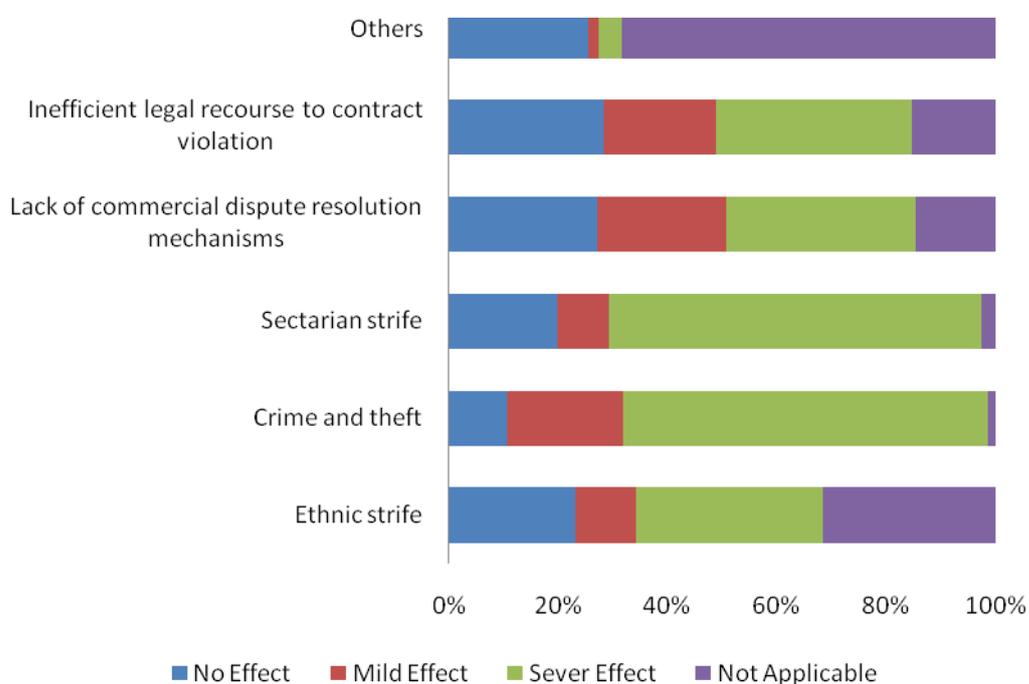
Unpredictable changes in policies and procedures	Frequency	199	144	228	193	764
	%of Respondents	26.0%	18.8%	29.8%	25.3%	100.0%
Others	Frequency	49	4	15	143	211
	%of Respondents	23.20%	1.90%	7.10%	67.80%	100.00%



## Security and Law

		Security and Law				Total
		No Effect	Mild Effect	Severe Effect	Not Applicable	

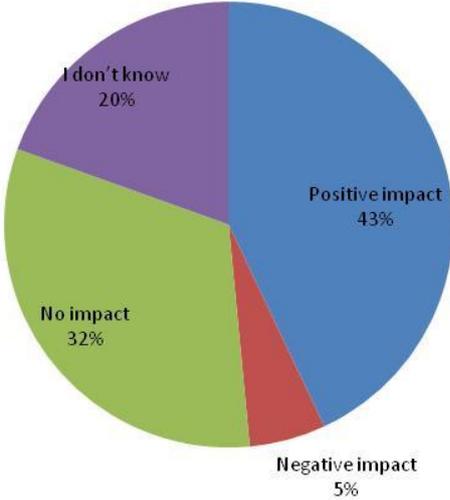
Sectarian strife	Frequency	152	73	523	21	769
	%of Respondents	19.8%	9.5%	68.0%	2.7%	100.0%
Crime and theft	Frequency	81	164	514	10	769
	%of Respondents	10.5%	21.3%	66.8%	1.3%	100.0%
Inefficient legal recourse to contract violation	Frequency	218	157	275	118	768
	%of Respondents	28.4%	20.4%	35.8%	15.4%	100.0%
Lack of commercial dispute resolution mechanisms	Frequency	209	180	267	113	769
	%of Respondents	27.2%	23.4%	34.7%	14.7%	100.0%
Ethnic strife	Frequency	178	84	261	243	766
	%of Respondents	23.2%	11.0%	34.1%	31.7%	100.0%
Others	Frequency	50	4	8	135	197
	%of Respondents	25.40%	2.00%	4.10%	68.50%	100.00%



