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TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

MARKET ASSESSMENT

BUSINESS CONSTRAINTS AND OPPORTUNITIES AT
THE BUSINESS ENABLING ENVIRONMENT AND FIRM
LEVELS FOR THE PROVINCE OF SALAH AD DIN, IRAQ



December, 2009

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ACRONYMS

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

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1. EXECUTIVE SUMMARY

1.1 OVERVIEW AND MAJOR SUBSECTORS

Salah ad Din is a predominantly rural governorate, with agriculture an important part of the local economy. It has been the proving ground for many agricultural innovations in recent times such as specially designed plastic greenhouses that extend the growing season and conserve water. Tikrit is the capital of the province, but Samarra to the south is equally if not more prominent, home to the famous “malwiya” minaret tower and the Al-Askari mosque sacred to Shia’a Muslims. Beiji, in the northern part of the province, is home to a refinery, power plant and other large industrial projects.

As a percentage of business organization, Salah ad Din contains fewer micro businesses than the Iraq aggregate and more small businesses. Medium-sized businesses are in the construction, manufacturing and hotel and restaurant sectors where larger numbers of employees are needed to sustain business. Micro businesses are concentrated in services and trade.

Businesses are on average newer than in other provinces. Almost 70% of businesses surveyed have been created or established since the fall of the previous regime. Due to the heavy concentration of small to medium sized businesses, they make more use of both unskilled and administrative labor. Women penetrate SME ownership about half as much (1.6% vs. 2.5%) as they do in other provinces.

Salah ad Din SME owners tend to have slightly higher levels of assets. 53% all SMEs in Salah ad Din have more than \$9000 (10 Million IQD) in assets. Much of those assets reside in inventory, cash, receivables and somewhat less in machinery, land and buildings.

In reaching out to customers, Salah ad Din SMEs are slightly more sophisticated than their counterparts in the rest of Iraq. Use of cold call techniques, flyers, newspaper/billboards, industry conferences, and internet advertising are all utilized in Salah ad Din as effective techniques for reaching out to customers at a rate slightly higher than that of the rest of Iraqi SMEs.

Major sub-sectors in the Salah ad Din SME makeup include:

- Trade, especially retail trade, but also wholesale. Largely local, as opposed to national or international. Much of Salah ad Din business value is provided by retail trade in foodstuffs, fashion, and furniture, plus parts and services for vehicles and communications.
- Construction, mostly in support of the rebuilding of physical infrastructure, plus the manufacture and distribution of construction materials.

- Manufacturing, in furniture, metals, and food processing.
- Transportation, often local, and related to the movement of both goods and people.
- Agriculture, including the typical staple farming of wheat, barley, dates, livestock, and fish.

1.2 CONSTRAINTS

When asked to name the single most important constraint of doing business in Salah ad Din, business owners placed energy concerns first, followed by security, economic environment, and access to finance.

Salah ad Din has one of the lowest SME banking penetration rates in Iraq. At only slightly over 8%, it is very low by international and even regional standards. Amongst the main reasons cited as barriers to dealing with banks are liquidity constraints, lack of confidence in the banking sector, inexperience with banks, tax authority related issues, inconvenient geographical locations of banks, and cumbersome procedures.

Only 2% of Salah ad Din SMEs reported having had loans, compared to 3% of other Iraqi SMEs. SMEs remain reluctant to approach banks and MFIs for financing citing cumbersome procedures, administrative barriers, and corruption. This is not to say that banking services are not in demand. 65% of Salah ad Din SMEs, for example, are interested in long term financing from banks, albeit less than the 84% of other Iraqi SMEs interested in the same. This demand for financing, however, may carry with it minimum conditions that are impossible for banks to meet.

Money lenders are an alternative the lower bank and MFI borrowing rates. Approximately 13% of Salah ad Din enterprises claim to borrow from informal money lenders at least on occasion, This rate is over 30% higher than the Iraq average.

Salah ad Din SME owners join business and professional organizations at a rate similar to Iraqi businessmen in other regions. SME business organization membership in Salah ad Din, at 15%, are better than in many other Iraqi provinces, but is still considerably below the nation-wide average of approximately 21%. Business association members in Salah ad Din are almost equally split between i) Salah ad Din Chamber of Commerce, ii) Tikrit Chamber of Commerce, and iii) Salah ad Din Industry Association.

The standard in financial management amongst Salah ad Din based SMEs is very low starting with bookkeeping, capacity to process financial data, and institutional and professional support. Only 9% depend on dedicated accountants - 7.3% depend on a full-time accountant, 1.7% on a part-time accountant. 5.1% of SMEs use an accountant on demand, which is not a dedicated employee. The remaining more

than 85% of entrepreneurs either keep records and depend on their own ability to do their own accounts or they do not keep any records at all.

ICT penetration amongst businesses in Salah ad Din compares favorably to the rest of Iraq but is nevertheless low (with the exception of mobile telephony). Personal computer ownership is less than 21%, internet penetration is only 14%, and less than 3% of surveyed enterprises have an on-site computer network.

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

Enterprise owners reported a diversified spread of educational attainment. Approximately 98% of SME owners in Salah ad Din completed at least some level of formal education, with slightly over 83% having completed at least secondary schooling and 15% more have gone on to graduate from a university, garnering at least some of the skills necessary to running a successful business.

Labor intensity is 6.9 employees per enterprise which is approximately 11% higher than the Iraqi average. Construction sector enterprises have the highest average number of employees in Salah ad Din (almost 18 employees per enterprise).

The largest occupational category of SME employees in Salah ad Din is unskilled labor, making up approximately 36% of total SME labor force. This is considerably lower than the Iraqi average probably due to higher proliferation of construction companies whose labor composition tends to skew towards unskilled labor.

Also unique to Salah ad Din is the high utilization of seasonal / temporary employees. Almost 32% of enterprises claim to use some form of seasonal or temporary labor compared to an Iraqi wide average of approximately 17%. As with most other provinces in Iraq, this figure is driven mostly by agribusiness and construction companies.

Agencies and recruitment service providers might not operate in most provinces in Iraq, however there appears to be solid demand among business owners for their services. Asked to determine their willingness to use employment agencies should their services become available, almost 55% of SME owners in Salah ad Din said they would. Close to 95% of the group looking to use agency services indicated they are willing to pay employment agency fees. These figures are significantly higher compared to the indicators from elsewhere in Iraq.

The majority of SME labor in Salah ad Din is informal. Under best case scenario conditions in which we assume only informal / unregistered firms employ informal

labor, 56% of Salah ad Din SME labor is informal. A more realistic assumption, under which 50% of unskilled labor in registered firms is informal increases SME labor informality to over 65%. In a third case scenario in which we consider 'unpaid family members' employed by registered firms to be also informal raises labor informality to 69%.

Similar to the rest of Iraq, the majority of SMEs in Salah ad Din 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.

In Salah ad Din approximately 29% of enterprises claim to be registered with government agencies. This is one of the lowest business formality rates amongst all Iraqi provinces, and is less than the average for Iraq overall which is slightly over 38%.

With respect to infrastructure, the impact of electricity shortages, rates, availability, etc. is given much greater weight than other issues. 80% of SMEs are severely affected by electricity issues, with an additional 11% affected but to a lesser degree – a total of 91% of businesses. Development of the electricity sector and provision of electricity to businesses in Salah ad Din would impact positively almost every business, allowing for the removal of a most crippling preventing businesses from becoming successful. The resulting effect would most certainly result in increased employment and production across the board.

The Salah ad Din business environment is comparable with the rest of Iraq regarding security. Security is rated as the number two concern on the aggregate ranking of 11 different top constraints by both Iraqi SMEs in general and Salah ad Din SMEs, behind energy issues.

1.3 OPPORTUNITIES

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

- Conduct managerial training for SME owners, managers, and skilled employees at every level, to improve product quality and to stimulate employment for feeder industries to SOEs and the wholesale and retail trades that support hotel and restaurant related industries.
- Conduct training in technologies for improving business efficiency, communications, and advertising.

- Build support for women owned business to create a sustaining entrepreneurial culture to take advantage of a resource that once was strong and now is significantly underutilized.
- Educate business owners on the importance of transitioning to more formal organization of their businesses and workforce, in order to take advantage of available banking, advisory, and associational resources.
- Encourage the development of business and professional associations specifically dedicated to business improvement and advice.
- Focus on productivity improvements, especially in equipment and supply, for agribusiness.

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 Salah ad Din. 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 Salah ad Din
- Provide general categorization of Salah ad Din SMEs
- Assess firm-level operations to highlight:
 - Input constraints
 - Output constraints
 - Management constraints
- Describe business-enabling environment constraints as they pertain to Salah ad Din SMEs
- Make recommendations to improve the competitive standing of Salah ad Din based SMEs

2.2 SURVEY METHODOLOGY

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

2.2.1 Term Definitions

SME – Small to Medium-Size Enterprise: The definition of SME is the same one used by the Government of Iraq. The definition is based on the number of employees for size classification. One to two employees is micro, 3-9 is small, and 10-30 is medium. Companies having more than 30 employees are regarded as large. In our definition, “employees” include the business owner in the number of employees. 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 Salah ad Din, Najaf, Anbar, Babil, Baghdad, 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 Salah ad Din, “Iraq SMEs” refers to SMEs in Najaf, Thi Qar, Anbar, Babil, and Baghdad.

2.2.2 Field Surveys

A major component of the research assignment was the surveying of 703 private businesses in Salah ad Din. The survey sought to answer research questions pertaining to SME characteristics and constraints through a mix of open-ended, ordinal, dichotomous, nominal, and scale questions. The survey contained 560 independent variables and was administered in interview format by trained researchers during the period of 25 July to 18 August, 2009.

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

2.2.3 Survey Design and Pretesting

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

Prior to pretesting, the Salah ad Din 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 Salah ad Din 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 Salah ad Din and Baghdad, supervisor–interviewer coordination), vi) determining the intensity of required quality control processes and field team follow up, vii) testing data entry, data entry quality control, and data clearing process, and viii) evaluating respondent accessibility.

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

2.2.4 Sampling: Sampling Frame

The starting point for determining the sampling frame was accessing Chamber of Commerce membership records in Salah ad Din. 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 Salah ad Din (e.g. the Chamber dataset did not include unregistered companies and housed a disproportionate number of retail enterprises).

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

The first stage was to define economic sector clusters. To do this, the research team studied commercial registry entries at the Ministry of Trade, reviewed other SME survey definitions from the region and beyond, and consulted the ISIC¹. 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 Salah ad Din Area Coordinator, and vi) results from the survey pretesting.

¹ INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION (ISIC) – system of classification of companies according to business activity.

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 reviewed further by USAID-TIJARA against other internal sources and further consultations with subject matter experts, and was then put forward for implementation. Table 2-1 highlights the sample distribution for Salah ad Din.

Table 2-1: Proposed Sample Distribution by SME Sector and Size – Salah ad Din

Sector	Sample Distribution (%)	Number of Enterprises	Number of Employees					
			1-4		5-10		> 10 Employees	
			%	#	%	#	%	#
Agribusiness	10%	50	10%	5	80%	40	10%	5
Construction	10%	50	30%	15	20%	10	50%	25
Manufacturing	10%	50	0%	0	80%	40	20%	10
Professional Services	10%	50	60%	30	20%	10	20%	10
Wholesale, Retail Trade	25%	125	70%	88	20%	25	10%	13
Transport and Storage	5%	25	90%	23	10%	3	0%	0
Hotels, Restaurants and Tourism	10%	50	20%	10	50%	25	30%	15
Communications	5%	25	90%	23	10%	2	0%	0
Electricity, Gas, Oil	10%	50	90%	45	10%	5	0%	0

Others	5%	25	0%	13	0%	5	0%	7
Total	100%	500		250		165		85

2.2.5 Sampling: Sample Size and Respondent Selection

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

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

2.2.6 Sampling: Geographic Coverage

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

Table 2-2: Sample Distribution by Geographical Area Within Salah ad Din

Area	% of Completed Surveys
Tikrit and Tikrit Suburbs	50%
Baiji	50%
Shirqat	
Balad and Balad Suburbs	
Daur	

Tooz	
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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 Salah ad Din. 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 Salah ad Din-based researchers and supervisors were contracted on a full-time basis to conduct the survey throughout the province. Researchers were required to meet certain age, education level, and experience criteria before they were hired. The field research team comprised an Area Coordinator, two Quality Control Supervisors, and 26 researchers paired into 13 research teams. Appendix 4 outlines the field team organizational chart for Salah ad Din and the names of the field research team.

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

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

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

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

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

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

2.2.8 Field Control

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

Table 2-3: Field Control Statistics

Completed Surveys	Rejected Surveys	Accepted Surveys	Rejection Rate
804	95	709	12%

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 Salah ad Din, during which he would make three visits to survey respondents to validate responses and attend at least three survey interviews with different research teams.

USAID-TIJARA Field Visits

USAID-TIJARA staff were also instrumental to the survey quality control process. They randomly selected batches of completed surveys and visited survey respondents in Salah ad Din to validate survey data and the survey experience directly with the respondents. Approximately 10% of the required sample size was validated this way in Salah ad Din. 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 Salah ad Din and not in the field. They were sent to and from the field on an almost daily basis.
- A zero-tolerance policy for falsified information was implemented. Researchers or supervisors found to be falsifying survey information had their contracts terminated immediately.

2.3 FOCUS GROUP METHODOLOGY

A total of 15 focus groups were conducted in Salah ad Din, focusing on a few major industries –agriculture, industry, construction, transportation, and industry. The focus group discussions were used to validate survey results and explain phenomena and outcomes that quantitative and qualitative analysis of the data could not sufficiently explain. There were 9 to 10 participants per session, led by a moderator assisted by a scribe who took down notes, and logistically organized by the area coordinator for Salah ad Din. A layout of the focus group schedule is provided here in Table 2-4 for reference:

Table 2-4: Salah ad Din Focus Groups – Date, Industry, Location, and Participants

#	Date	Industry	Moderator	Location	No. of Participants
1	1-Sep	Agribusiness – Animals	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
2	2-Sep	Agribusiness	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
3	7-Sep	Agribusiness – Fish Farming	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	9
4	8-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
5	9-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	9
6	12-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
7	13-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
8	14-Sep	Industry – Metal Working	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
9	16-Sep	Industry – Metal Working	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al-Shab Al-Haq) Org.	10
10	16-Sep	Industry –	Dr. Abdul Wahab	Youth Rights (Al-	10

		Aluminum	Abdul Razaq	Shab Al-Haq) Org.	
11	17-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al- Shab Al-Haq) Org.	10
12	17-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al- Shab Al-Haq) Org.	10
13	18-Sep	Services	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al- Shab Al-Haq) Org.	9
14	18-Sep	Construction Contractors	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al- Shab Al-Haq) Org.	10
15	18-Sep	Construction Contractors	Dr. Abdul Wahab Abdul Razaq	Youth Rights (Al- Shab Al-Haq) Org.	10

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

2.3.1 Training for Focus Groups

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

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

2.3.2 Materials

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

2.3.3 Organization of Focus Groups

Each focus group was organized by the area coordinators working with the quality control specialists to recruit the participants according to the pre-determined sector.

The recruiting was accomplished through calling survey participants, as well as reaching out to new and additional businesses that would be able to attend in the case that not enough of the survey participants were available to participate. A challenge to the recruitment was that the all of the focus groups fell within the month of Ramadan, wherein all work days are much shorter and people are in general more tired and irritable and less available for extraneous activities that expend energy and are not their main line of work.

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

2.3.4 Quality Control

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

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

2.3.5 Focus Group Reports

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

2.4 THEORETICAL FRAMEWORK FOR THIS STUDY

2.4.1 Competitive Advantage/Value Chain Theory

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

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

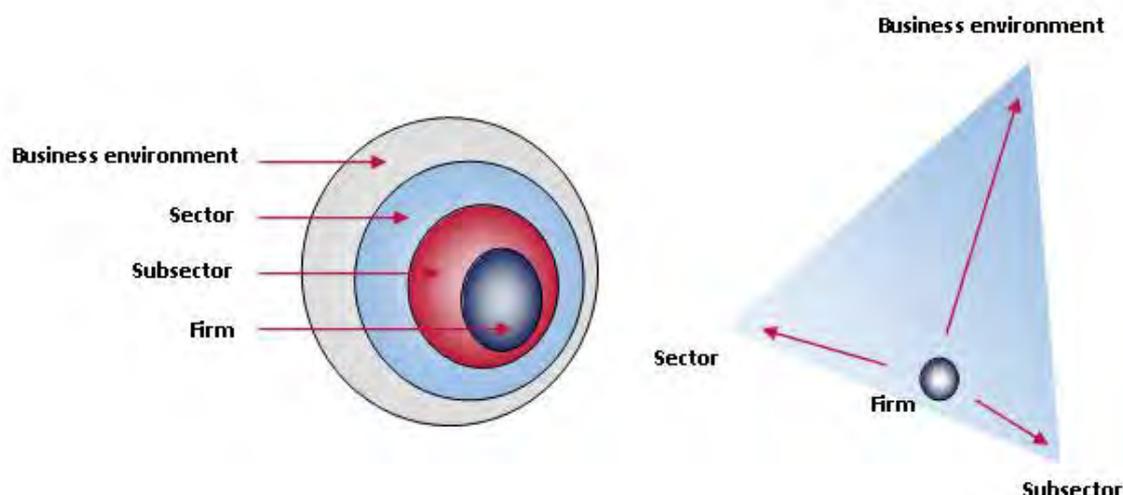
One of the ways of creating and maintaining competitive advantage is to identify the internal and external elements of business practice that add value to the final product, and hence to the business. Such enhancing activities link together into a value chain. Improvements to any link in the chain redound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

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

2.4.2 Heuristic Representation of Constraint Control

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

Figure 2-1: Illustrated Heuristic Representation of Constraint Control



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

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

3. UNIQUENESS OF BUSINESS IN SALAH AD DIN

3.1 GENERAL CHARACTERISTICS OF SALAH AD DIN

Salah ad Din is well known as the birthplace and home of the former leader Saddam Hussein. The province, up to 1976, was a part of the province of Baghdad until it was separated and named for the famous 12th century leader who fought against the crusader forces. The province is heavily rural and has the largest amount of pivot-irrigated land out of all provinces in Iraq –four times as much as other provinces. Salah ad Din has also been the proving ground for other agricultural innovations in recent times such as specially designed plastic greenhouses that extend the growing season and conserve water. Tikrit is the capital of the province, but Samarra to the south is equally if not more prominent, home to the famous “malwiya” minaret tower and the Al-Askari mosque sacred to Shia’a Muslims. Beiji, in the northern part of the province, is home to a refinery, power plant and other large industrial projects. Table 3-2 provides highlights to key SME industry makeup in Salah ad Din.

Table 3-2: Salah ad Din Demographics²

Capital:	Tikrit
	24,751 sq km (5.6% of Iraq)
Population:	1,191,456 (6 % of total)
Gender Distribution:	Male: 50% Female: 50%
Geographical Distribution:	Rural: 54% Urban: 46%
Population by District:	
Balad	223,354
Samarra	205,664
Tikrit	172,119
Tooz	160,690
Beiji	158,335
Al-Shirqat	141,142
Al-Faris	76,169
Al-Dur	53,983

Table 3-3: Approximate Makeup of SME Sector Sample in Salah ad Din

Construction	%	Light Manufacturing	%	Transportation	%
Contractors	62%	Carpentry	53%	Goods	60%
Construction Services	27%	Metal Works	28%	People	40%
Construction Supplies	11%	Water Bottling	19%		
Agribusiness	%	Retail	%	Others	%
Horticulture	47%	Food and Beverage	43%	Restaurants	32%

² ‘Salah ad Din Governorate Profile’; United Nations Office for the Coordination of Humanitarian Affairs; Inter-Agency Information and Analysis Unit; July 2009

Livestock	20%	Mobile Phones & Computers	25%	Electricity Generators	27%
Aquaculture	15%	Apparel	21%	Bakeries	24%
Wheat, Barley, Grain	12%	Furniture and White Goods	9%	Barber Shops	14%
Others	6%	Stationary Shops	2%	Others	3%

Businesses are very diverse, and the landscape includes a large number of many different subsectors with unique elements that constitute challenges as well as opportunities for the Salah ad Din SMEs.

Answers to questionnaires and extensive conversations in focus groups reveal that Salah ad Din 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 Salah ad Din SME landscape revealed by statistical comparisons appear below.

3.2 SIZE AND MAKEUP OF SALAH AD DIN ENTERPRISES

As a percentage of business organization, Salah ad Din contains less micro businesses than the Iraq aggregate (see Figure 3-1 below) and more small businesses. As would be expected, more of the medium-sized businesses are in the construction, manufacturing and hotel and restaurant sectors where larger numbers of employees are needed to sustain business. Micro businesses are concentrated in services and trade (see Figure 3-2 below).

Figure 3-1: SME Composition by Size

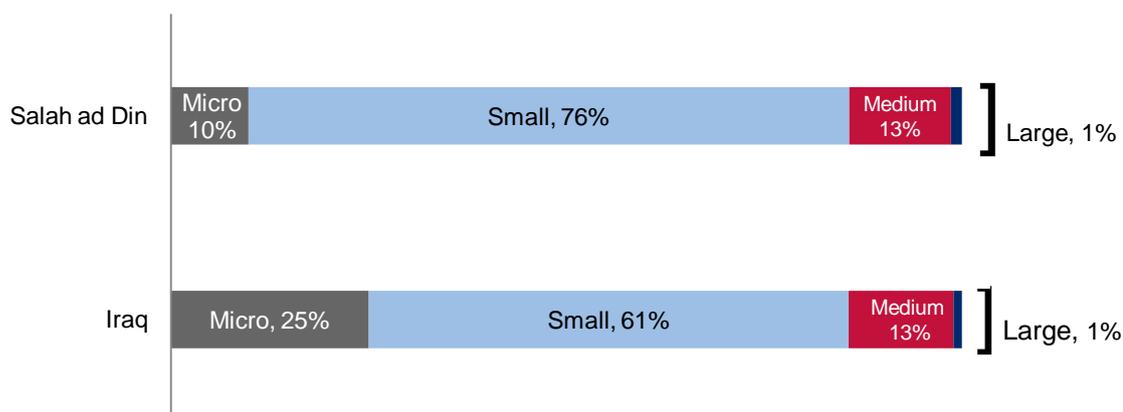
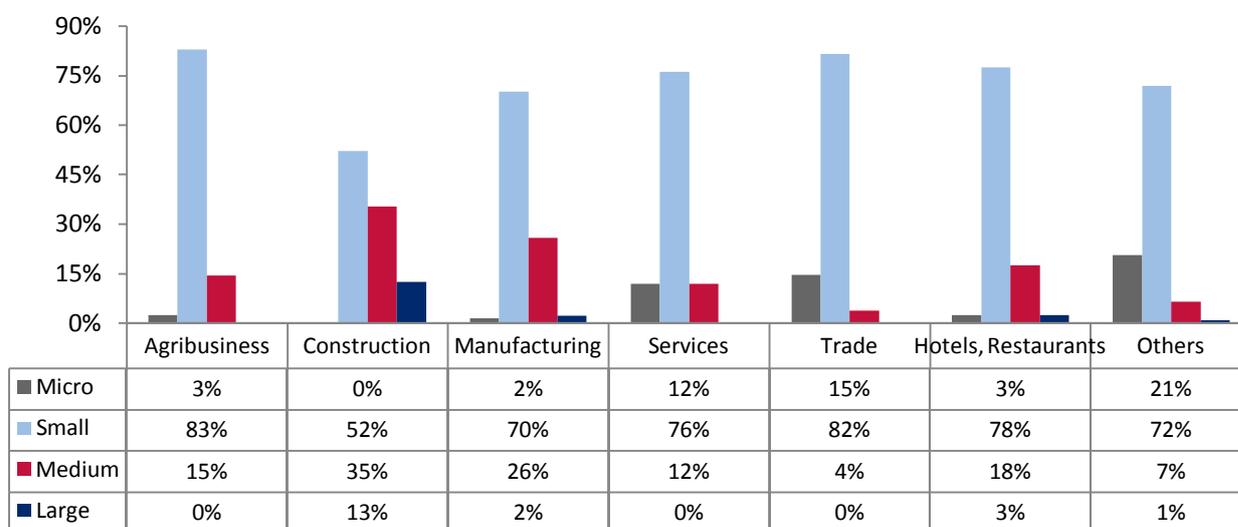


Figure 3-2: The Salah ad Din SME Sector Makeup – Size and Sector

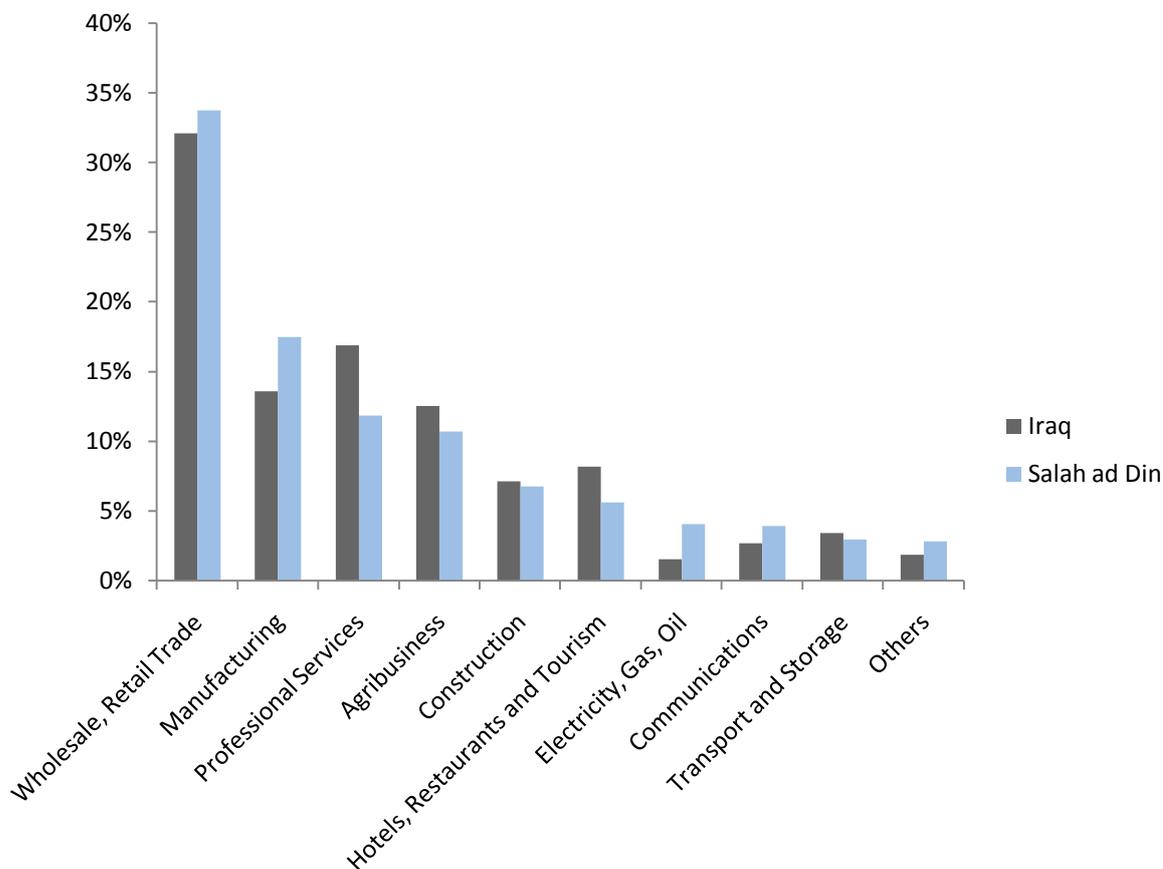


Businesses are on average newer entities. Almost 70% of businesses surveyed have been created or established since the fall of the previous regime. Due to the heavy concentration of small to medium sized businesses, they make more use of both unskilled and administrative labor. Women penetrate SME ownership about half as much (1.6% vs. 2.5%) as they do in other provinces.

Retail trade in Salah ad Din equals in importance the national average (see Figure 3-3 below). The level of business maturity and type flows from this fact. Retail trade SMEs are known for being small firms that and are more proportionally newer than other sector SMEs.

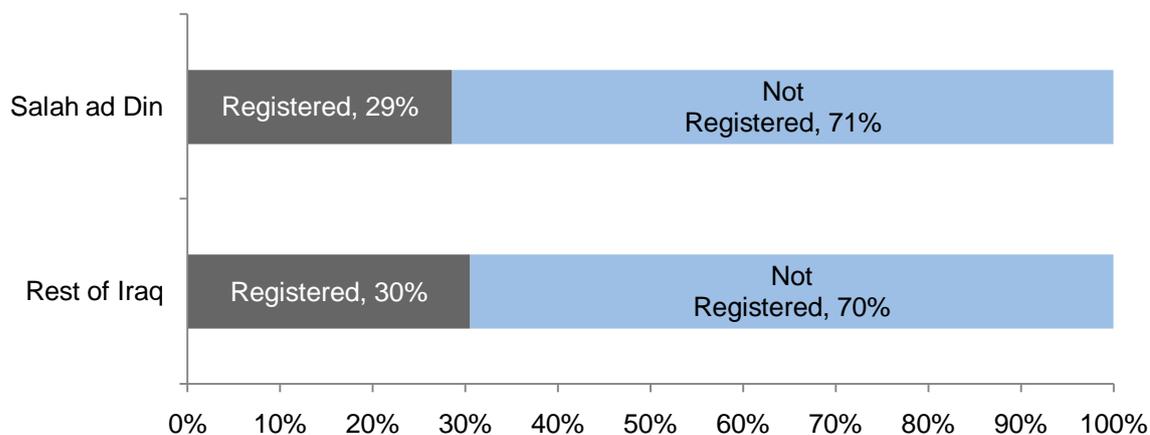
Manufacturing, energy, and communications sector businesses are somewhat more prevalent in Salah ad Din, as is also reflected below in Figure 3-3.

Figure 3-3: Salah ad Din and Iraq Sector Makeup Comparison



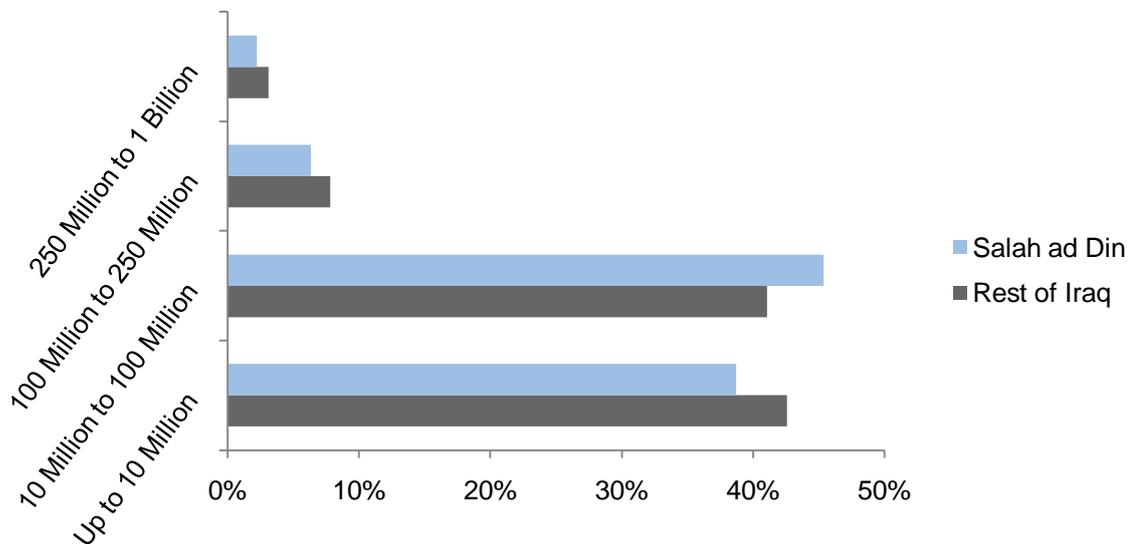
Given the high rate of political and security volatility in Iraq in general, it is reasonable to assume that businesses will seek to reduce their visibility as much as possible, manifesting in a lower index of registration. This is true all over Iraq on the average, and mirrored in Salah ad Din (see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

Figure 3-4: Informality Comparison – Salah ad Din vs. Iraq



Salah ad Din SME Owners tend to have slightly higher levels of assets. 53% all SMEs in Salah ad Din have more than \$9000 (10 Million IQD) in assets. Much of those assets comprise of inventory, cash, receivables and somewhat less in machinery, land and buildings.

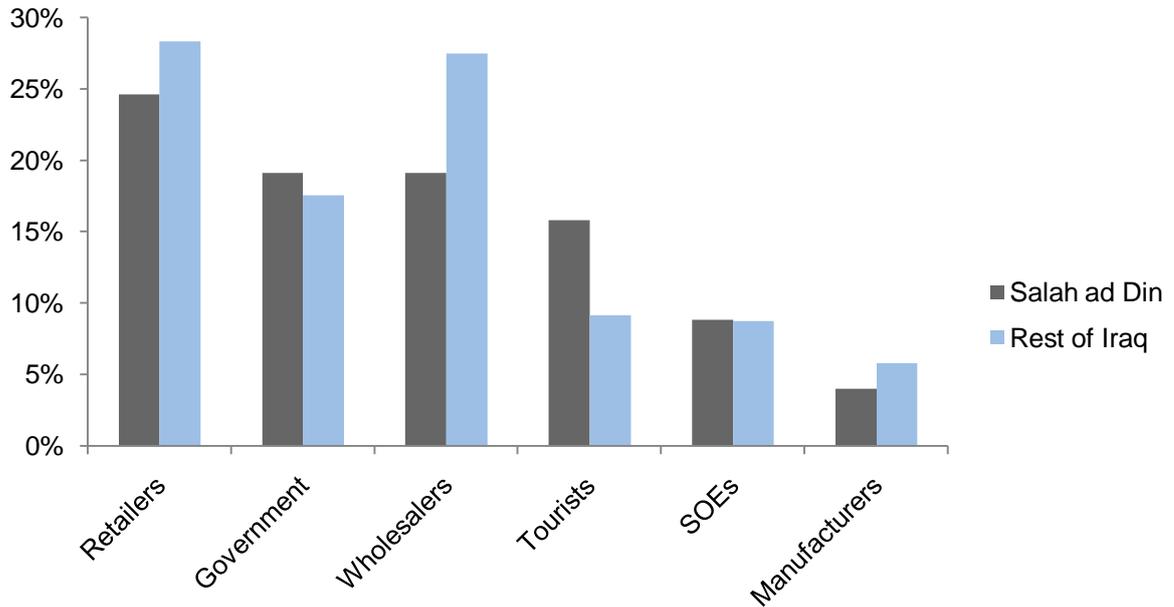
Figure 3-5: Salah ad Din vs. Iraq SME Asset Base Size (Dinar Iraqi)



3.3 RETAIL ORIENTATION

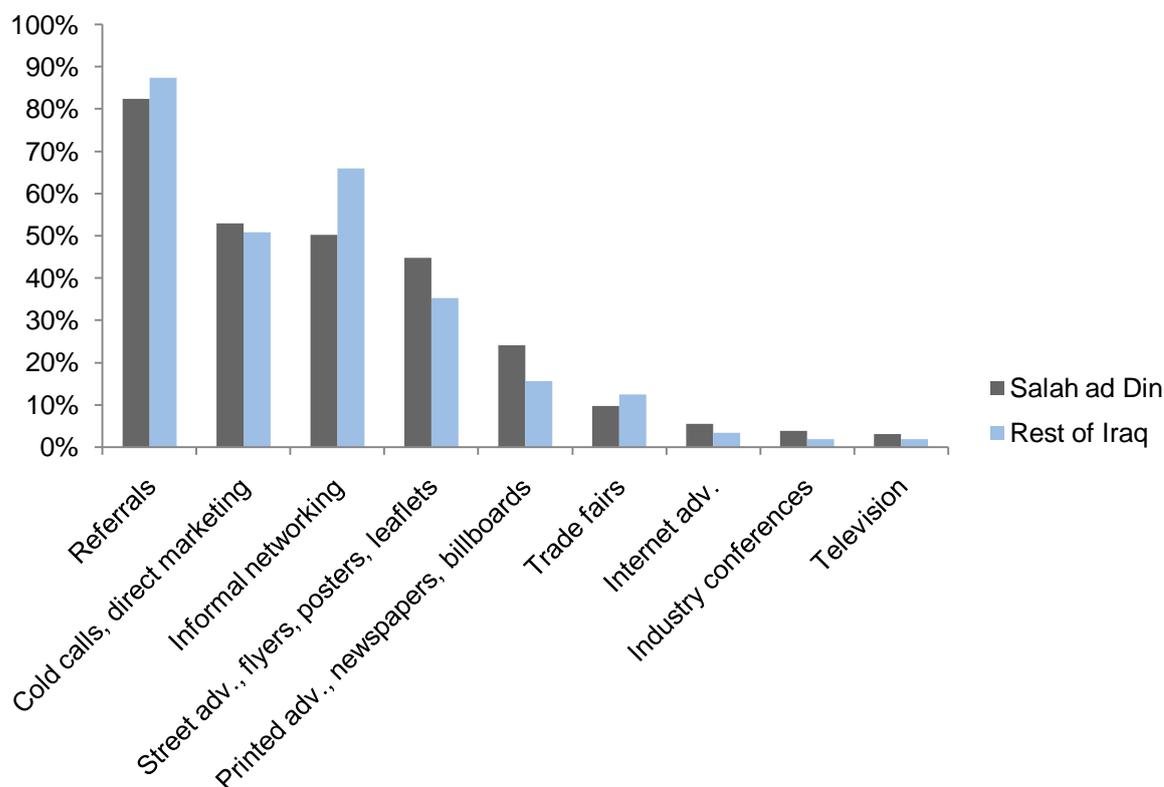
Retail sales represents a large slice of business as might be expected given the Iraqi norm; however, sales to government entities are also fairly high.

Figure 3-6: Main Customers for Salah ad Din and Other Iraq SMEs



In reaching out to customers, Salah ad Din SMEs are slightly more sophisticated than their counterparts in the rest of Iraq. Use of cold call techniques, flyers, newspaper/billboards, industry conferences, and internet advertising are all utilized in Salah ad Din as effective techniques for reaching out to customers at a rate slightly higher than that of the rest of Iraqi SMEs (see Figure 3-7 below).

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



A larger percentage of Salah ad Din businesses compared with other Iraq SMEs own and use computers in their businesses (21% vs. 17%), and 3% of those that have computers utilize networks.

3.4 FORMS OF BUSINESS SUPPORT

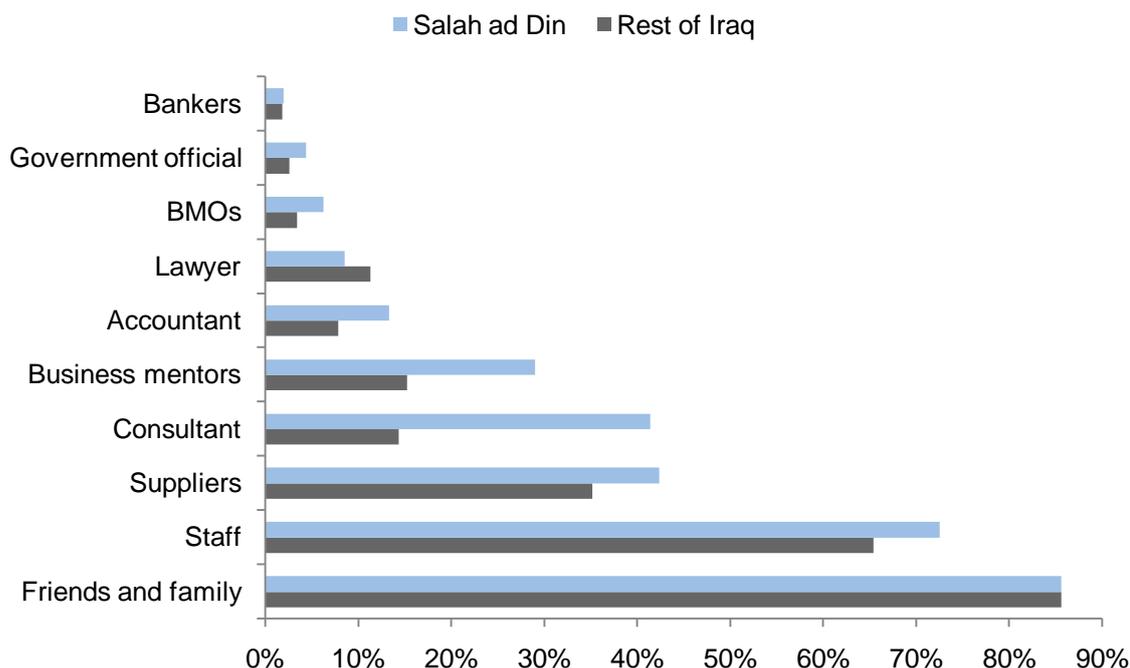
Salah ad Din SME owners join business and professional organizations at a rate equal to other Iraqi businessmen in other regions.

Figure 3-8: Business Association Membership for Salah ad Din and Other Iraq SMEs



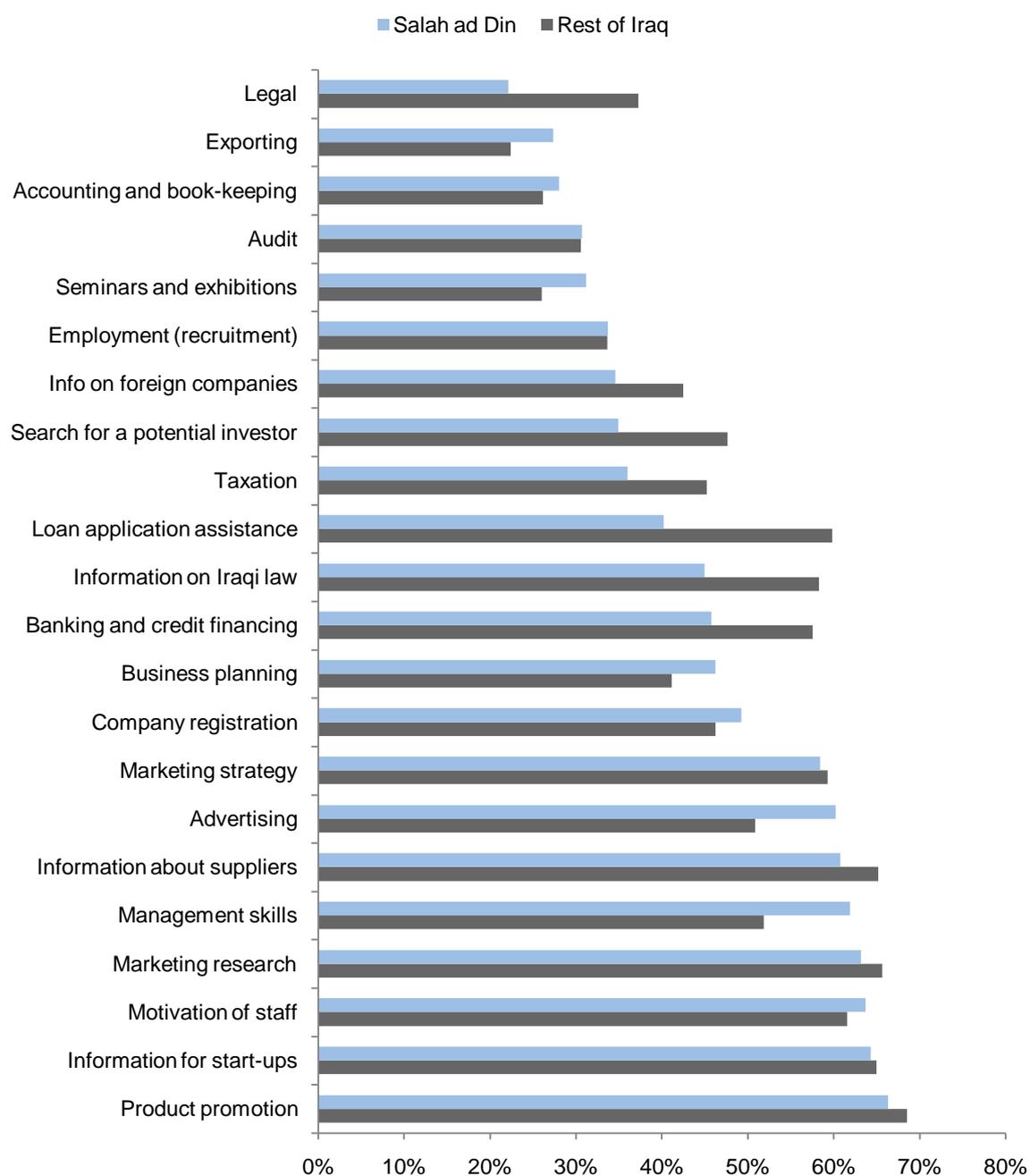
They expect business associations to help with networking (to develop customer and supplier contacts), to share knowledge, and to build their capacity. They rely heavily on friends and family, as well as staff and suppliers, for advice. There is also a surprisingly high reliance on consultants and business mentors in Salah ad Din, when compared to Iraq generally (see Figure 3-9), reflecting greater sophistication.

Figure 3-9: Seeking Outside Support and Advice – Salah ad Din vs. Iraq SMEs



Salah ad Din SMEs do a higher amount of in-house training when compared with their Iraq counterparts (76% vs. 67%). SMEs in Salah ad Din are slightly less interested in BDS services compared to their counterparts in other provinces in Iraq. The kinds of BDS they seek are also different. They are less interested in legal and finance-related services, and more interested in capacity building and marketing-related services. The contrasts in BDS demand are depicted in Figure 3-10.

Figure 3-10: BDS Services the SMEs Want (Salah ad Din v. Iraq)



3.5 SPECIAL CONSTRAINTS AND CONCERNS

When asked to name the single most important constraint of doing business in Salah ad Din, energy concerns placed first, followed by security, economic environment, and access to finance (see Table 3-3). Regulatory concerns are not high on

anyone's list for the simple fact that lack of enforcement and the presence of corruption that has permeated all levels reduce considerably the felt effects thereof.

Table 3-4: Ranking of Top SME Business Concerns and Constraints

Iraq			Salah ad Din		
Concern / Constraint	Weighted Score³	Rank	Concern / Constraint	Weighted Score²	Rank
Raise finance for growth	2.333262	1	Energy Shortages	2.756061	1
Security	2.265244	2	Security	2.643226	2
Energy Shortages	2.264365	3	Economic environment	2.310656	3
Cash flow	2.155407	4	Raise finance for growth	1.824564	4
Economic environment	1.998921	5	High competition	1.368168	5
Access to business opportunities	0.96441	6	Cash flow	1.352557	6
High competition	0.873353	7	Keep up with new technology	0.9374	7
Keep up with new technology	0.675895	8	Employee skill limitations	0.607862	8
Access to market intelligence/ information	0.598965	9	Access to business opportunities	0.56555	9
Employee skill limitations	0.577513	10	Access to market intelligence/ information	0.498715	10
Governmental regulations	0.270204	11	Governmental regulations	0.123883	11

Salah ad Din SME owners make less use of the banking system than other Iraqi SMEs and have fewer multiple accounts. Only 8% of Salah ad Din SMEs reported having a business bank account, compared to 10% of other Iraq SMEs that have business bank accounts. Also, only 2% have reported having had loans, compared to 3% of other Iraqi SMEs. This is not to say that banking services are not in demand. 65% of Salah ad Din SMEs, for example, are interested in long-term financing from banks, albeit no less than the 84% of other Iraqi SMEs interested in the same.

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

4. SALAH AD DIN FIRM LEVEL CONSTRAINTS

4.1 INTRODUCTION

Firm level constraints discussed here include the following:

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

4.2 ACCESS TO FINANCE CONSTRAINTS

Financial constraints are one of the most significant issues facing Iraqi SMEs. In that regard, Salah ad Din enterprises appear to be just as affected as the rest of their peers in Iraq and on a similar scale. Salah ad Din based enterprises, asked to rank the most deliberating constraints to their business placed access to finance only after the fundamental needs of energy shortages and security. Table 4-1 below highlights constraints as ranked by Salah ad Din and Iraqi businesses.

Table 4-1: Iraq and Salah ad Din Ranked Constraints

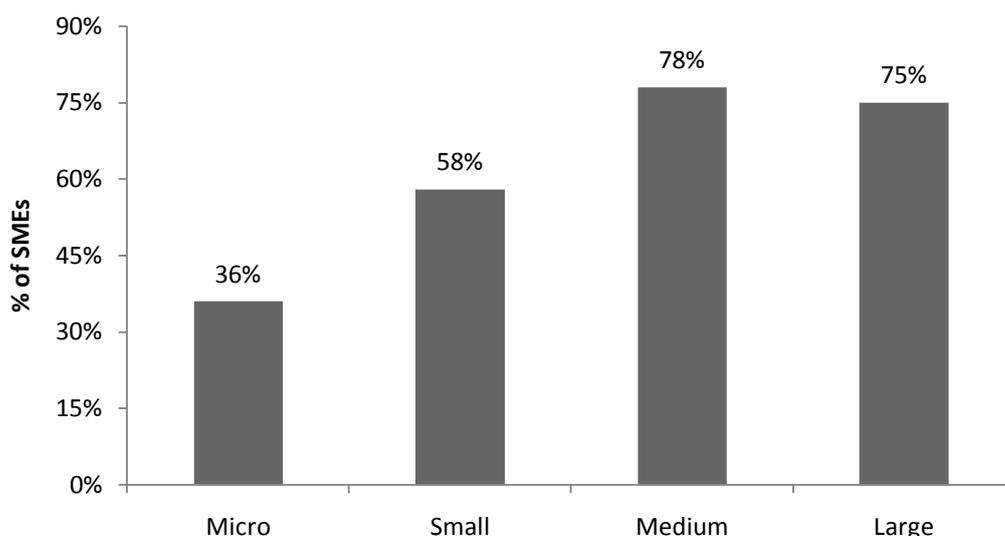
Iraq SME Constraints	Rank		Salah ad Din SME Constraints	Rank
Energy Shortages	1		Energy Shortages	1
Security	2		Security	2
Raise finance for growth	3		Economic environment	3
Economic environment	4		Raise finance for growth	4
Cash flow	5		Cash flow	5
High competition	6		High competition	6
Access to business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

Medium sized firms are the worst affected by access to finance constraints in Salah ad Din. Slightly over 78% of medium sized firms report access to credit as a major impediment. Unlike micro and small firms, medium sized enterprises are highly likely to have outgrown the financing ability of informal channels, yet they don't have the

leverage of larger firms to depend on formal banking institutions, which gives them only a slight edge.

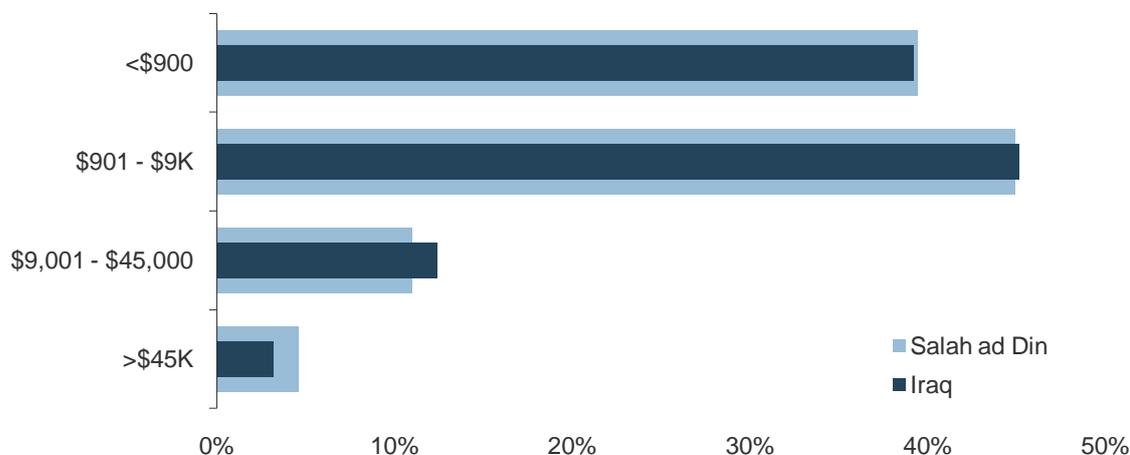
The inability of small and medium sized firms to access finance not only hampers their growth potential but also undermines their current contribution to Salah ad Din as the Governorate's largest employers. Figure 4-1 below highlights reported access to credit by firm size.

Figure 4-1: % of Enterprises Reporting Inability to Access Finance as a Growth Constraint



An important measure of access to finance is the amount of debt / liabilities carried by enterprises. Up to 84% of Salah ad Din business claim not to owe anything to others (liabilities) on their books. Businesses claiming payables and debt to others predominantly owe less than \$1,000. In fact almost 85% of these business claim to owe less than \$9,000. Even though the research question does not distinguish between interest bearing and non-interest bearing liabilities, the exceptionally low levels of indebtedness are indicative of restricted access to finance. Figure 4-2 below indicates SME indebtedness levels in Salah ad Din in comparison to other provinces in Iraq.

Figure 4-2: Salah ad Din SME Liabilities ‘Amounts Owed to Others’



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

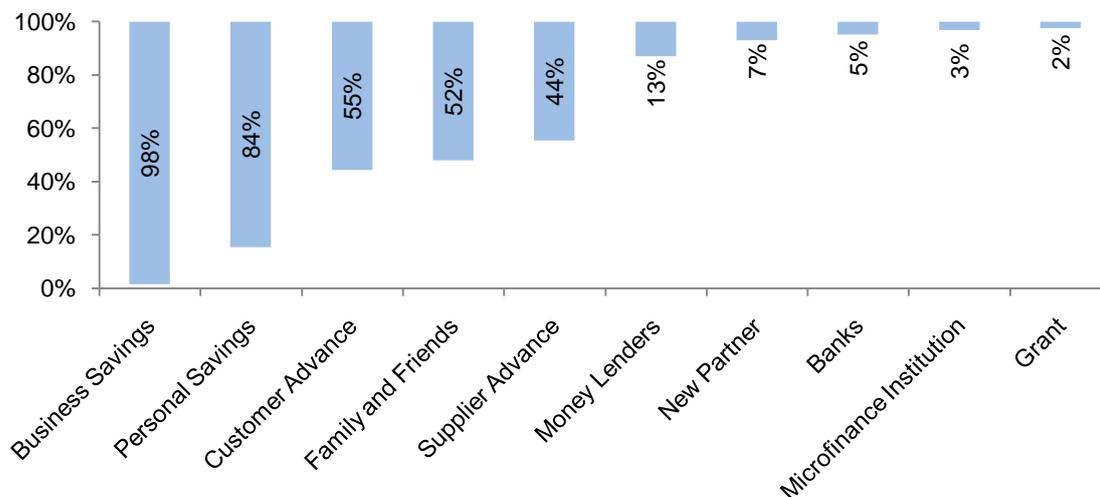
In Salah ad Din, SMEs were asked to highlight utilization of various sources of finance for their business. Overwhelmingly, enterprise owners claimed to self finance through business savings at least on occasion (98%), followed by personal savings (84%), and family and friends (55%).

Trade credit is also a major source of finance with over 55% of enterprises reporting customer advances as a source of credit, and 44% reporting supplier credit as at least an occasional source of finance.

Less than 5% of SME claim to borrow at least on occasion from banks, with similarly discouraging figures for microfinance borrowing (3%). These results are almost identical as for the general Iraqi average.

Money lenders partially compensate for the low bank and MFI usage. Approximately 13% of Salah ad Din enterprises claim to borrow from informal money lenders at least on occasion, This rate is over 30% higher than the Iraq average. Figure 4-3 outlines key sources of business finance for Salah ad Din based SMEs.

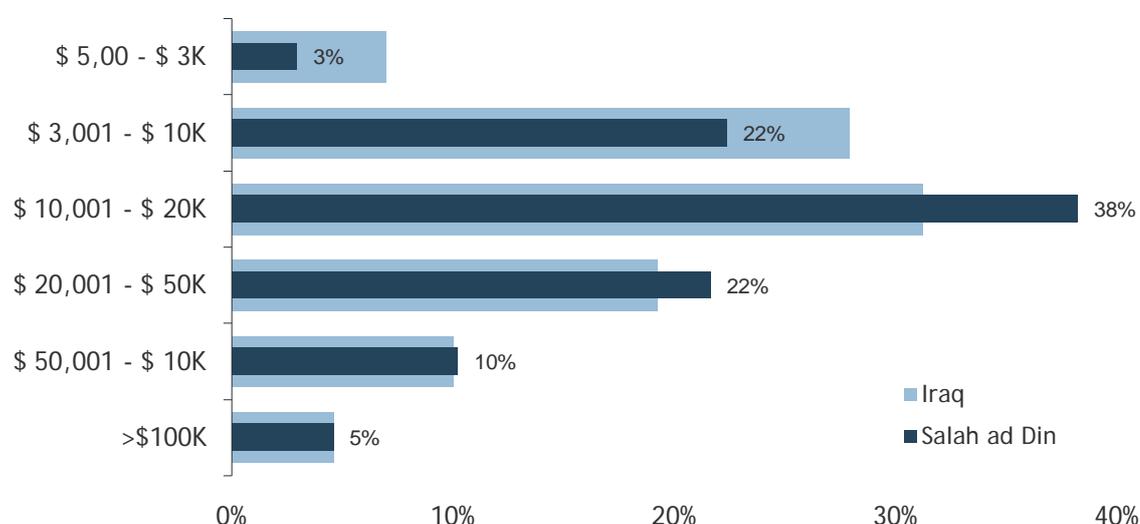
Figure 4-3: Sources of SME Finance



Several reasons appear to be driving Salah ad Din SMEs towards informal lending. Credit needs as indicated by survey results (see Figure 4-4) and discussions with SMEs are primarily working capital requirements generally characterized as small in value, and short in tenure. More than 60% of SMEs claim they need less than \$20,000 in credit facilities to expand their business, and with average tenures of less than 12 months for current bank borrowing customers, it is clear that a significant portion of the financing need of SMEs is for working capital. Similarly and as highlighted above, low indebtedness levels may also indicate that what little financing might be available goes towards funding working capital requirements.

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

Figure 4-4: Salah ad Din SME Immediate Finance Needs



SMEs remain reluctant to approach banks and MFIs for financing citing cumbersome procedures, administrative barriers, and corruption (see Table 4-2 below). It also appears that many enterprises, especially micro and some small businesses are confusing MFI loans with grants. More than 7% of business owners claim (in their own words) "I have never been nominated" or "no one has approached me" when asked why they have never applied for an MFI or bank loan. When donor grant programs were the prevalent form of financing a few years ago, businesses were often nominated by local leaders, grant officers, and NGOs to receive financial assistance. Although grant activity had subsided considerably, elements of its operating model appear to have resonated with some business owners.

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

Table 4-2: Reasons SMEs do not Use Banking or MFI Lending

Reason	% of Respondents
Avoid interest for religious or other reasons	42%
I have never applied for a loan/ I Don't need a loan	19%
Cumbersome procedures/ bureaucracy/ corruption	16%
No finance available/ no financial institutions available	13%
Other	10%

Fully secured lending is still the most predominant form of lending by Iraqi banks. This limits the ability of many enterprise owners to approach banks for credit

facilities. Enterprise owners with prior bank credit experience or who attempted to secure bank credit cited collateral requirements as high as 250% of loan amounts.

The religious beliefs and practices of SME owners appear to also adversely affect demand for credit market financing. More than in any other Iraqi province, interest on loans appears to be a major deterrent to Salah ad Din businesses approaching banks and MFIs for financing. Over 40% of surveyed enterprises who have not applied for or received MFI or bank financing claim they have not done so because these institutions charge interest. This is at least 4 times the average for other Iraqi provinces.

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

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

SMEs also cite procedural complications coupled with lack of banking knowledge/experience as a major constraint to dealing with banks and entering the formal credit system.

Iraqi banking inefficiencies and inaccessibility have created substitute credit channels that are now the norm in industries such as farming, livestock breeding and retail trade. In the case of farming, farmers and land owners borrow from fresh produce/livestock traders against pledges to sell/broker harvests to or through the trader. These arrangements are so well established that mechanisms for debt pooling, transfer, and even arbitration protocols have been established around them. These arrangements are mostly interest free to the farmer and offer incentives (such as low – or no – collateral requirements, easy application procedures, etc.) that regulated financial institutions such as banks and MFIs will have to compete hard against.

4.2.1 Banking Services

Salah ad Din has one of the lowest SME banking penetration rates in Iraq. (See Table 4-3). At only slightly over 8%, it is low by international and even regional standards. Amongst the main reasons cited 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, and cumbersome procedures. Table 4-4 below

highlights some of the reasons cited by business owners when quizzed about their lack of banking activity.

Table 4-3: Bank Penetration Rates Amongst Iraqi SMEs

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

Table 4-4: Reason for No Bank Account

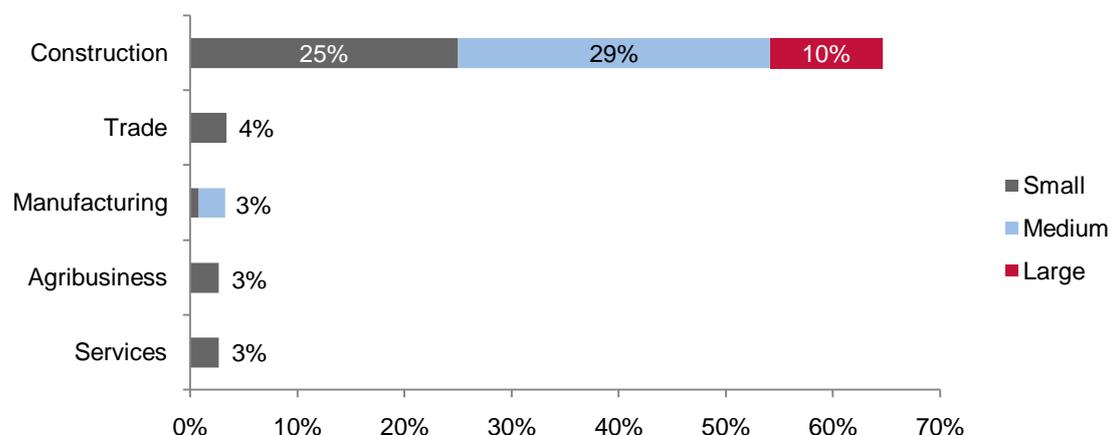
Reason	% of respondents
Don't need / don't want / don't deal with banks	55%
Liquidity constraints / no savings	31%
Cumbersome procedures	8%
Other	6%

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

Of the 8% banked enterprises, approximately 15% manage more than one bank account. In most instances SMEs have more than one bank account to make up for limited networking between banks and limited branch networks at the same bank. However, only 1% of enterprises have more than 2 bank accounts.

Construction companies account for over 60% of all banked enterprises in Salah ad Din, and are the only holders of more than one bank account. Medium sized firms, again driven by the construction industry, have the highest banking penetration rate amongst all other enterprise sizes and sectors. Not a single microenterprise reported having a bank account. Figure 4-5 below highlights Salah ad Din bank penetration rates by industry and SME size.

Figure 4-5: Bank Penetration by Industry and Size of SME

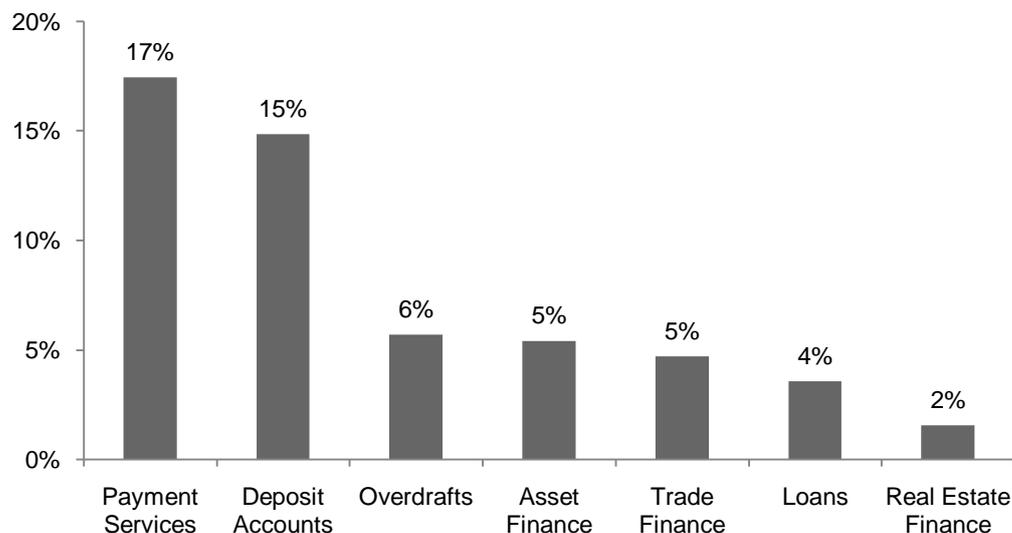


Bank payment facilitation services have the highest usage rates among Salah ad Din businesses, with up to 17% of firms reporting using banks to transfer money. Notably, money transfer services do not require the service user to maintain a bank account. With approximately 50% of firms conducting transactions outside of Salah ad Din, only a small number use banks to pay suppliers and for check collection other money transfer needs

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

Over 14% surveyed enterprises use one form or a combination of the following credit products: overdrafts (6%), asset financing (5%), trade finance (5%), loans (4%), and real estate finance (2%).

Figure 4-6: SME Utilization of Banking Services

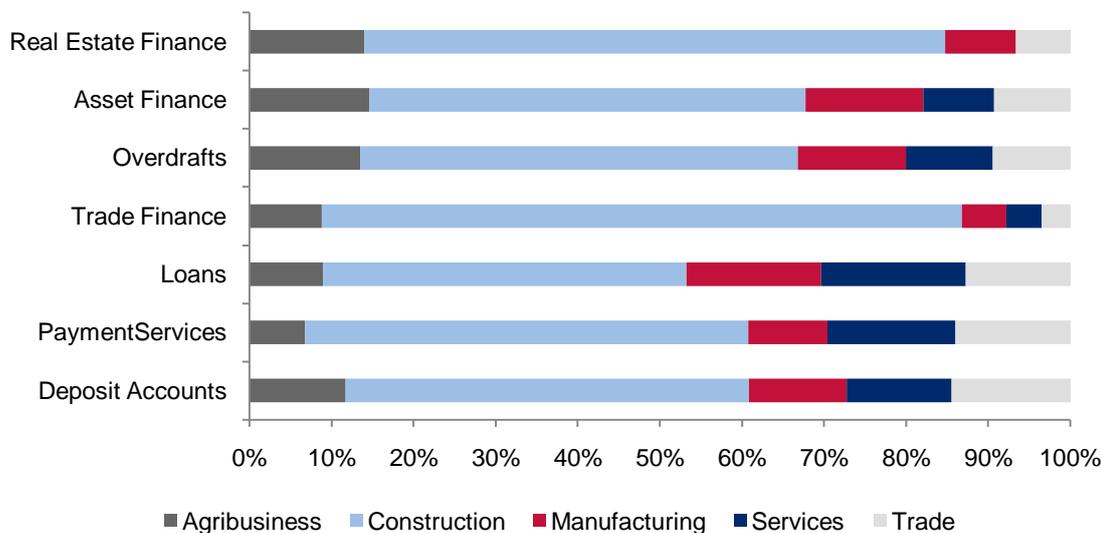


4.2.2 Analysis by Sector

As expected, service utilization rates vary across industries and closely correspond to the financial services needs of each economic sector.

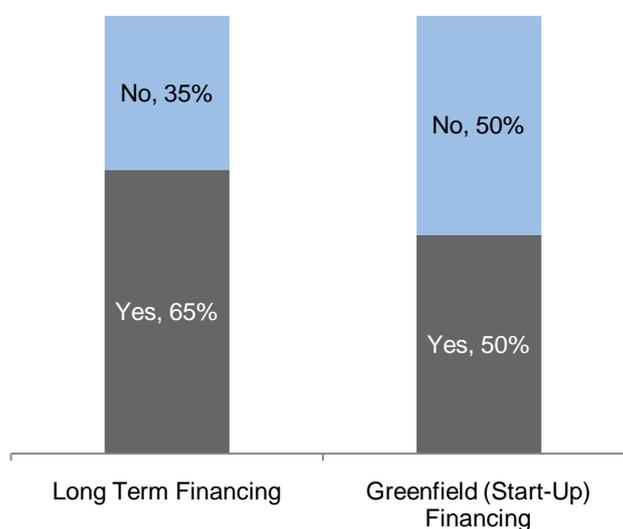
As previously highlighted, the construction industry has the highest banking penetration rate in Salah ad Din (see Figure 4-7 below). This is also reflected in banking service utilization, where it is apparent that construction businesses are the largest user group of banking service products. The industry's presence is especially evident in the real estate financing and trade finance categories. Note that trade financing for the purpose of this research included surety bonds which are common and often a necessity in the Iraqi construction industry especially for contractors bidding or working public projects.

Figure 4-7: Banking Service Utilization by Economic Sector



The needs gap for additional financial services offered by banks is significant in long term, greenfield / risk capital, and project finance categories. Almost 65% of SMEs stressed the need for increased long-term finance offerings by banks to finance capital assets and business expansion (see Figure 4-8). Similarly, 50% of the surveyed enterprises indicated demand for greenfield / risk capital finance.

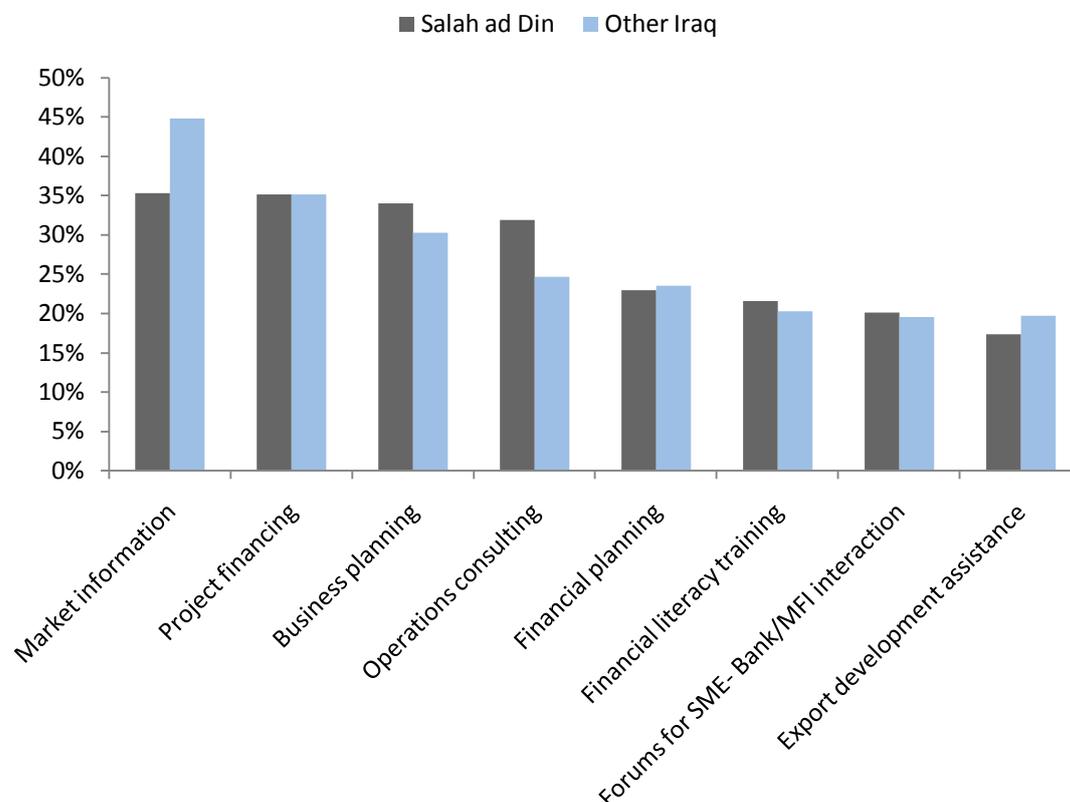
Figure 4-8: Demand for Additional Bank Financing Services



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

extended services such as market information and business planning (see Figure 4-9 below).

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



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

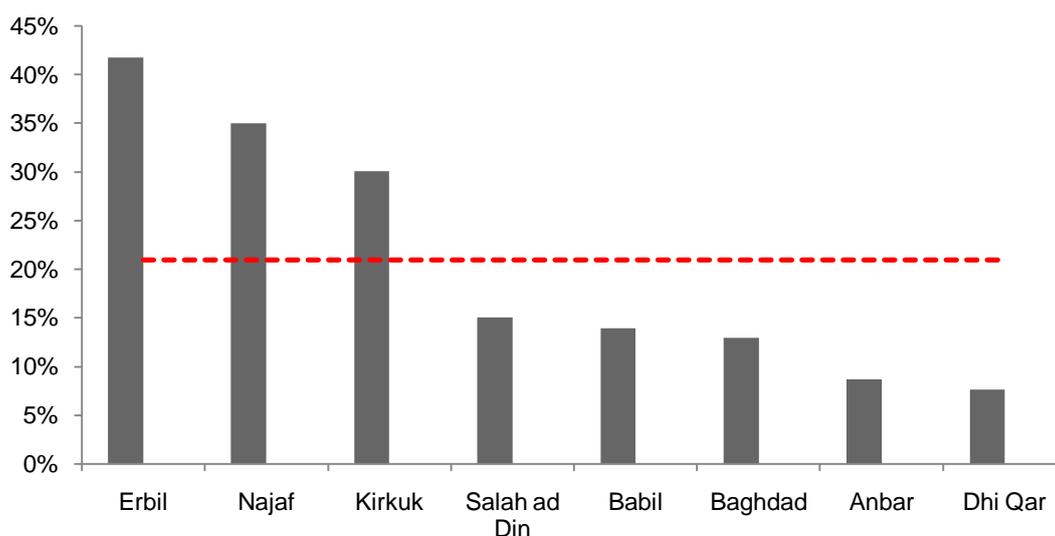
In its current stage of development, SME value-added services may not top the list of banking industry priorities in Iraq, however, the opportunity presented in extending even very basic information and outreach services may have significant impact towards increasing banking penetration rates among currently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

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

4.3 SME ORGANIZATION

SME business organization levels in Salah ad Din, at 15%, are better than many other Iraqi provinces, but are still considerably below the nation-wide average of 21% (see Figure 4-10 below). Business association members in Salah ad Din are almost equally split between i) Salah ad Din Chamber of Commerce, ii) Tikrit Chamber of Commerce, and iii) Salah ad Din Industry Association.

Figure 4-10: SME Organization Rate in Salah ad Din and Iraq



SME organization positively correlates to firm size. The larger the enterprise, the higher the likelihood it belongs to a business association. As indicated by Figure 4-11 below, over 90% of large firms belong to business membership organization while only 6% of micro enterprises hold membership.

Figure 4-11: SME Organization by Firm Size

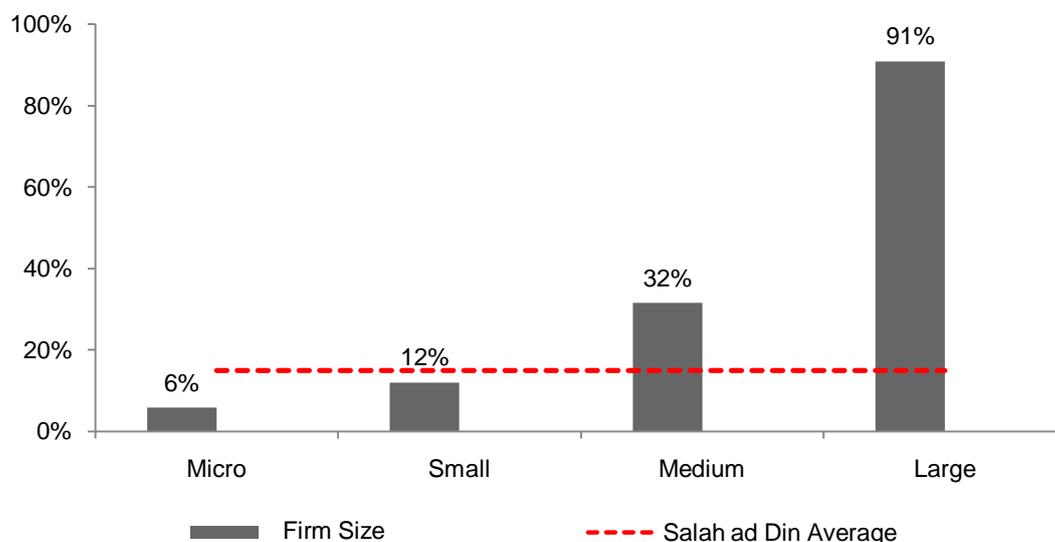
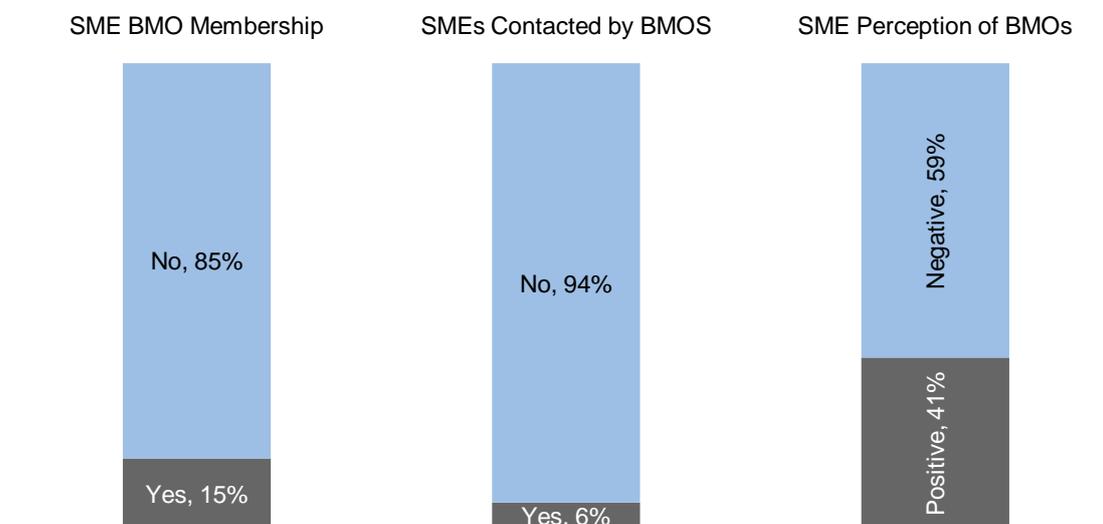


Figure 4-12: SME-BMO Barometer



The BMO 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 base⁴ alone.

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

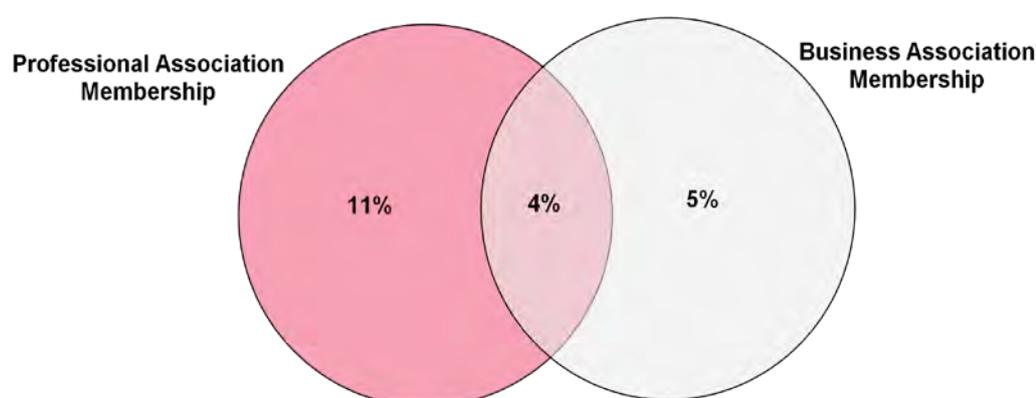
It must be noted that in the opinion of many, these Chambers of Commerce played a pivotal role in post-conflict Iraq. Enterprise owners state that with the failing of many state services with the start of the conflict, they come to depend on the Chambers for commercial services including import and export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

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

⁴ This is the number of members that is verbally claimed by the Baghdad Chamber of Commerce.

- Limited outreach by business membership organizations. Only 6% of survey respondents claim to have ever been contacted by a business membership organization offering membership services or otherwise.
- Remnant mistrust and suspicion from pre-conflict times, especially since some enterprise owners still perceive Chamber of Commerce membership as a regulatory burden enforced upon them.
- Considerably high membership fees, especially in light of the limited services currently offered by business associations.
- Fragmentation of the BMO sector with a significant number of new entrants since 2003 claiming to represent various business and industrial interests.
- Competition from professional associations and syndicates which indirectly compete/ substitute BMOS to provide business development services (when applicable e.g. Engineers Syndicate, Pharmacists' syndicate) and other benefits to member business owners. Notably, only 4 of enterprises hold membership in both professional syndicates and business associations. Figure 4-13 highlights the dynamics between the two types of organizations.

Figure 4-13: BMO vs. Professional Association Membership

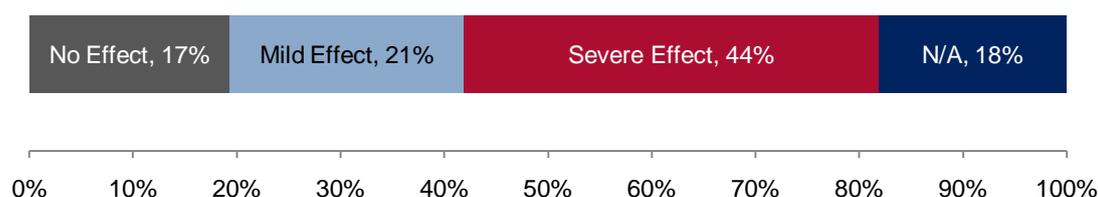


Even with low levels of SME organization highlighted above, 41% of SMEs believe business membership organizations benefit small business. However among the 59% of SMEs that did not believe so and are aware of the concept of BMOs, there was some very harsh criticism.

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

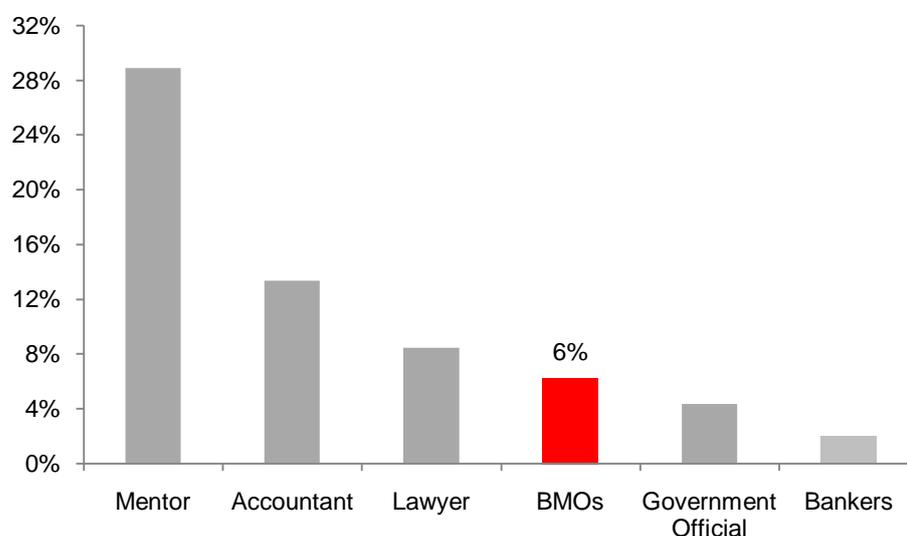
Similar attitudes towards BMOs are reflected by enterprise owners when asked about constraints pertaining to sales and marketing efforts. The majority of SMEs (65%) perceived “lack of business association support” to have negative impact on their sales and marketing ability, with almost 45% of enterprises claiming to be ‘severely’ effected by lack of BMO support.

Figure 4-14: Effects of Lack of Business Association Support on SME Marketing and Sales Efforts



Business associations have more impact as sources of guidance and advice than in other parts of Iraq. Approximately 6% of SMEs claim to turn to BMOs to discuss business ideas and seek advice. Figure 4-15 below highlights the SME sources of guidance and advice in Salah ad Din.

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

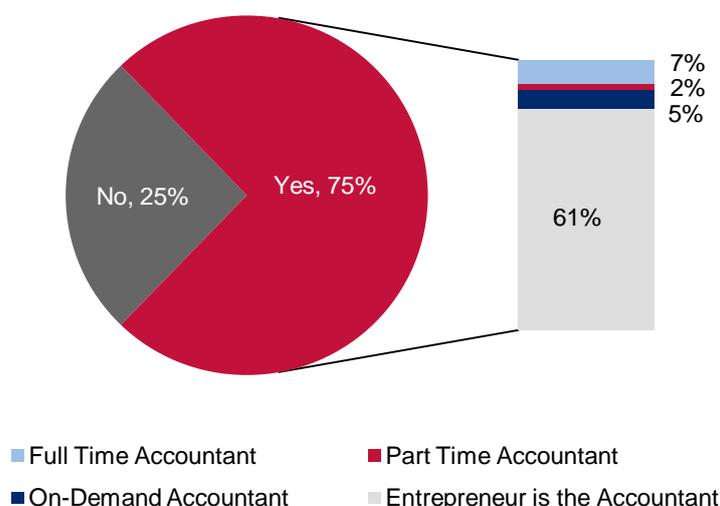


4.3.1 Financial Literacy and Bookkeeping

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

The standard of financial management amongst Salah ad Din based SMEs is very low starting with bookkeeping, capacity to process financial data, and institutional and professional support. Less than 75% keep any form of accounting record and only 9% depend on dedicated accountants. Of the companies that keep records, only 9% depend on a full-time accountant, 2% on a part-time accountant, and 7% on an on-demand accountant. The remaining more than 60% of entrepreneurs that keep records depend on their own ability to keep records. Figure 4-16 below, reflects these figures.

Figure 4-16: SME % Keeping Accounting Records



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

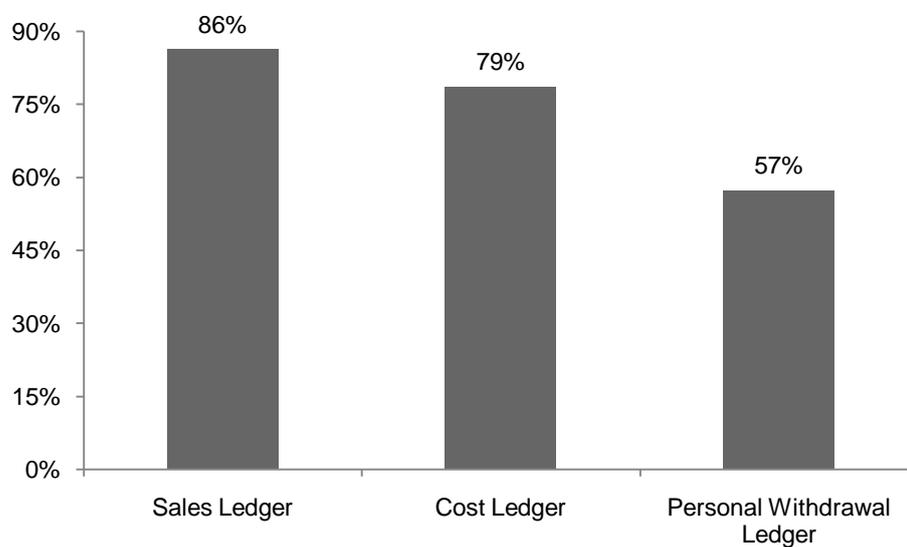
There is evidence from other SMEs that limited capacity to keep even simple accounting records hampers their growth and going-concern prospects, as in the case of an auto-electrician in East Baghdad who explains his situation as follows *"...to grow my business and better serve customers I stocked my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

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

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

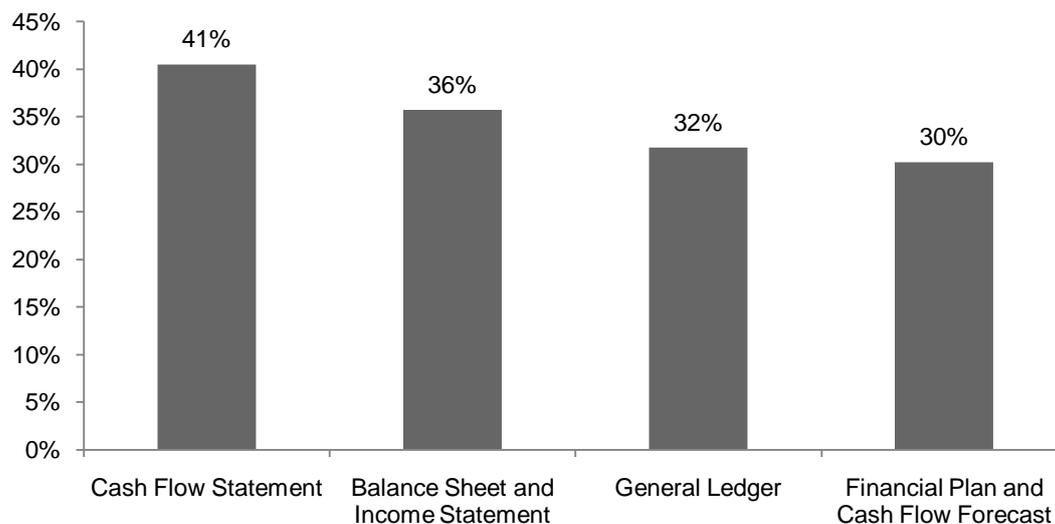
For SMEs that do keep financial records, single entry journals appear to be the most popular. Sales ledgers are kept by 86% of SMEs, cost ledgers by 79% while only 57% keep a personal/expense withdrawal ledger. The reason single entry journals appear to be popular is most likely due to their intuitiveness, simplicity, and reduced probability of error.

Figure 4-17: Percent of SMEs Maintaining Single Entry Accounting Ledgers



On more sophisticated bookkeeping and financial reporting, only 32% of SMEs keep a general ledger of accounts. This is surprising considering that 36% of enterprises claim to prepare balance sheet and income statements, and a further 41% claim to prepare cash flow statements at least occasionally (see Figure 4-18 below). In general accounting norms, the general ledger of accounts is used towards preparation of the aforementioned statements. Only 30% of enterprises prepare financial forecasts.

Figure 4-18: % of SMEs Preparing Financial Statements



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

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

11% of SMEs have their statements audited (in an audit, preparation of financial statements is the responsibility of the enterprise). A significant percentage (81%) of enterprises that hire auditors also depend on them to discuss business ideas and related business issues. Figure 4-19 and Figure 4-20 below highlight the percentage of SMEs that hire external auditors and the percentage of SME's dependant on professional accountants and auditors for business advice.

Figure 4-19: Audited Financial Statements: % of SMEs

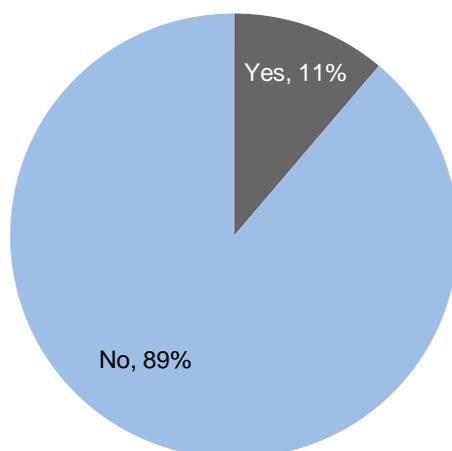
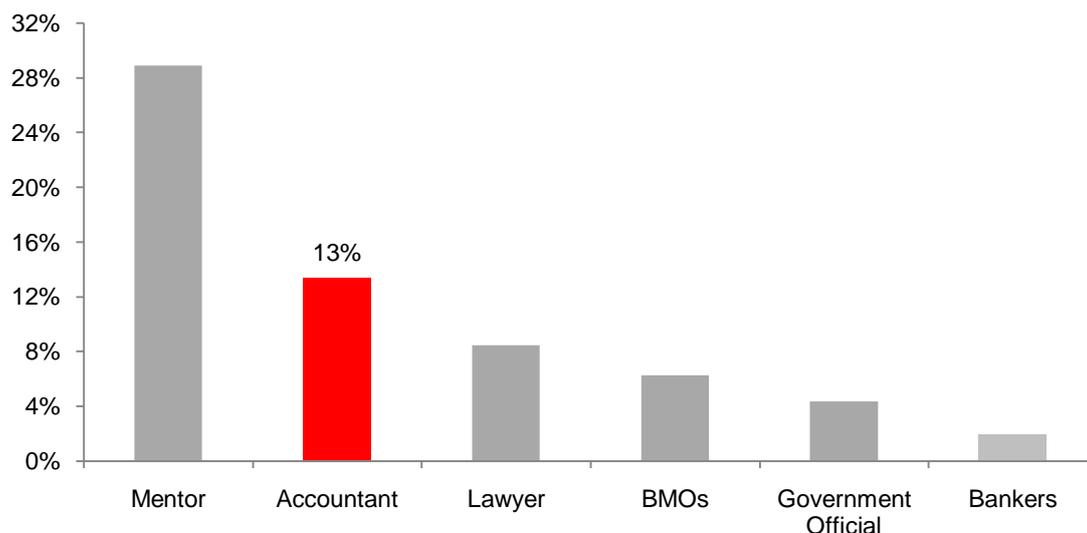
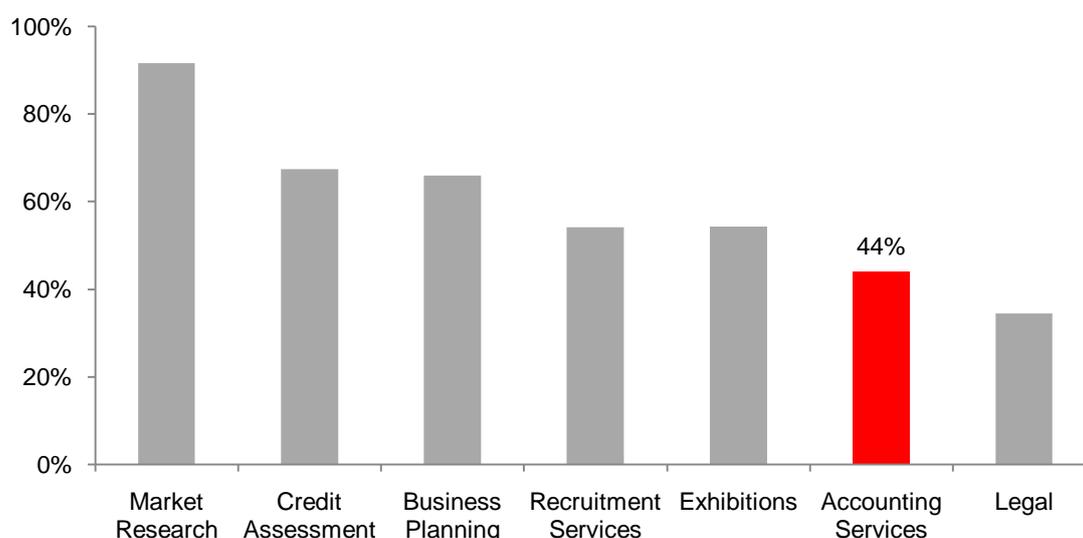


Figure 4-20: SMEs: Sources of Advice and Problem Solving



The innate nature of enterprise owners with their accountants and lack of SME awareness as to the importance of sound bookkeeping and fiscal management appears to negatively affect demand for new accounting services. As a result, only 44% of enterprises perceive the provisioning of accounting services through business associations as important. As indicated in Figure 4-21, accounting and bookkeeping services ranked next to last in a comprehensive list of potential BDS services demanded from business associations.