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

	Frequency	Percent
Positive impact	329	43.0

No impact	245	32.0
I don't know	149	19.5
Negative impact	42	5.5
<b>Total</b>	<b>765</b>	<b>100.0</b>
Missing	7	
<b>Total</b>	<b>772</b>	



# 10. APPENDIX 3: THE SURVEY

## 10.1 MSME CHARACTERISTICS QUESTIONS

Name: \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Province \_\_\_\_\_

UID \_\_\_\_\_

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

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

Specify your business sector: \_\_\_\_\_

### 2. What is the business owner's gender?

- Male       Female

### 3. How old is the business owner?

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

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

- |                                       |  |
|---------------------------------------|--|
| <input type="checkbox"/> Primary      | <input type="checkbox"/> Intermediate      |
| <input type="checkbox"/> Thanwiya Ama | <input type="checkbox"/> Technical Diploma |

- University Degree                                       Post graduate (Masters and/or PhD)
- None

**5. Year your business commenced?**

\_\_\_\_\_

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

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

**7. Family members working in the business**

- # of paid family members employed \_\_\_\_\_
- # unpaid family members employed \_\_\_\_\_

**8. Ownership**

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

**9. Is your business family owned?**

- Yes                       No

**10. Is your business registered with a government agency?**

- Yes                       No

Please specify why if "No": \_\_\_\_\_

Please specify when and where if "Yes": \_\_\_\_\_

**11. Do you belong to a business association?**

- Yes       No

If yes, Name of Association(s)

---

**12. Do you belong to professional association?**

- Yes       No

Please specify the association: \_\_\_\_\_

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

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

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

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

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

- Locally (within the same city) \_\_\_\_\_ %  
 Governorate (with the governorate) \_\_\_\_\_ %  
 Iraq wide (within Iraq) \_\_\_\_\_ %  
 Exported to other countries \_\_\_\_\_ %

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

**16. How does your business activity vary?**

- Weekly       Seasonal  
 Monthly       No variation

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

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

Yes       No

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

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

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

Yes       No

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

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

**19. What are the 3 most effective techniques and channels that your company uses to connect to customers?**

- Cold calls, telemarketing, direct marketing
- Informal networking
- Trade fairs
- Print advertising, newspapers, billboards
- Street advertising, flyers, posters, leaflets
- Television
- Industry conferences
- Referrals 'word of mouth'
- Internet advertising
- Don't know
- Other: \_\_\_\_\_

**20. Indicate which of the following technologies you use to conduct business**  
*(you may tick more than one)*



If yes please explain

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**27. How do you go about seeking new employees?**

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

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

- Yes         No

If yes, who?

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

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

**30. Approximate asset holdings by type?**

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

**31. Where is your business premises located?**

- Owned

- Rented
- Based at home
- No business premises

**32. Does your business own/lease any vehicles?**

- Yes       No

If Yes,

- Number of Owned vehicles: \_\_\_\_\_
- Number of Leased vehicles: \_\_\_\_\_

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

- Higher       Lower       About the same

Estimated percentage change: \_\_\_\_\_

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

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

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

- Yes       No

**36. Do you employ the services of an accountant?**

- Yes full time      How many \_\_\_\_\_

---

- Yes part time

---

- Yes on demand

---

- I keep my own records

---

- No

---

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

- Yes       No

**38. Are your financial statements externally audited?**

Yes       No

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

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

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

*(In Iraqi Dinars)*

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

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

Yes       No

NAME

PRODUCT

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

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

If yes, list below

No

NAME OF SOE

PRODUCT

DIFFICULTIES

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

(You may tick more than one)

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

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

(You may tick more than one)

- |  |   |
|--|---|
| <input type="checkbox"/> Getting the business                  | <input type="checkbox"/> Meeting standards and certifications         |
| <input type="checkbox"/> Protecting your intellectual property | <input type="checkbox"/> Maintaining a long-term partnership          |
| <input type="checkbox"/> Accessing credit                      | <input type="checkbox"/> Complying with quality control requirements  |
| <input type="checkbox"/> Meeting security requirements         | <input type="checkbox"/> Ending the relationship                      |
| <input type="checkbox"/> Dealing with excessive bureaucracy    | <input type="checkbox"/> Meeting delivery deadlines and schedules     |
| <input type="checkbox"/> Overcoming regulatory barriers        | <input type="checkbox"/> Meeting requirements for production capacity |
| <input type="checkbox"/> Length of time to payment             | <input type="checkbox"/> Technology limitations                       |
| <input type="checkbox"/> Meeting procurement criteria          | <input type="checkbox"/> Length of time to payment                    |
| <input type="checkbox"/> Others - Please specify _____         |   |

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

	<b>Rank</b>
Television	_____
Newspapers	_____

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

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

Yes                       No                       Don't know

Specify why?

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

Cash                                       Money Exchange Office  
 Check                                       Barter  
 Bank Transfers                       Installments  
 Other, specify \_\_\_\_\_

Describe if necessary

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

	Most Frequently	Occasionally	Never
Business Savings (business profits)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Savings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Money Lenders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Family and Friends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Advance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier Advance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Microfinance Institution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New partner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Donor Grant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify _____			

**49. Do you have a business bank account?**

- Yes, how many \_\_\_\_\_  No, reason why not \_\_\_\_\_

**If yes, mention:**

- Iraqi State/Private Owned Bank, mention name: \_\_\_\_\_

- Foreign Bank, if yes which country \_\_\_\_\_,

And why? \_\_\_\_\_

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

- Yes  No

If no, reason why not: \_\_\_\_\_

If yes, please specify below:

**Loan 1**

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

**Loan 2**

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

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

- None  
 Up to IRD 1 Million  
 1 Million to 10 Million  
 10 Million up to 50 Million  
 50 Million up to 100 Million

- 100 Million up to 500 Million
- More than 500 Million

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

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

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

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

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

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

- More than 120,000,000 (\$100,000)

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

MATERIAL	SUPPLIER	PLACE OF ORIGIN

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

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

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

- Accountant
- Bankers
- Business Membership Organization (associations, chambers)
- Consultant
- Lawyer
- Friends and family
- Business mentors

- Suppliers
- Staff
- Politician/ Government Official
- Others, please specify

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

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

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

- Yes       No

If yes or no, specify?

\_\_\_\_\_

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

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

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

- Yes       No

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

	<i>At least weekly</i>	<i>At least monthly</i>	<i>At least quarterly</i>	<i>Occasionally</i>	<i>Never</i>	<i>How much? (Iraqi Dinar)</i>
Promotion & Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Accounting Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Information Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Transportation Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Regulatory Services	<input type="checkbox"/>				
Planning/ Management Consulting	<input type="checkbox"/>				
Technical Training	<input type="checkbox"/>				
Management Training	<input type="checkbox"/>				
Computer Training	<input type="checkbox"/>				
Legal services	<input type="checkbox"/>				
Production & Operation Consulting	<input type="checkbox"/>				
Data processing Services	<input type="checkbox"/>				
Correspondence Services	<input type="checkbox"/>				
Logistical Services	<input type="checkbox"/>				
Employee Recruitment	<input type="checkbox"/>				

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

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

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

<b>Training Services</b>	<b>Not Applicable</b>	<b>Not Important</b>	<b>Important</b>	<b>Very Important</b>
<b>Marketing</b>				
Marketing Plan	1	2	3	4

Marketing research	1	2	3	4
Product promotion	1	2	3	4
Marketing strategy	1	2	3	4
Advertising	1	2	3	4
<b>Accounting</b>				
Cash flow	1	2	3	4
Book-keeping	1	2	3	4
Audit	1	2	3	4
Taxation	1	2	3	4
Business planning	1	2	3	4
<b>Human Resources Management</b>				
Management skills	1	2	3	4
Motivation of staff	1	2	3	4
Performance appraisal	1	2	3	4

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

Yes       No

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

Yes       No

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

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

## 10.2 FIRM LEVEL CONSTRAINTS QUESTIONS

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

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

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

Other financial constraints: \_\_\_\_\_

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

Other human resources constraints: \_\_\_\_\_

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

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

Other marketing/sales constraints: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

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

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

Other supplier constraints: \_\_\_\_\_

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

Yes       No

If not explain why?