Figure 4-21: Demand for BMO Provisioned Services



4.4 INFORMATION AND TECHNOLOGY CONSTRAINTS

Information and communication technology (ICT) can have a catalytic effect on SME development. Not only does the adoption of ICT help towards increased production and efficiency, but it helps integrate SMEs in to the broader local and international economies.

Iraqi businesses value the ability to keep abreast of technology. The situation is not much different in Salah ad Din where technological constraints are preceded only by the basic necessities of security, infrastructure, and finance, but appear to be more compelling than business opportunities or government regulations. Table 4-5 below ranks major constraints faced by SMEs in Iraq and Salah ad Din and highlights access to technology.

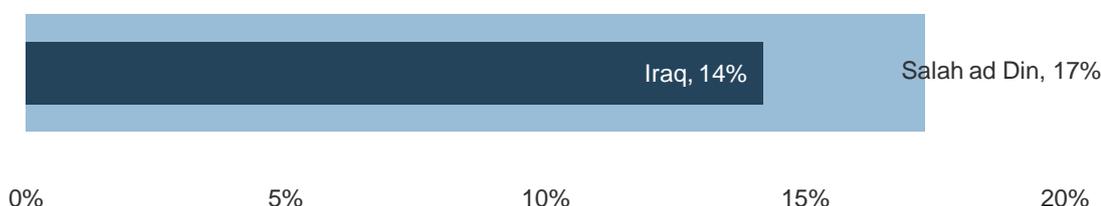
Table 4-5: Ranked SME Constraints in Iraq and Salah ad Din

Iraq SME Constraints	Rank	Salah ad Din SME Constraints	Rank
Energy Shortages	1	Energy Shortages	1
Security	2	Security	2
Raise finance for growth	3	Economic environment	3
Economic environment	4	Raise finance for growth	4
Cash flow	5	Cash flow	5
High competition	6	High competition	6
Access to business opportunities	7	Keep up with new technology	7
Keep up with new technology	8	Employee skill limitations	8

Access to market intelligence/ information	9	Access to business opportunities	9
Employee skill limitations	10	Access to market intelligence/ information	10
Governmental regulations	11	Governmental regulations	11

Another indicator of technological constraints is the inability of Salah ad Din SMEs to secure government, SOE, or large business deals because of SME technological shortcomings. Approximately 17% of Salah ad Din businesses claim this to be the case compared to only 14% Iraq wide.

Figure 4-22: % of SMEs Claiming Technology Limitations as Constraint to Securing Government, SOE, and Large Company Business



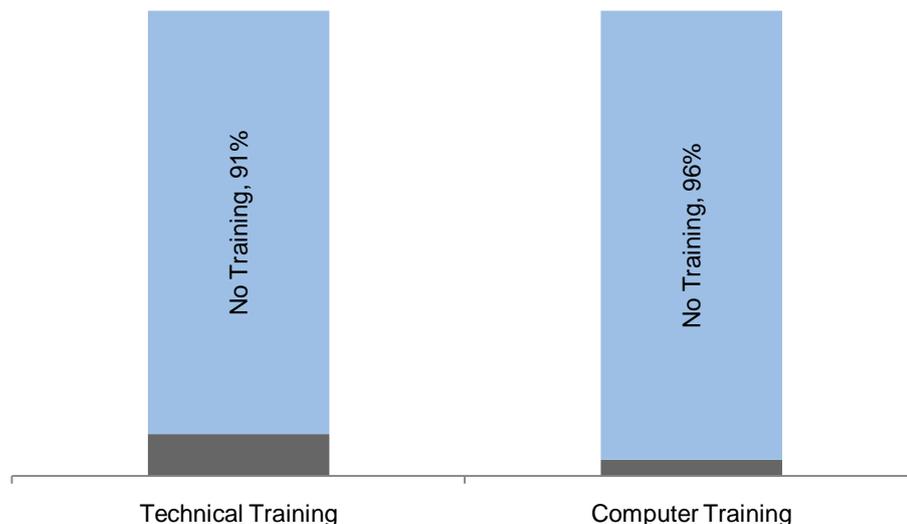
Constrained by high ICT illiteracy, poor infrastructure, and prohibitive ICT adoption costs, Iraqi SMEs are challenged to realize the potential of technology towards improving their businesses. The research examines a number of these constraints in within the context of SMEs in Salah ad Din.

4.4.1 ICT Literacy

As previously indicated, enterprise owners in Salah ad Din do not suffer from education system exclusion; in fact Salah ad Din entrepreneurs are just as well educated as their peers in the rest of Iraq. However this does not reflect on ICT literacy which, as indicated by this research, is very low.

Over 96% of entrepreneurs in Salah ad Din claim never to have invested in computer training. While this is only slightly less than the Iraq wide average it is extremely high and may impact poorly on enterprise performance. Results for technology training overall are better with 9% of Salah ad Din enterprises claiming to undergo technology training at least on occasion. Figure 4-23 below highlights percentage of Salah ad Din SMEs which underwent computer or technology training.

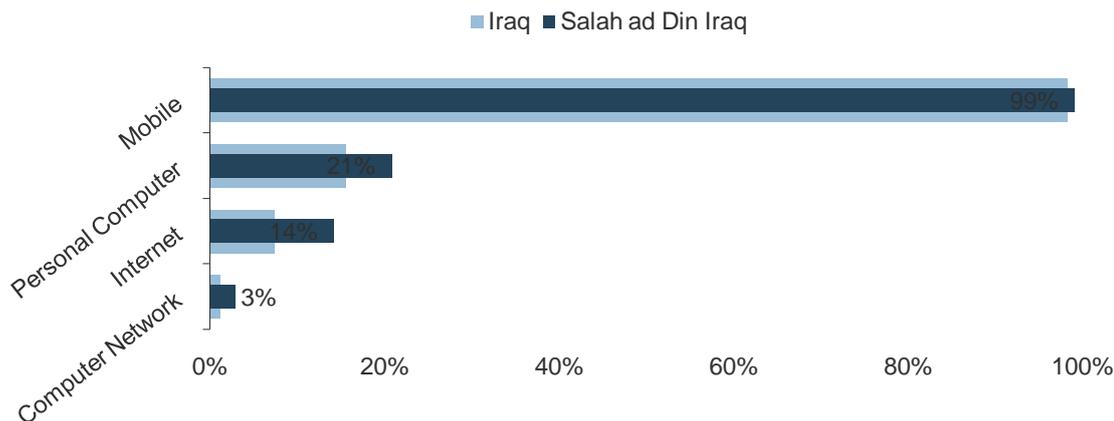
Figure 4-23: % of SMEs Which Undertook Technical and Computer Training



4.4.2 ICT Infrastructure

ICT penetration amongst businesses in Salah ad Din compares favorably compared to the rest of Iraq but is nevertheless exceptionally low (with the exception of mobile telephony). Personal computer ownership is less than 21%, internet penetration is only 14%, and less than 3% of surveyed enterprises have an on-site computer network.

Figure 4-24: ICT Penetration in Salah ad Din and Iraq (% of SMEs)

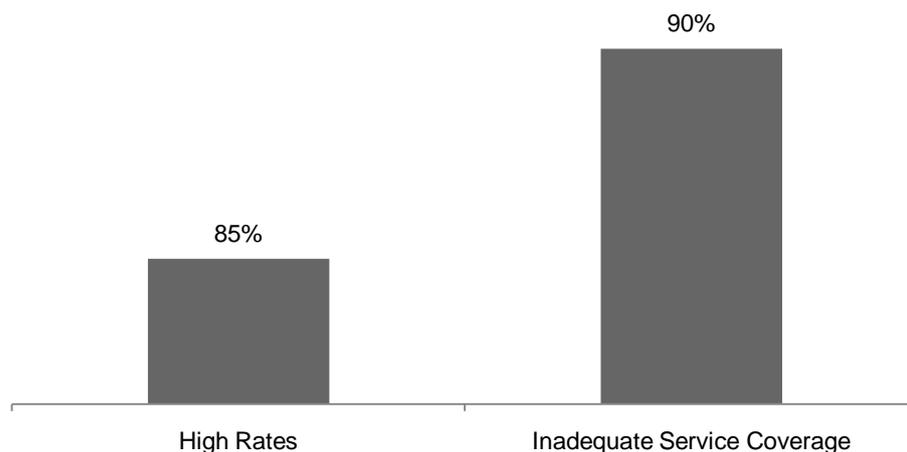


In the absence of other communication means business owners are almost exclusively dependent on mobile telephony to conduct business (near 100% penetration). However, this is not without its issues. As indicated by Figure 4-25

below, between 85% and 90% of enterprises claim that the high costs of mobile telephony and inadequate network coverage affects their business negatively.

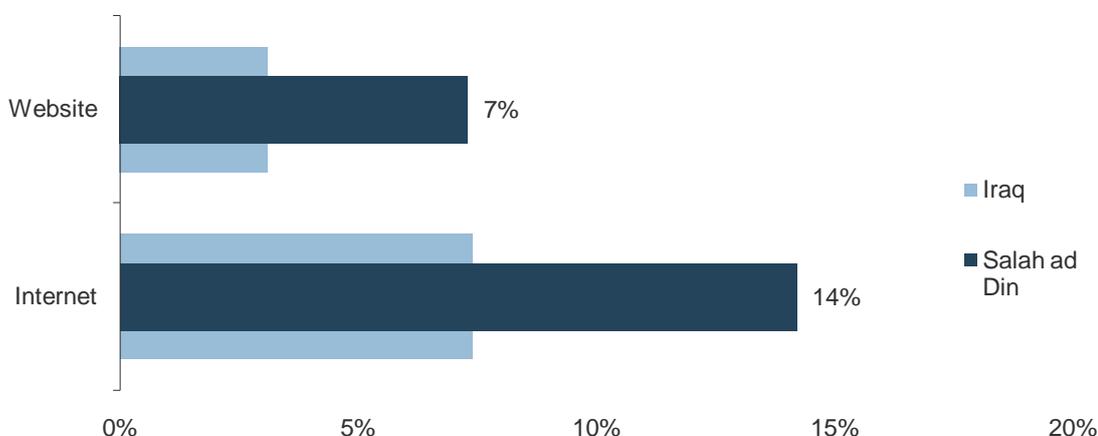
Many Iraqi businesses attempt to get around the issue of inadequate mobile telephone network coverage by subscribing to more than one service provider. In Salah ad Din as well the as the rest of Iraq, average mobile telephone ownership is 1.5 phones per business owner.

Figure 4-25: Mobile Telephony Constraints in Salah ad Din



As mentioned above, only 14% of the overall SME population has an internet connection, though 66% of personal computer owners have one. Almost 80% of internet users in Salah ad Din use the internet for email communication purposes; 50% of internet users claim to have their own websites. These figures are considerably higher than averages for the rest of Iraq with the exception of some areas in Baghdad and Erbil.

Figure 4-26: Internet Usage in Salah ad Din and Iraq



The penetration rates highlighted above are also reflected in how Salah ad Din businesses use ICT to conduct businesses. Consider for example that when asked to rank sources of information about customers and business opportunities in general, SMEs ranked internet tools in 7th place compared to 9th place Iraq-wide. The ranked weight of internet as a source of customer information among Salah ad Din businesses corresponds to the penetration rate.

Using the same methodology to measure the utilization of mobile telephony for the same purpose is more difficult than with internet. However, looking at SMS services for example as only one use of mobile telephony, Salah ad Din SMEs report higher usage and in turn weigh more importance to SMS as a source of business information than their peers elsewhere in Iraq. Table 4-6 below sheds light on how SMEs in Salah ad Din and Iraq wide ranked their sources of customer and business information.

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

Source	Weighted Rating ⁵	Salah ad Din	Iraq Rank
Word of mouth	4.05	1	1
Customers	2.73	2	2
Employees	2.60	3	3
SMS messages	2.24	4	6
Suppliers	1.33	5	4
Rival firms	0.89	6	5
Internet	0.31	7	9
Newspapers	0.29	8	8
Television	0.22	9	10
Business associations	0.16	10	7
Radio	0.08	11	11

Without a doubt, any comprehensive SME development initiative in Iraq needs to consider the potential impact of improved ICT towards advancing SMEs in Iraq. This research indicates that Iraqi entrepreneurs are appreciative of ICT, yet their approach

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

to even simple ICT solutions such as an internet connection or bookkeeping software is that these are luxuries they cannot afford.

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 managers are not only fundamentally strong in the technical aspects of his/her business, but need also to hone the necessary skills to oversee the functional elements of the enterprise to the point where 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.

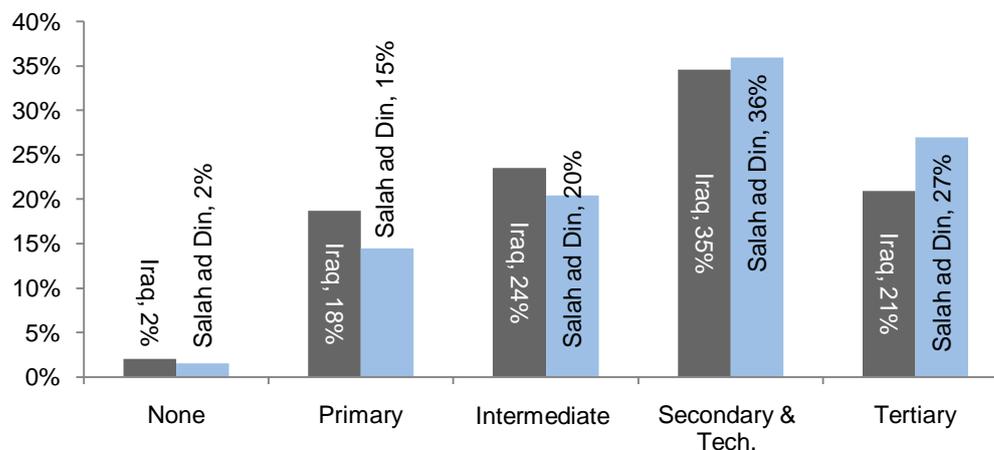
SME owners in Salah ad Din, like their peers in much of Iraq, have very weak managerial capacity. Often lacking basic managerial skills from the get-go, Salah ad Din SMEs grapple with limited managerial capacity due to minimal investment in capacity building, lack of exposure to recommended practices,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

4.5.1 Educational Constraints

Enterprise owners reported a diversified spread of educational attainment. Approximately 98% of SME owners in Salah ad Din completed at least some level of formal education, with slightly over 83% having completed at least secondary schooling and 15% having gone on to graduate from a university, garnering at least some of the skills necessary to running a successful business.

Business owner education levels in Salah ad Din are closely aligned with education levels for entrepreneurs elsewhere in Iraq with the exception of the tertiary education category where it appears that more enterprise owners in Salah ad Din graduated from a university than their peers in other Iraqi provinces. Figure 4-27 highlights education levels amongst surveyed business owners in Salah ad Din compared to their peers elsewhere in Iraq.

Figure 4-27: SME Owners are Well Educated



During focus group discussions, a large majority of SME owners claimed labor market exclusion and unemployment as a primary factor for venturing into business. However, contrary to the situation that exists in other developing markets, there appears to be no correlation between entrepreneurship and exclusion from the educational system in Iraq. In fact the opposite tends to be the case where college graduates are not able to find jobs in the government sector and often end up opening up businesses.

4.5.2 Technical Knowledge (Cognitive Competence) Constraints

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

Farmers traditionally depended on government provided technical expertise that is no longer 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. The younger the SME owner, experience he/she has. It would be

expected that younger owners tend to establish themselves in industries with low technical and experience requirements, and that is the case in Iraq, with the highest growth rates for industries such as trade that require low experience rates (see Figure 4-28 and Figure 4-29 below).

Figure 4-28: Age of Entrepreneur by Sector

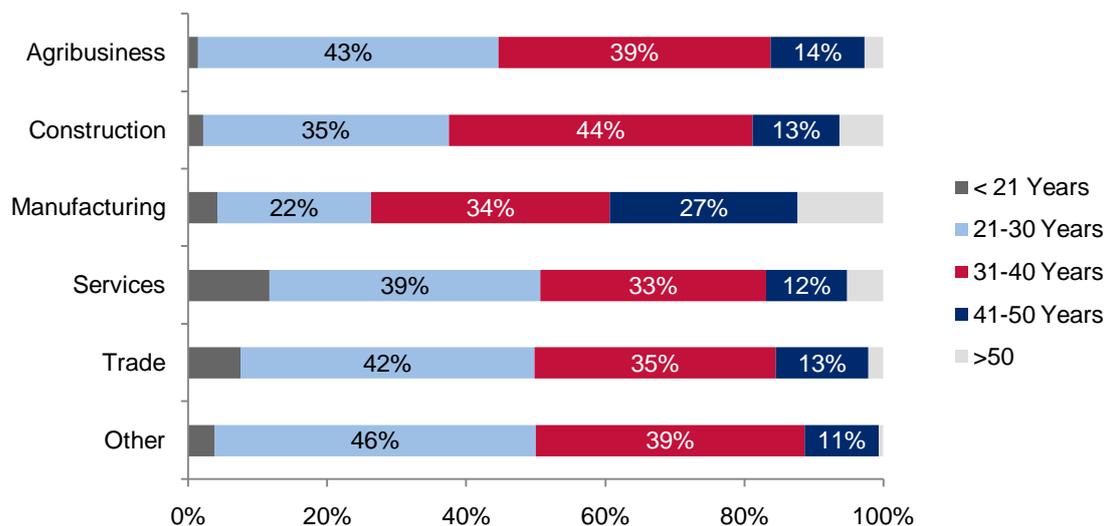
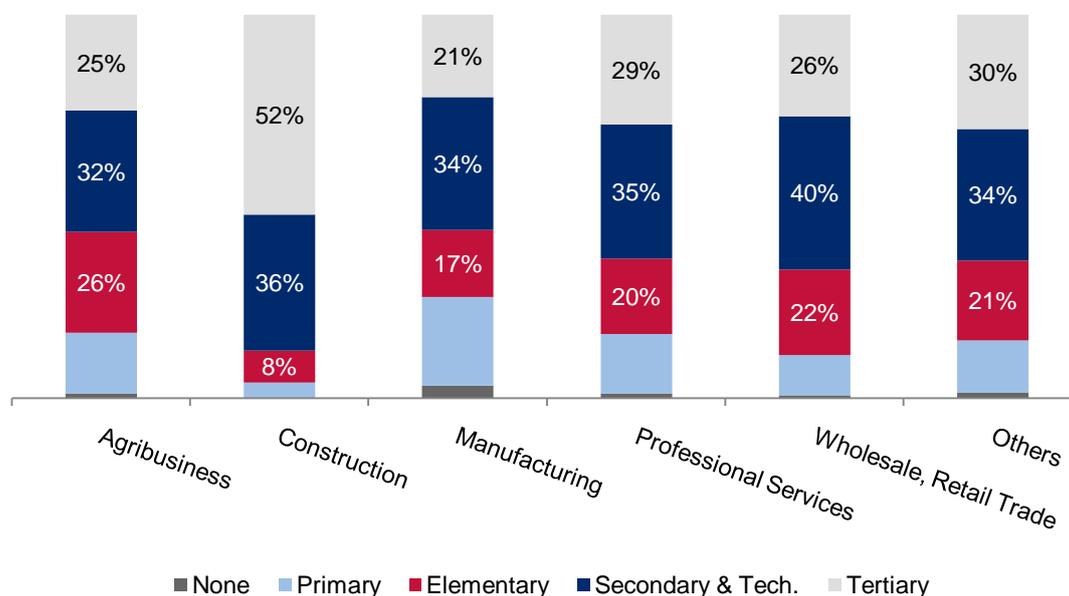


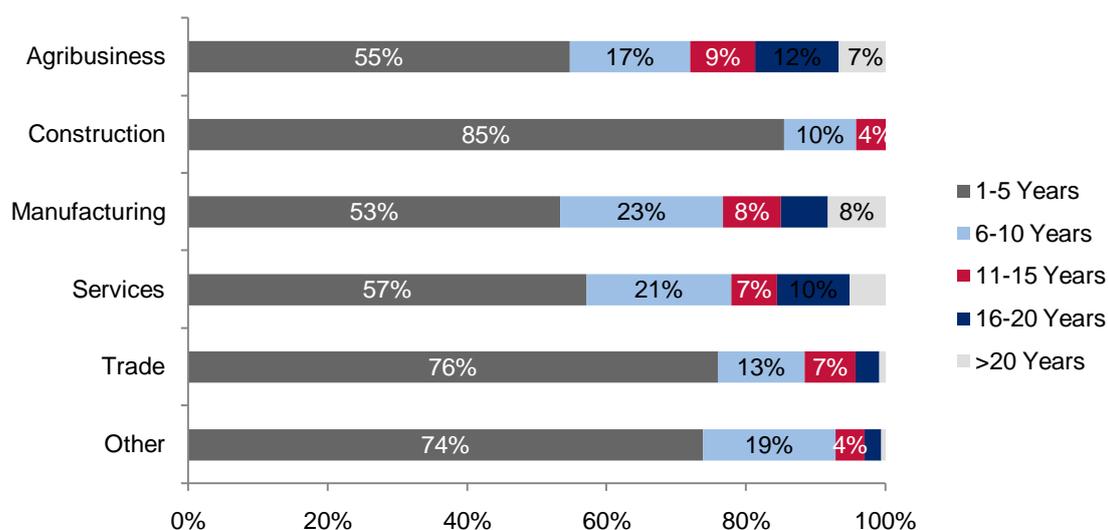
Figure 4-29: Entrepreneur Education Level by Sector



Technical expertise forms a barrier to entry to business sectors that require high cognitive competence, such as agribusiness and manufacturing. The same high barriers apply to exit, because of the high fixed assets and core investments that cannot be transferred. Thus low cognitive competence sectors tend to have more

start ups and higher mortality. This is further confirmed by the high number of new entrants into low skill sectors such as wholesale and retail trade in addition to construction, which is related to opportunity and market demand more than cognitive competency. It is also confirmed in the indication of high exit rates of retail enterprises as enterprises get older, which is reflected in the fact that only 3% of trade SMEs are over 15 years old, and 1% more than 20 years old, rates lower than all other sectors excepting construction.

Figure 4-30: Sector and the Age of the Business



4.5.3 Training

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

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

Figure 4-31: Importance of Marketing Training

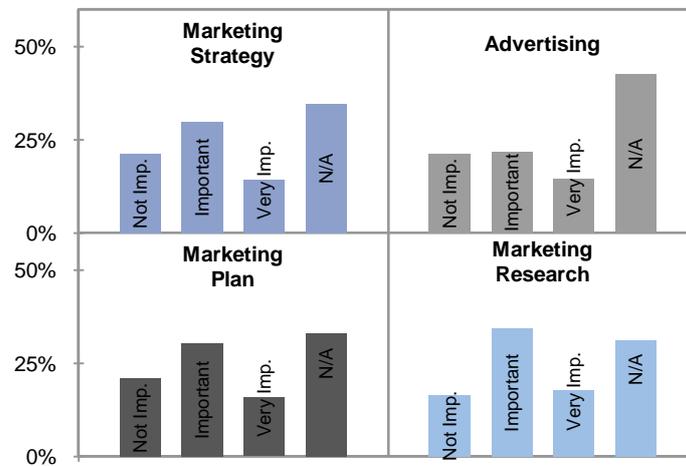
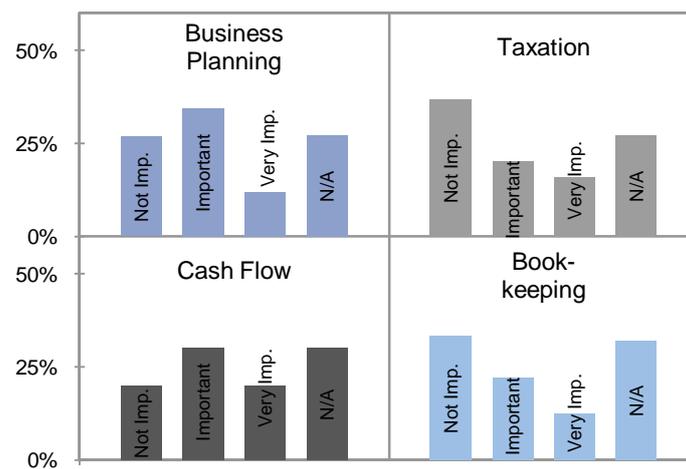
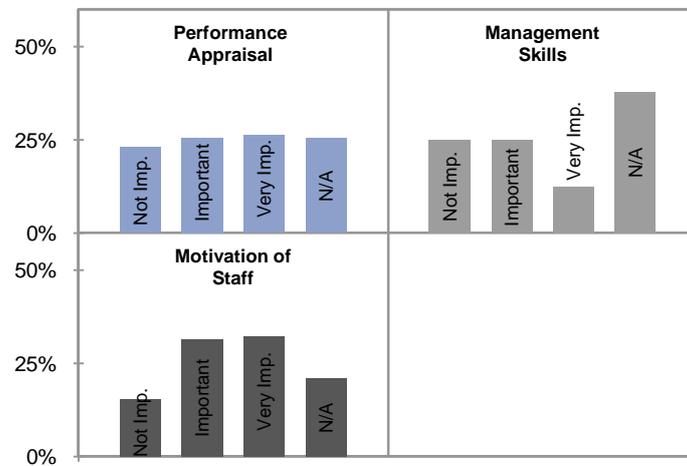


Figure 4-32: Importance of Finance Training



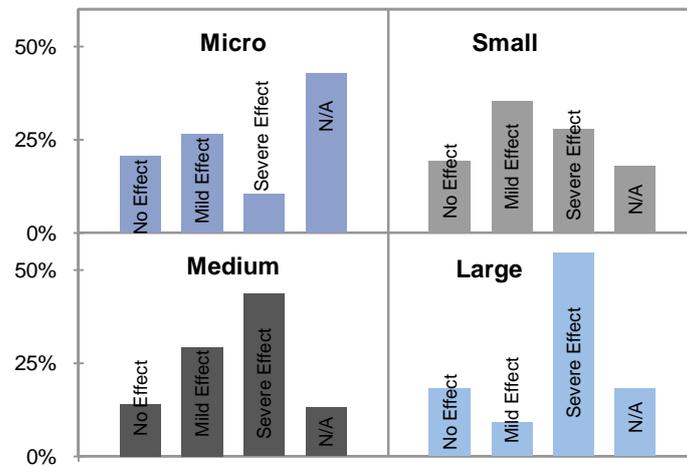
Human resource training fares better in the view of respondents.

Figure 4-33: Importance of Human Resources Training



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

Figure 4-34: Effect of “Lack of Vocational Training”



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

Figure 4-35: Effect of “Lack of Trained Middle Management”

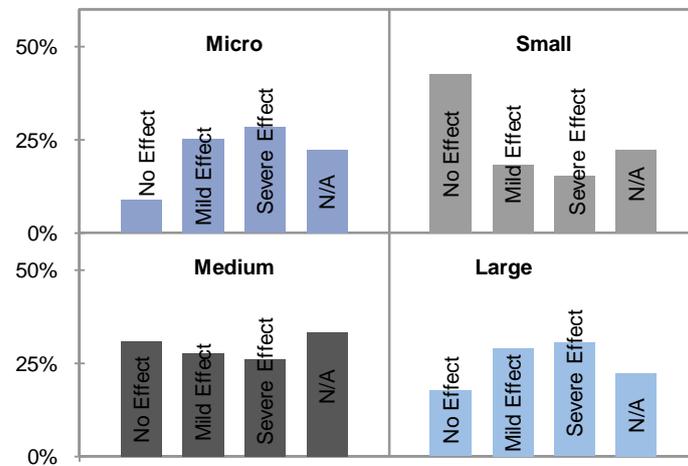
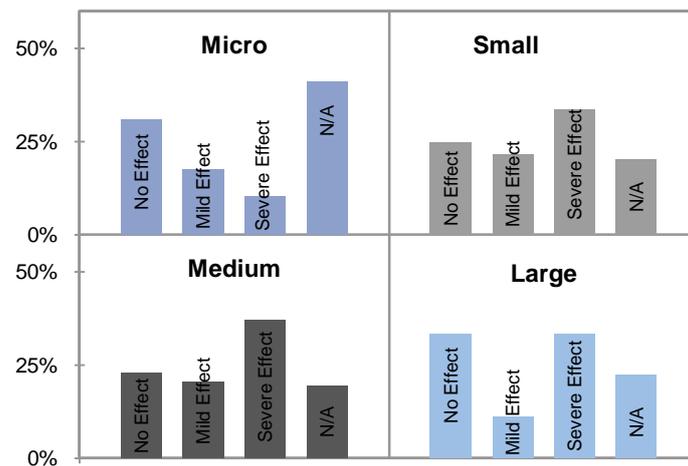


Figure 4-36: Effect of “Lack of Trained Higher Management”



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

Figure 4-37: Frequency of Technical Training

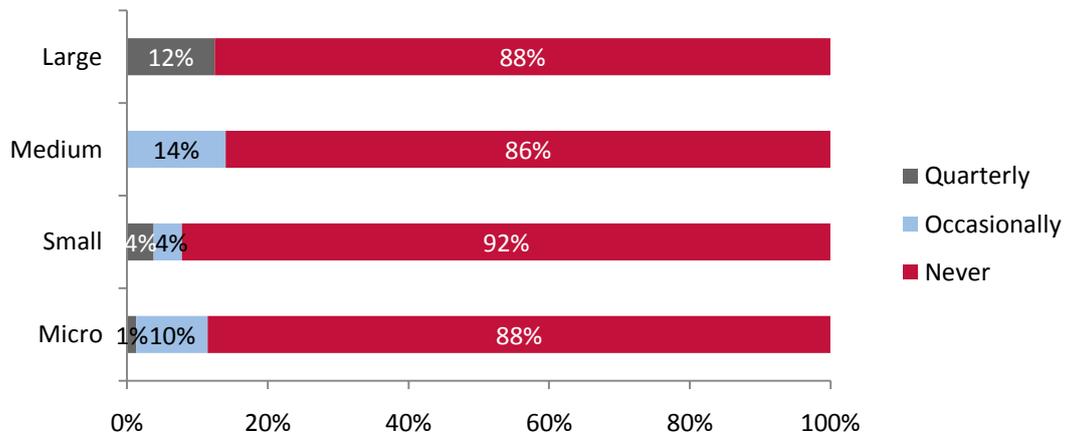
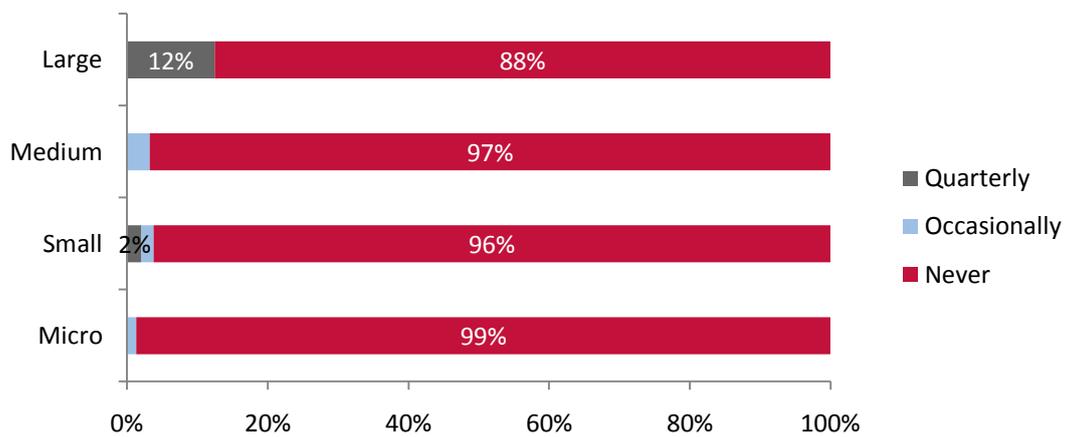


Figure 4-38: Frequency of Computer Training



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

Figure 4-39: Frequency of Management Training



4.5.4 Exposure and Attitudes

Like elsewhere in Iraq, Salah ad Din 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 tradition than in education. The future also is more uncertain here than in most countries. That is why there is so little interest in technology, upgrading the workforce, undertaking new modes of marketing, and instituting instruments of management and financial control. It also explains, at least in part, SME owner attitudes toward associational activity.

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

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

4.6 LABOR MARKET CONSTRAINTS

Operating in a tribal society, Salah ad Din entrepreneurs place a premium on the importance of their employees. In previous sections the research highlighted how business owners in Salah ad Din have come to depend on their employees for advice, information, and even as sources of news on new business. However, similar to the other provinces in Iraq, SMEs face a myriad of labor related challenges.

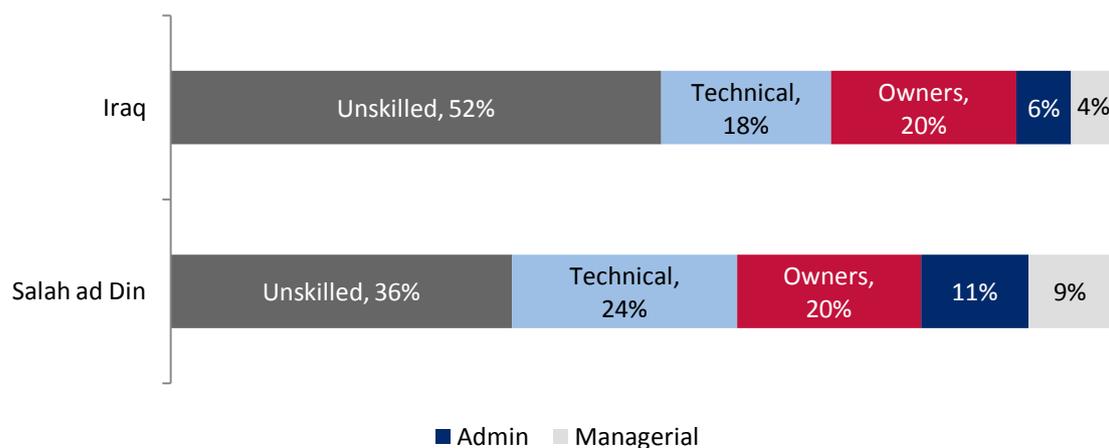
The majority of SMEs in Salah ad Din are labor intensive with a high percentage of unskilled workers. Labor intensity is 6.9 employees per enterprise which is approximately 11% higher than the Iraqi average. Construction sector enterprises have the highest average number of employees in Salah ad Din (almost 18 employees/ enterprise). Table 4-7 below compares the average number of employees per economic sector in Salah ad Din and Iraq.

Table 4-7: Average Number of Employees Per Sector

Sector	Salah ad Din	Iraq
Construction	17.7	15.5
Manufacturing	9.5	7.4
Hotels & Restaurants	7.7	7.7
Agribusiness	7.1	6.1
Communications	7.0	6.4
Services	5.5	4.1
Trade	4.6	4.5
Energy	4.3	5.2
Transport and Storage	3.4	3.1

The largest occupational category of SME employees in Salah ad Din is unskilled labor, making up approximately 36% of total SME labor force. This is considerably lower than the Iraqi average probably due to higher incidence of service companies in Salah ad Din and lower frequencies of agricultural and construction companies whose labor composition tends to skew towards unskilled labor. Figure 4-40 below highlights the labor composition within SMEs in Salah ad Din as compared to the rest of Iraq.

Figure 4-40: Labor Composition of SMEs in Salah ad Din vs. Rest of Iraq



Also unique to Salah ad Din is the high utilization of seasonal / temporary employees. Almost 32% of enterprises claim to use some form of seasonal or temporary labor compared to an Iraqi wide average of approximately 17%. As with most other provinces in Iraq, this figure is driven mostly by agribusiness and construction companies, however, all economic sectors registered the use of seasonal labor.

Not unlike SMEs in other parts of Iraq, businesses in Salah ad Din are affected by labor market constraints. In fact, Salah ad Din SMEs appear more affected by labor issues than their counterparts in other Iraqi provinces. Asked to rank their most debilitating constraints, Salah ad Din businesses rank employee related constraints higher than the Iraqi average. Table 4-8 below highlights, among others, employee constraints in Salah ad Din and Iraq.

Table 4-8: SME Constraints

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

Complaints of ill-qualified labor, lack of training, employee discipline and others are but common across most businesses and industry sectors. In an exercise similar the one highlighted above, Salah ad Din SMEs were asked to rank their labor and employee related concerns. Overwhelmingly, entrepreneurs claimed to be most affected by the relationship between employee compensation and skills levels. Table 4-9 highlights the ranking of labor related constraints as identified by Salah ad Din and Iraqi businesses overall.

Table 4-9: SME Employee-Related Concerns

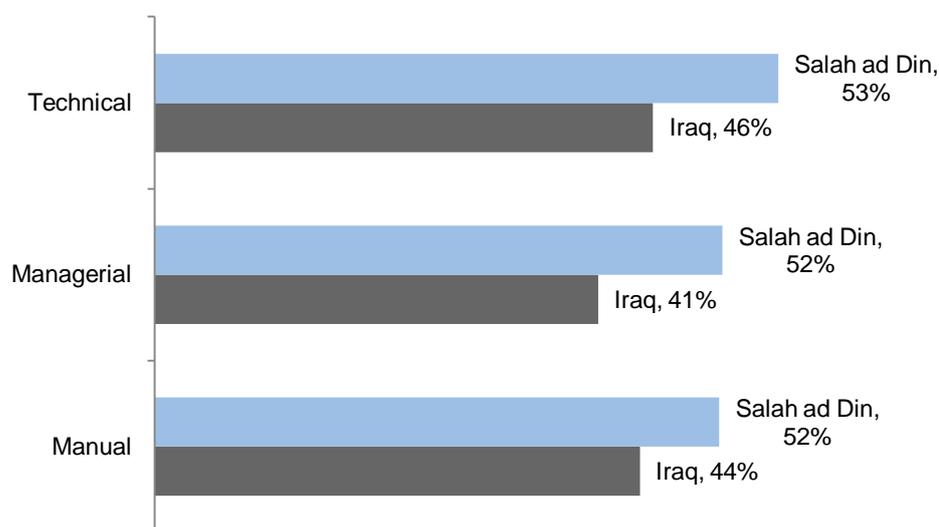
Employee SME Constraints	Salah ad Din Ranking	Iraq Ranking
Compensation rates are not justified	1	1
Lack of appropriate skill for the required tasks	2	2
Lack of workplace discipline	3	4
Unable to find competent supervisors	4	3
Cost of hiring is too high	5	7
Can not freely choose employees	6	6
Social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

The top ranked labor constraint relating to compensation rates is not directly addressed in the survey component of this research. However in discussions with business owners (in Salah ad Din and elsewhere), complaints pertaining to employee compensation focused on: i) the higher cost of Iraqi labor compared to neighboring markets in Syria, Iran, Jordan, and Egypt which affects SME competitiveness, and ii) limited employee skill sets even at the premium wage levels.

A skills deficient labor market is an issue SME owners all over Iraq grapple with. Salah ad Din entrepreneurs appear disadvantaged in that regard. Across all industry sectors and enterprise sizes, Salah ad Din businesses claimed more severe effects of unqualified labor than their peers in nine other Iraqi provinces. Almost 91% of businesses claimed to be constrained by lack of qualified labor in at least one occupational category needed to run their business. Notably, micro enterprises were included in this analysis component because, although they employ a limited number of employees, they typically have specialized labor skill-set requirements, which under the current limited supply conditions might hinder their ability to grow or even survive.

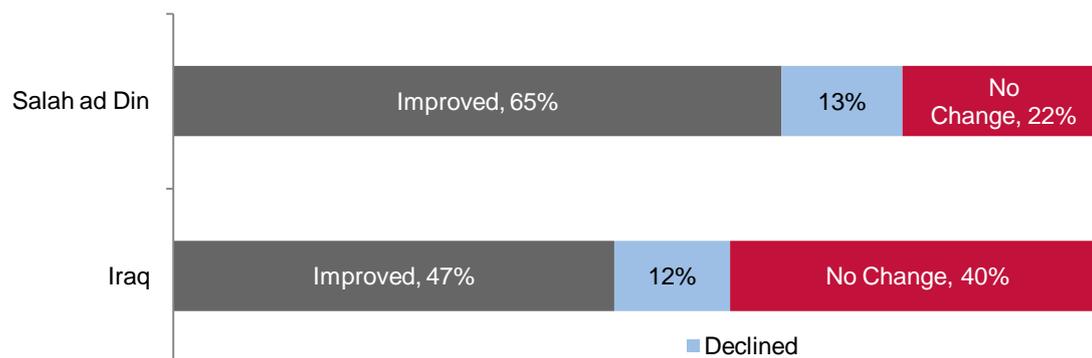
Figure 4-41 below highlights the percentage of SMEs claiming to be affected, mildly or severely, by lack of qualified managerial, technical, and manual labor.

Figure 4-41: % of SMEs Affected by Labor Issues According to Labor Category



Even though research indicates the labor situation in Salah ad Din is not as adequate as in other Governorates in Iraq, indication is that the situation might be improving. More than 65% of entrepreneurs in Salah ad Din perceive that the overall availability of qualified labor has improved over the past three years versus 13% that believe the quality of available labor to have declined and 22% that perceive no noticeable change. Figure 4-42 below compares business owner perceptions towards the availability of qualified labor in Salah ad Din and Iraq.

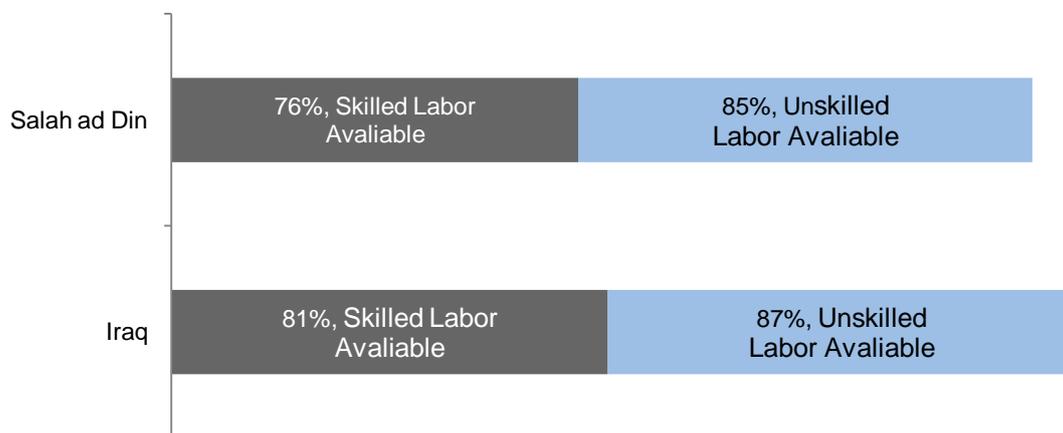
Figure 4-42: Business Owners' Perception of Changes in the Availability of Qualified Labor During the Past Three Years



Other indications that Salah ad Din's SME labor market is improving is reflected in the similarity between the reported availability of skilled and unskilled labor between SMEs in the province and their peers in other parts of Iraq. As indicated in Figure 4-43 below, an average of 80% of businesses claim no issues to recruiting skilled or

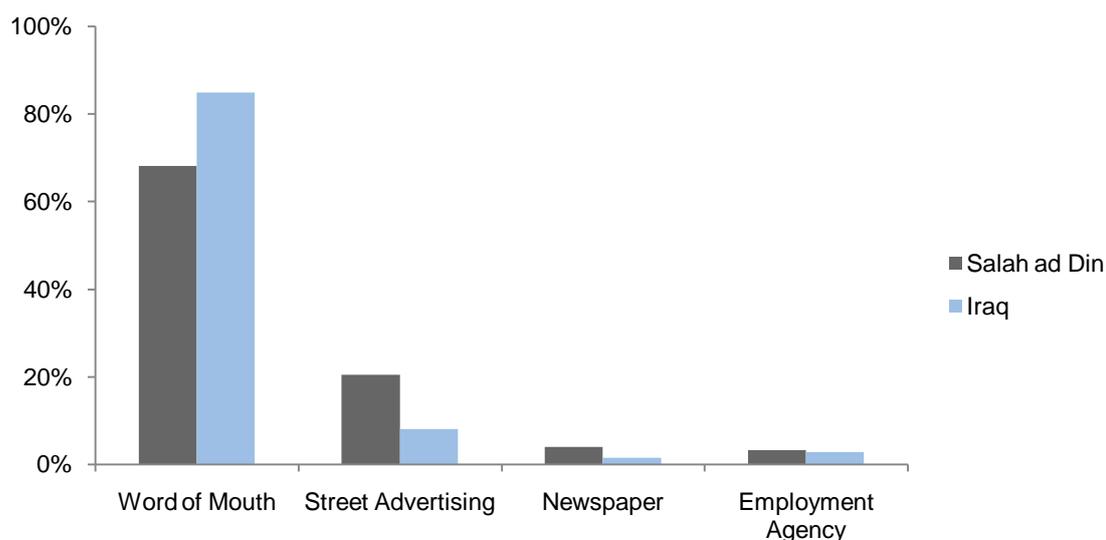
unskilled labor for their businesses. Notably, these figures do not include single employee firms.

Figure 4-43: Availability of Skilled and Unskilled Labor as Reported by SMEs in Salah ad Din and Iraq



In the absence of dedicated recruitment channels and given the tribal culture of many Iraqi provinces including Salah ad Din, SMEs turn to informal resources to solicit and recruit staff. Informal recruiting channels represented in direct referrals and street advertising, represent well over 90% of recruitment activity in Salah ad Din and other Iraqi provinces. The combined utilization of all formal channels, including employment agencies is less than 10% of SMEs. Figure 4-44 below sheds light on employee recruitment methods used by businesses in Salah ad Din and other Iraqi Governorates.

Figure 4-44: Employee Recruitment Methods in Salah ad Din and Iraq



The concept of employment agencies and labor offices remain mostly alien in Iraq. As indicated in Figure 4-44 above, only 3% of SMEs turn to agencies for recruitment services. The agencies in questions are almost exclusively placement offices managed by the Ministry of Industry and Ministry of Labor. The offices manage a follow-on placement scheme to vocational and occupational training programs that help place trainees with private businesses and subsidize trainee salaries for up to six months. The only occurrence of private employment agencies mentioned by business owners was in Baghdad.

Agencies and recruitment service providers might not be in supply in most provinces in Iraq, however there appears to be solid demand among business owners for their services. Asked to determine their willingness to use employment agencies should their services become available, almost 55% of SME owners in Salah ad Din said they would. Close to 95% of the group looking to use agency services indicated they are willing to pay employment agency fees. These figures are significantly higher than elsewhere in Iraq, highlighting that again, the labor situation in Salah ad Din is worse than in other Iraqi Provinces. Figure 4-45 below contrasts willingness to use and pay for employment agency services between Salah ad Din based entrepreneurs and their Iraqi peers.