\_\_\_\_\_

\_\_\_\_\_

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

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

Record answers listing main competition if known,

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

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

Other operational constraints:

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

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

Other infrastructure and logistical constraints:

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## 10.3 BUSINESS & POLICY LEVEL CONSTRAINTS QUESTIONS

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

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

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

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

Other regulation constraints at the central government and provincial level:

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

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

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

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

**Please explain:**

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# 11. APPENDIX 4: PROJECT TIMELINE

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

Description of Task	Responsible	Expected Date	JUNE				
			Week 1	Week 2	Week 3	Week 4	Week 5
			1-Jun	8-Jun	15-Jun	22-Jun	29-Jun
1 Proposals Received	LBG	30-May					
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun					
3 MA Survey Design Completed, including review LBG/Subcontractor		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					

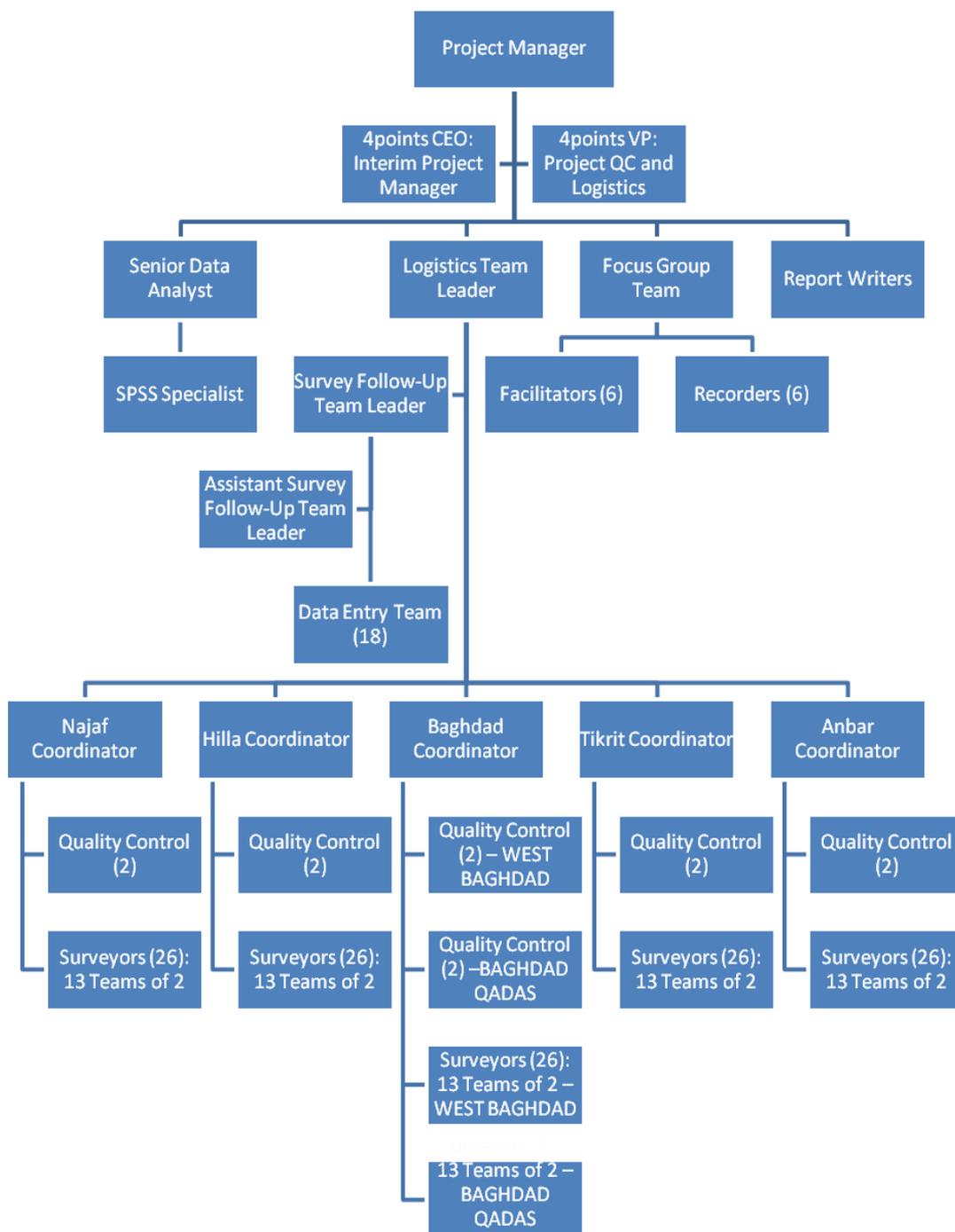
Description of Task	Responsible	Expected Date	SEPTEMBER			
			Week 1	Week 2	Week 3	Week 4
			7-Sep	14-Sep	21-Sep	28-Sep
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun				
4 Questionnaire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

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

# 12. APPENDIX 5: ANBAR 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 Anbar included a total of 71 personnel serving functions in various roles. The project was led by Mohammad Shohaieb, with oversight and implementation assistance provided by Tania Khaled, Eric Nigh, Ahmed Abbas, and Mohannad Abdulhay, the 4points principals.