Figure 4-45: SME Demand for Employment Agency Services



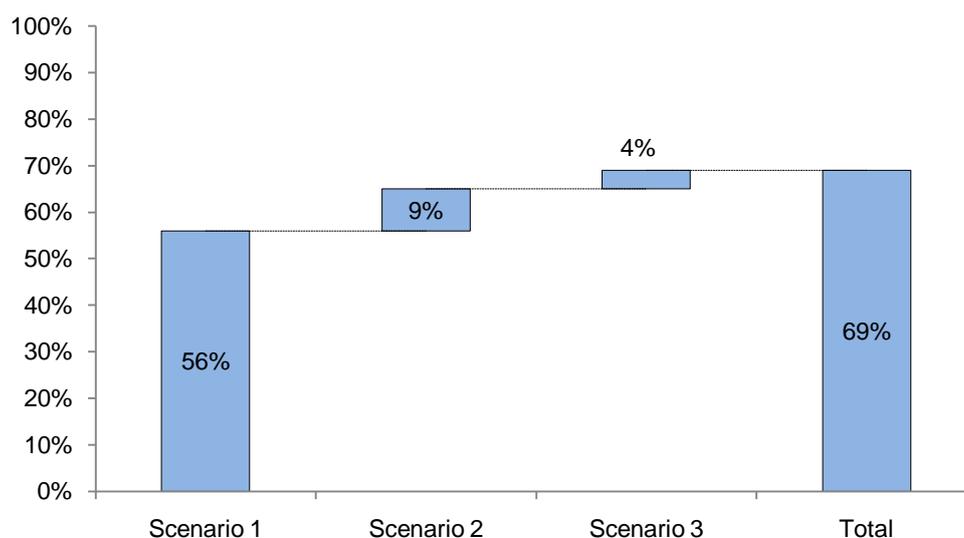
Despite demand for their services, it is highly unlikely that private sector employment agencies will make an appearance in Salah ad Din in the near future. A possible solution for Salah ad Din SMEs would be for BMOs and business associations to consider providing recruitment services. Almost 35% of business owners in Salah ad Din voiced enthusiasm for local BMOs to include employment services as part of their service portfolios. Respondents to the same question in other parts of Iraq responded almost identically.

4.6.1 Informality of Labor

The majority of SME labor in Salah ad Din is informal. Under best case scenario conditions in which we assume only informal / unregistered firms employ informal

labor, 56% of Salah ad Din SME labor is informal. A more realistic assumption, under which 50% of unskilled labor in registered firms is considered informal, increases SME labor informality to over 65%. In a third case scenario in which we consider 'unpaid family members' employed by registered to be also informal raises labor informality to 69%. The three scenarios are graphically presented below in Figure 4-46.

Figure 4-46: Informality of the Labor Force in Salah ad Din in Degrees Under Three Different Scenarios



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

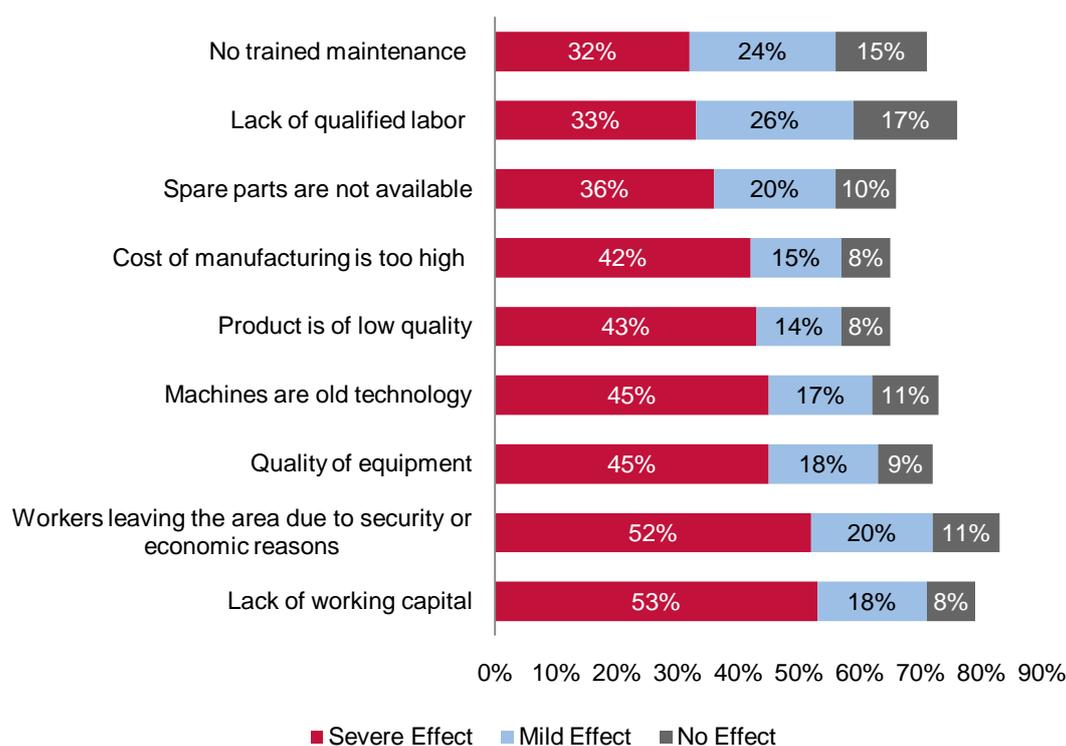
- There are many Salah ad Din SMEs that operate in the shadow economy. 71% of enterprises are not registered with any government agency thereby affecting the ability of enterprises to secure social security, and other benefits for employees, as generally these benefits require government registration.
- 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., the cost of other production inputs, encourage SME owners to cut corners when it comes to employment formality and benefits. Many SMEs claim they can't afford the costs associated with employee formalization, even if they wanted to.
- The existence of unpaid family and next of kin social network labor, which is informal by definition, also increases labor informality rates.

4.7 PRODUCTION CONSTRAINTS

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

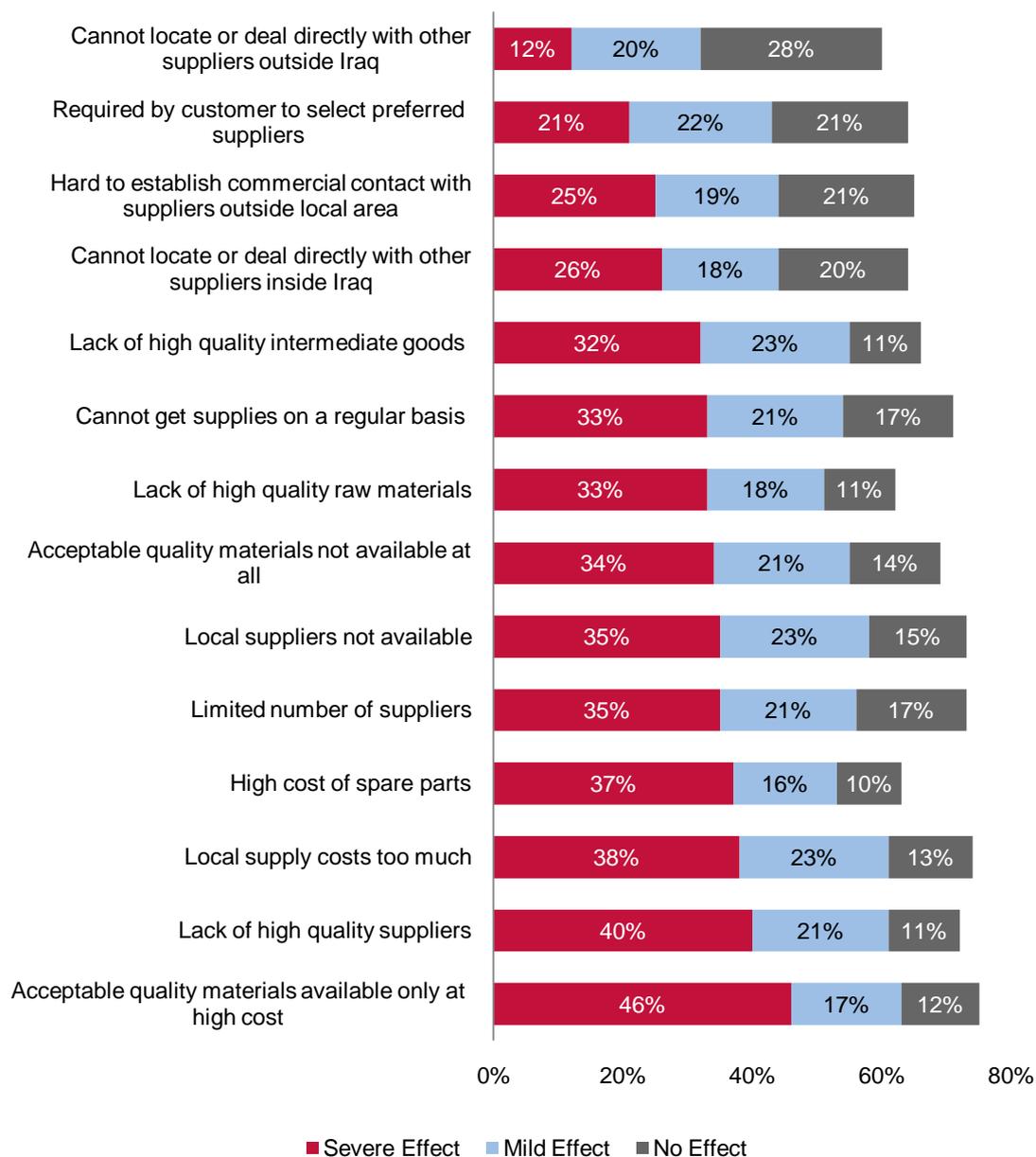
Figure 4-47: Salah ad Din SME Operational Constraints⁶



Supply constraints receive particularly high ratings in the areas of high cost of quality supplies, lack of high quality supplies and suppliers, and supply regularity. The high cost of quality materials affects 63% of SMEs, 46% to a severe degree. 61% of Salah ad Din SMEs suffers from the lack of quality suppliers, 40% to a severe degree.

⁶ Not Applicable (N/A) responses are not included / mentioned.

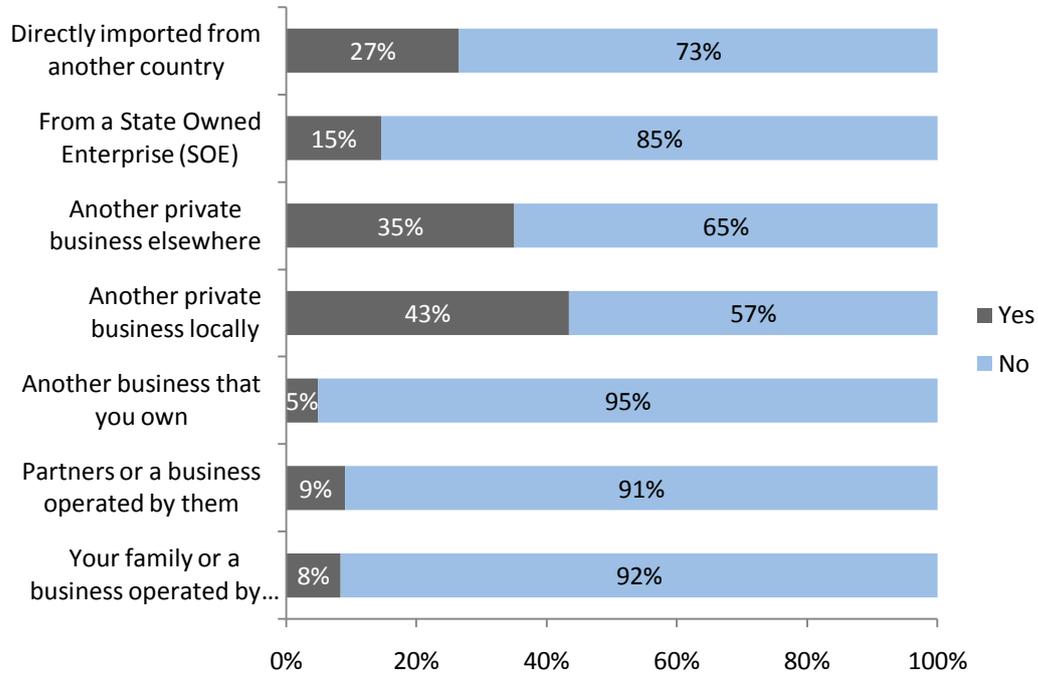
Figure 4-48: Salah ad Din SME Supplier Constraints⁷



Salah ad Din SMEs obtain supplies from private local sources at a rate of 43%. Looking within the province, private local supply is the highest source of raw materials followed by private supply elsewhere (35%), imports (27%), and then SOEs (15%) (see Figure 4-49 below).

⁷ See footnote 6.

Figure 4-49: Salah ad Din SME Sources for Raw Materials



5. SALAH AD DIN ENABLING ENVIRONMENT CONSTRAINTS

5.1 INTRODUCTION

Contained in this section is a discussion of the following:

- Informality / Regulatory Issues
- Infrastructure Constraints
- Security Constraints

5.2 INFORMALITY / REGULATORY ENVIRONMENT

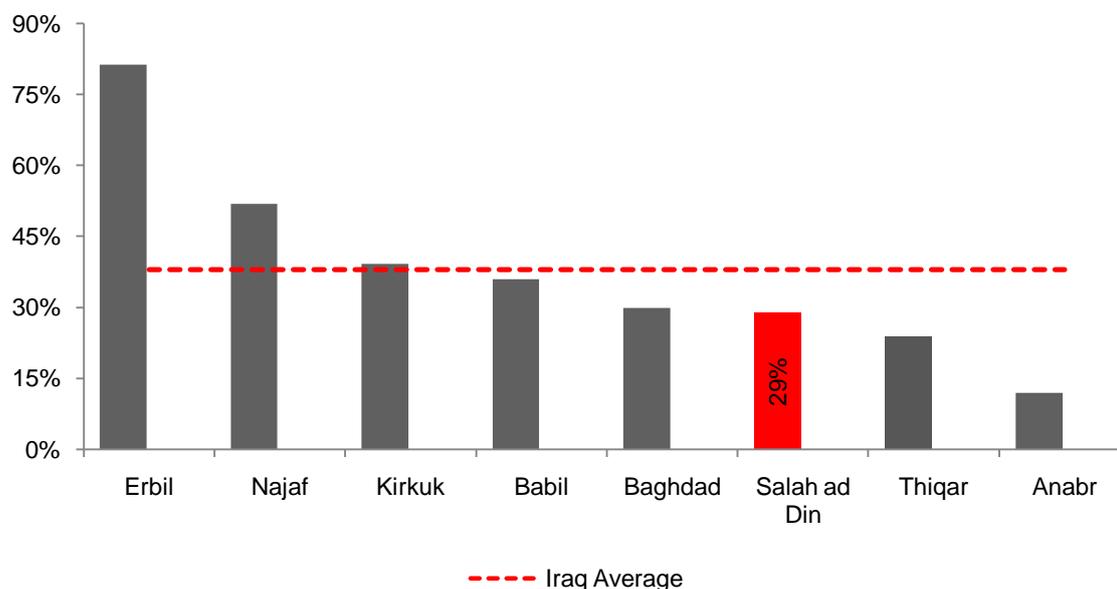
Similar to the rest of Iraq, the majority of SMEs in Salah ad Din operate in the shadow economy. This high level of business informality threatens the going concern and growth potential of Iraqi SMEs by undermining access to finance, technology, qualified labor resources, and other productivity inputs.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

For the purpose of this research, informal businesses are defined as businesses which are not registered in the respective trade/agricultural/ professional registrars as required under Iraqi legislation. For all trade and manufacturing enterprises this is Commercial Registry maintained by the Iraqi Ministry of Trade. Agricultural enterprise registration is governed by the Ministry of Agricultural, and professional service registration for private practice doctors, engineers, pharmacy owners etc. is overseen by semi-governmental syndicates, although in some instances Ministry of Trade registration is also required.

5.2.1 Company Registration

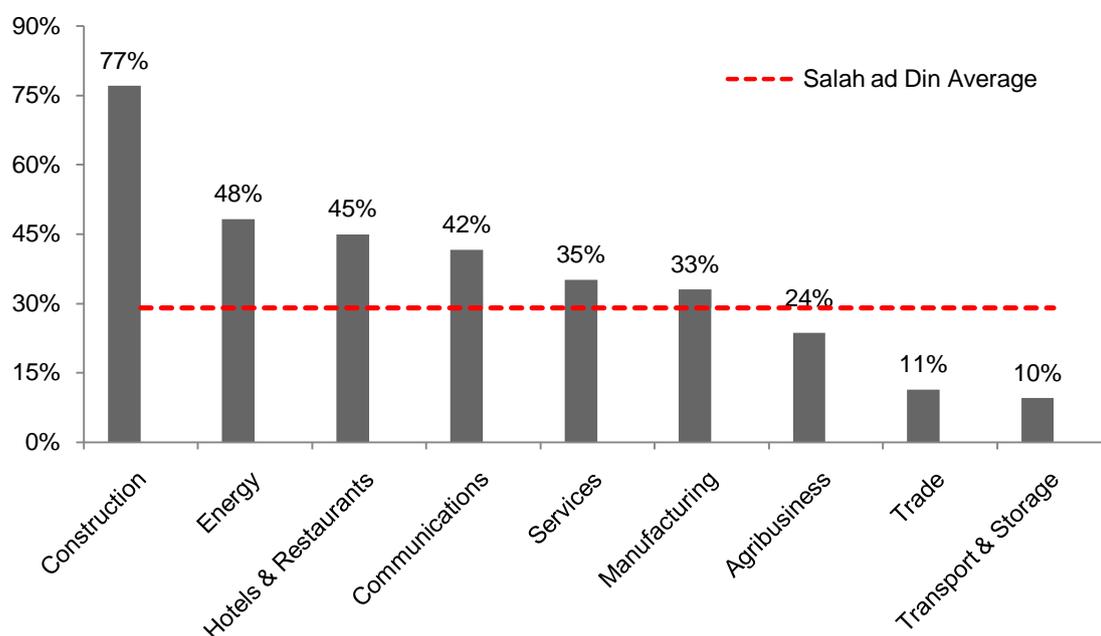
In Salah ad Din approximately 29% of enterprises claim to be registered with government agencies. This is the fourth highest among the Iraqi provinces surveyed and is slightly lower than the average for Iraq overall which is slightly over 30%. Figure 5-1 below highlights formality rates in Salah ad Din compared to other Iraqi provinces.

Figure 5-1: SME Formality Rates in Salah ad Din and Iraq



As indicated above average SME registration in Salah ad Din is approximately 29%. Figure 5-2 below highlights formality rates in the different industries operating in Salah ad Din.

Figure 5-2: Registration Rates by SME Industry in Salah ad Din



Construction: The construction industry has the highest formality rate in Salah ad Din, registering more than twice the Governorate average (Figure 5-2). The main reason for this is that the construction industry primarily services government customers, which, by law, requires SMEs to be registered before being awarded business (approximately 70% of non-retail construction output is for government

clients). Other drivers of formality within the construction industry include the large enterprise sizes (mean number of employees in construction industry is three times Salah ad Din average) and higher rates of business to business activity.

Energy: Energy industry enterprises also have well above average formality rates in Salah ad Din businesses (48%). The industry is primarily comprises fuel stations and private electricity generation activities. Petrol stations are older business much more likely to have registered before 2003, at a time when registration was heavily enforced. While no longer applicable, generator owners producing electricity for public consumption used to have to register in order to receive government rationed petrol and fuel products. Due to the limited number of SMEs operating in this sector in Salah ad Din, their overall effect on average registration rate for the Province is very limited.

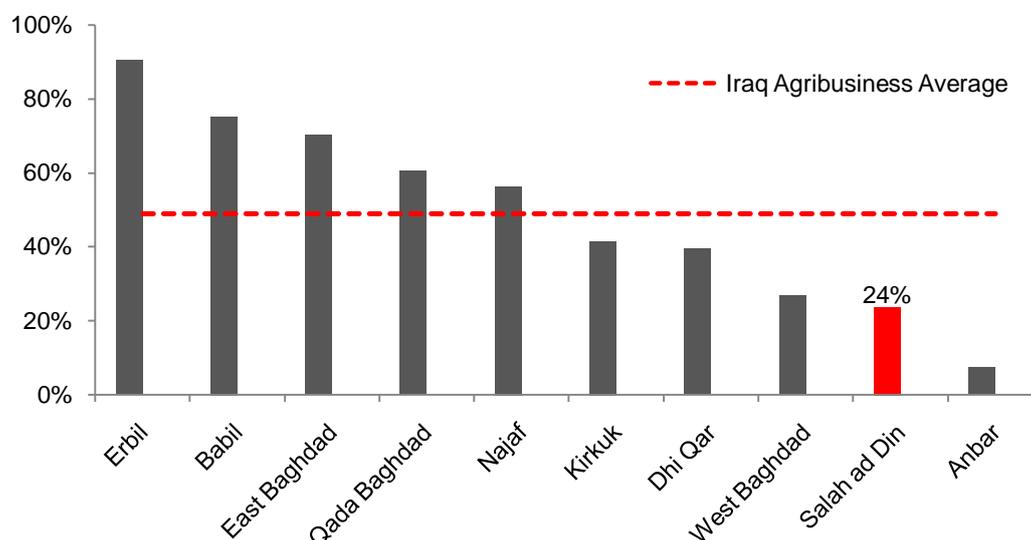
Hotels and Restaurants: The hospitality and restaurant sector, although very small in number of enterprises, has higher than average formality rates (45%). The industry is dominated by mostly upper-small and medium sized restaurants and probably registers high formality due to prevailing laws and their enforcement that govern their operation. In addition to official trade registration, all restaurants need also register their employees with the Iraqi Ministry of Health.

Manufacturing: With very little medium-heavy manufacturing to speak of in Salah ad Din, the manufacturing industry is driven by mostly light, workshop outfits manufacturing electronics and metal based fixtures. These enterprises are predominantly informal as they have little reason to seek government registration. Registered firms within the manufacturing sector are also mostly workshop-like entities but tend to have more employees and service a broader audience than their non-registered peers. Over 50% of registered manufacturing firms claim to serve customer beyond their localities including government and state-owned enterprises, unlike their non-registered peers that overwhelmingly claim customers within the neighborhood or locality in which they operate. There are also a significant number of bakeries in the sector that are registered. It is highly likely they register to benefit from subsidized government flour distribution.

Agribusiness: Agribusiness formality rates in Salah ad Din (24%) is amongst the lowest in Iraq where the average formality rate is almost 50% for the industry overall (see Figure 5-3 below). In fact Salah ad Din is only one of two provinces where agribusiness formality is lower than average formality for the province. There are several compelling reasons for agribusinesses to register in Iraq: i) farmers register with the Ministry of Agriculture which employs a more streamlined registration process than the established Ministry of Trade registration process for Iraqi enterprises, ii) most farmers (especially dairy and wheat and barley growers sell their harvests to SOEs, which requires registration as a prerequisite, iii) the majority of agricultural enterprises in Iraq predate the current disorder and would have been compelled to formalize or face dire legal consequences, and iv) much of the farmland

in Iraq was titled to farmers through the government through a process that undoubtedly included registration to complete.

Figure 5-3: Agribusiness Formality Rates in Iraq

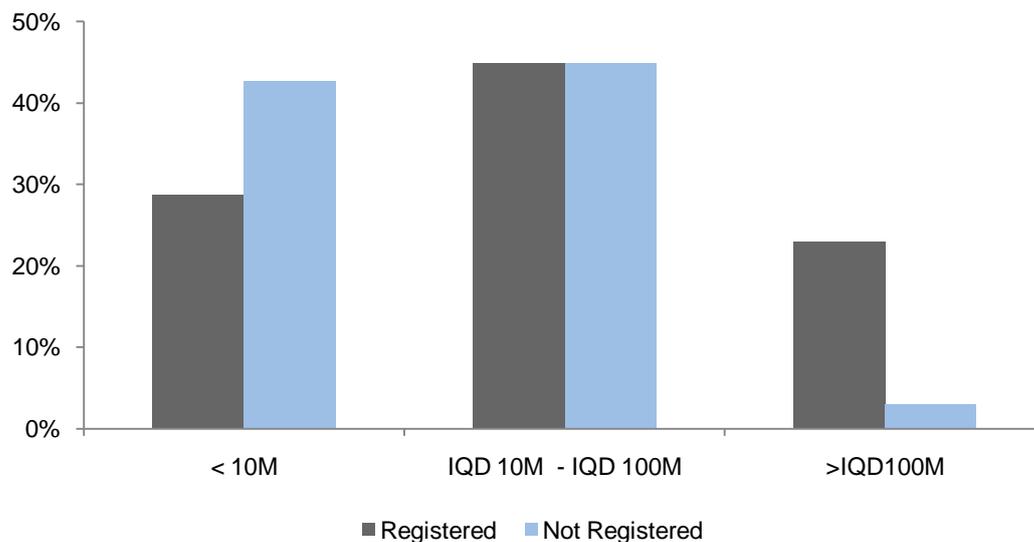


There is no apparent reason as to why agribusiness registration is so low in Salah ad Din, however the researchers posit that because the industry has minimum grain farming penetration, there is little incentive for agribusiness producers to register their businesses. As highlighted above, the single most important driver of agribusiness registration is probably selling grain produce to SOEs. Survey results indicate that agribusiness produce in Salah ad Din is predominantly live stock breeding, poultry, aquaculture, and horticulture.

Trade: The trade sector is the largest SME sector in Salah ad Din and significantly affects the formality rates in the Province. Only 11% of trade enterprises are registered in Salah ad Din. These are mostly wholesale traders that trade a variety of products including construction materials, agricultural wholesale, and white goods. They tend to be medium and large enterprises (over 70%).

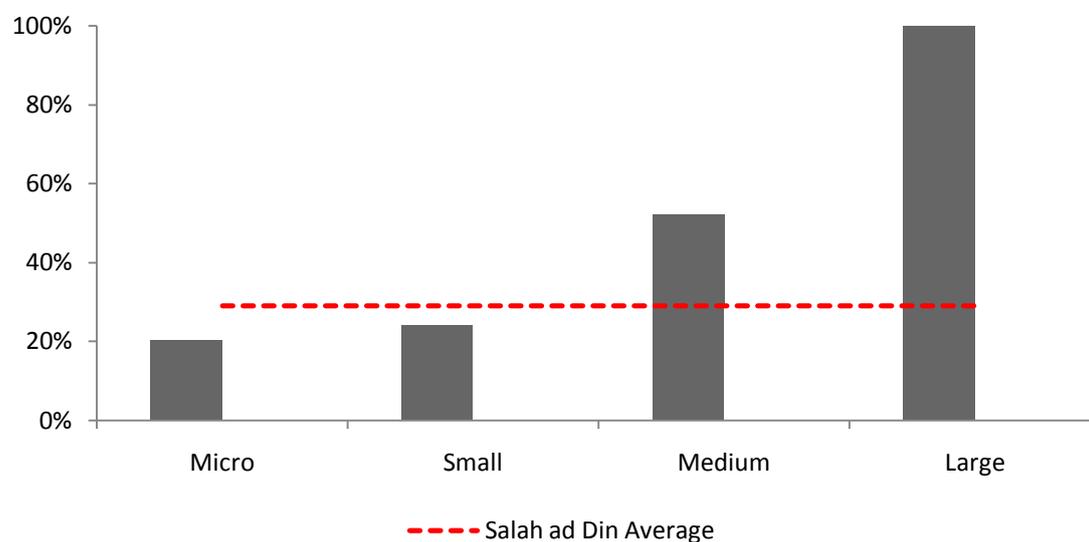
Many Iraqi SMEs appear oblivious to the fact that informality comes at a high cost to them and to their enterprises. Hesitant to invest in fixed assets to avoid asset-seizure risks or attracting the attention of authorities, informal SMEs in Salah ad Din appear to have smaller asset bases than their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

Figure 5-4: Asset Base Registered vs. Informal Firms



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

Figure 5-5: Registration Rates by Firm Size



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

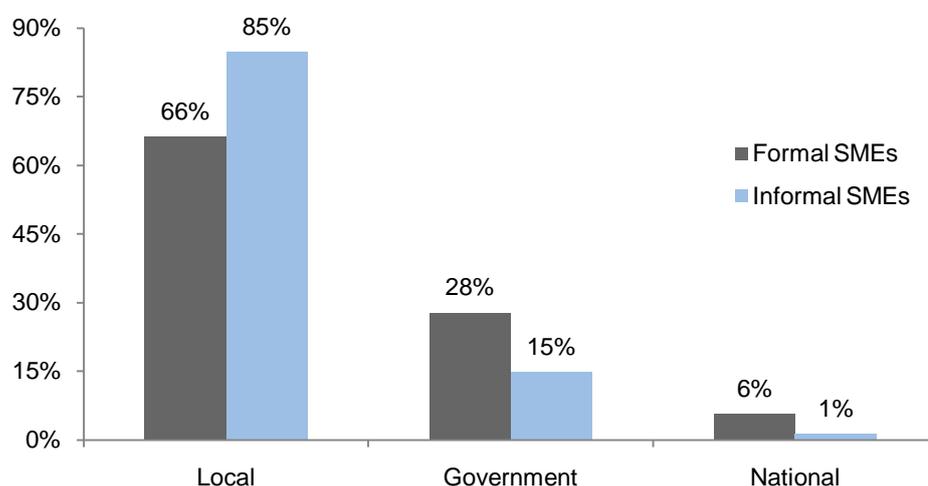
Table 5-1: Registered and Informal SME Indicators

Indicator	Registered Firms Mean	Unregistered Firms Mean
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Age of Business / Years	8	5
Number of Employees	11	5
Number of Partners	2	1
Number of Administrators	2	1
Number of Technical Specialists	4	2
Number of Unskilled Labor	5	2
% of Assets Base - Cash	27%	32%
% of Assets Base - Receivables	22%	15%
% of Assets Base – Vehicles	8%	5%
% Assets Base - Machinery and Equipment	25%	15%
% Assets Base - Land and Buildings	6%	5%

Research indicates that registered firm activities have a wider geographical sales base than their non-registered peers. Approximately 66% of formal enterprise business is derived from sales within their localities, 28% government sales, and 6% beyond the borders of Salah ad Din. Figure 5-6 below compares the geographical distribution of sales activity for registered and non-registered firms in Salah ad Din.

Figure 5-6: Geographical Distribution of Sales



5.2.2 Informality and Corruption

Registered and non-registered firms claim to be affected by corruption almost to the same extent. Survey and focus group results indicate that corruption is rampant across all SME industries and most SME transaction cycles including business registration, banking, and even garbage collection. Interestingly in the opinion of

formal businesses, and indeed a number of informal ones, unregistered businesses aggravate the situation.

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

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

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

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

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

Table 5-2: Reasons Cited by Salah ad Din SMEs for not Formalizing

Reasons for Not Registering	% Frequency
My business does not need to register	64%
The registration process is too bureaucratic / complicated / difficult	32%
I have not been asked to register	14%
I don’t want to register	10%

For tax related reasons	5%
Other	7%

In light of the above the following factors at least partially attributable to the high levels of business informality in Salah ad Din:

Administrative burden: As highlighted above Salah ad Din enterprises feel too restricted by the administrative burdens to register their business. For example, the World Bank's Doing Business Report (2010) ranks Iraqi as the sixth worst economy amongst 183 economies in which to start a business, measured in terms of the cost and time required to register a limited liability company. Table 5-3 below compares Iraq, Middle East and North Africa, and OECD indicators for business registration requirements as reported by the World Bank 2010 Doing Business Report. Table 5-4 highlights the registration process and the cost associated with each step.

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

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

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

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

Apply for a trade license	30- 60 days	\$175
Total	62 - 92 days	\$2,230

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

Undoubtedly, the excessiveness of these procedures and the complications involved hinder the willingness 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 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 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 businessmen considering their enterprise a livelihood activity more than a formal business. One Salah ad Din entrepreneur reasoned he doesn't know the registration status of his business because he had “*just bought it*”.

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, it's all the same, or even that a lack of registration is more beneficial, has created an aversion towards formalization by some business owners.

5.2.3 Regulatory Issues

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

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

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

	General	Detailed Description	Frequency
1	Trade and Manufacturing Protection / Government Quality Control	Imports are not controlled, therefore the market is flooded with inferior-quality products at low prices that drive prices down, resulting in the inability of local producers to compete.	Mentioned 6 X (agriculture 3, light industry 3)
2	Worker Rights / Government Services	There are no syndicates that represent the interests of industry members.	Mentioned 2 X (agriculture 1, light industry 1)

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

Table 5-6: Construction Industry Suggestions for Legal Reform

	General	Detailed Description
1	Eliminate Corruption / Transparency in Government Procedures	The most significant constraint noted by participants is administrative and financial corruption. Contracts cannot be obtained without bribes.

Table 5-7: Light Industry Suggestions for Legal Reform

	General	Detailed Description
1	Anti-Trust	There is only one provider for raw materials in the aluminum and iron industry, creating a monopoly and unfair pricing structures.

Table 5-8: Agriculture Suggestions for Legal Reform

	General	Detailed Description
1	Industry Protection and Subsidy	Cheap veterinary medicines are ineffective and of questionable origin, but those from trusted sources are expensive and not affordable for breeders.

Table 5-9: Professional Services Suggestions for Legal Reform

	General	Detailed Description
1	Enforcement of Existing Laws	There is no supervision over unlicensed pharmacies which do not abide by regulations regarding medications and prescriptions.
2	Streamlining Bureaucratic Procedures	It is difficult to obtain a pharmacy license, and pharmacists must pay ID 3,000,000 to open a drug store and ID 1,500,000 to open a pharmacy.

3	Elimination of Corruption / Transparency in Government Procedures	When drugs are brought from other governorates the pharmacists encounter blackmail at check-points along the way. If they refuse to pay, they are turned back under the guise of transporting illegal substances.
4	Consumer Protection / Government Quality Control	There is no adequate quality control over pharmacies, which sometimes leads to breaches in standards and a loss in consumer confidence.

5.3 INFRASTRUCTURE CONSTRAINTS

Infrastructure issues are the most prominent of issues that hinder the development of the private and public sectors alike in Iraq. They are never granted the importance they deserve; instead, responsibility is always shifted from one agency to another, a general feeling of powerlessness sets in. Those responsible in the government get tired of hearing about infrastructure problems and prefer not to talk about it, and private sector leaders therefore feel powerless and prefer not to address the issue. While the lack of ability of the Iraqi government to address the most critical of infrastructure issues continues to prevail, the importance of these issues as constraints cannot be ignored in this report. Although they are not going to be treated here in great detail as all are already familiar with them, they must be mentioned and highlighted yet again. 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 5-7: Effect of Main Infrastructure Issues on SMEs in Salah ad Din

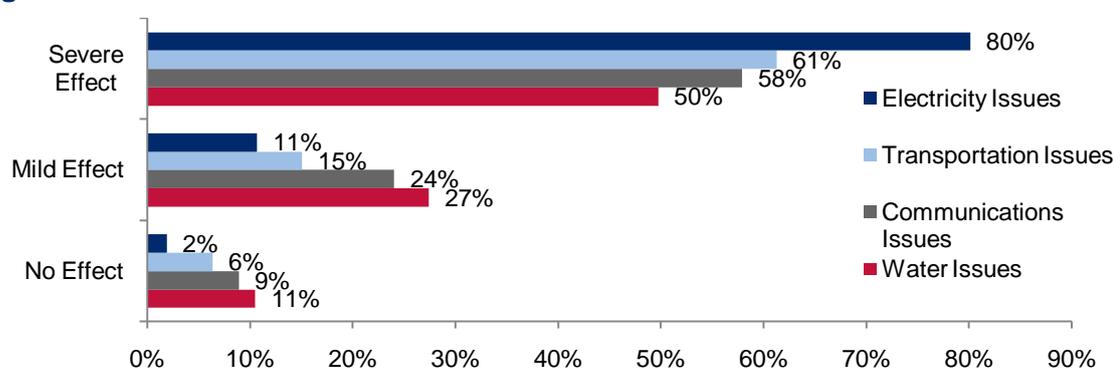


Figure 5-5 demonstrates the issues regarding infrastructure that most severely impact SMEs in Salah ad Din. As is depicted, the impact of electricity - shortages, rates, availability, etc - exceeds all other issues. 80% of SMEs are severely affected by electricity issues, with an additional 11% affected but to a lesser degree – a total of 91% of businesses. Development of the electricity sector and provision of electricity to businesses in Salah ad Din would impact positively almost every business. The resulting effect would most certainly result in increased employment and production across the board.

Figure 5-8: Effect of Infrastructure Issues on SMEs: Other Iraq

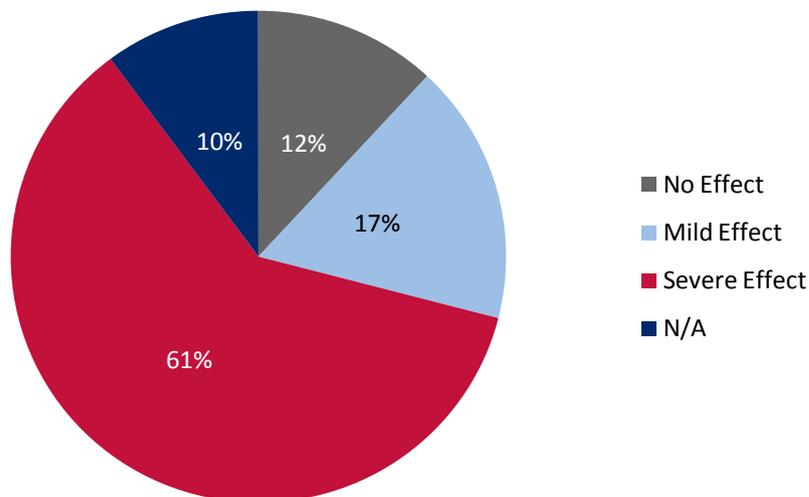
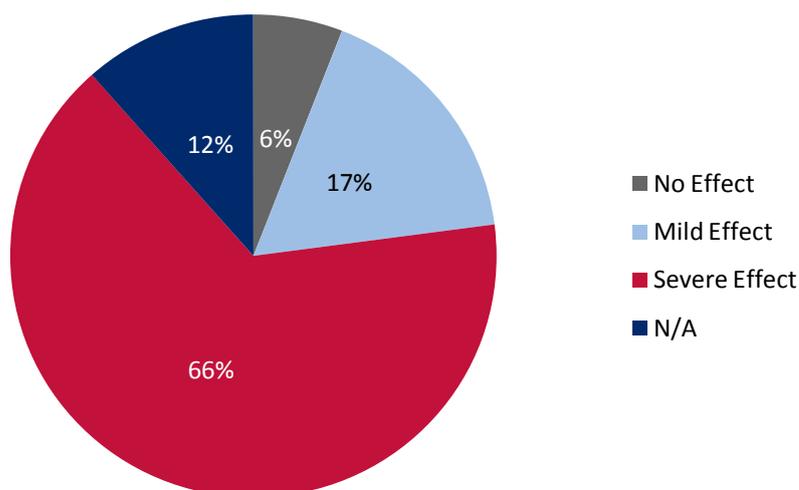


Figure 5-9: Effect of Infrastructure Issues on SMEs: Salah ad Din



The two pie charts above depict the differences in the mean answers of all questions dealing with infrastructure constraints and their affect on businesses. Of respondents, a slightly greater percentage of businesses in Salah ad Din are severely impacted by the same issues that businesses in Iraq in general are.

Table 5-10: Ranking of Infrastructure Issues Affecting Businesses in Salah ad Din

Sector	Issue	Rating ⁸	Salah ad Din Rank	Iraq Rank
Electricity	Unreliable supply	1.867044	1	1
Electricity	High rates	1.747175	2	3
Transportation	High rates	1.717514	3	4
Electricity	Phase supply not available	1.697313	4	2
Transportation	Security	1.693182	5	7
Communications	Inadequate cell phone coverage	1.629944	6	6
Electricity	Poor service quality	1.626591	7	5
Electricity	Corrupt utilities	1.623762	8	9
Electricity	High cost of backup power	1.577086	9	8
Transportation	Poor availability	1.536827	10	10
Communications	High rates	1.414427	11	11
Water	Water quality is poor	1.173729	12	13
Water	Water supply is intermittent	1.154173	13	12
Communications	Land line telephone service does not exist or is inadequate	1.103107	14	17
Communications	Poor wire line service	1.090523	15	18
Transportation	Cannot send products to certain areas	1.065248	16	15
Transportation	Cannot obtain supplies from certain areas	0.953125	17	14
Transportation	Lack of storage facilities	0.90625	18	16

The infrastructure issues that affect businesses in Salah ad Din are broken out in Table 5-10 above and ranked according to degree of importance of weighted ranking. The top issue is clearly electricity followed by transportation, communications and water. Three of the top 5 ranked infrastructure constraints in Salah ad Din are electricity related.

⁸ Rating is generated by weighting the frequency of responses for “severe effect” with 2, “mild effect” with 1, 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. “No Effect” was given a negative ranking for the reason that it counts against the degrees of major effect and should not add to support being affected.

5.3.1 Electricity Issues

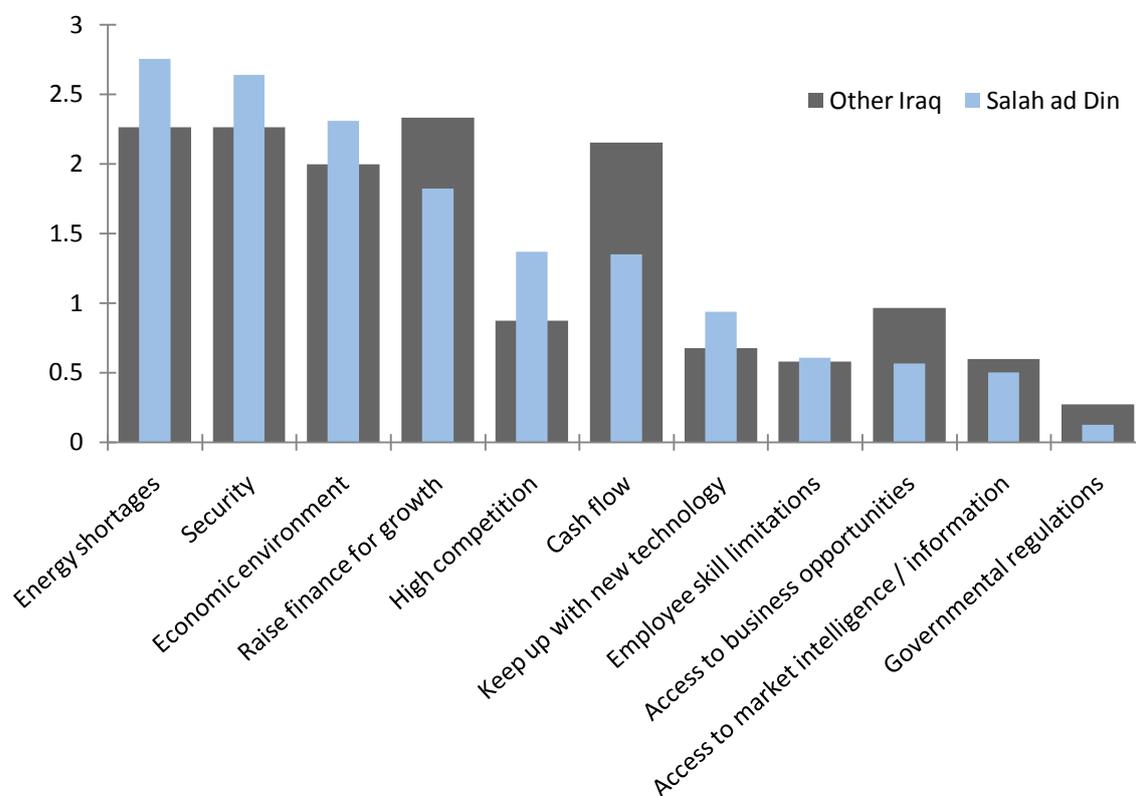
Table 5-11: Priority Ranking of Most Prominent Constraints – Salah ad Din and Iraq

Hindrance / Constraint	Salah ad Din Score ⁹	Salah ad Din Rank	Iraq Rank
Energy Shortages	2.756061	1	3
Security	2.643226	2	2
Economic environment	2.310656	3	5
Raise finance for growth	1.824564	4	1
High competition	1.368168	5	7
Cash flow	1.352557	6	4
Keep up with new technology	0.9374	7	8
Employee skill limitations	0.607862	8	10
Access to business opportunities	0.56555	9	6
Access to market intelligence / information	0.498715	10	9
Governmental regulations	0.123883	11	11

The energy shortage, as an infrastructure constraint, is ranked as number one by SMEs in Salah ad Din, whereas the rest of Iraq ranks it third and lists financing as their top issue. Furthermore, when comparing the responses of Iraqi SMEs to the question asking them to rank their top 5 constraints, the degree of severity with which energy concerns are the number one issue is significantly greater than the number one constraint of other Iraqi SMEs, i.e., access to finance (see Figure 5-10 below). Figure 5-11 below demonstrates that in nearly all areas of electricity constraints, Salah ad Din SMEs rate the impact higher than their counterparts in other parts of Iraq.

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

Figure 5-10: Weighted Ranking Comparisons for SME Constraints in Iraq and Salah ad Din (units measuring weight)¹⁰



Among all issues that affect energy supply, the most constraining is unreliability – the inability to predict when electricity will be available, the high energy rates and the lack of 3 phase supply. 91% of Salah ad Din SMEs are severely affected by the lack of predictability, 84% by high rates, and 78% of them are severely affected by lack of phase supply. Figure 5-11 below illustrates the intense effect that the different electricity issues have on Salah ad Din SMEs, comparing them to the rest of Iraqi SMEs. In nearly all cases, both severe and mild effects of the various electricity constraints are reported as more constraining by Salah ad Din SMEs than by other Iraqi SMEs.

¹⁰ 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 5-11: Electricity Constraints – Salah ad Din and Iraq

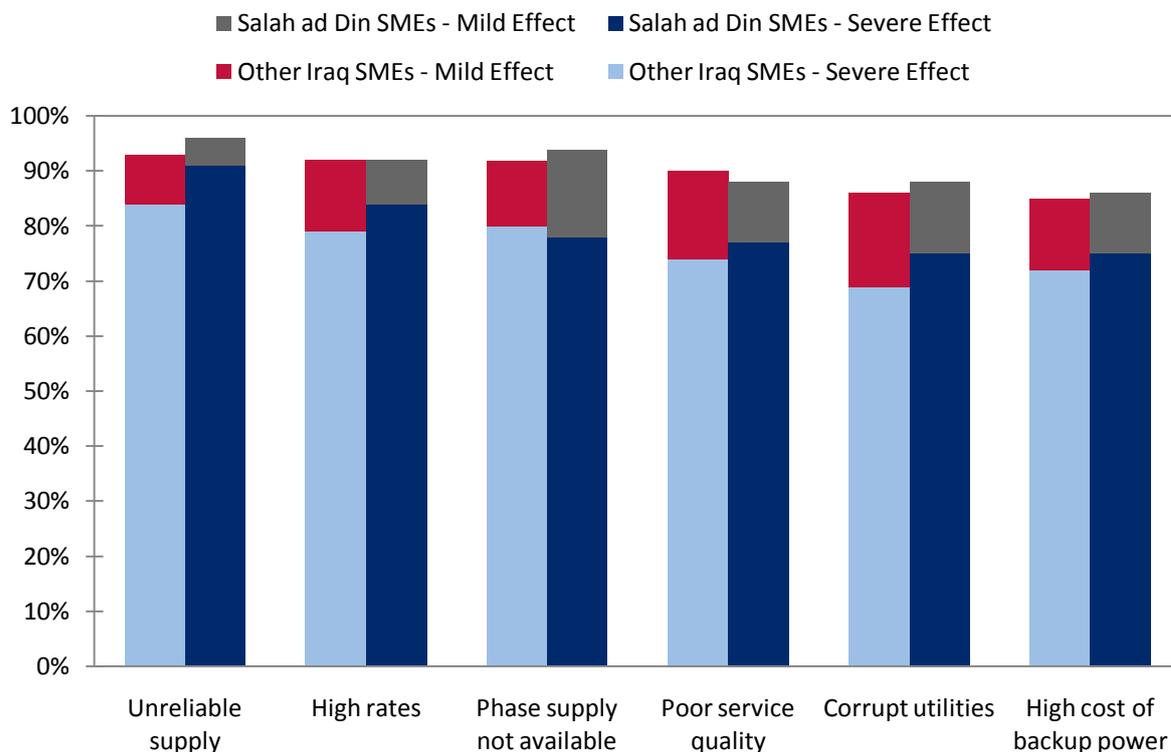
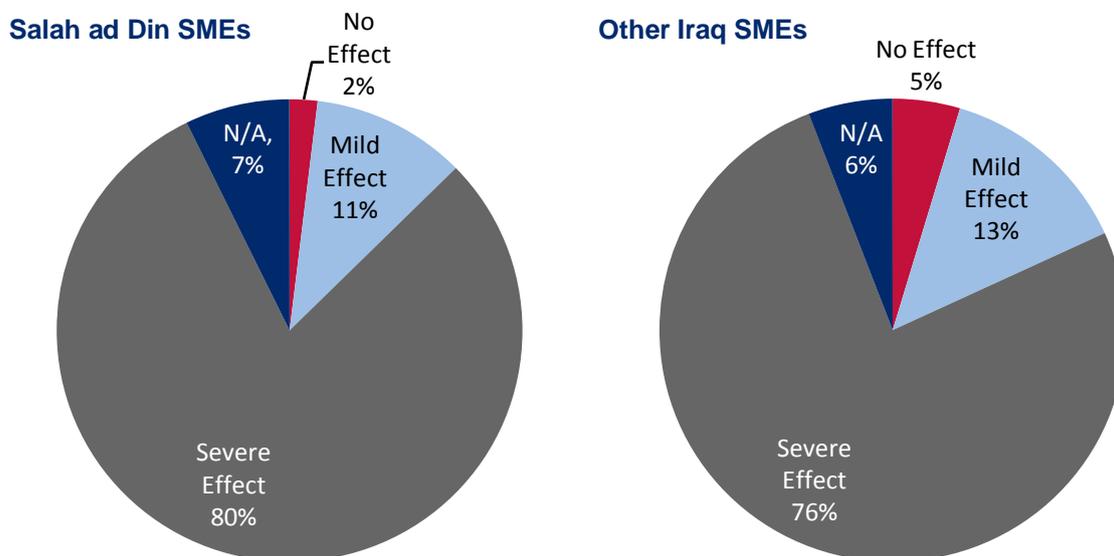


Figure 5-12: Mean Effect of Electricity Issues on Salah ad Din and Iraq SMEs

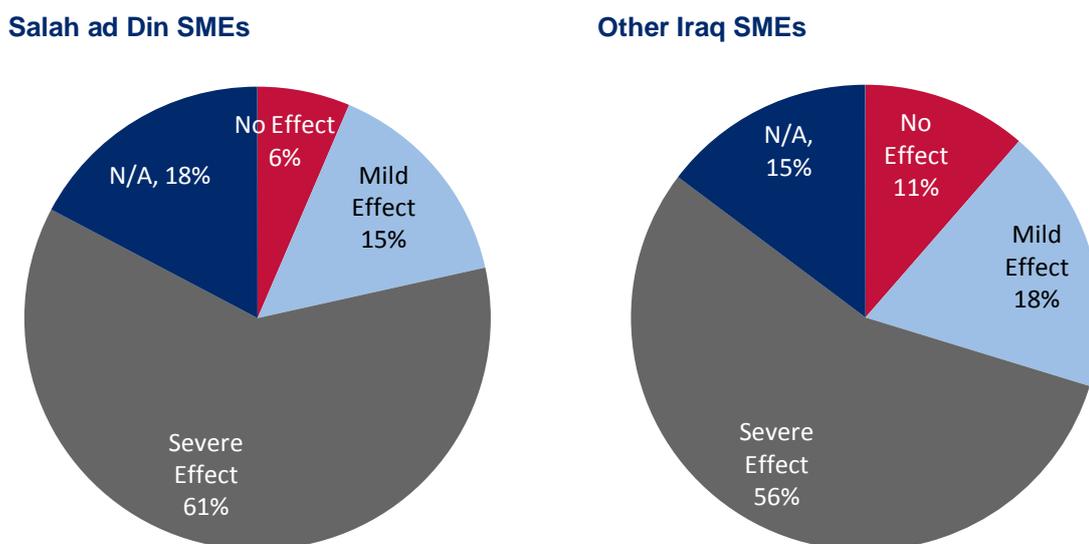


Of the 15 focus groups that were conducted in Salah ad Din, electricity issues were the most commonly mentioned infrastructure issues. Many focus groups reported electricity shortages as a main problem the participants face.

5.3.2 Transportation

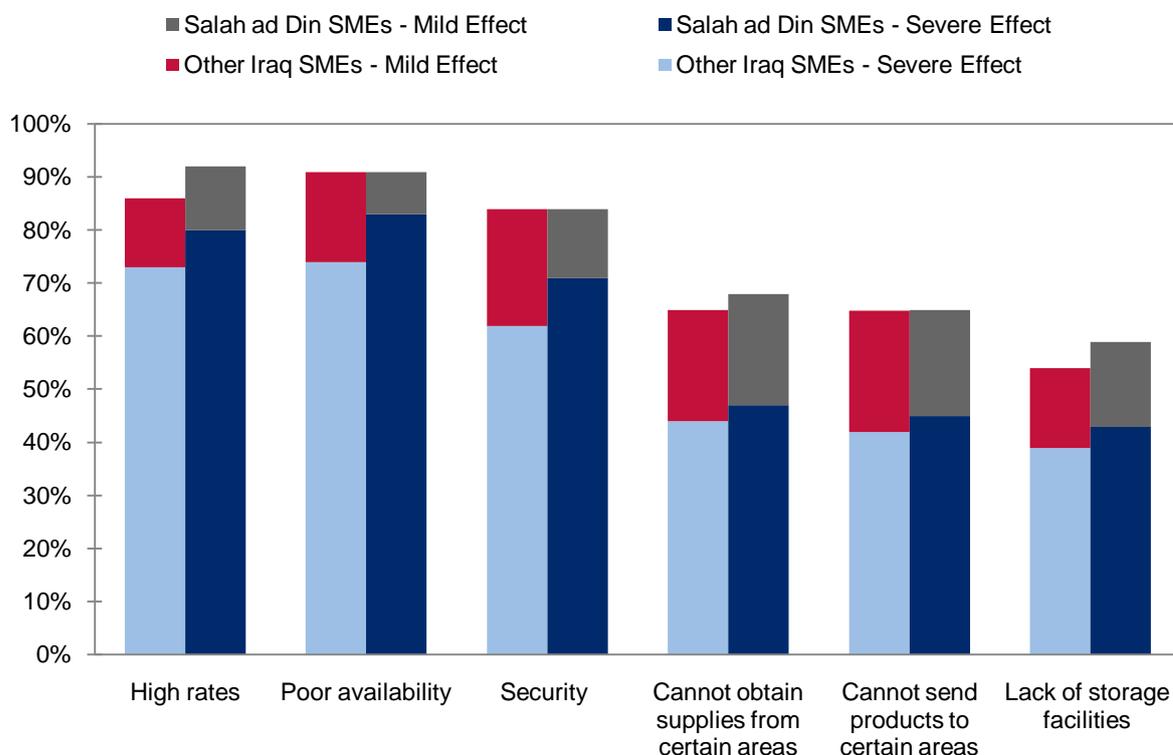
Transportation is the second most severely impacting infrastructure issue. A total of 61% of SMEs are severely impacted by transportation deficiencies, while 15% are mildly impacted. The total percentage of SMEs impacted by inadequate transportation availability is 76%. This total is more than the percentage of impacted SMEs on the national scale. This is reflected in Figure 5-13 below.

Figure 5-13: Effect of Transportation Issues on Businesses - Iraq and Salah ad Din Comparison



The most prevalent issue for Salah ad Din SMEs regarding transportation is the high cost, followed by poor availability, from both of which over 90% of SMEs in Salah ad Din complain (see Figure 5-14 below). Security, as relates to transportation, is third, and more pertinent than it is in other parts of Iraq.

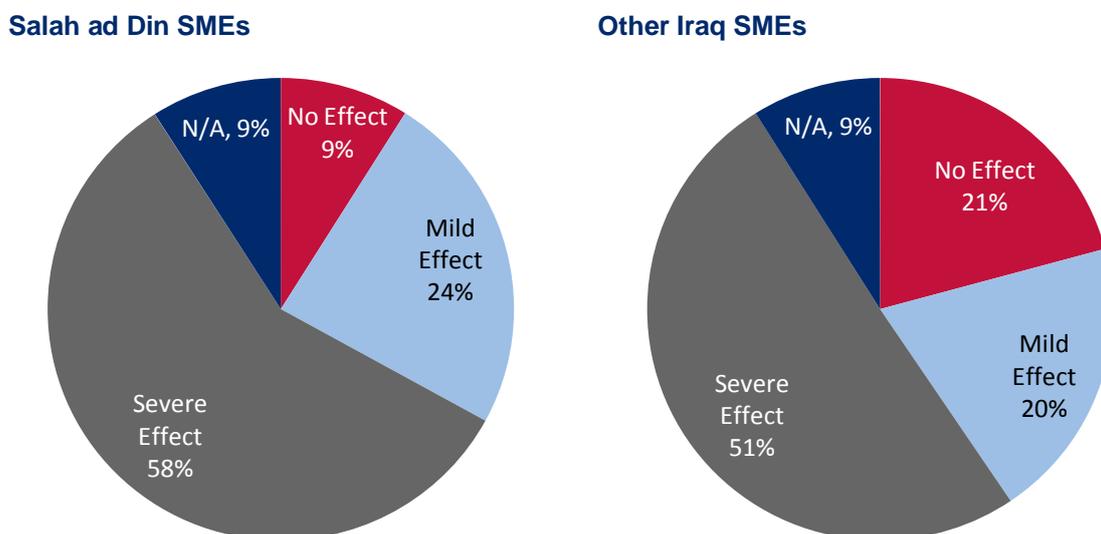
Figure 5-14: Effect of Different Kinds of Transportation Issues on Salah ad Din SMEs



5.3.3 Communication

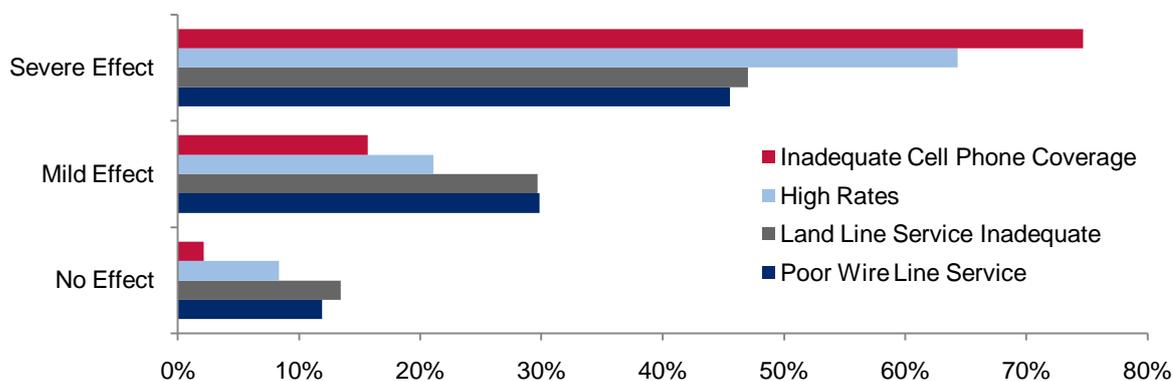
Communication inadequacies are cited as the third most severely impacting of all infrastructure issues. 58% of all SMEs in Salah ad Din say that they are severely impacted by communications issues. This is 7% more than the other SMEs in Iraq. A significant number of SME owners have become more dependent upon cell phone provision and therefore are not so affected by other forms of telecommunication infrastructure.

Figure 5-15: Effect of Communication Issues on Businesses - Iraq and Salah ad Din Comparison



Cell phone service deficiencies and high costs are perhaps the greatest concern of all communications issues. A much greater percentage of Salah ad Din SMEs are affected by cell phone coverage issues (see Figure 5-16 below) compared with the other kinds of communication constraints. Altogether, 91% of Salah ad Din SMEs are affected by inadequate cell phone coverage.

Figure 5-16: Communications Issue - Effects on Salah ad Din SMEs



5.3.4 Water

Water issues are the least important infrastructure concern that affects SMEs in Salah ad Din. The overall impact of this issue is slightly greater than on SMEs in the rest of Iraq, however. 50% of Salah ad Din SMEs are severely affected by water issues, a total of 77% are affected either severely or mildly (see Figure 5-17 below). Intermittent water supply and water quality determine this mean measure, with intermittent supply effect only slightly lower than quality (see Figure 5-18 below).

Figure 5-17: Effect of Water Issues on Businesses - Iraq and Salah ad Din Comparison

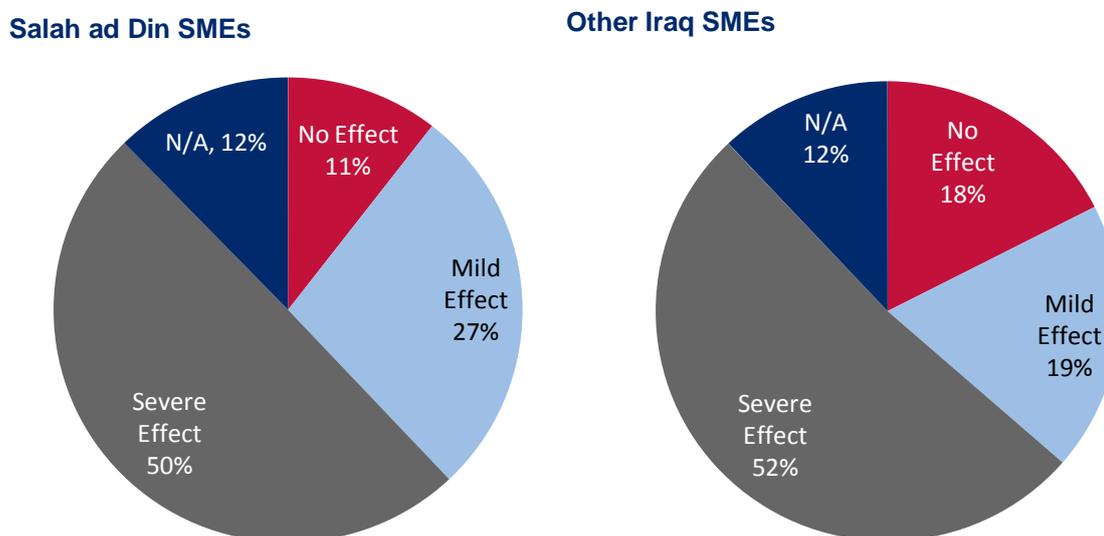
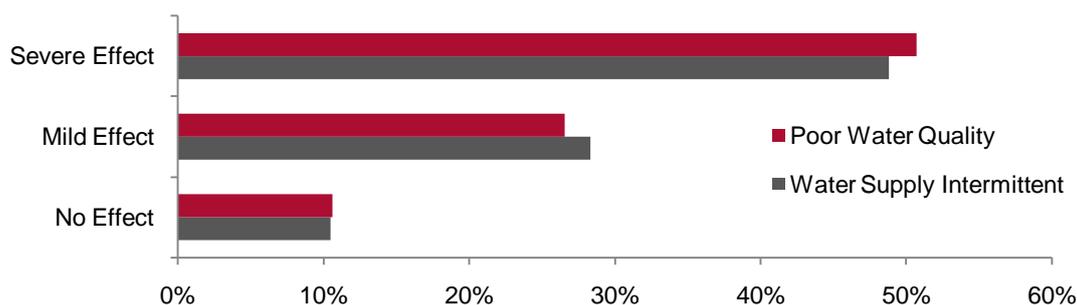


Figure 5-18: Water Issue Effects on Salah ad Din SMEs



5.4 SECURITY CONSTRAINTS

The Salah ad Din business environment is on par with the rest of Iraq regarding security. Security is rated as the number two concern on the aggregate ranking of 11 different top constraints by both Iraqi SMEs in general and Salah ad Din SMEs behind energy issues.

Table 5-12: Priority Ranking of Most Prominent Constraints – Salah ad Din and Iraq

Hindrance / Constraint	Salah ad Din Score	Salah ad Din Rank	Iraq Rank
Energy Shortages	2.756061	1	3
Security	2.643226	2	2

Economic environment	2.310656	3	5
Raise finance for growth	1.824564	4	1
High competition	1.368168	5	7
Cash flow	1.352557	6	4
Keep up with new technology	0.9374	7	8
Employee skill limitations	0.607862	8	10
Access to business opportunities	0.56555	9	6
Access to market intelligence / information	0.498715	10	9
Governmental regulations	0.123883	11	11

Over half of Salah ad Din SMEs report that they are severely affected by security issues. Figure 5-20 below gives a good picture of the effect of security on Salah ad Din SMEs versus other Iraqi SMEs. Salah ad Din SMEs report a severe effect of security on business to a greater degree that the rest of Iraq does. The overall percentage, including those that are mildly affected, is 8% higher than what other Iraqi SMEs report (92% vs. 86%).

Figure 5-19: Effect of Security on SMEs - Iraq Aggregate and Salah ad Din Comparison

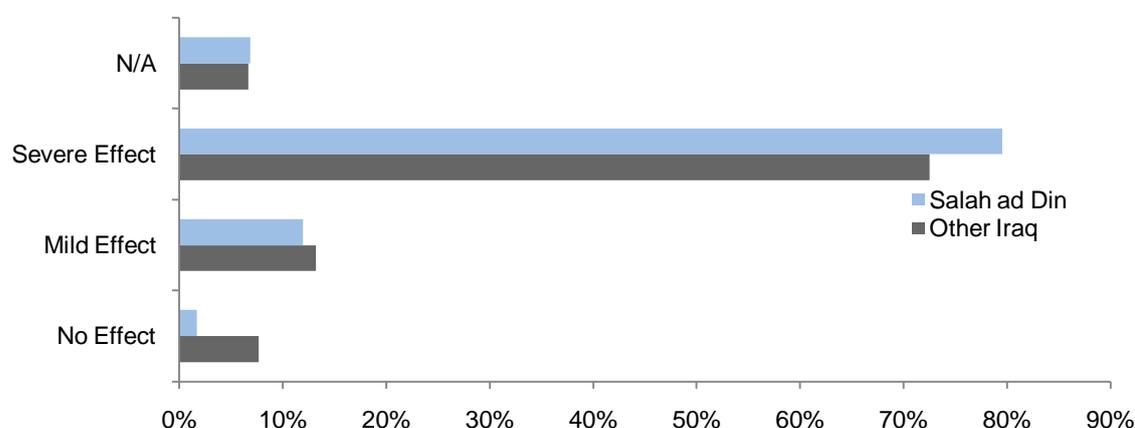
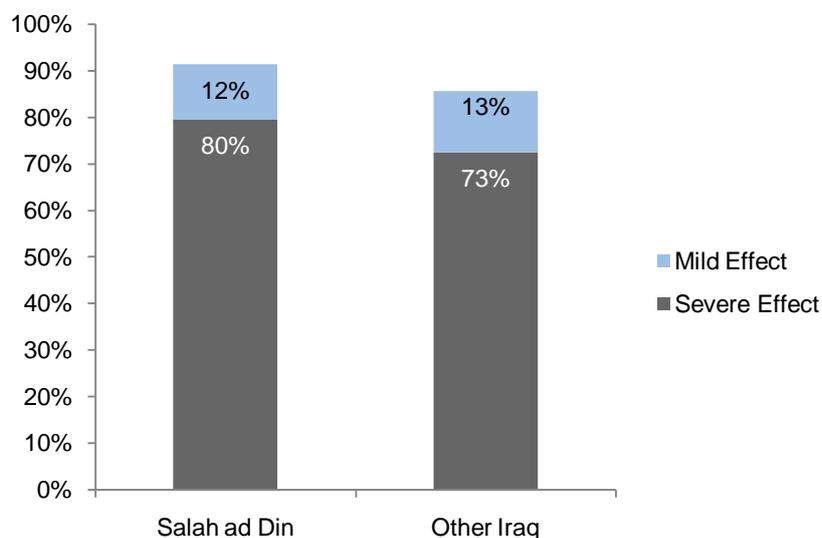


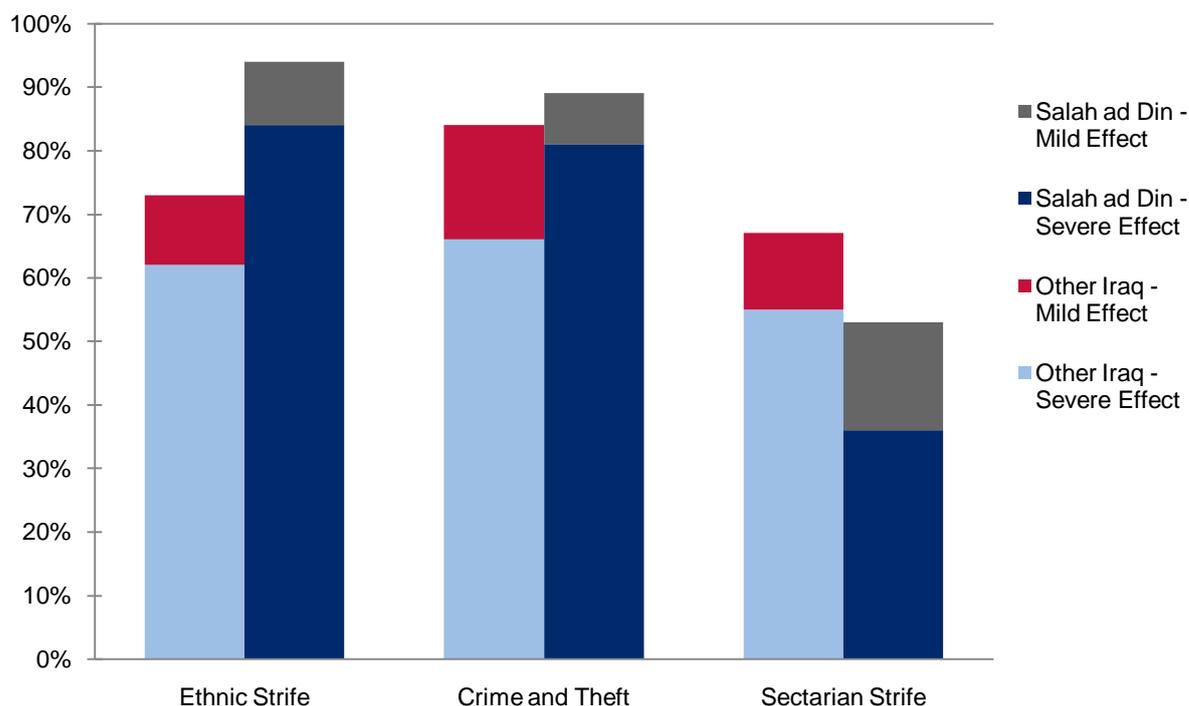
Figure 5-20: Effect of Security Concerns on SMEs - Iraq and Salah ad Din Comparison



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

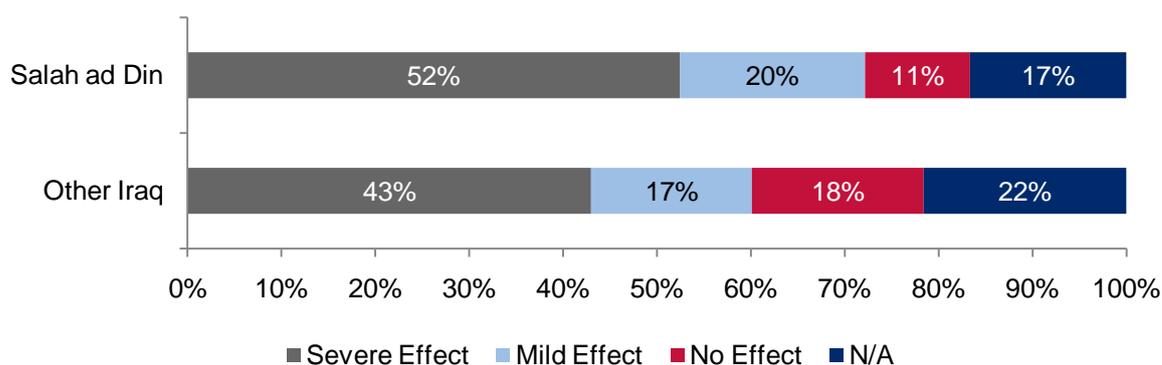
The case in Salah ad Din is somewhat worse than in the rest of Iraq when it comes to issues of ethnic strife. Over 90% of all Salah ad Din SMEs indicated that they are severely impacted by ethnic strife (see Figure 5-21 below), higher than the Iraq aggregate 73% of SMEs affected by the same. A total of 89% are affected either severely or mildly by crime and theft, and either severely or mildly for a total of 53% by sectarian strife.

Figure 5-21: Effect of Security Related Issues on SMEs in Salah ad Din



With regards to labor, Salah ad Din SMEs are affected by shifts in labor due to security issues, as would be expected anywhere in Iraq. In some cases, only certain people with certain ethnicities can work or live in certain areas. This means that even if the SME owner does not wish to discriminate, job preference favors an employee based on ethnicity. 52% of Salah ad Din SMEs claim to be severely affected by workers leaving the area due to security concerns, with an additional 20% mildly affected (see Figure 5-22).

Figure 5-22: Effect on SMEs of Workers Leaving Due to Security Reasons



Strangely, and this same phenomenon is repeated in most all other provinces in Iraq, Salah ad Din businesses, even with one of the highest levels of security constraints in the country, are apparently satisfied with the efforts of the Iraqi Government, with

only 20% out of all SMEs surveyed indicating that they are dissatisfied (5% dissatisfied, 15% very dissatisfied) with the government's ability to guarantee security. Reasons for this are unknown, but one might speculate that the reason for these statistics are extremely low expectations that Iraqi businesses have of the Iraqi Government's abilities in general, so anything it is doing brings a satisfactory response from businesses. It is also worth noting that the response data gathered was collected during the months of August and July, before the series of large bombings in Baghdad that began at the end of August.

Figure 5-23: Salah ad Din SME Satisfaction with Government Provision of Security

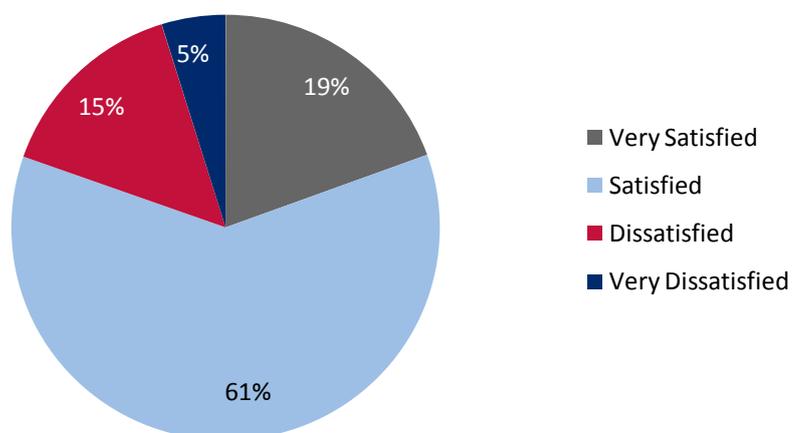
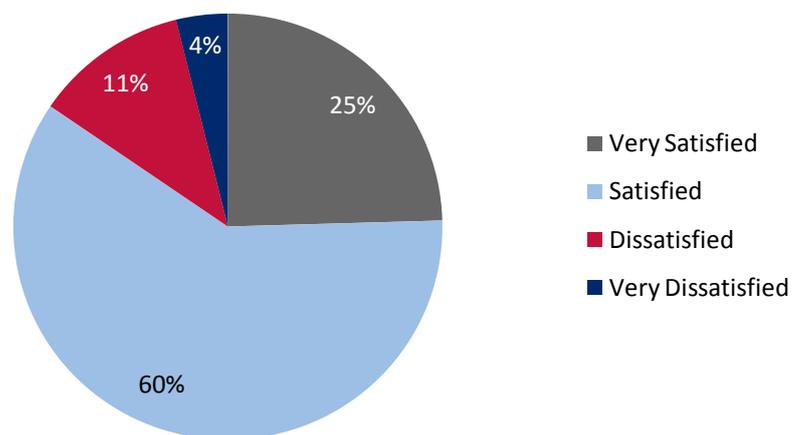


Figure 5-24: Rest of Iraq SME Satisfaction with Government Provision of Security



6. SALAH AD DIN IN FOCUS – AGRIBUSINESSES, CONSTRUCTION, AND MOBILE REPAIR SHOPS

6.1 INTRODUCTION

Three main areas representing the dynamic concentrations of SME businesses in Salah ad Din are farmers, construction companies, and mobile repair shops. The research team examined survey responses with the goal of comparing answers of the representatives from the constituent firms with those of Salah ad Din businessmen in general. Those answers provided analysis with an understanding of the impact of BEE and business level constraints on the SME firms of Salah ad Din at the sector and sub-sector level.

Table 6-1: Three Concentrations of Sub-Sectors and Firms in Salah ad Din

FIRM LEVEL	SUBSECTOR LEVEL	SECTOR LEVEL
Horticulture and Grains	Agriculture	Agribusiness
Contractors and Services	Construction	Construction
Mobile Repair Shops	Transportation	Transportation

Since both the business sectors and the minimum number of interviews were prescribed, and the process only partially randomized, the research advances no claim that the sample represents an actual percentage make-up of these business that exist in Salah ad Din. However, the technique of over-sampling did allow for a broader perspective than otherwise would have been possible and the results may be taken as heuristic and actually representative of what are believed to be the main sub-sectors in Salah ad Din. Additional information about these subsectors had been derived from focus group discussions.

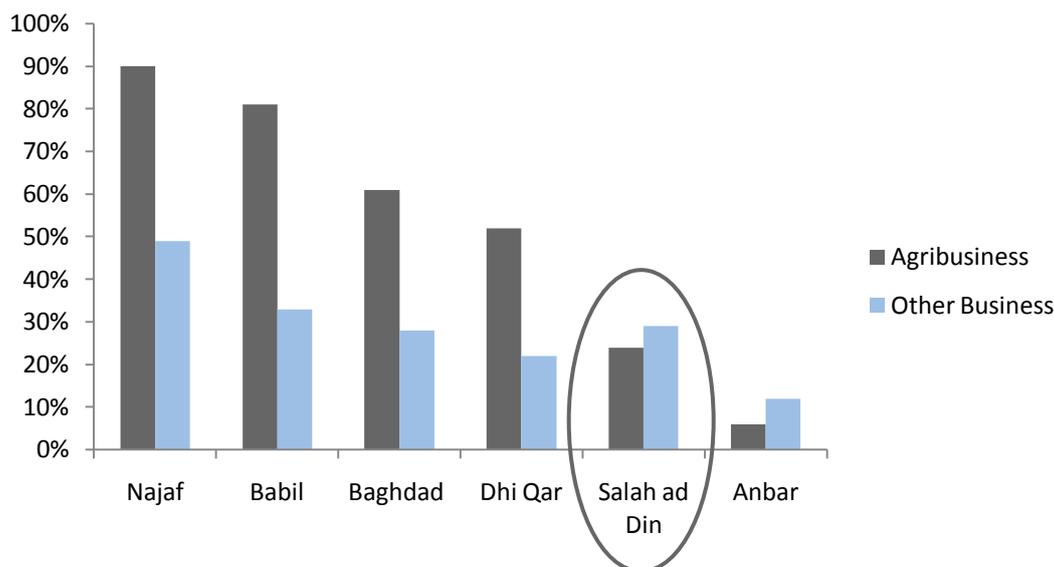
6.2 CLOSER LOOK AT AGRIBUSINESSES [76 INTERVIEWS]

This section contains observations about agribusiness SMEs in the Salah ad Din province. These businesses have been chosen as they represent a significant sector in the economy. The following characteristics of these subsector companies differ from other Salah ad Din SMEs in some fairly significant degree. Characteristics that are shared by agribusiness companies with the rest of Salah ad Din SMEs to the same degree are not highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

6.2.1 SME Formality

Agribusinesses in Salah ad Din are less formal in nearly all aspects. To begin with, they are registered with the government at a lower rate than other businesses in Salah ad Din. In other provinces, agribusinesses have had a significantly higher registration rate, often above 50% (see Figure 6-1 below). The only exception is Anbar, which shares many similar characteristics with Salah ad Din, including ethnic orientation.

Figure 6-1: SME Registration with Government – Provincial Comparison



Other factors also demonstrate greater informality of Salah ad Din agribusinesses. They are more family-owned, for example (see Figure 6-2), and they are less involved in business associations (see Figure 6-3). They are also less organized internally with regards to accounting practices, which will be covered below.

Figure 6-2: Family Ownership

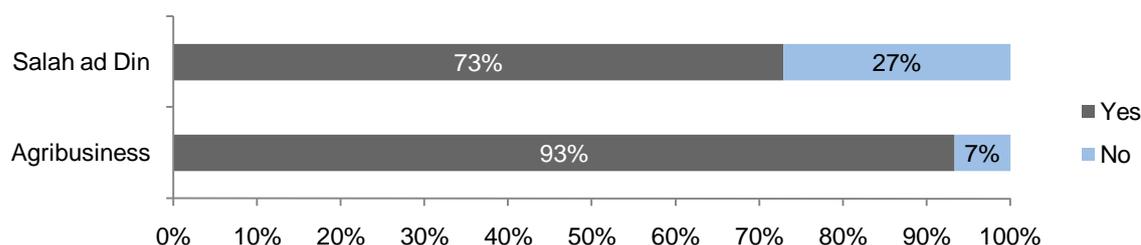
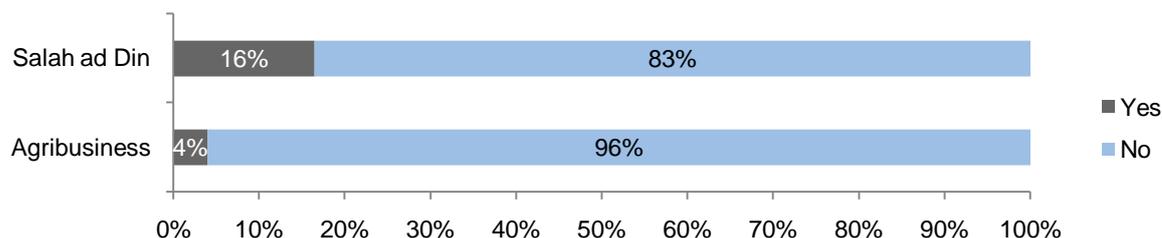
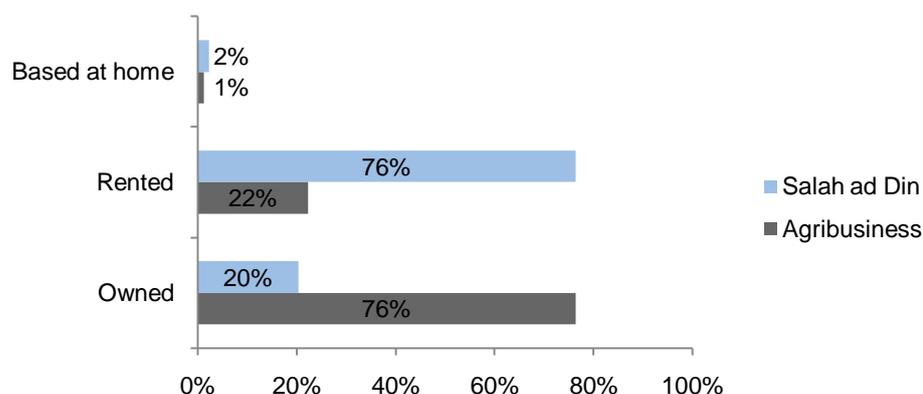


Figure 6-3: Belong to Business Association



The only factor that supports greater formality is a large percentage of businesses that own their business premises (see Figure 6-6 below).

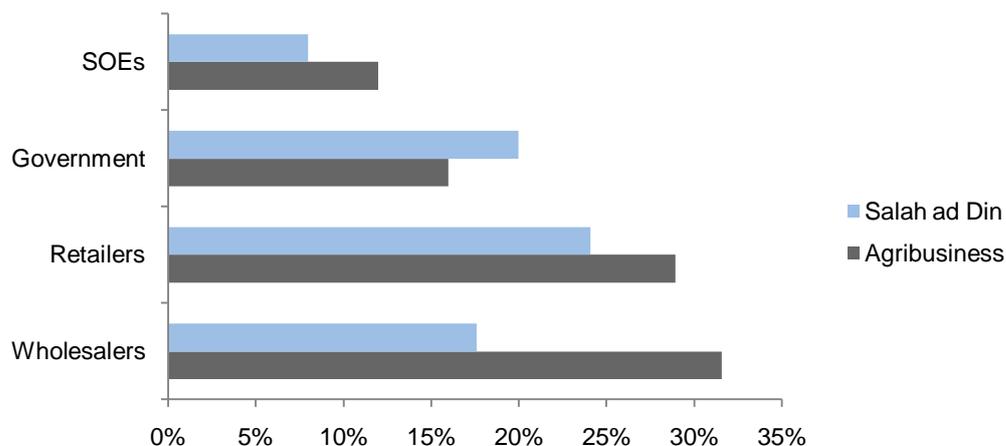
Figure 6-5: Business Premises Location



6.2.2 Customers and Sales

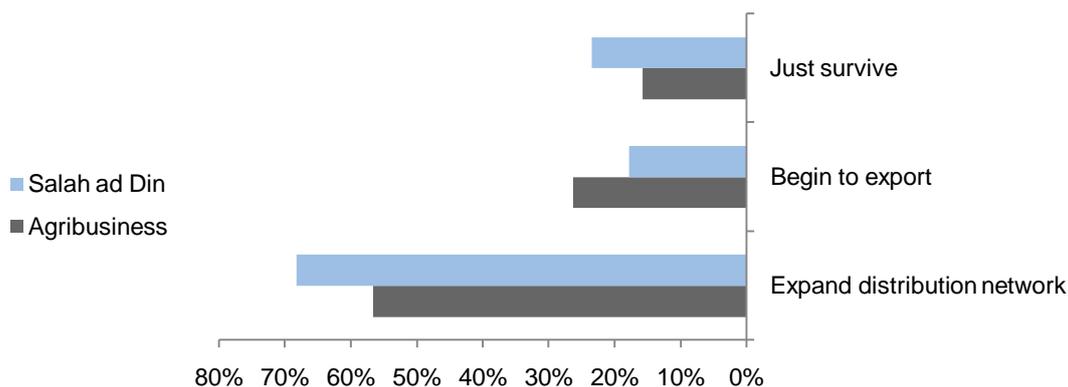
In other provinces, agribusiness sales to government and SOEs were at strikingly high levels. This was not the case in Baghdad, however, and is not the case in Salah ad Din. Sales to SOEs account for only 12% of the main customer base of agribusinesses (vs. 8% for other businesses); and sales to government account for only 16% of main customers, vs. 20% of other businesses who claim government as main customers. Main customers for agribusinesses in Salah ad Din are wholesalers and retailers (see Figure 6-4 below).

Figure 6-4: Whom does your business primarily serve



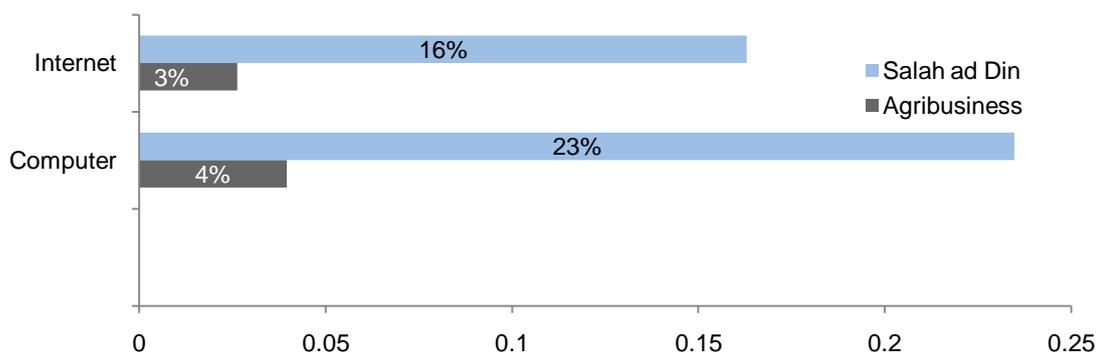
Many agribusinesses are looking to expand distribution networks over the coming years, and some are even looking into exporting (see Figure 6-5 below).

Figure 6-5: Key Business Strategy for the Next Two Years



Most agribusinesses connect to customers via direct marketing (visits) - 71% and referrals - 76%. Internet and other more sophisticated forms of outreach are not used. SME utilization of computers and other forms of IT is very low (see Figure 6-6 below).

Figure 6-6: Technologies to Conduct Business



6.2.3 Accounting and Banking Practices

Very few agribusinesses utilize professional accounting services (Figure 6-7). They also use accounting tools in the form of balance sheets, financial plans and other ledgers to a lesser degree than other businesses do in Salah ad Din (Figure 6-8).

Figure 6-7: Utilization of Professional Accounting Services

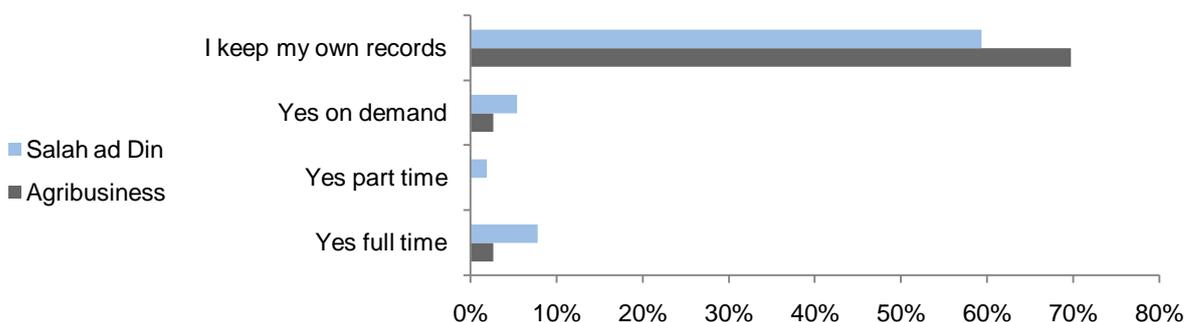
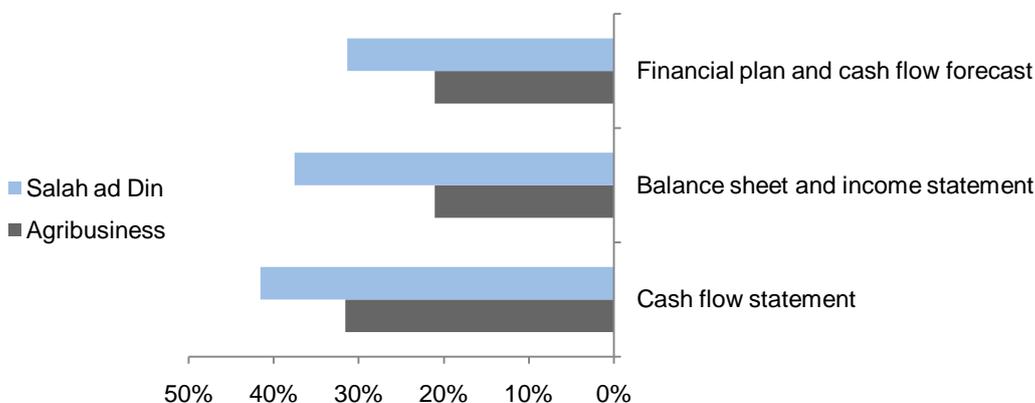


Figure 6-8: Utilization of Accounting Tools



3% of agribusinesses indicated that they hold business bank accounts. 9% of other Salah ad Din businesses claimed the same. From those that hold business bank accounts, 50% indicated they hold an account at a government bank and 25% at a private bank.

Figure 6-9: % of SMEs Holding Accounts at Government Banks

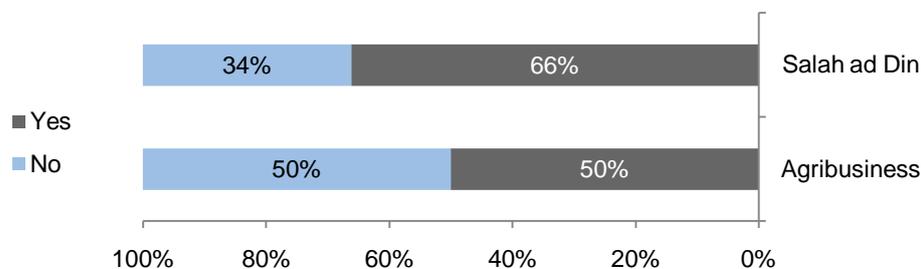
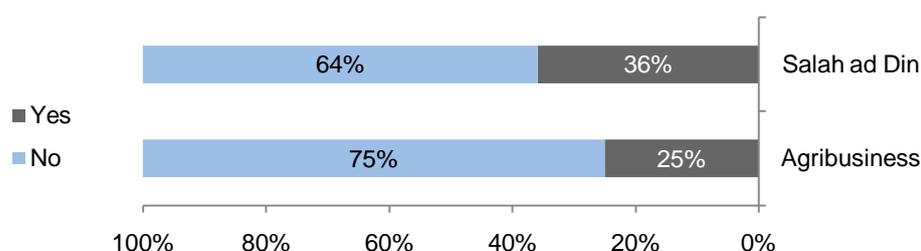
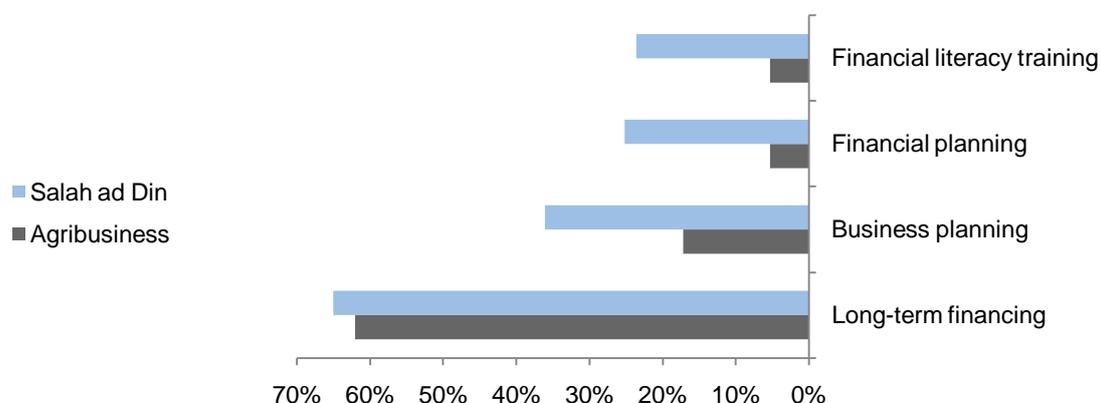


Figure 6-10: % of SMEs Holding Accounts at Private Banks



Not one agribusiness indicated ever having had a loan from a bank or an MFI, while 2% of other businesses in Salah ad Din indicated that they had. There is a demand for long-term financing (see Figure 6-11) to be provided by banks. This is a trend that is repeated in every province and in every sector: low utilization of long-term financing, yet extremely high demand for that service.