### 12.2.1 USAID- *TIJARA* PROJECT MANAGEMENT TEAM

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

### 12.2.2 PROJECT MANAGEMENT TEAM

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

## 12.3 FIELD TEAM, SUPPORT, AND DATA ENTRY

### 12.3.1 THE ANBAR SURVEY FIELD RESEARCH TEAM

1	Alaa Hussain	IRQ	Coordinator	M
2	Yahia Abdul	IRQ	QC Officer	M
3	Nashwan Adnan	IRQ	QC Officer	M
4	Amar Hameed Awad	IRQ	Researcher	M
5	Sarbil Yassein Jubeer	IRQ	Researcher	M

6	Raad Hmid Salim	IRQ	Researcher	M
7	Khalid Abed Khudir	IRQ	Researcher	M
8	Muthana Abdul Qader	IRQ	Researcher	M
9	Tariq Ziad Khalaf	IRQ	Researcher	M
10	Abdul Rahman Ziad	IRQ	Researcher	M
11	Ahmed Abdul Razaq	IRQ	Researcher	M
12	Sinan Adnan Hameed	IRQ	Researcher	M
13	Mahmood Adnan Hameed	IRQ	Researcher	M
14	Ahmed Adnan Hameed	IRQ	Researcher	M
15	Ahmed Subhi Ghafori	IRQ	Researcher	M
16	Muhammed Khir Allah	IRQ	Researcher	M
17	Sayif Abdul Aziz	IRQ	Researcher	M
18	Oday Hatam Thabit	IRQ	Researcher	M
19	Muhameed Ismail Mukhlif	IRQ	Researcher	M
20	Mahmood Fhadil Hassobi	IRQ	Researcher	M
21	Ma'an Marwan Hameed	IRQ	Researcher	M
22	Ahmed Hamad Farhan	IRQ	Researcher	M
23	Alaa Hashim Arnot	IRQ	Researcher	M
24	Mustafa Suri Abed	IRQ	Researcher	M
25	Khaldon Yassein Jubeer	IRQ	Researcher	M
26	Mustafa Azawi Abdul Lattef	IRQ	Researcher	M
27	Abdul Sattar Yousif Mutar	IRQ	Researcher	M
28	Muhannes Falah Farhan	IRQ	Researcher	M
29	Omar Falah Farhan	IRQ	Researcher	M

### 12.3.2 BAGHDAD-BASED DATA ENTRY TEAM

1	Hussam Thabit Al.Qaisy	IRQ	Data Entry	M
2	Kahtan Adnan Gwad	IRQ	Data Entry	M
3	Anmar Sami Hassan	IRQ	Data Entry	M
4	Ahmed Durid Jamil	IRQ	Data Entry	M
5	Ahmed Tha'ar Muhamad	IRQ	Data Entry	M
6	Ali Ahmed Saleem	IRQ	Data Entry	M
7	Ahmed Abed Mshali	IRQ	Data Entry	M
8	Fityan Kamil Al.Qayim	IRQ	Data Entry	M
9	Ahmed Salah Al.Deen	IRQ	Data Entry	M
10	Duray Manal Adeb	IRQ	Data Entry	M
11	Laith Haitham Abdul Khaliq	IRQ	Data Entry	M
12	Ahmed Salam Karim	IRQ	Data Entry	M
13	Zaid Muhammed Ridha	IRQ	Data Entry	M
14	Yasir Wael Rasheed	IRQ	Data Entry	M
15	Hussein Ali Hassan	IRQ	Data Entry	M
16	Gayth Lazim Al.Taqy	IRQ	Data Entry	M

### 12.3.3 SUPPORTING STAFF

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

## 13. APPENDIX 6: FOCUS GROUP GUIDELINES

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

FG participants were at a minimum of 7 and maximum of 12. FG groups were arranged according to sector. The following steps were implemented in the holding of the FG discussions:

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

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

Discussion was steered by the moderator, who used inquiry as a technique to ensure that the session was as much a discussion as possible, the participants given the maximum time available to establish their views and opinions on the topics above regarding their industry.