Figure 6-11: SME Demand for Value Added Banking Services



6.2.4 Labor Issues

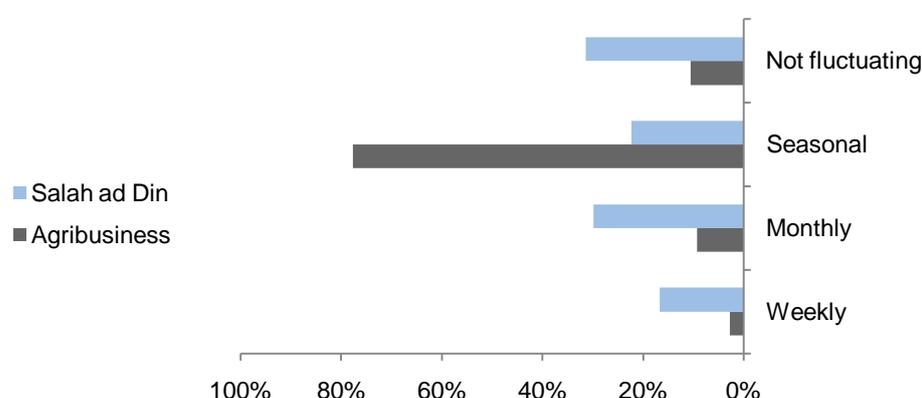
Most concerning of all labor issues to Salah ad Din agribusinesses is inability to locate labor with the appropriate skill sets (see Table 6-2). Second most pressing concern is to be able to pay them. These concerns in order of priority are reflected by the rest of the businesses in Salah ad Din as well.

Table 6-2: Ranked SME Concerns Related to Employment

Issue	Agribusiness	Agribusiness Rank	Salah ad Din Weight	Salah ad Din Rank
Lack of appropriate skill for the required tasks	1.388362	1	1.079142	1
Compensation rates are not justified	1.010621	2	1.043811	2
Unable to find competent supervisors	0.831977	3	0.622433	5
Lack of workplace discipline	0.695593	4	0.770253	3
No issues	0.6	5	0.644915	4
Cost of hiring is too high	0.457288	6	0.502832	6
Social security / tax contributions	0.347797	7	0.360831	8
Lack of motivation unrelated to job issues	0.226667	8	0.295385	9
Cannot freely choose employees	0.216949	9	0.389259	7
Employee absenteeism	0.124746	10	0.167534	10
Cannot retain employees	0.1	11	0.07385	11

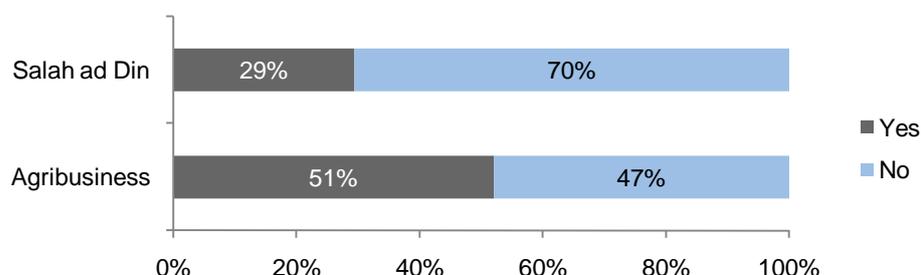
Agribusiness in Salah ad Din is very much seasonal, as would be expected (see Figure 6-12). Salah ad Din, being further north, experiences harsher winters, and agribusiness activity nearly grinds to a halt, although recently greenhouses have begun to be introduced.

Figure 6-12: Seasonality of Business Activity



Due to the seasonal nature of business activity, employment is also, to a great degree, seasonal (see Figure 6-13), although it is clear that employment satability throughout the year is greater than the stability of work.

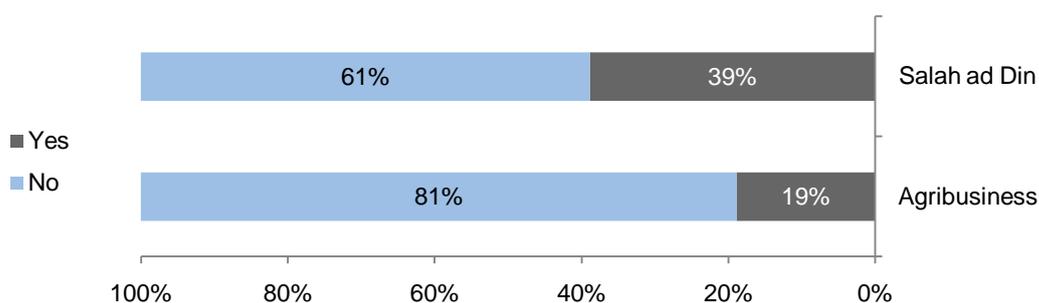
Figure 6-13: Seasonal Employment



6.2.5 BMO Participation

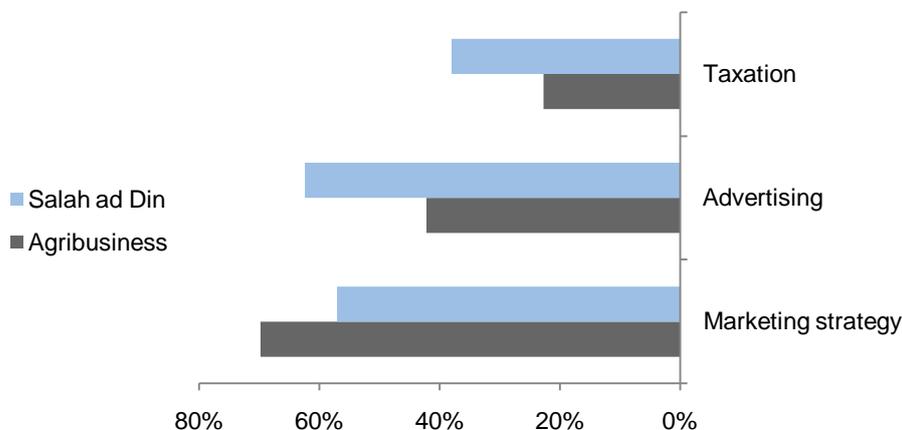
As mentioned earlier, agribusiness membership in BMOs is very low at 4% (see Figure 6-3). Fewer agribusinesses see BMOs as being useful to them as other businesses in Salah ad Din see them (see Figure 6-14).

Figure 6-14: % of SMEs the Believe BMOs are Useful



Inasmuch as there is an interest in BMOs and what they can offer to agribusinesses, a substantial percentage of agribusinesses indicated demand for taxation, advertising, and marketing services (see Figure 6-15). Marketing service demand is 13% higher than among other Salad ad Din companies.

Figure 6-15: SME Demand for BMO Services



6.2.6 Constraints

Agribusinesses experience constraints that are more intense than for other businesses in Salah ad Din in the areas of marketing, competition, operations, and logistics (infrastructure): Figure 6-16, Figure 6-17, Figure 6-18, Figure 6-19, Figure 6-20 below. Water issues and transportation issues are uniquely constraining the agribusinesses. Operational issues have mainly to do with labor quality and maintenance of equipment.

Figure 6-16: Marketing / Sales Constraints

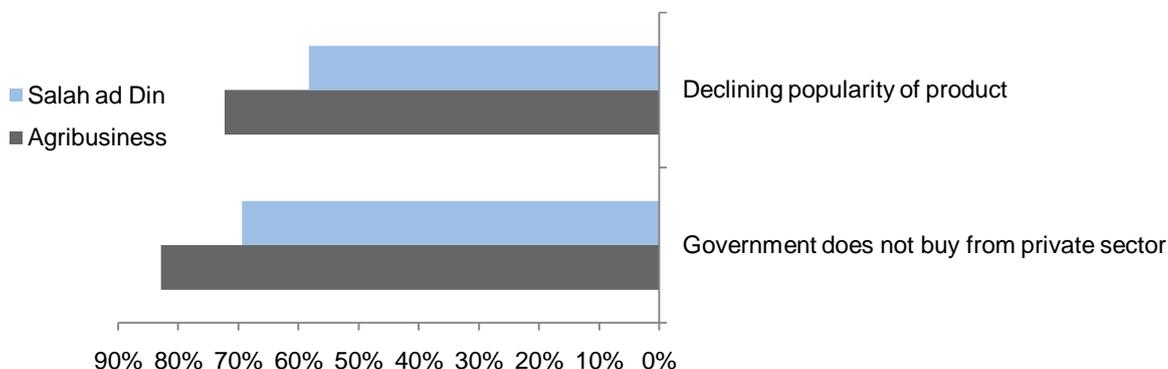


Figure 6-17: Competition Constraints

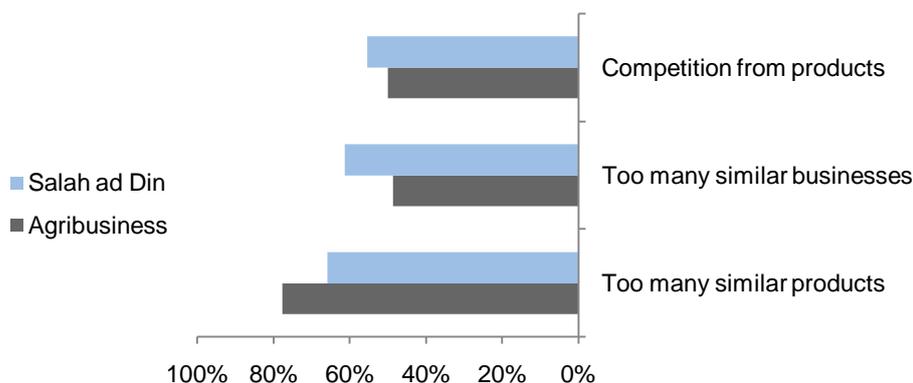


Figure 6-18: Operational Constraints

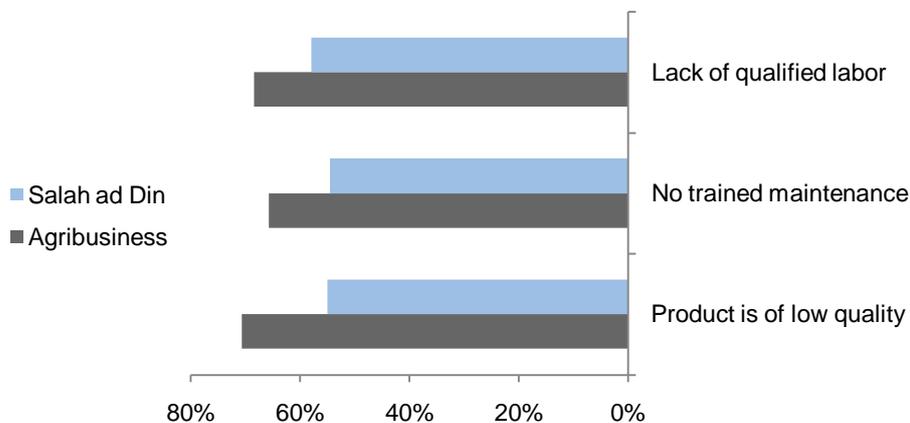


Figure 6-19: Infrastructure Constraints - Water

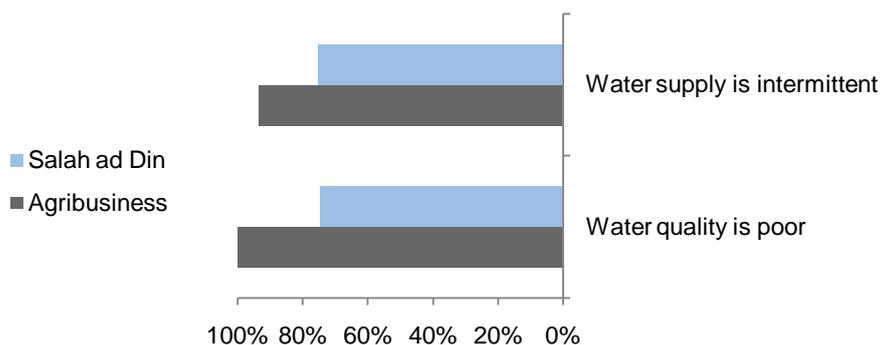
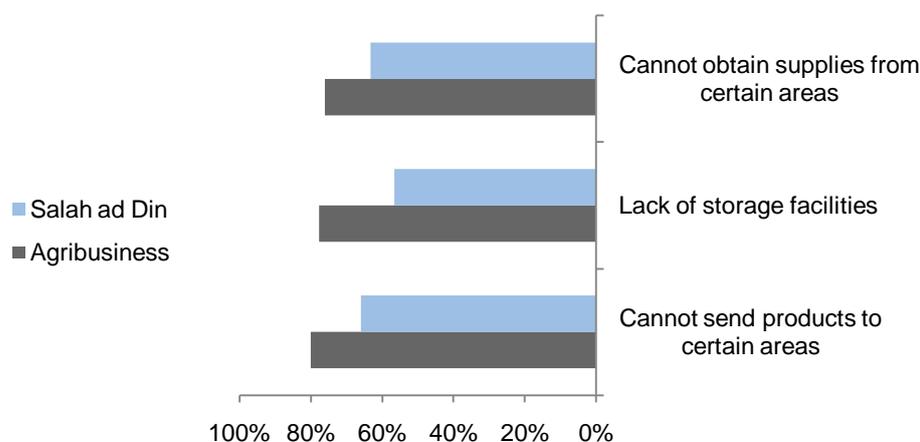


Figure 6-20: Logistical Constraints - Transportation



6.2.7 Salah ad Din Agribusiness Summary

A Review of Constraints

Multi-level constraints experienced by agribusinesses SMEs in Salah ad Din:

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

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

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

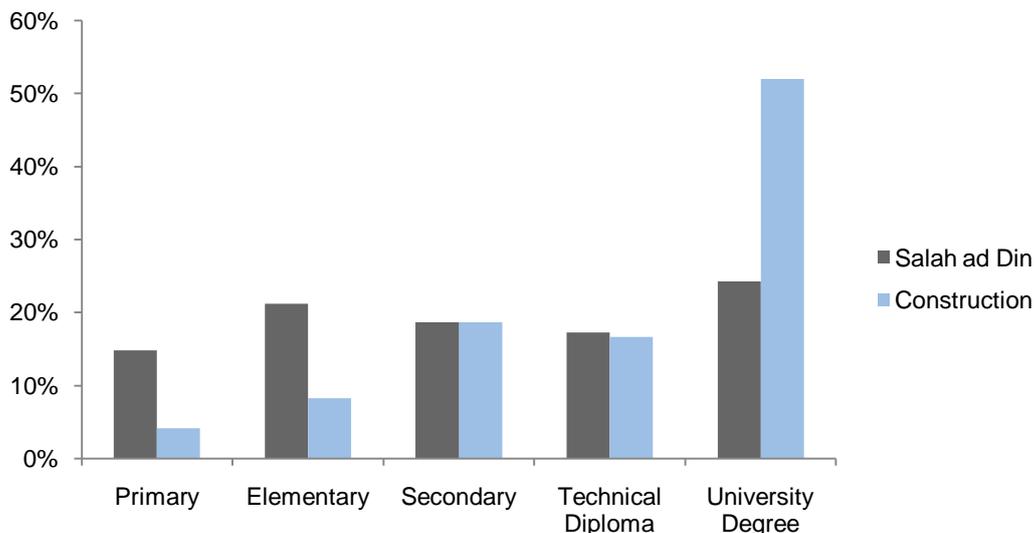
6.3 A CLOSER LOOK AT CONSTRUCTION SMES [48 INTERVIEWS]

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

6.3.1 General Characteristics

Construction SME owners in Salah ad Din exhibit higher levels of education than other SME owners in Salah ad Din (see Figure 6-21).

Figure 6-21: SME Owner Education Levels



Construction companies in Salah ad Din are also more formal than their fellow businesses in the province. They have three times higher levels of business registration with the government (77% vs. 25%) than that that of other businesses (see Figure 6-22), and more of them belong to BMOs (almost 7 times as many – 75% vs. 11%), as depicted in Figure 6-23).

Figure 6-22: Business Registration

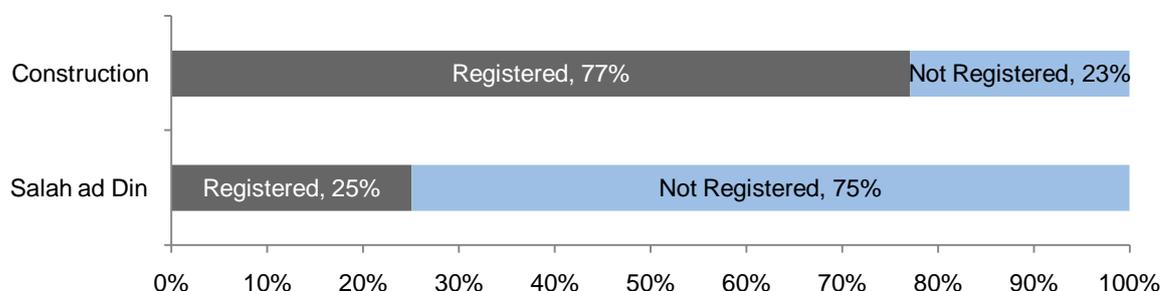
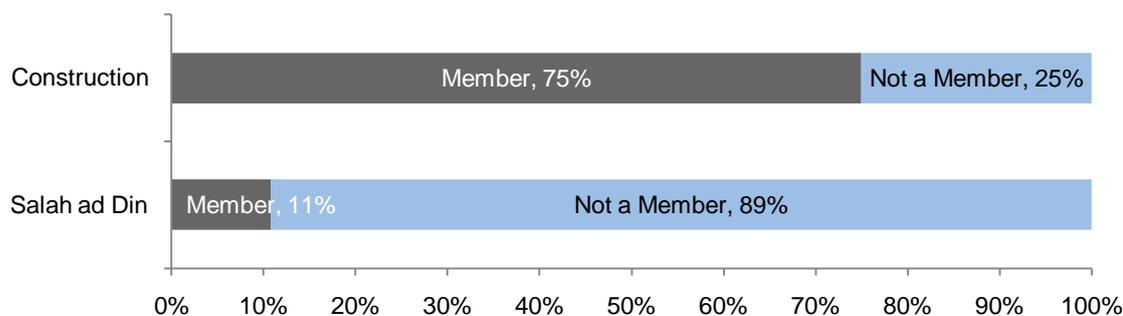
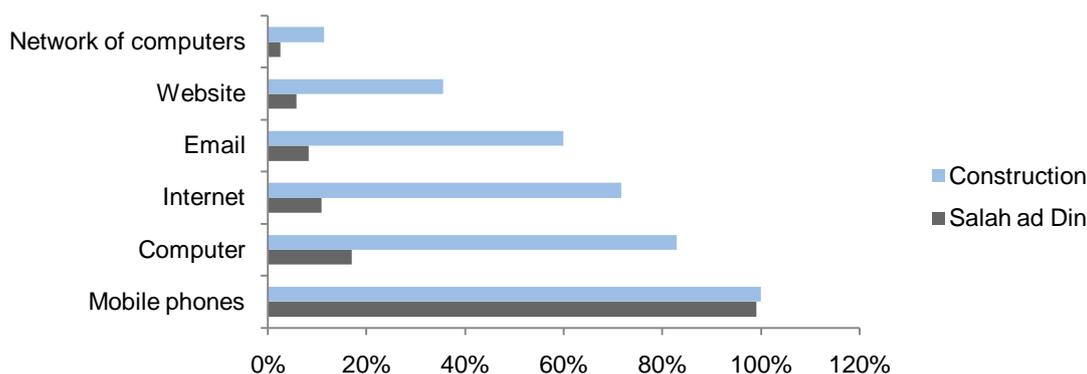


Figure 6-23: BMO Membership



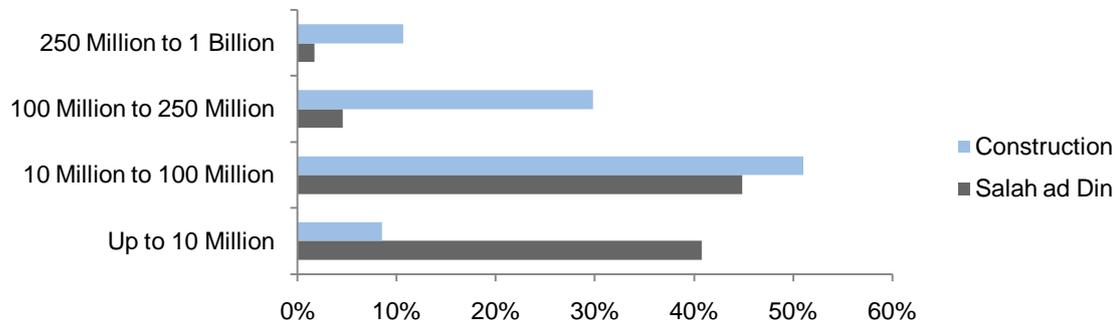
Construction SMEs are more technologically savvy than other businesses in Salah ad Din. Although mobile phone ownership among construction companies equals that among other companies in Salah ad Din, construction companies own and use computers for various web and internet applications at a rate of almost four times that of other Salah ad Din businesses, as depicted below in Figure 6-24.

Figure 6-24: SME Technology Integration



Construction companies, measured by asset base, are larger entities than other businesses in Salah ad Din (see Figure 6-25).

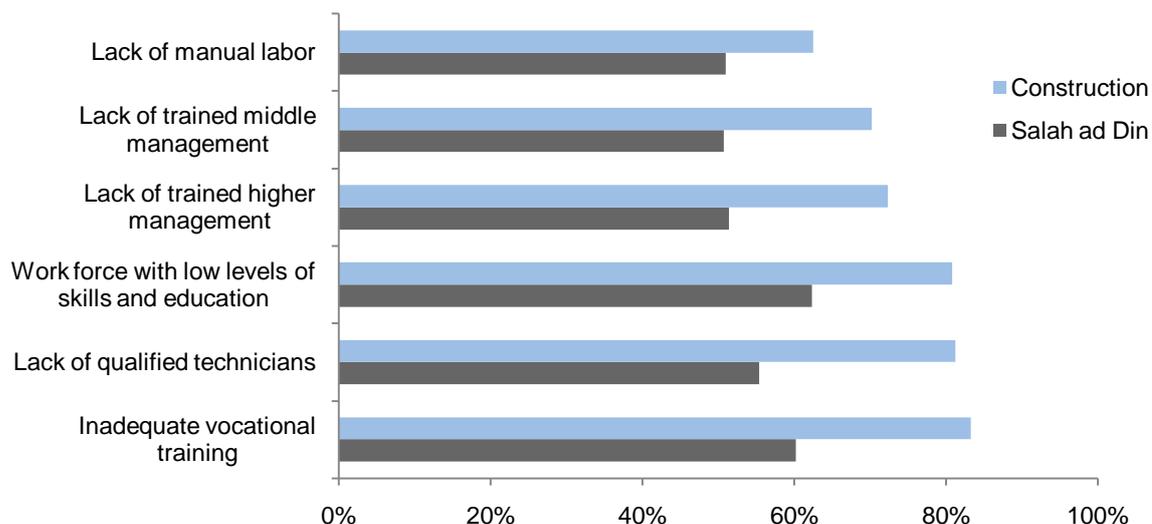
Figure 6-25: Size of SME Asset Base



6.3.2 Labor Issues

Lack of skill levels among in all labor categories is a constraint for a larger proportion of construction companies than for the rest of Salah ad Din businesses (see Figure 6-26 below).

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

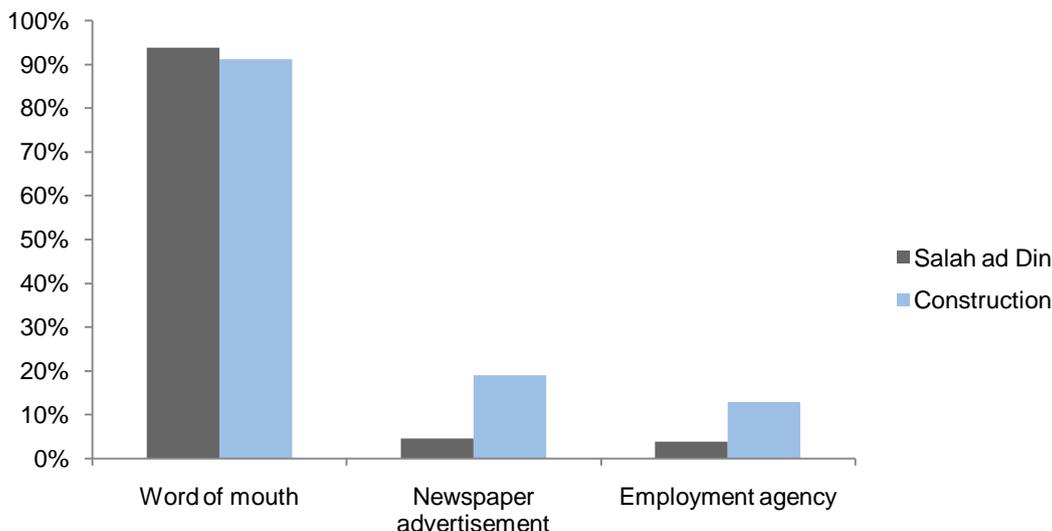


This said, 71% of construction companies say that availability of qualified labor has improved over the last three years, compared to only 53% of other Salah ad Din companies.

Construction companies are a bit more seasonally driven. A slightly higher percentage of construction companies indicate that their business activities vary according to season (36%) compared to other Salah ad Din companies (28%). Consequently 50% of construction companies' employment fluctuates according to season, compared to 30% of other Salah ad Din companies.

Most construction companies rely on word of mouth as a method to locate new employees. However, they are a bit more sophisticated than other businesses when it comes to utilization of other methods of finding employees. Construction companies use employment agencies and advertisements three to four times more often than other Salah ad Din businesses to locate new qualified employees (see Figure 6-27 below).

Figure 6-27: Methods of Finding New Employees



6.3.3 Output and Input (Sales and Supply)

Sales turnover is on the whole much higher among construction companies than among other Salah ad Din businesses (see Figure 6-28). Compared to other businesses, this has remained fairly constant, with over 50% reporting that their sales have neither increased nor declined compared to last year (see Figure 6-29).

Figure 6-28: SME Sales Turnover in 2008 (in Iraqi Dinar)

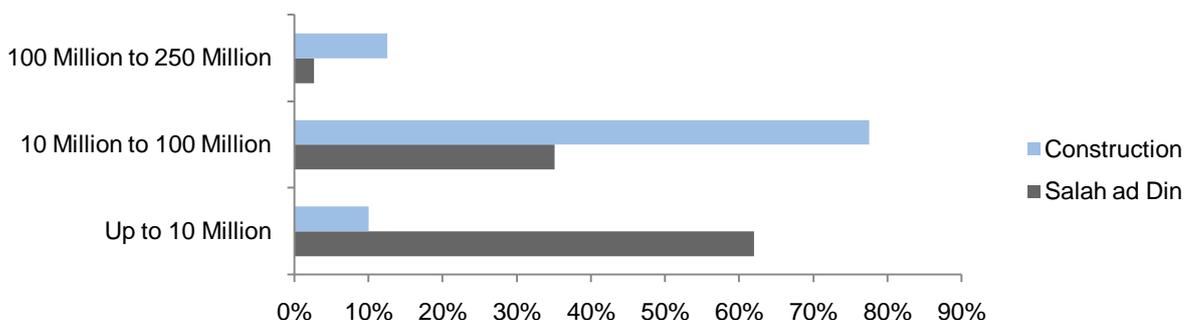
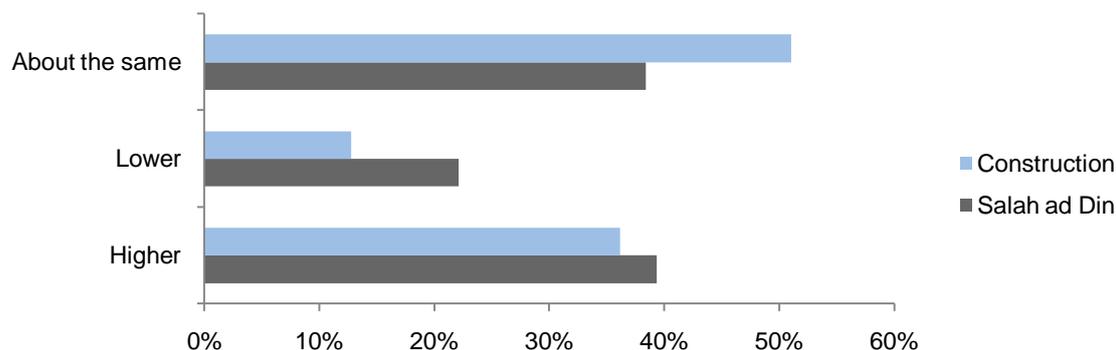
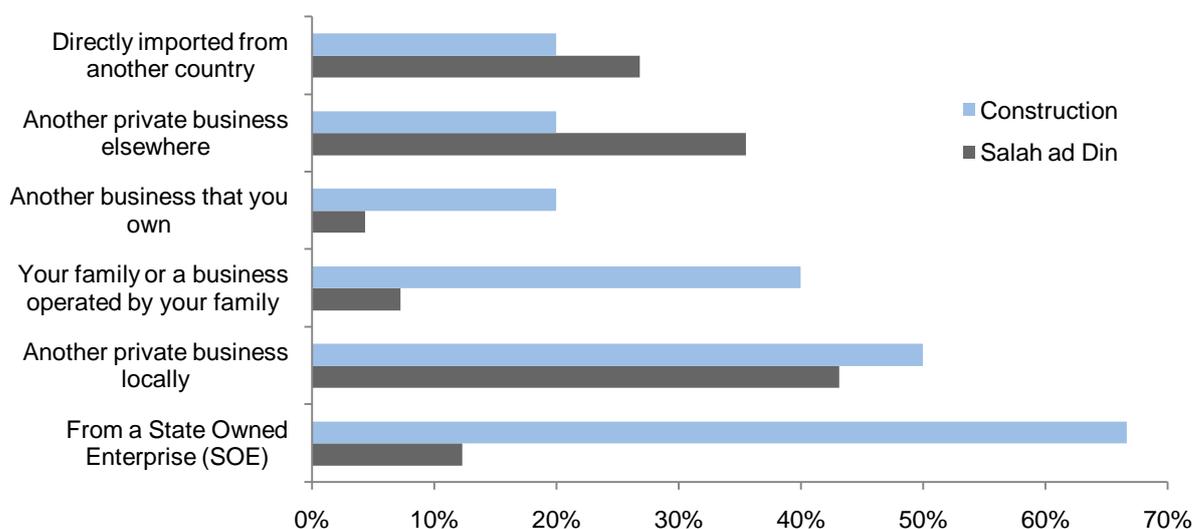


Figure 6-29: Changes in Sales Turnover in the Last Financial Year



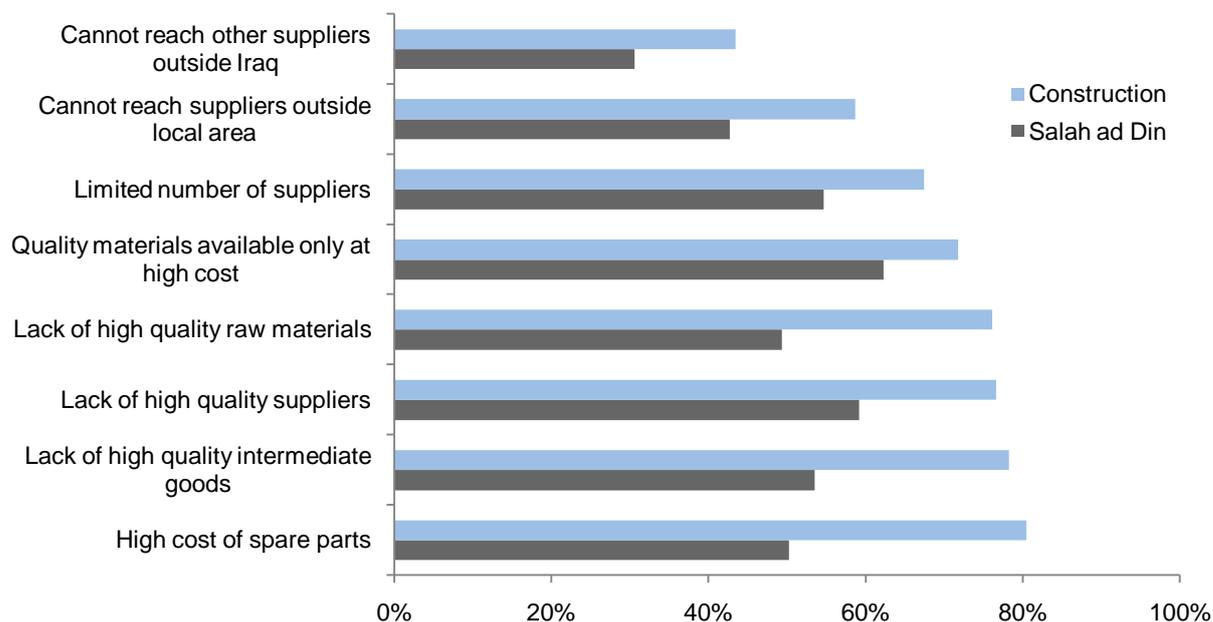
In terms of input, construction companies are fairly unique with regard to the fact that a very large percentage of them obtain materials from state owned enterprises - 67% - more than five times as many as other Salah ad Din SMEs. Following this, purchases are from suppliers that are either owned by the same owner, or the owner's family located in close proximity (see Figure 6-30). Construction businesses look less outside the province for sources of raw materials.

Figure 6-30: Sources of Supply



Most of the issues that construction businesses face pertaining to supply have to do with quality concerns and not being able to access sources of supply. These are all felt to a greater degree by construction companies than other Salah ad Din SMEs (see Figure 6-31 below). This reflects their lack of ability to look outside the tight network of suppliers they already know.

Figure 6-31: % of SMEs Affected by Supply Constraints



6.3.4 Finance, Accounting, and Banking Practices

Construction companies are more sophisticated than their Salah ad Din peers. They use accounting tools to a greater degree in their financial organization (see Figure 6-32), and they use bank transfers, checks and money exchange office transfers at a greater rate than anywhere else in Iraq (see Figure 6-33). Over 40% of construction SMEs make payments through wire transfers, either initiated from a bank or a money exchange office.

Figure 6-32: Percent of SMEs Utilizing Accounting Tools

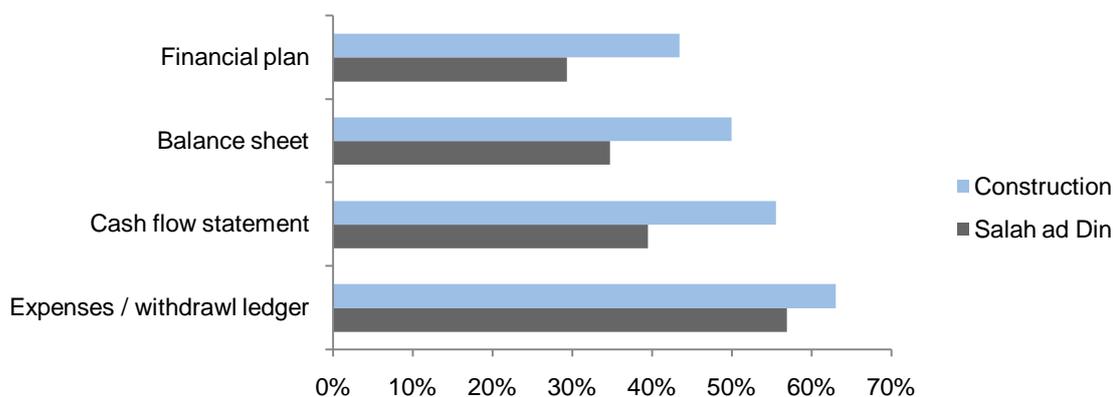
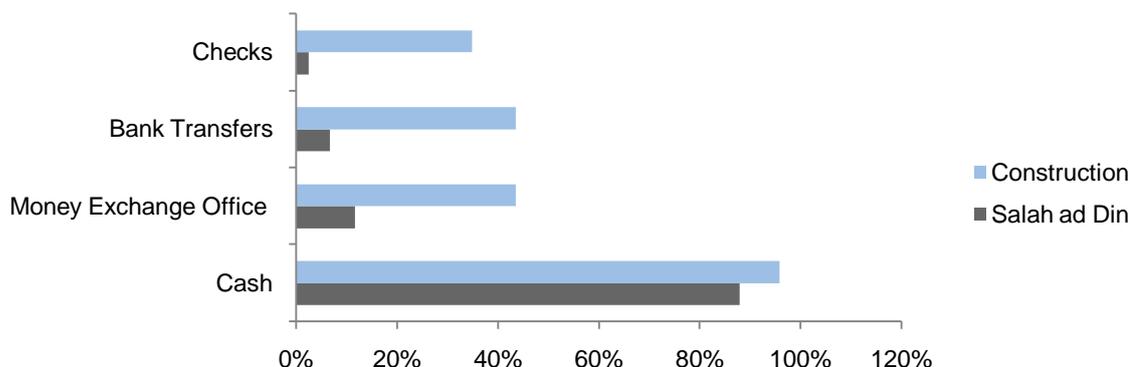


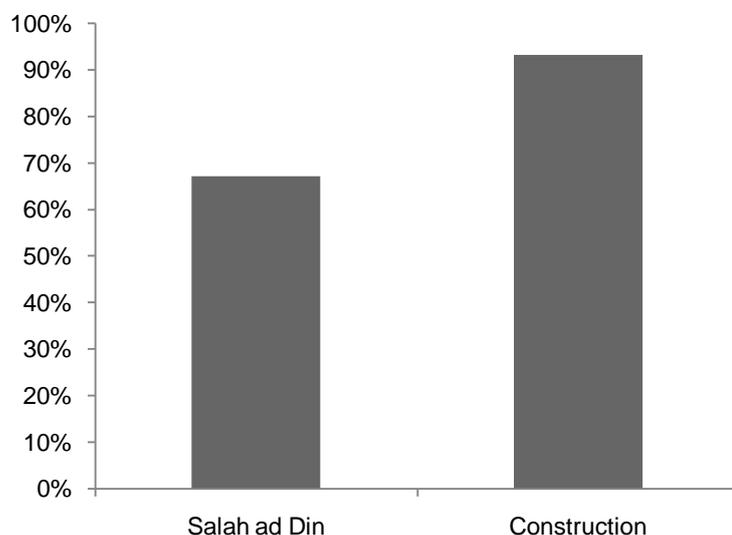
Figure 6-33: Methods of Making Payments



When it comes to banking, construction companies are more organized than other Salah ad Din businesses; 65% of construction companies have a business bank account. 52% hold their accounts at a private Iraqi bank, vs. 22% for other Iraqi companies.

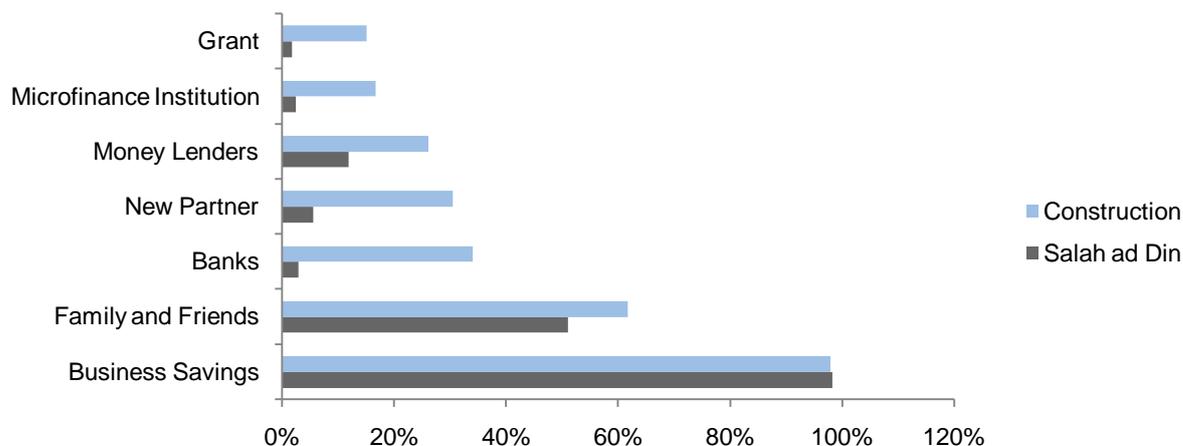
Of those that have accounts, a greater percentage keeping their business affairs separate from their personal (see Figure 6-34 below). 93% maintain this distinction.

Figure 6-34: % of SMEs that Keep Business Accounts Separate from Personal Accounts



When in need of financing, construction SMEs turn to business savings first, then to family and friends, which is typical of all businesses and sectors in Iraq. Construction companies, however, are unique in their tendency to seek out financing from alternate sources to a much greater degree than other kinds of companies are. 34% of construction companies seek financing from banks, 30% from a new partner, and 26% from money lenders (see Figure 6-35).

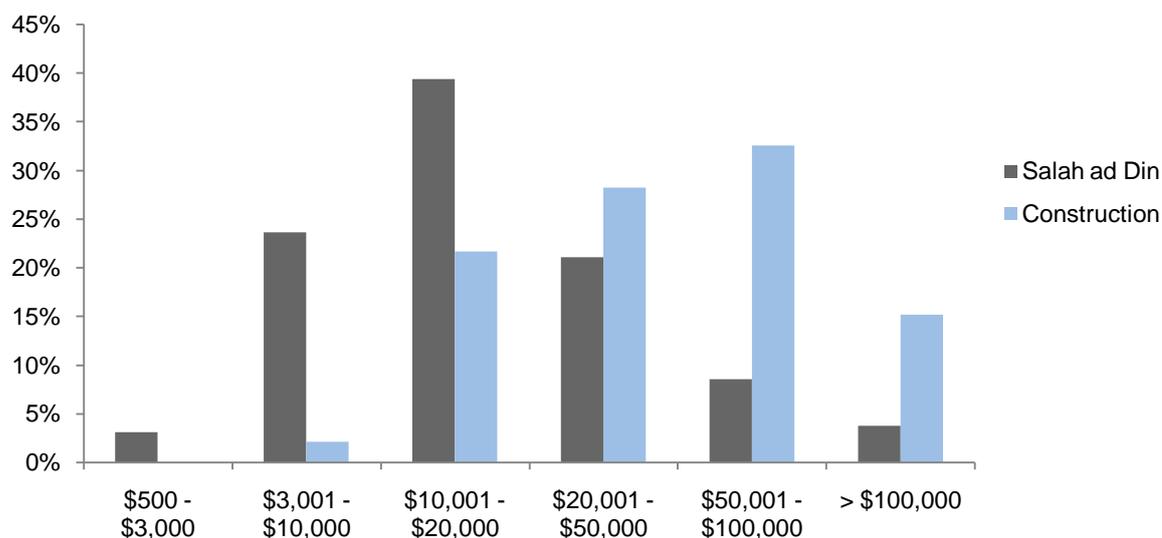
Figure 6-35: SME Sources of Financing



4% of construction companies indicate that they have actually had loans from banks or MFIs. This is compared to 1.5% of the other companies in Salah ad Din. A significant proportion of construction companies is interested in long-term financing - 81%, more than other companies in Salah ad Din (64%)..

Financing needs for construction companies are significantly higher than that of other businesses in Salah ad Din. Most of the need for construction companies lies in the range of \$20k - \$100k, whereas for other companies most of the need is less than \$20k (see Figure 6-36).

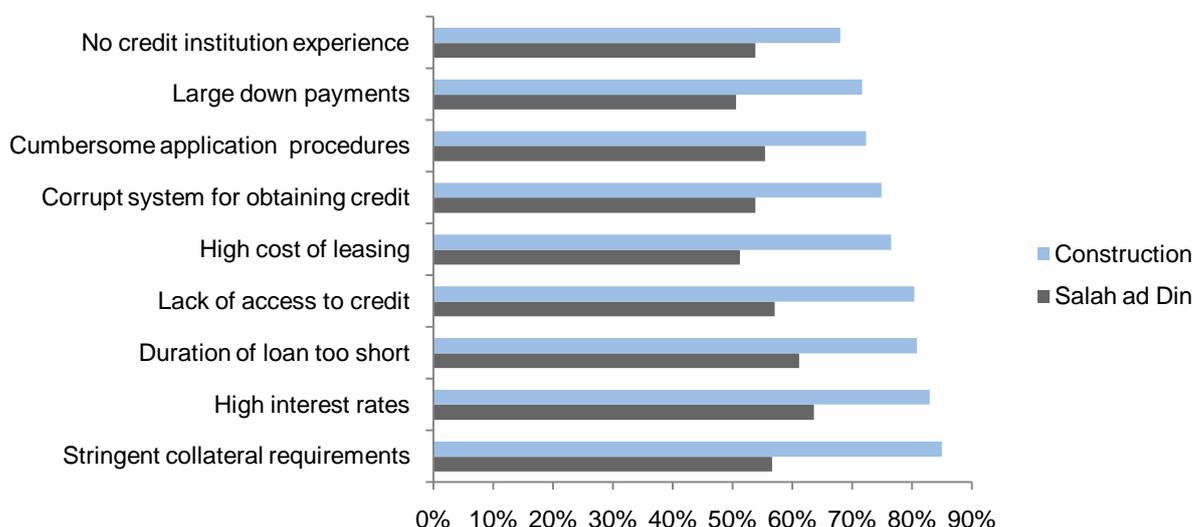
Figure 6-36: SME Financing Needs



Impediments to being able to secure needed financing include high collateral requirements, high interest rates, corruption among lenders, cumbersome application

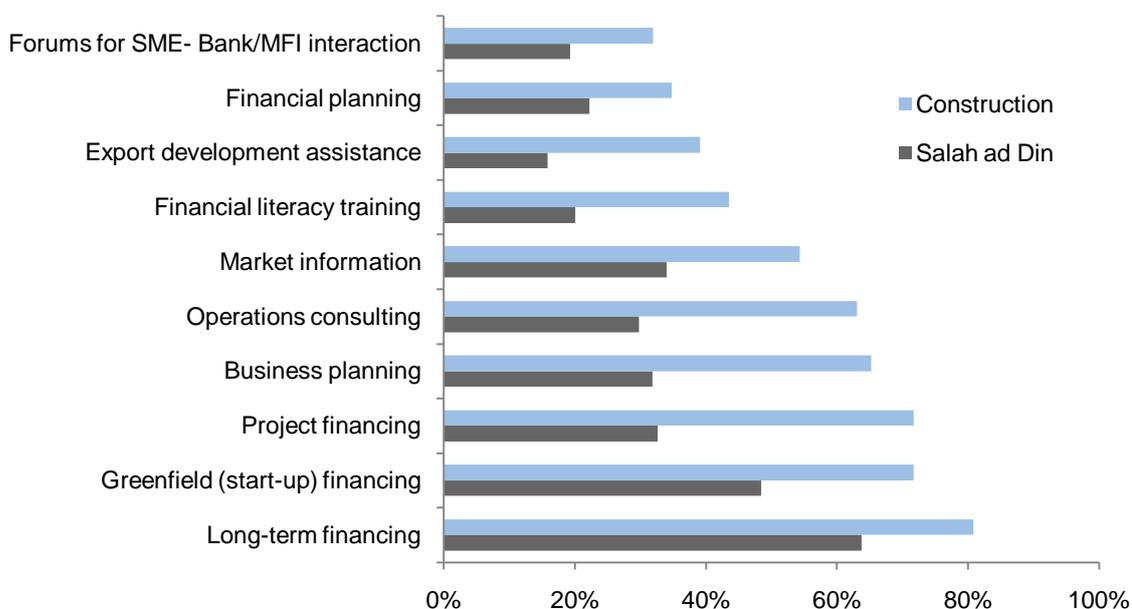
procedures, and lack of experience. All of these are felt to a greater degree than is the case among other Salah ad Din businesses (see Figure 6-37 below).

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



Construction companies turn to BMOs for business advice at a strikingly high rate of 36%. They also seek business advice from consultants, accountants, business mentors and lawyers at rates that are considerably higher in comparison to other Salah ad Din businesses (see Figure 6-39), and even to other businesses in Iraq.

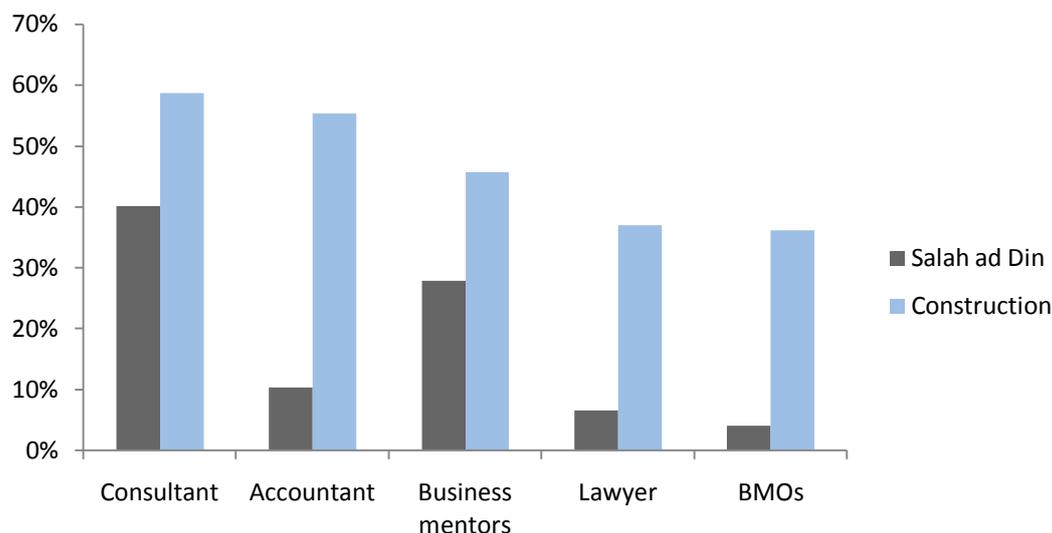
Figure 6-38: SME Demand for Bank Value-Added Services



6.3.5 BMOs

Construction companies turn to BMOs for business advice at a strikingly high rate of 36%. They also seek business advice from consultants, accountants, business mentors and lawyers at rates that are considerably high in comparison to other Salah ad Din businesses, and even to other businesses in Iraq (see Figure 6-39).

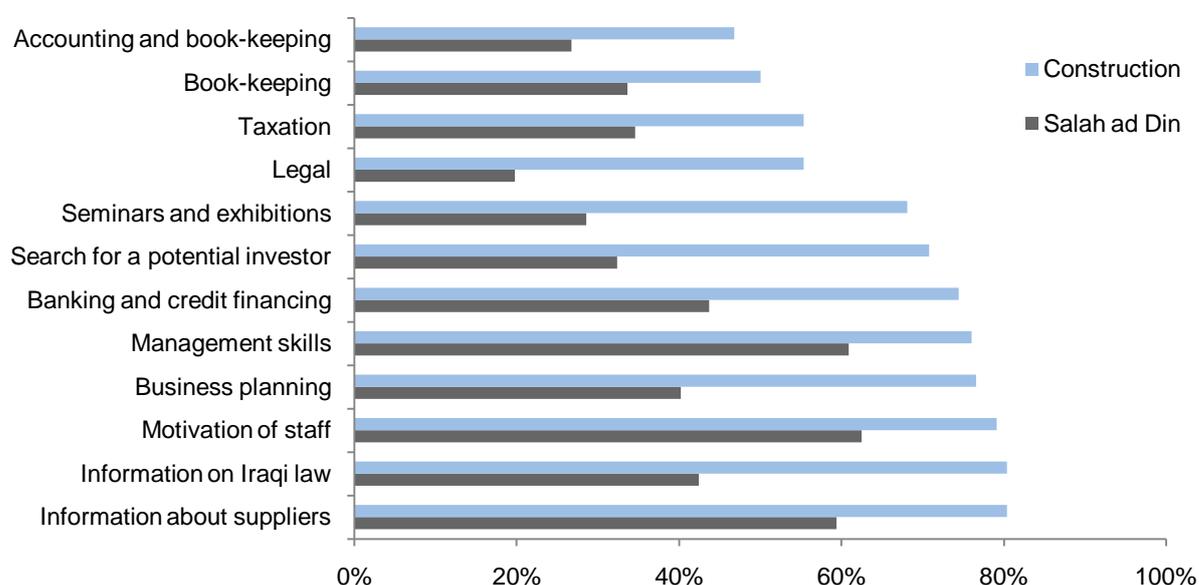
Figure 6-39: Sources of SME Business Advice



54% believe that BMOs play a useful role to support small businesses. This is more positive than other Salah ad Din businesses, only 35% of which share the same belief.

Construction companies cited that what they most need from a BMO is assistance in locating and identifying suppliers (see Figure 6-40 below). This is followed by legal consulting and consulting on management practices, including HR issues, planning, and general management. These and many other services are demanded to a greater degree by construction companies than other businesses in Salah ad Din.

Figure 6-40: SME Demand for BMO Provided Services



6.3.6 Summary of Salah ad Din Construction SMEs

A Review of Constraints

- **Access to Finance** – High interest rates, short loan duration, complex procedures and lack of experience keep construction companies from obtaining financing.
- **Lack of Access to Supply** – Companies are limited to a select group of suppliers and state owned enterprises for obtaining raw materials. This is due to family/tribal reasons and inability to access outside sources.
- **Lack of Skilled and Unskilled Labor** – Salah ad Din construction companies are not able to find employees with the skills that they need.

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

- Loan packaging assistance, helping manufacturers to understand bank requirements and navigate the application procedures.
- Formalization and expansion of management training by BMOs and BDS deliverers, along with marketing and finance training, leads to product improvement. This, in turn, is a source of sustainability for the helping institution.
- Assistance in locating high quality suppliers in other provinces within Iraq and even sourcing outside the country through direct imports.

6.4 A CLOSER LOOK AT MOBILE SHOP SMES

This section contains observations about mobile shop SMEs in the Salah ad Din province. They have been chosen as a special subsector to highlight in this report for the reason that they represent a significant stake in the economy relating to employment and actual production. They form a unique cluster of SMEs.

The following characteristics of these subsector companies are mentioned due to the fact that they are unique, and differ from other Salah ad Din SMEs in some fairly significant degree. Characteristics that are shared by mobile shops with the rest of Salah ad Din SMEs to the same degree are not highlighted in this section, having already been addressed in Chapters 3, 4, and 5.

6.4.1 SME Characteristics

Mobile shop owners are on the average younger than other Salah ad Din business owners (see Figure 6-41). They are also fairly well educated, with over 60% possessing a post-secondary technical degree (see Figure 6-42).

Figure 6-41: Age of Business Owner

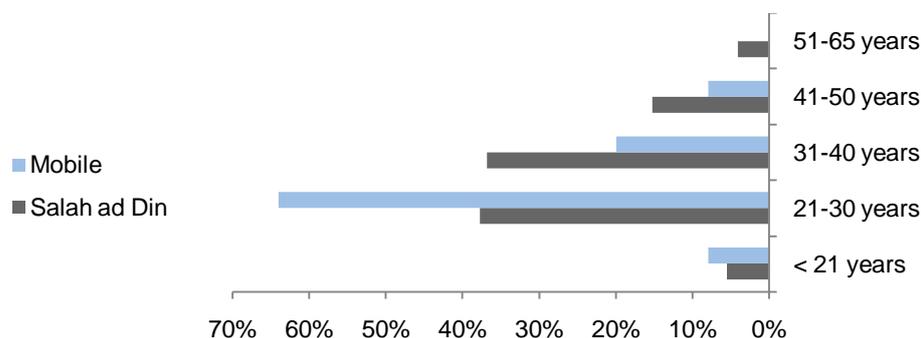
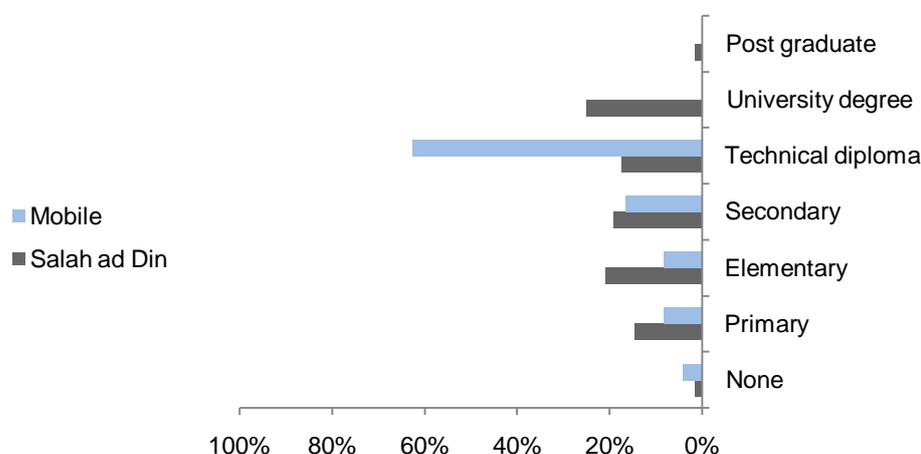
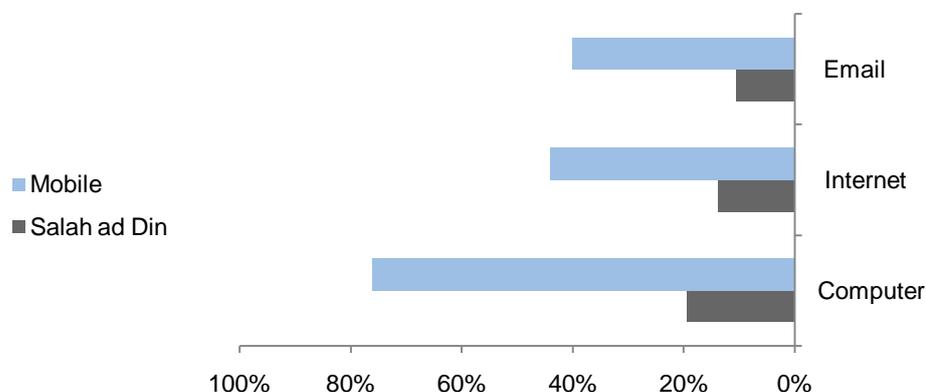


Figure 6-42: Owner education level



Education is reflected in business practices; more than 75% of mobile shop owners have computers, and over 40% of them use email and internet regularly in business (see Figure 6-43).

Figure 6-43: Technologies Used to Conduct Business



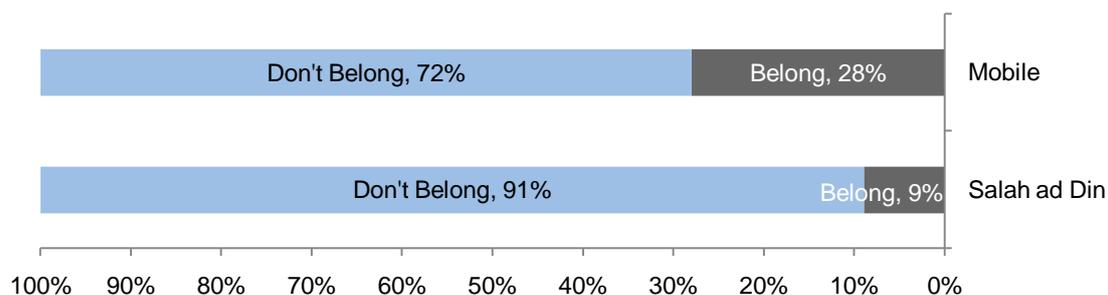
6.4.2 Business Formality

Mobile stores exhibit a greater degree of formality. They are registered with the government to a greater degree, and a higher percentage of them belong to BMOs compared with other businesses in Salah ad Din.

Figure 6-44: Business Registration with Government Agency

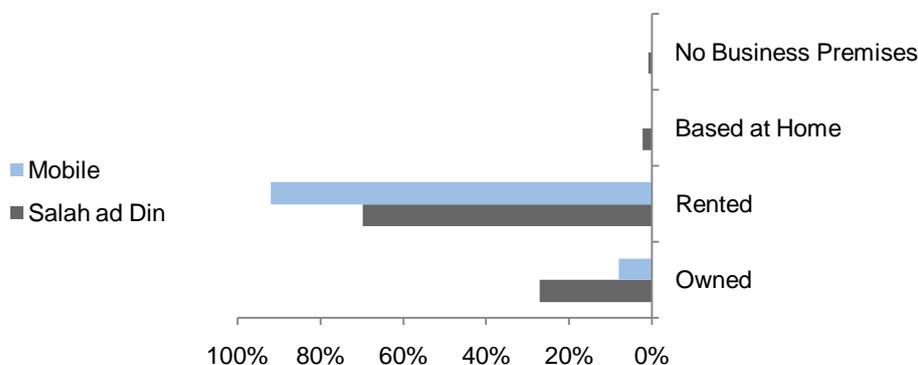


Figure 6-45: BMO Membership



Fewer mobile shop owners own their business premises compared to other businesses in Salah ad Din. 100% of mobile shop owners have a formal business premises (see Figure 6-46).

Figure 6-46: Business Premises Formality



6.4.3 Labor

Mobile shops have more difficulty finding both skilled and unskilled labor, compared to other businesses in Salah ad Din. As may be expected, the difficulty lies in securing skilled workers rather than unskilled workers (Figure 6-47 and Figure 6-48).

Figure 6-47: % of SMEs Able to Find Sufficient Unskilled Workers

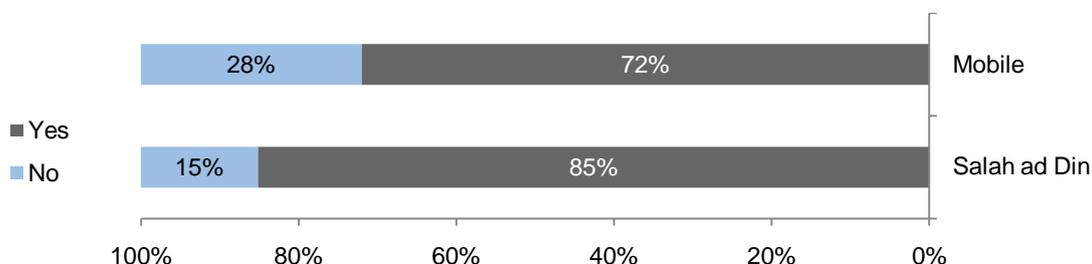
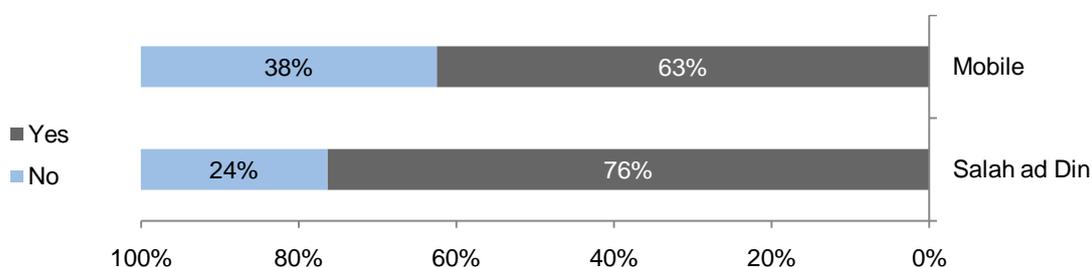


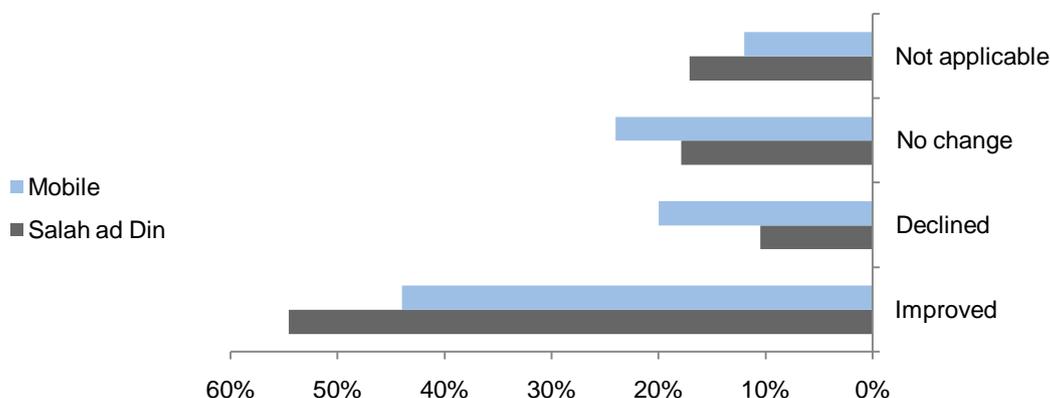
Figure 6-48: % of SMEs Able to Find Sufficient Skilled Workers



44% of mobile shop owners indicated that they believe the availability of qualified labor has improved over the past 3 years (Figure 6-49), fewer than the 55% of other Salah ad Din businesses that fell the same. Moreover, 20% of mobile shop owners

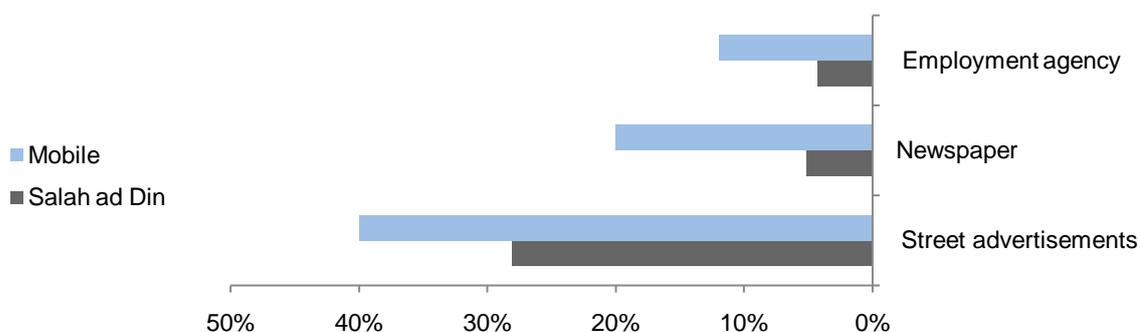
feel that availability of skilled labor has actually declined during this time, a rate almost two times greater than that of other Salah ad Din businesses.

Figure 6-49: SME Perception of Changes in Availability of Qualified Labor Over the Last 3 Years



Like everywhere else, business owners rely significantly on word of mouth (96%) and relationship connections to find new employees. Mobile shop owners however also employ more advanced methods of locating qualified employees, including advertising in newspapers, on the street, and utilizing employment agency services (Figure 6-50).

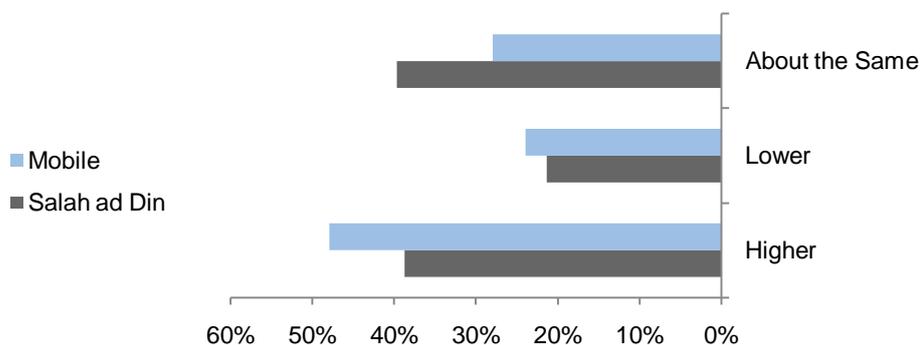
Figure 6-50: SME Methods of Seeking New Employees



6.4.4 Sales, Accounting and Banking

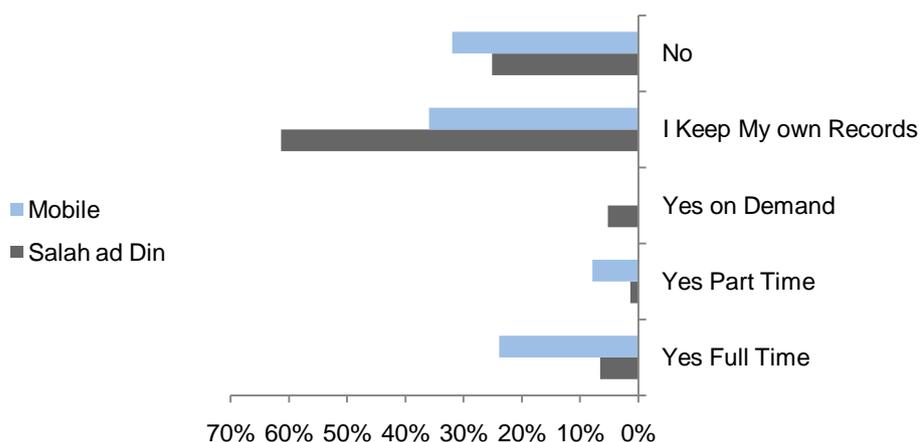
9% more mobile shop owners have reported improvement in sales turnover over the last year (see Figure 6-51): 48% of mobile shop owners vs. 39% of other Salah ad Din businesses.

Figure 6-51: SME Sales Turnover in the Last Financial Year



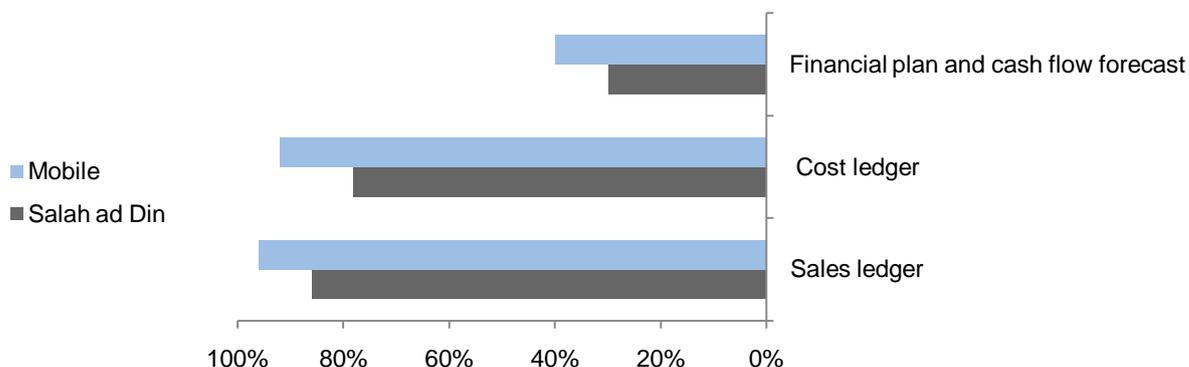
More mobile shop owners utilize the services of accountants than other businesses in Salah ad Din (Figure 6-52). More than three times as many mobile shop owners use full time accountants compared to other businesses in Salah ad Din (24% vs. 7%).

Figure 6-52: SME Utilization of Accountant Services



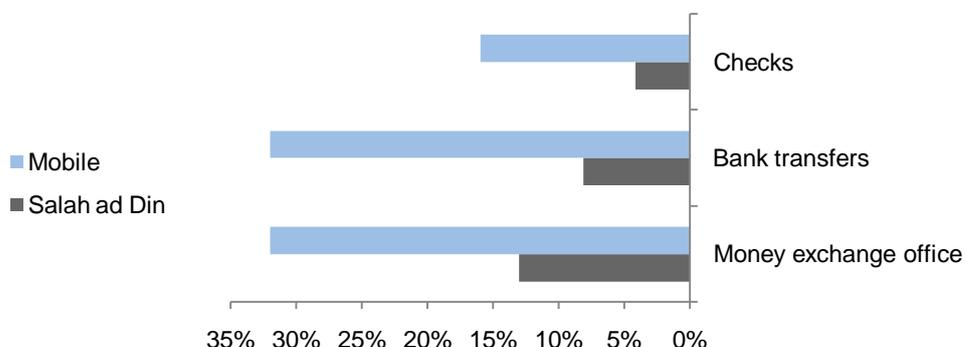
The same holds true for use of accounting tools: more mobile shop owners use them than other businesses in Salah ad Din do (Figure 6-53).

Figure 6-53: SME Utilization of Accounting Tools



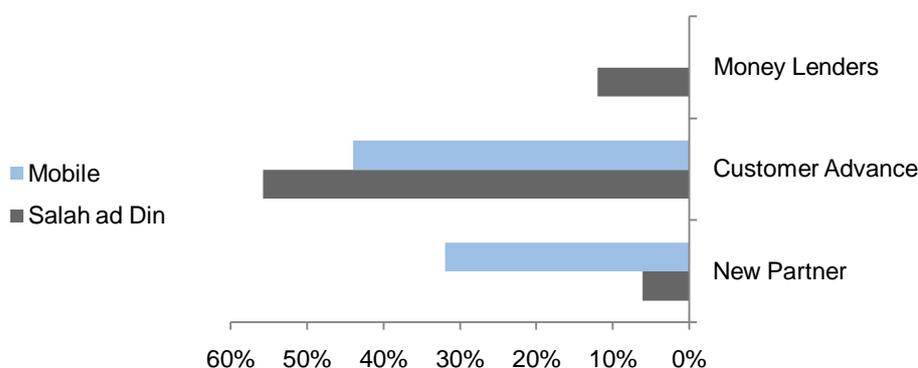
Owing to their greater degree of sophistication in accounting practices, mobile shop owners utilize more sophisticated forms of payment to a greater extent than other businesses in Salah ad Din do (Figure 6-54).

Figure 6-54: Methods Used by SMEs to Submit Payments



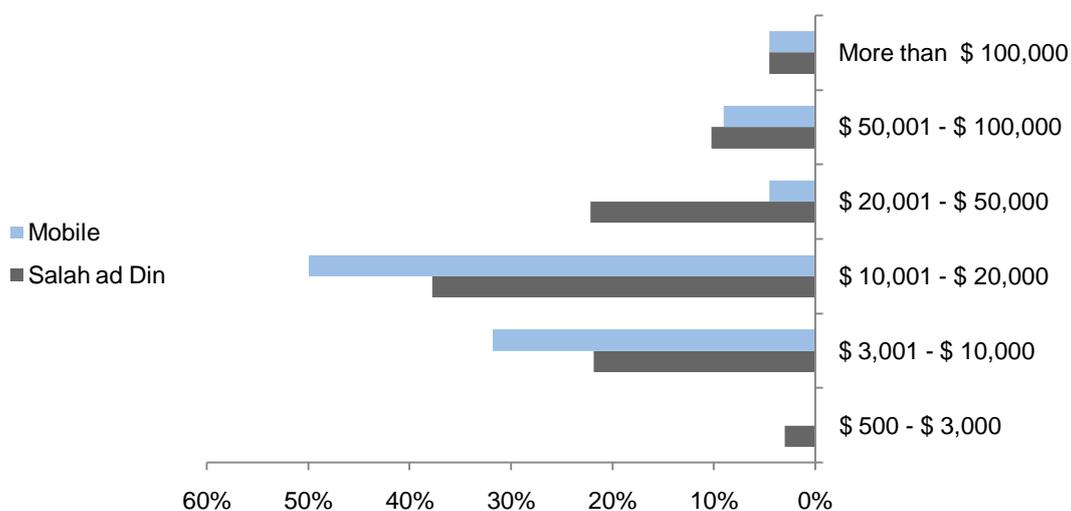
Mobile shop owners are less inclined, however, to seek financing from banks and money lenders – 0% reported having had a loan from a bank or an MFI – and more inclined to bring on a new partner or rely on customer advance payments for purchases they make to fund their business (Figure 6-55).

Figure 6-55: Sources of Financing



Whereas almost 40% of other Salah ad Din businesses have financing needs over \$20,000, mobile shop owners' needs are somewhat less. 50% of mobile shop owners indicated their financing needs to be in the range of \$10k - \$20k, with an additional 30% with needs below \$10k (see Figure 6-56).

Figure 6-56: SME Need for Financing



Despite lower usage of banks for financing, mobile shop owners use banks more than other businesses do in general. 12% of mobile shop owners reported having bank accounts, compared to 8% of other businesses in Salah ad Din. Mobile shop owners utilize other services that banks provide, and lean more to private banks which are better known for providing better services to customers (Figure 6-57). Almost 40% of them use money transfer services, a percentage over twice as high as that for other businesses in Salah ad Din (Figure 6-58).

Figure 6-57: % of SMEs Holding Accounts with a Private Iraqi Bank

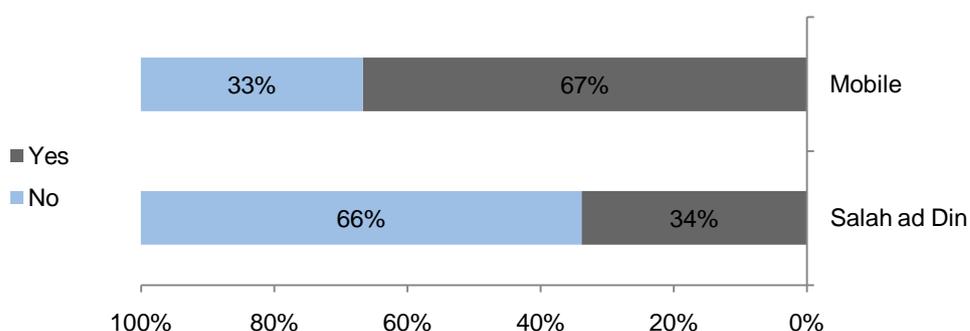
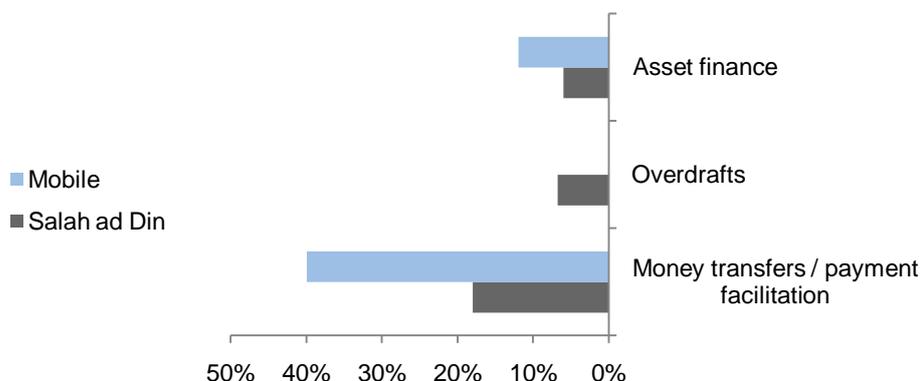
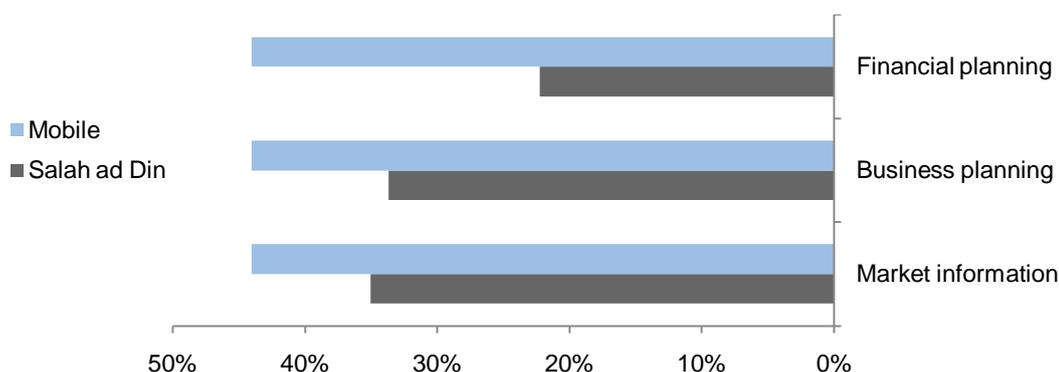


Figure 6-58: Bank Services Utilization



Mobile shop owners are interested in additional services provided by banks, beyond what is already provided and being utilized. Among these are financial and business planning consulting services as well as market information (Figure 6-59).

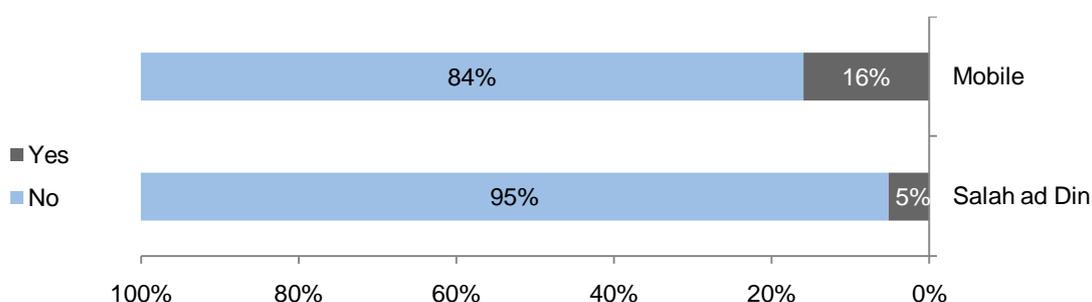
Figure 6-59: SME Demand for Additional Banking Services



6.4.5 BMO Participation

As indicated in Figure 6-45 above, 28% of mobile shop owners belong to a BMO. This may have something to do with their accessibility and BMO outreach, as indicated by Figure 6-60.

Figure 6-60: % of SMEs Contacted by BMOs



Mobile shops are particularly interested in information on foreign companies, company registration and legal issues (Figure 6-61), as well as marketing, business planning, and legal consulting services (Figure 6-62); all to a degree that is higher than the interest of other businesses in Salah ad Din.

Figure 6-61: SME Demand for Services from BMOs - Information

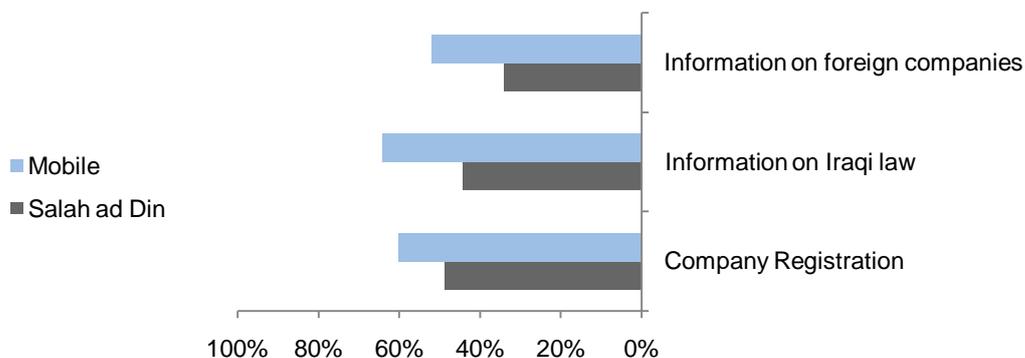
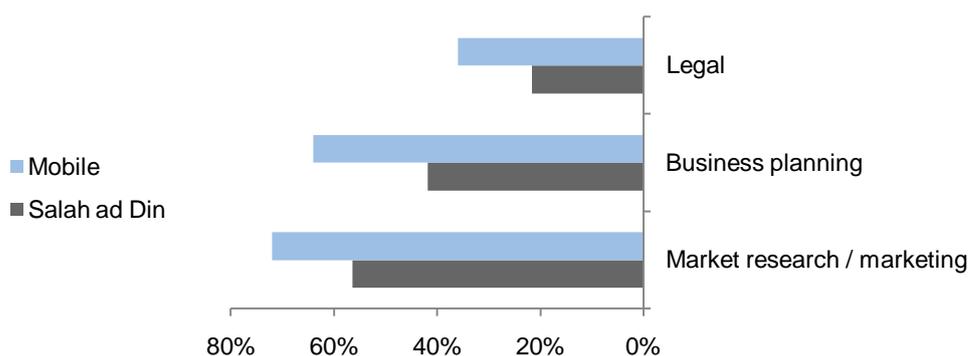
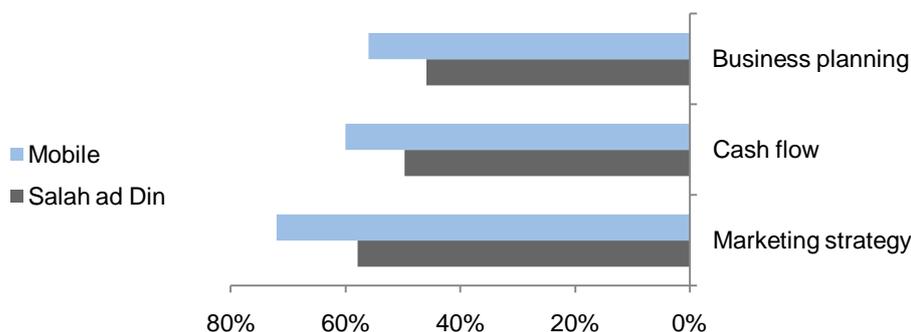


Figure 6-62: SME Demand for Services from BMOs - Consulting



Mobile shop owners are also more frequently interested in training than other businesses in Salah ad Din. Particular areas of interest to them are business planning, cash flow management, and marketing (see Figure 6-63).

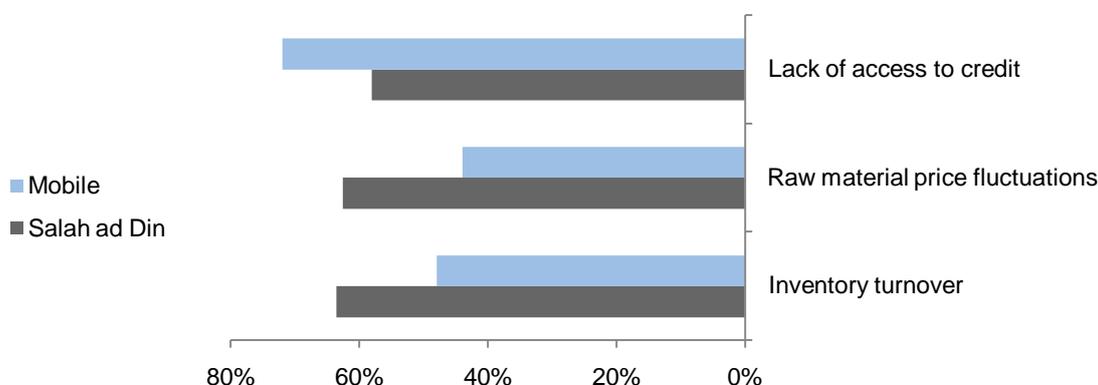
Figure 6-63: SME Demand for Services from BMOs - Training



6.4.6 SME Constraints

Particular areas where mobile shop owners are more constrained than other businesses in Salah ad Din include financial, HR, marketing, and exchange rate / inflation issues. With regard to financial constraints (Figure 6-64), access to credit is an issue that is felt by mobile shop owners to a greater degree than by other Salah ad Din businesses.

Figure 6-64: Financial Constraints



Regarding HR constraints, the employment issues mentioned above with respect to greater unavailability of both skilled and unskilled labor are the major issues (see Figure 6-65). Unique marketing constraints include declining popularity, advertising shortcomings, and ability to access new customers (Figure 6-66).

Figure 6-65: HR Constraints

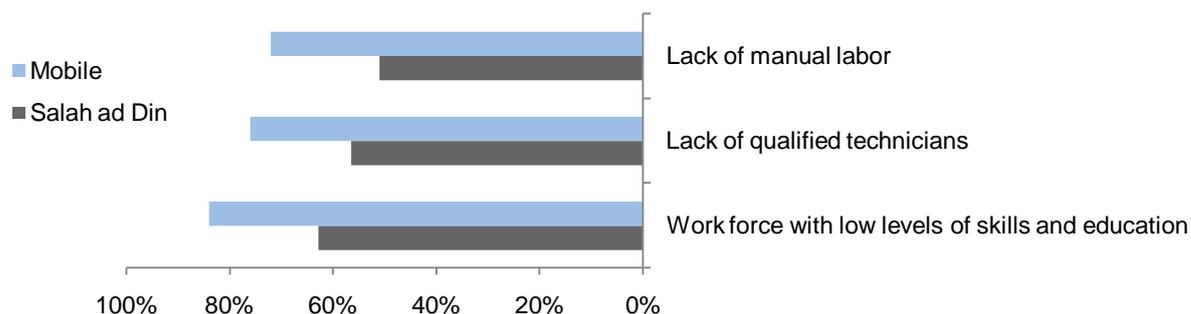
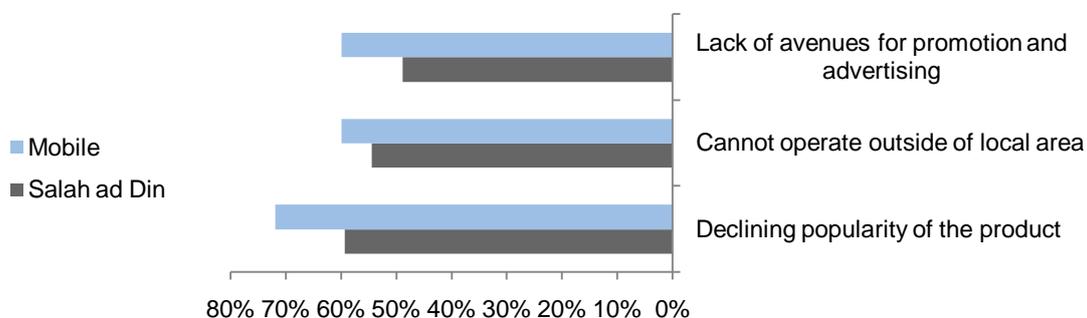
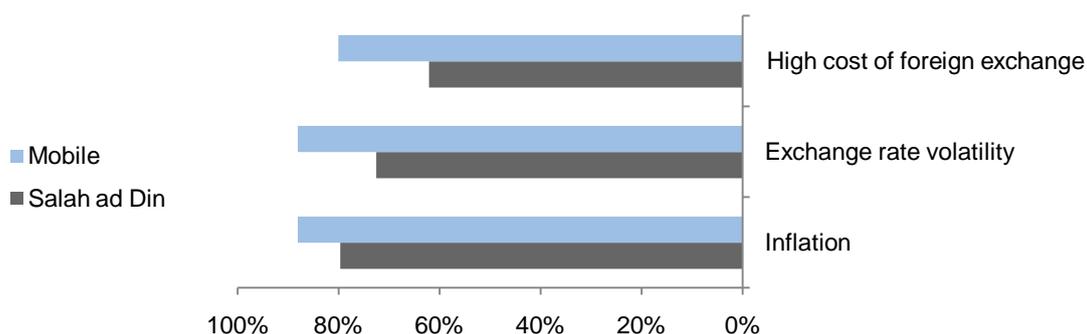


Figure 6-66: Marketing / Sales Constraints



Business enabling environment constraints having to do with exchange rates and inflation affect mobile shop owners more than other businesses in Salah ad Din (Figure 6-67). The reason is because all mobile shop products are imports, and profit margins are affected by even the slightest change in currency.

Figure 6-67: Macro and Monterey Constraints



6.4.7 Summary of Salah ad Din Mobile Shop SMEs

A Review of Constraints

- **Access to Finance** - high interest rates, short loan duration, and stringent collateral requirements affect most mobile shop SMEs as severe or mild. Overall access to credit, corruption, cumbersome application procedures, and lack of experience were also significant factors.
- **Access to New Markets** – Mobile shops lack sufficient contacts, mobility, and information needed in order to access new markets.
- **Competition** – Competition that these firms face among each other and with other imported products is strong.
- **Skilled and Unskilled Labor** – Labor with the right qualifications and at the right cost is difficult to find.
- **Inflation and Exchange Rates** – Volatility in these areas reduces profits for business owners.

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

- Aggressiveness and diversification in financing represents an opportunity at the firm and sector level. An intermediary can help prepare applications for bank loans, can help introduce potential collaborators in trade relationships, or can facilitate payment support from suppliers.
- Marketing consultation services in the areas of promotion and advertising as well as product differentiation strategizing.
- Employment services in order to supply business owners with needed technical qualifications.

7. BEE AND FIRM LEVEL OPPORTUNITIES

7.1 ENABLING ENVIRONMENT

7.1.1 Regulatory Reform

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

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

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

7.1.2 Private-Public dialog

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

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

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

7.2 SECTOR-SPECIFIC

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

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

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

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

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

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

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

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

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

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

7.3 FIRM-LEVEL

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

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

7.4 TABLE OF INTERVENTIONS

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

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

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

8. APPENDIX 1: FOCUS GROUP SUMMARY REPORTS

8.1 SALAHADDIN GROUP REPORT #1

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Agricultural / Cattle **Date:** 1/9/2009

Table 1-1: Focus Group #1 Participants

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

8.1.1 Business Enabling Environment Constraints

- There are not enough different cattle breeds in local markets, nor are there specialized companies that can supply high-quality breeds. Thus, breeders must resort to using whatever cattle are available locally, which tend to be of poor quality and unsuitable for breeding.
- There is not enough fortified fodder, and local companies cannot produce enough to meet demands. Moreover, green local fodder is too expensive for most breeders, and the cattle yield does not cover the cost of local fodder since the cattle are low-quality breeds.
- There are not enough veterinarians in the region and no periodic check-up programs. When a problem arises, it is often too late for the veterinarian to address it properly, and the animals suffer as a result.
- The lack of electricity directly affects breeders, who need operational water pumps to irrigate fodder fields. Using diesel bought on the black market to power generators adds to the costs of breeding cattle.

- The unavailability of electricity also affects consumers, who wish to purchase large amounts of meat but are unable to store it in freezers.
- Flooding the local market with imported dairy products creates competition for local dairy farmers.
- Cheap veterinary medicines are ineffective and of questionable origin, but those from trusted sources are expensive and not affordable for breeders.

8.1.2 Firm-Level Constraints

- There is no clearly defined mechanism for marketing cattle, though breeders stated that marketing is done directly through personal contact with local butchers. Some butchers both raise and slaughter cattle.
- Artificial insemination services, even where available, are not helpful as breeders are not informed on this issue.
- Breeders cannot verify the health or pedigree of the cattle at the time of purchase because there are no written records, and as a result, some breeders suffer losses when animals die prematurely.
- Stealing and smuggling cattle out of the country leads to higher costs for cattle and meat.

8.2 SALAHADDIN GROUP REPORT #2

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Agricultural / Farming **Date:** 2/9/2009

Table 1-2: Focus Group #2 Participants

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

8.2.1 Business Enabling Environment Constraints

- The high salinity of ground water causes problems in greenhouse and olive orchard production. This water is often the sole source for irrigation, as there are not enough irrigation systems to channel water from the Tigris River.
- Ground water also clogs drip irrigation systems because of its salinity content.
- There are not enough vegetable seeds suitable for greenhouse cultivation in the region, and it is expensive to purchase these seeds from other regions.
- Chemical fertilizers are costly yet are also often of poor quality.
- Flooding the local market with imported fruits and vegetables leads to lower prices for consumers, making it unprofitable to produce these locally.
- The lack of electricity directly affects farmers, who need operational water pumps to irrigate their fields. Furthermore, generators are inefficient, and using diesel bought on the black market adds to the costs of their activities.

8.2.2 Firm-Level Constraints

- Greenhouses lack heating systems, without which the crops can freeze during the cold weather. These systems are available locally, but most field owners cannot afford them.
- The lack of olive presses makes it difficult for orchard owners to expand the scope of this activity, especially since sending their olives to be pressed in remote areas (such as Mosul) adds to their economic burdens.

- There is little awareness of agricultural services relating to pest control, especially for greenhouses, and pesticides that are available are ineffective and costly.
- There is not enough funding available for farmers to purchase and maintain greenhouses or drip irrigation systems for olive orchards. In some cases, these materials have been supplied by local Provincial Reconstruction Teams from the U.S. government and by humanitarian agencies; there are also several sources for them in the local market, but they are expensive.
- Field owners are willing to borrow money in order to develop their business, but they will not accept loans from banks that charge interest, as they consider this practice to be "usury."

tied to high interest rates, which farmers consider “usury.” Those farmers who do resort to buying supplies on credit become vulnerable to exploitation.

8.3.2 Firm-Level Constraints

- Fishery owners are unable to have veterinarians make periodic checks on the health and conditions of the fish because there are few veterinarians in the region that provide these services, and those that do are costly.
- There are not enough containers to transport newly hatched fish from hatcheries in Tarmiyah to fisheries in Tikrit, causing the loss of a substantial number of fish.
- Fish feed is expensive because it must be purchased from stores located at great distances from the fisheries, which in turn leads to higher prices for locally produced fish.
- There are not enough refrigerated containers to store surplus fish, and farmers also lack special vehicles to transport fish from the production centers to the market.

8.4 SALAHADDIN GROUP REPORT #4

Province: Salah ad Din
Sector: Professional Services /
Pharmaceutical

Moderator: Dr. Abdul-Wahab Abdul-Razzaq
Date: 8/9/2009

Table 1-4: Focus Group #4 Participants

Serial	Name
1	Y.M.H.
2	A.I.
3	M.A.W.
4	A.M.M.
5	H.A.K.
6	Z.K.
7	A.A.S.
8	M.K.

8.4.1 Business Enabling Environment Constraints

- Because medications originate from many different countries (Iraq, Syria, India, Turkey, France), there is a wide discrepancy in prices for these items.
- There is no supervision over unlicensed pharmacies that do not abide by regulations regarding medications and prescriptions.
- Most doctors prescribe specific brands of medicines, causing an oversupply of other brands of the same medications and increased prices for those prescribed.
- It is difficult to obtain a pharmacy license, and pharmacists must pay ID 3,000,000 to open a drug store and ID 1,500,000 to open a pharmacy.
- Pharmacists are often subject to fees required by doctors.
- Licensed pharmacies sell drugs at a higher cost than unlicensed ones because they are required to pay licensing fees, which are then reflected in their prices.
- The unstable electricity supply is a problem for pharmacists and store owners who rely on refrigeration for storing certain medications. As a result, many do not supply these drugs.
- When drugs are brought from other governorates (Mosul, for example) the pharmacists encounter blackmail at check-points along the way. If they refuse to pay, they are turned back under the guise of transporting illegal substances.

- There is not adequate quality control over pharmacies, which sometimes leads to a breach in standards and a loss in consumer confidence.

8.4.2 Firm-Level Constraints

- Some doctors require their patients to purchase medications from specific pharmacies, with which they have a financial arrangement.
- There are not enough specially equipped vehicles to transport drugs and medical supplies to pharmacies, causing some products to arrive in damaged condition.

and television sets; to install sub-roofs and proper lighting; or to cover their walls and floors with ceramic tiles.

- There is a great need for the latest hair dressing and styling devices (barber shop chairs, facial massage equipment, hair permanent and dye cups, standing hair driers, waxing supplies, etc.) so that better services can be delivered especially for young men and women.
- There is a strong need for training in modern styling and hair dressing techniques and equipment.
- Loans offered by the Bank of Investment require interest payments, which most salon owners regard as “usury,” so they will not apply for these funds.

8.6 SALAHADDIN GROUP REPORT #6

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Services / Carpentry **Date:** 12/9/2009

Table 1-6: Focus Group #6 Participants

Serial	Name
1	Z.A.M.
2	M.A.A.
3	M.A.A.
4	M.A.T.
5	A.M.
6	G.I.
7	M.A.H.
8	W.K.

8.6.1 Business Enabling Environment Constraints

- There is only one provider of wood in the Governorate, and they set the prices for all carpentry workshops in the region. A branch of the State Company for Iron and Wood Trade also provides wood, but it is expensive and of poor quality due to improper storage practices, so no one uses it.
- Imported furniture creates competition for local furniture makers and prevents them from expanding their businesses.
- Skilled laborers are hard to find, and where available, they are expensive, driving up the prices of the finished products.
- Poor economic conditions have affected consumers, who can only afford to buy products on credit; this, in turn, limits the cash flow for these businesses and prevents them from buying supplies needed to make new products.
- The electricity shortage is a major problem for carpenters, since most of their equipment is powered by electricity. Small backup generators are inadequate to run these machines, and larger generators are expensive because they use large quantities of diesel, further burdening carpenters and driving prices up.
- The region lacks vocational schools to teach modern carpentry skills and other current techniques to keep up with the developed world.

8.6.2 Firm-Level Constraints

- Equipment for the carpentry and wood industries is not up-to-date, and carpenters cannot afford to import the latest technology.
- Carpenters will not take out loans to develop their businesses because the only loans available are offered by banks that charge interest, which they consider to be “usury.”
- Carpentry is considered an artistic profession, requiring proper conditions such as air conditioning and good lighting; these utilities need electricity, therefore adding to the costs of this industry.
- Rents for carpentry workshops have increased dramatically.
- Diesel fuel for the backup generators is scarce and, if purchased on the black market, can be very expensive.

8.7 SALAHADDIN GROUP REPORT #7

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Telecommunications **Date:** 13/9/2009

Table 1-7: Focus Group #7 Participants

Serial	Name
1	S.D.I.
2	M.S.
3	S.A.
4	H.A.A.
5	A.A.A.
6	N.S.
7	B.S.
8	M.J.
9	A.M.A.

8.7.1 Business Enabling Environment Constraints

- The main problem for telecommunications dealers is that they must sell mobiles, phone lines, and re-charging cards on credit and installment plans in order to accommodate consumer needs, but this limits their income and cash flow.
- Local markets are filled with low quality mobiles from China that break down quickly and are hard to repair, as there are not enough necessary spare parts; moreover, it is more expensive to repair this type of phone than to buy a new one.
- There are many service problems with telecom and transmission providers, including bad connections and delayed SMS delivery, among other issues, throughout the Governorate.
- The electricity shortage affects shop owners, who need air conditioning and proper lighting for their customers. Using small backup generators is an alternative, but it diminishes profits since fuel to power them is costly.
- Fluctuations in the exchange rate of the US dollar affect the telecommunications industry. Since most transactions are performed on credit, losses can occur when debts are paid but the exchange rate of the dollar has declined.

- Jamming devices for military and security operations cause signal interference for mobile phone users.

8.7.2 Firm-Level Constraints

- When customers don't provide proper documentation to open a new phone account, the service provider suspends service. In some cases, the mobile shop owner is obliged to register the lines of customers in his name in order to activate them.
- Most mobile users are unaware of proper cell phone usage and inadvertently damage their phones; they then return them to the stores for repairs or a refund, but the manufacturer refuses to fix or replace the phones, claiming the damage was caused by the customer.
- Rent for mobile stores is high, in comparison with revenues.
- Diesel fuel is scarce and very expensive.

8.8 SALAHADDIN GROUP REPORT #8

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Manufacturing **Date:** 14/9/2009

Table 1-8: Focus Group #8 Participants

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

8.8.1 Business Enabling Environment Constraints

- Inundating markets with imported, ready-made, inexpensive decorative iron has made it difficult for local producers of these items to compete.
- The shortage of electricity is a problem for workshop owners, since their equipment depends upon it. Small backup generators are inadequate to run these machines, and larger generators are expensive because they use large quantities of diesel, which is expensive.
- Fluctuations in the exchange rate of the U.S. dollar create a problem in this industry, since transactions are made on credit, which could induce losses when collecting the debts.
- There are no trade unions for this industry, which would be useful for networking and for obtaining information on and access to the latest technology and equipment.
- The lack of qualified workers in this field has made it difficult for workshop owners to complete contracts on schedule.

8.8.2 Firm-Level Constraints

- Workshop owners need machines and equipment to mechanize their work in order to meet demand for iron products, but this leads to higher prices for the

finished products, which customers are unable to afford. So this industry continues to depend upon traditional tools and equipment.

- A major problem for workshop owners is that they must sell their products on credit and installment plans in order to accommodate consumer needs, but this limits their income and cash flow.
- Rents for workshops have risen sharply, in contrast with revenues for workshop owners, which have decreased.
- Diesel fuel is scarce and prohibitively expensive.

8.9 SALAH AD DIN GROUP REPORT #9

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Industrial / Metallurgy **Date:** 16/9/2009

Table 1-9: Focus Group #9 Participants

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

8.9.1 Business Enabling Environment Constraints

- There is only one provider for raw materials in the aluminum and iron industry, creating a monopoly and unfair pricing structures.
- Raw materials are poor quality because imported goods are not controlled, and cheap materials are often used at the expense of quality in order to accommodate consumers with low spending capacity.
- The industry relies on locally produced moulds that require additional work to produce the finished product, which in turn increases the price.
- If imported moulds were used, products would be of higher quality and require less time and effort; however, these moulds are expensive and should only be used for mass production in order to recoup expenses. But this is not possible due to the limited demand for these products.
- The electricity shortage is a problem for owners of turnery workshops, since they need electricity to power their tools. Small backup generators are inadequate to run these machines, and larger generators are expensive because they use large quantities of diesel, which is expensive.
- There are no associations or turnery unions, which would be useful for networking and for obtaining information on and access to the latest technology and equipment.

- There is no industrial complex in the Governorate of Salah ad Din, unlike other neighboring governorates. The profession suffers from a lack of skilled man power in the region, which is reflected in delays in delivering products on time.

8.9.2 Firm-Level Constraints

- All products are sold on credit because of the low purchasing capacity of consumers, and credits are not usually repaid until the end of the agricultural season.
- Up-to-date turnery machinery that could save time and effort is available, but workshop owners cannot afford to buy it, even though they are willing to use it.
- Rental payments for workshops have increased steadily, while revenues for workshop owners have decreased.
- It is hard to find diesel fuel, and when it is available, it is extremely expensive.

8.10 SALAHADDIN GROUP REPORT #10

Province: Salah ad Din
Sector: Industrial

Moderator: Dr. Abdul-Wahab Abdul-Razzaq
Date: 16/9/2009

Table 1-10: Focus Group #10 Participants

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

8.10.1 Business Enabling Environment Constraints

- There are not enough skilled or unskilled workers in this industry, causing delays in delivery of products.
- The electricity shortage is a problem for factory owners, who need electricity to power their tools and utilities. Small backup generators are inadequate to run these machines, and larger generators are expensive because they use large quantities of diesel, which is expensive.
- The increased availability of imported goods, such as flour, plastics, and furniture, leads to lower prices and tremendous losses for factory owners.

8.10.2 Firm-Level Constraints

- Factory owners avoid forming partnerships that could help them financially, as they are concerned about conflicts that might cause partnership to break down, and they don't want to compromise in business dealings.
- Factory owners do not have enough capital to expand their businesses, yet refrain from taking loans from banks that charge interest, as they consider this practice to be "usury."

- All factory owners mentioned the difficulty of getting customers to pay cash. Sales made on credit are currently the only means of transaction, and some factory owners must also resort to the same method to purchase raw materials.
- Owners of plastic factories especially suffer from this problem: they buy their raw materials (polyethylene granules and paper rolls) from tradesmen and importers on a cash basis, but must sell their products (plastic pipes, bags, and Kleenex products) on credit.

8.11 SALAHADDIN GROUP REPORT #11

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Transportation **Date:** 17/9/2009

Table 1-11: Focus Group #11 Participants

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

8.11.1 Business Enabling Environment Constraints

There were no constraints mentioned on this level.

8.11.2 Firm-Level Constraints

- All participants said their biggest constraint was providing services for payments on credit, instead of cash.
- The transportation industry needs a company that will provide transport services of all types and will be in charge of renovating the fleet of vehicles and keeping pace with the latest developments in this field.
- The costs of vehicle maintenance and spare parts in the Governorate are higher than those in the neighboring governorates (double, in some cases), which adds to the cost of transport services provided.
- The taxis and other transport vehicles are old and unsafe, but spending money to maintain them is not cost-effective, since most cars are more than 25 years old. So drivers are limited to a 50 km region for their work, as the vehicles are not fit to carry loads and passengers for longer distances.

8.12 SALAHADDIN GROUP REPORT #12

Province: Salah ad Din
Sector: Construction

Moderator: Dr. Abdul-Wahab Abdul-Razzaq
Date: 17/9/2009

Table 1-12: Focus Group #12 Participants

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

8.12.1 Business Enabling Environment Constraints

- The most significant constraint noted by participants is administrative and financial corruption. Contracts cannot be obtained without bribes.
- Price fluctuations cause work delays because contracts need to be revised to account for changing costs.
- The lack of electricity has a direct bearing on the construction industry, and many contractors must use expensive backup generators and fuel.
- The shortage of water also has a detrimental effect on the construction industry, which relies upon the water supply in order to function properly.
- Lab testing of construction materials is usually unreliable, as the institutions performing the tests are corrupt. Accurate results are not provided unless the contractor pays bribes.

8.12.2 Firm-Level Constraints

- In some cases, contractors discover design problems after they have already accepted the contract. Amending the designs and changing the specifications can add to the cost of the work.
- Some contractors subcontract their projects after taking their share. This can lead to shoddy workmanship, since there is not enough money left over to pay the subcontractors, who must then resort to fraudulence in order to finish the work.
- Contractors need to have enough capital to continue with a project even when installment payments are delayed; however, most of them lack the liquidity necessary to carry out the contracts they receive.
- Contractors don't engage lawyers to review the terms and conditions of a contract before entering into an agreement, nor do they utilize the services of engineering specialists who could help them cut expenses and increase profits; instead, they bid with the lowest possible prices in order to win the contract, not taking into account the need for the services of lawyers and engineers.
- Most contractors lack experience and knowledge about the terms and conditions for contracting, which leads them to bid too low. As a result, they end up with poor results and, sometimes, conflicts with their clients.

8.13 SALAHADDIN GROUP REPORT #13

Province: Salah ad Din
Sector: Transportation

Moderator: Dr. Abdul-Wahab Abdul-Razzaq
Date: 18/9/2009

Table 1-13: Focus Group #13 Participants

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

8.13.1 Business Enabling Environment Constraints

- Participants suggested establishing a company that will provide transport services of all types and will be in charge of renovating the fleet of vehicles and keeping pace with the latest developments in this field.
- The costs of vehicle maintenance and spare parts in the Governorate are higher than those in the neighboring governorates, adding to the burden of taxi drivers.

8.13.2 Firm-Level Constraints

- Vehicle owners are willing to exchange their cars through the state-owned company, but they cannot afford to pay the whole price in cash, even if they sell their old cars. The only solution for them is to buy new cars on credit.
- Taxis and other transportation vehicles are old, and, because their cars were made before 1995, drivers cannot get permission to paint their cars yellow (the official color of taxis). As a result, they are not licensed to work as taxi drivers and are excluded from transportation garages.

- Vehicles are unsafe, which can be dangerous for both drivers and passengers, and often the only solution is to purchase new cars.
- Because transportation vehicles are so old, they are not fuel-efficient and constantly break down, making the net revenue for taxi drivers negligible.
- The constraints mentioned for passenger cars also apply to small trucks and pick-up vehicles. All these cars are more than 25 years old, and consumers don't use their transport services, as more modern vehicles are now available.

8.14 SALAHADDIN GROUP REPORT #14

Province: Salah ad Din **Moderator:** Dr. Abdul-Wahab Abdul-Razzaq
Sector: Quarry Suppliers **Date:** 18/9/2009

Table 1-14: Focus Group #14 Participants

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

8.14.1 Business Enabling Environment Constraints

- There is a growing demand for crushed gravel to pave streets, but quarry owners are unable to meet this demand because there are not enough gravel-crushing machines or machine operators.
- Large quantities of motor and hydraulic oils, as well as grease, are needed for the generators and machines in the quarries. These can only be found on the black market at excessively high prices.
- The lack of electricity directly affects quarry owners, who need large quantities of electricity to power their machines. Backup generators are an option, but using diesel fuel to power them adds to their expenses, and is reflected in higher prices for the finished products.

8.14.2 Firm-Level Constraints

- Many quarries are underproductive because they don't have enough projects to keep them operating at full capacity.

- Selling on credit is a major hurdle for quarry owners, who must expend large amounts on repairs, salaries, and other expenses, but collecting installment payments decreases their net income and adversely affects cash flow.
- Most equipment and machines used in the quarries (loaders, bulldozers, etc.) are old and in need of constant repair, and spare parts are either hard to find or not of good quality.

8.15 SALAHADDIN GROUP REPORT #15

Province: Salah ad Din
Sector: Construction

Moderator: Dr. Abdul-Wahab Abdul-Razzaq
Date: 18/9/2009

Table 1-15: Focus Group #15 Participants

Serial	Name
1	B.M.H.
2	L.H.
3	W.A.H.
4	K.F.
5	K.T.
6	A.A.A.
7	A.G.A.
8	T.A.
9	M.I.
10	S.A.

8.15.1 Business Enabling Environment Constraints

- The most significant constraint noted by participants is administrative and financial corruption. Contracts cannot be obtained without bribes.
- Lab testing of construction materials is usually unreliable, as the institutions performing the tests are corrupt. Accurate results are not provided unless the contractor pays bribes.
- There is no entity responsible for overseeing the performance of contractors or to ensure transparency in obtaining contracts and licenses from government bodies.
- Corruption also causes delays in payments for work performed, and in many cases bribes must be given in order to release payments.
- The electricity shortage is a major problem for the construction business, and many contractors must use expensive backup generators and fuel.
- The shortage of water is also a problem for the construction industry, which needs a constant supply of water in order to function properly.
- Issuing and renewing membership cards for contractors is costly, and recently adopted procedures now require the company owner to go in person to the granting agency, rather than sending a lawyer or other representative to take care of this process.

8.15.2 Firm-Level Constraints

- Contractors need to keep sufficient funds on hand to continue with a project, even when installment payments are delayed; however, most of them lack the liquidity necessary to carry out the contracts they receive.
- Most contractors don't engage lawyers to review the terms and conditions of a contract before entering into an agreement, nor do they utilize the services of engineering specialists who could help them cut expenses and increase profits; instead, they bid with the lowest possible prices in order to win the contract, not taking into account the need for the services of lawyers and engineers.
- Contractors often lack experience and knowledge about the terms and conditions for contracting, which leads them to bid too low for their services. This leads to poor workmanship and problems with their clients.
- Price fluctuations cause work delays when contracts need to be revised to account for changing costs.

9. APPENDIX 2: TABULATIONS AND GRAPHS

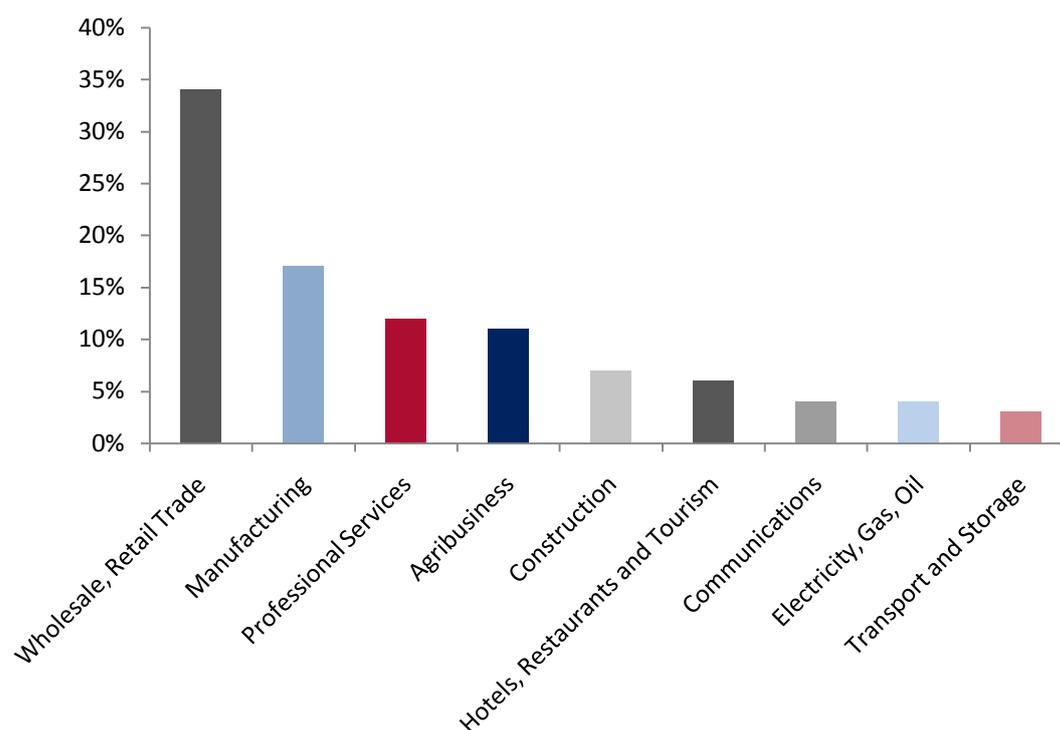
Provided here are the tabulations of the data resulting from the survey of 709 SMEs in Salah ad Din covering 76 questions with 547 variables, that enabled the analyst team to run close to 1,500 separate analysis scenarios. Please note that none of the tables in this appendix are included in the list of tables at the beginning of the report.

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

9.1 MSME CHARACTERISTICS RESPONSES

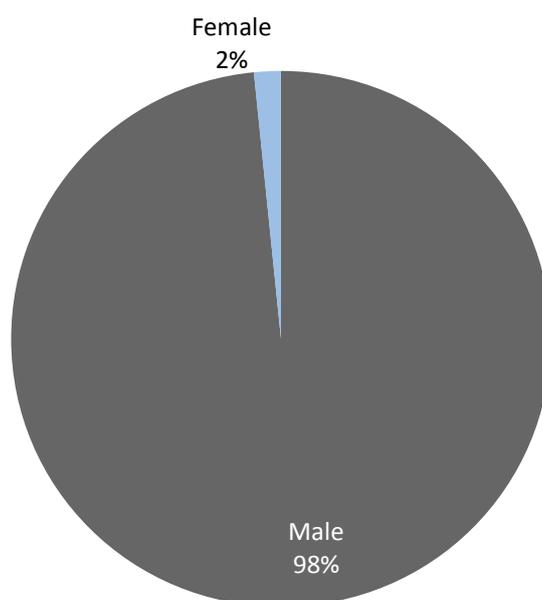
1. In which economic sector does your business mainly operate?

Economic Sector	Frequency	Percent
Agribusiness	76	11%
Construction	48	7%
Manufacturing	124	17%
Professional Services	84	12%
Wholesale, Retail Trade	239	34%
Transport and Storage	21	3%
Hotels, Restaurants and Tourism	40	6%
Communications	28	4%
Electricity, Gas, Oil	29	4%
Others	20	3%
Total	709	100%



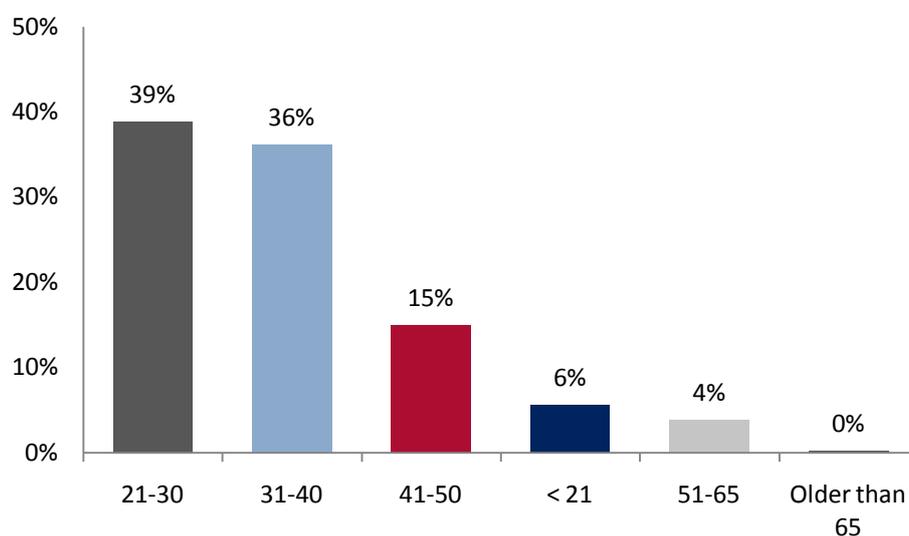
2. What is the business owner's gender?

Gender	Frequency	Percent
Male	698	98%
Female	11	2%
Total	709	100



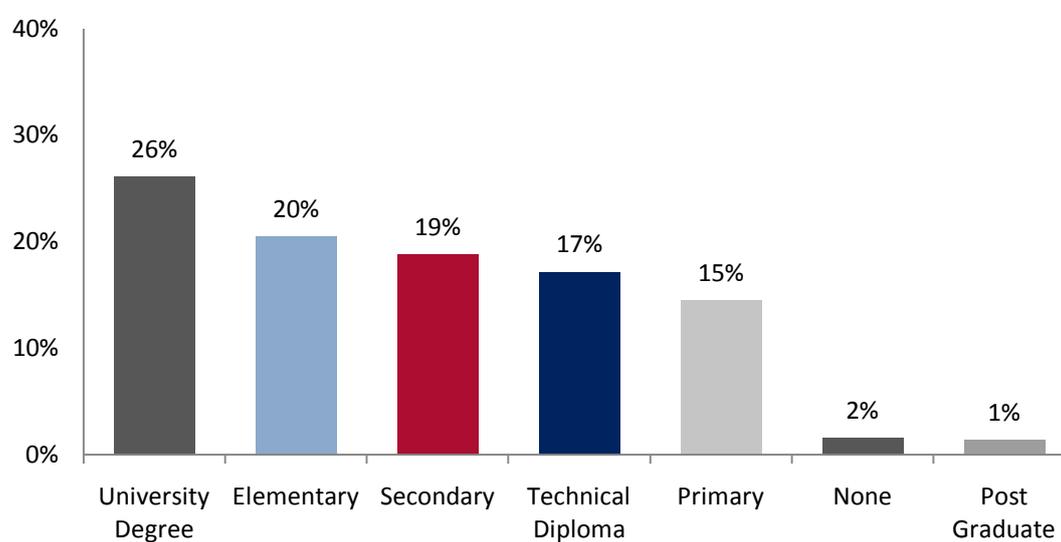
3. How old is the business owner?

Age (Years)	Frequency	Percent
< 21 Years	40	6%
21-30 Years	276	39%
31-40 Years	257	36%
41-50 Years	106	15%
51-65 Years	28	4%
Older than 65 Years	2	0%
Total	709	100%



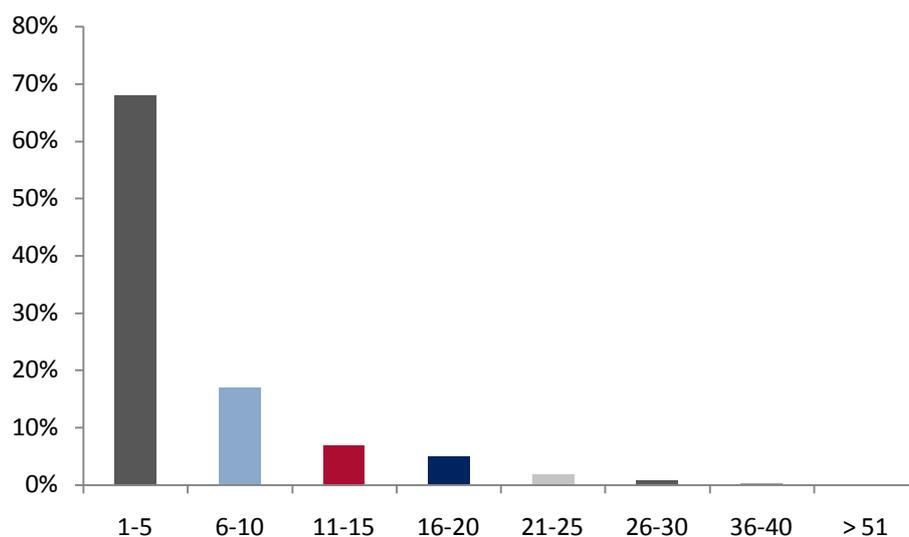
4. What is the education level of the business owner?

Education Level	Frequency	Percent
None	11	2%
Primary	103	15%
Elementary	145	20%
Secondary	133	19%
Technical Diploma	122	17%
University Degree	185	26%
Post Graduate	10	1%
Total	709	100%



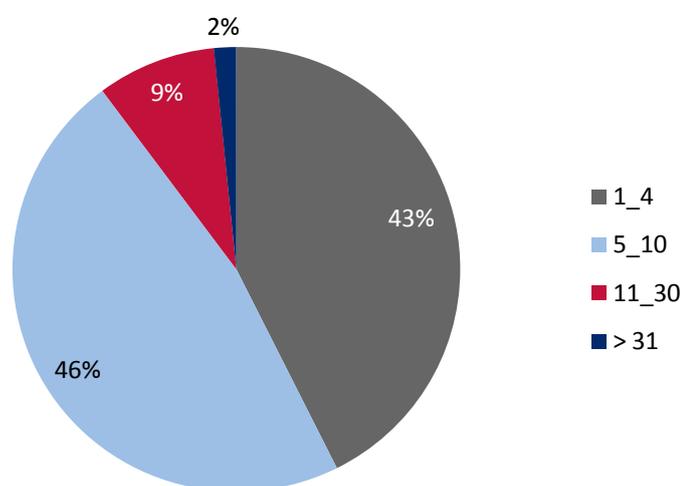
5. How old is your business enterprise?

Age (Years)	Frequency	Percent
1-5	484	68%
6-10	119	17%
11-15	47	7%
16-20	37	5%
21-25	13	2%
26-30	6	1%
36-40	2	0%
> 51	1	0%
Total	709	100%



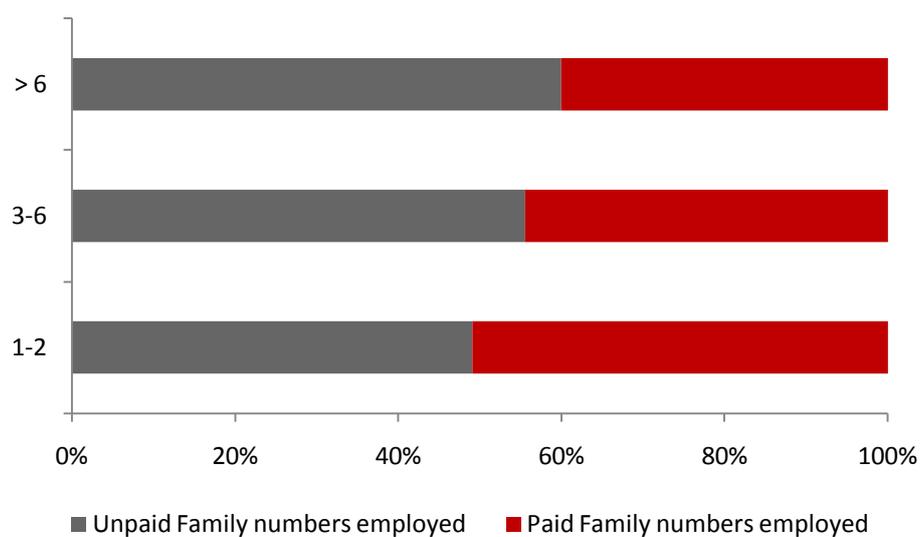
6. What is the total number of employees employed by your enterprise?

Number of Employees	Frequency	Percent
1-4	302	43%
5-10	335	46%
11-30	61	9%
> 31	11	2%
Total	709	100%



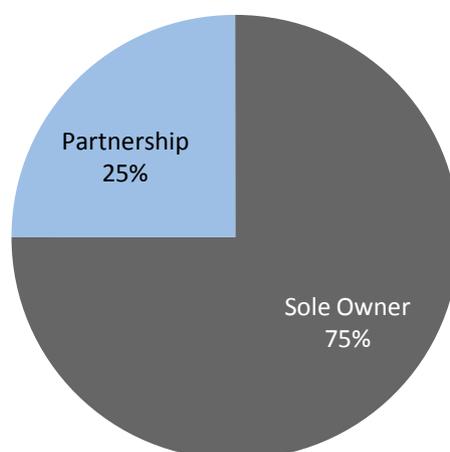
7. Family numbers employed

		Family numbers employed			Total
		1-2	3-6	> 6	
Unpaid Family numbers employed	Frequency	276	70	10	356
	%of Respondents	78%	20%	3%	100%
Paid Family numbers employed	Frequency	219	44	6	269
	%of Respondents	81%	16%	2%	100%



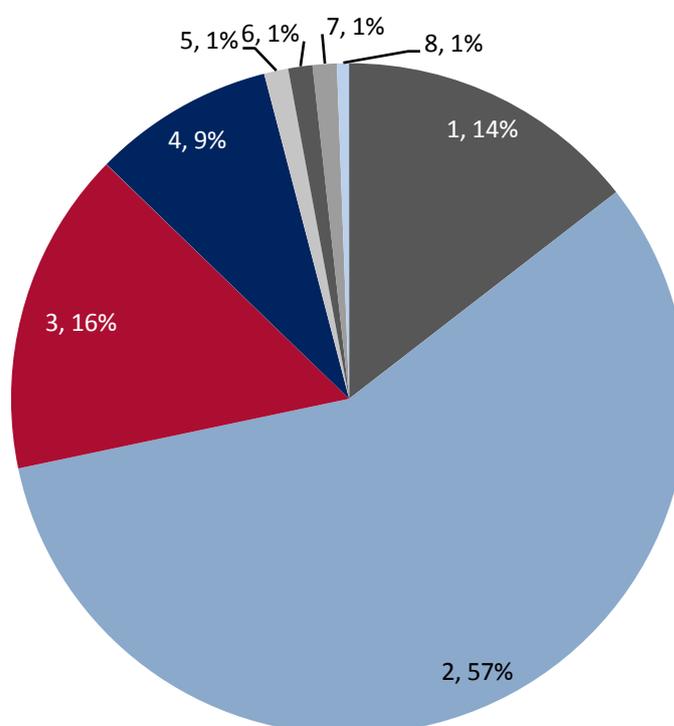
8A. Who owns your business?

Type of Ownership	Frequency	Percent
Sole Owner	531	75%
Partnership	177	25%
Total	708	100%
Missing Responses	1	
Total	709	



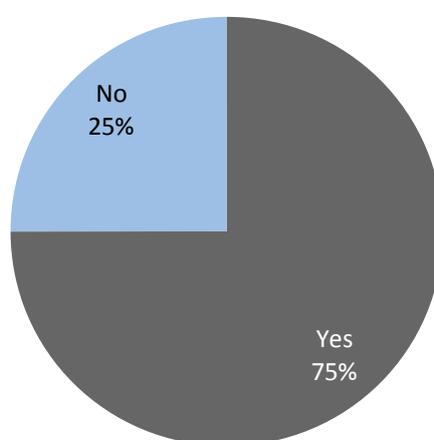
8B. Number of partners

Number of partners	Frequency	Percent
1	25	14%
2	99	57%
3	27	16%
4	15	9%
5	2	1%
6	2	1%
7	2	1%
8	1	1%
Total	173	100%
Missing Response	536	
Total	709	



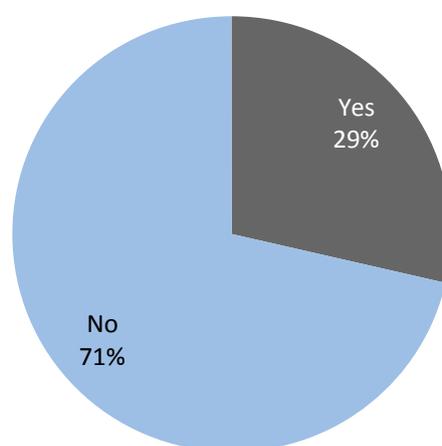
9. Is your business family owned?

Family Owned	Frequency	Percent
Yes	526	75%
No	175	25%
Total	701	100%
Missing Response	8	
Total	709	



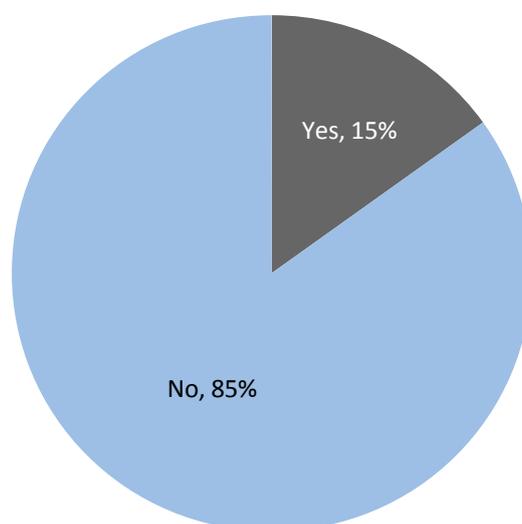
10. Is your business registered with a government agency?

Government Registration	Frequency	Percent
Yes	201	29%
No	502	71%
Total	703	100%
Missing Responses	6	
Total	709	



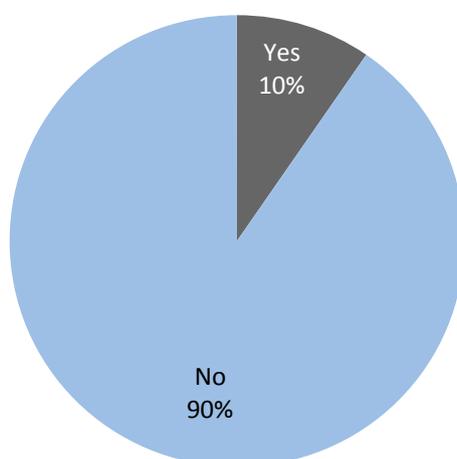
11. Do you belong to a business membership organization (BMO)?

BMO Membership	Frequency	Percent
Yes	107	15%
No	602	85%
Total	709	100%
Missing Responses	0	
Total	709	



12. Do you belong to a professional association?

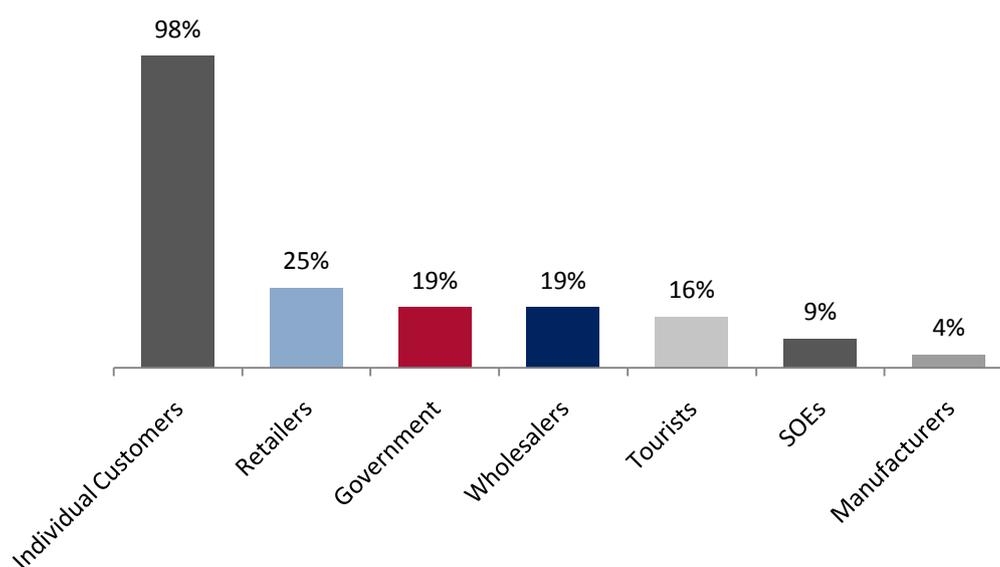
Professional Association	Frequency	Percent
Yes	68	10%
No	637	90%
Total	705	100%
Missing	4	
Total	709	



Question 13 – (Qualitative)

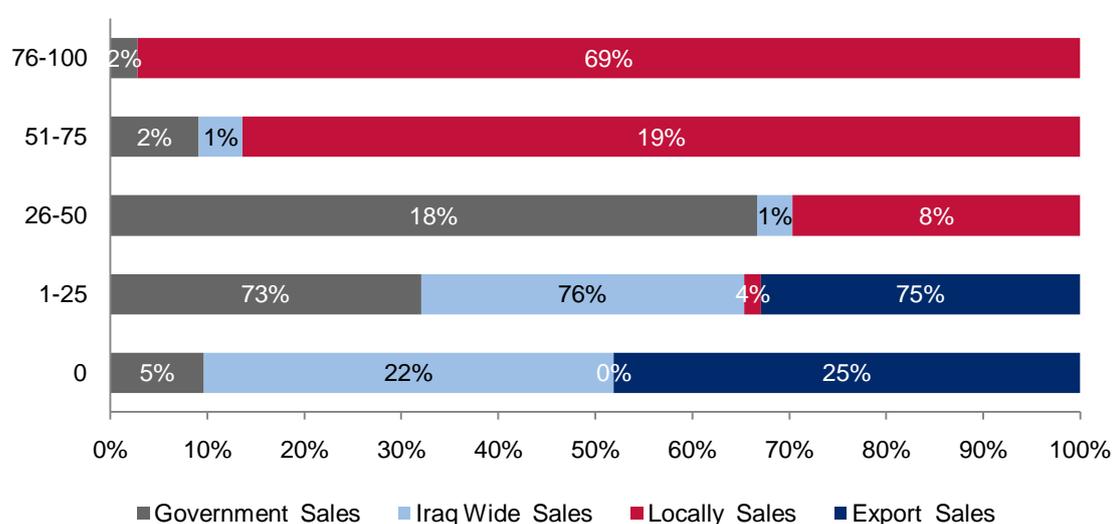
14. Who are main customers for your business? (multi-response question)

Enterprise Customers	Yes		No (or Missing)		Total Frequency	Total %
	Frequency	%	Frequency	%		
Individual Customers	686	98%	23	2%	709	100%
Retailers	173	25%	536	75%	709	100%
Government	134	19%	575	81%	709	100%
Wholesalers	134	19%	575	81%	709	100%
Tourists	111	16%	598	84%	709	100%
State Owned Enterprise	62	9%	647	91%	709	100%
Manufacturers	28	4%	681	96%	709	100%



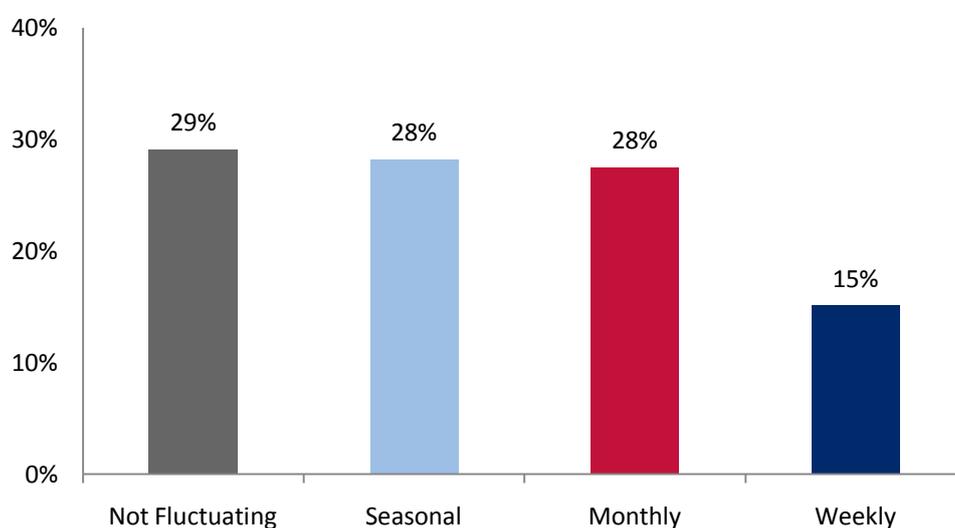
15. Where are your customers located?

Where are your customers located?		Percentages					Total
		0%	1-25%	26-50%	51-75%	76-100%	
Government Sales	Frequency	32	521	127	15	14	709
	%of Respondents	5%	73%	18%	2%	2%	100%
Iraq Wide Sales	Frequency	154	541	6	5	3	709
	%of Respondents	22%	76%	1%	1%	0%	100%
Locally Sales	Frequency	1	31	57	132	488	709
	%of Respondents	0%	4%	8%	19%	69%	100%
Export Sales	Frequency	176	532	1	0	0	709
	%of Respondents	25%	75%	0%	0%	0%	100%



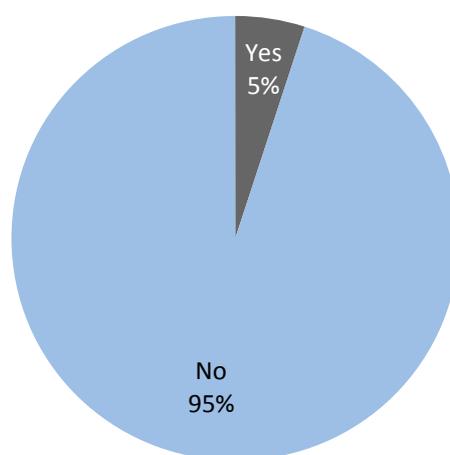
16. How does your level of business activity fluctuate /vary?

	Frequency	Percent
Weekly	107	15%
Monthly	195	28%
Seasonal	200	28%
Not Fluctuating	206	29%
Total	708	100%
Missing	1	
Total	709	



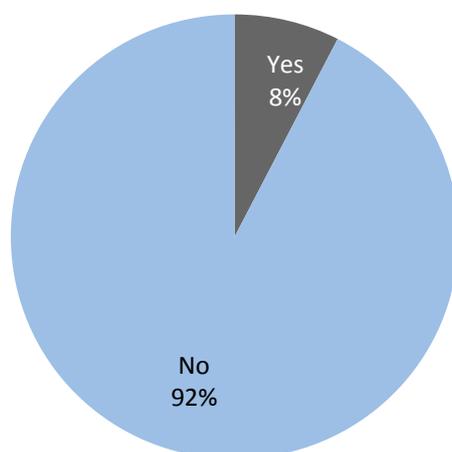
17. Are there any large buyers for the products you make?

	Frequency	Percent
Yes	34	5%
No	644	95%
Total	678	100%
Missing Responses	31	
Total	709	



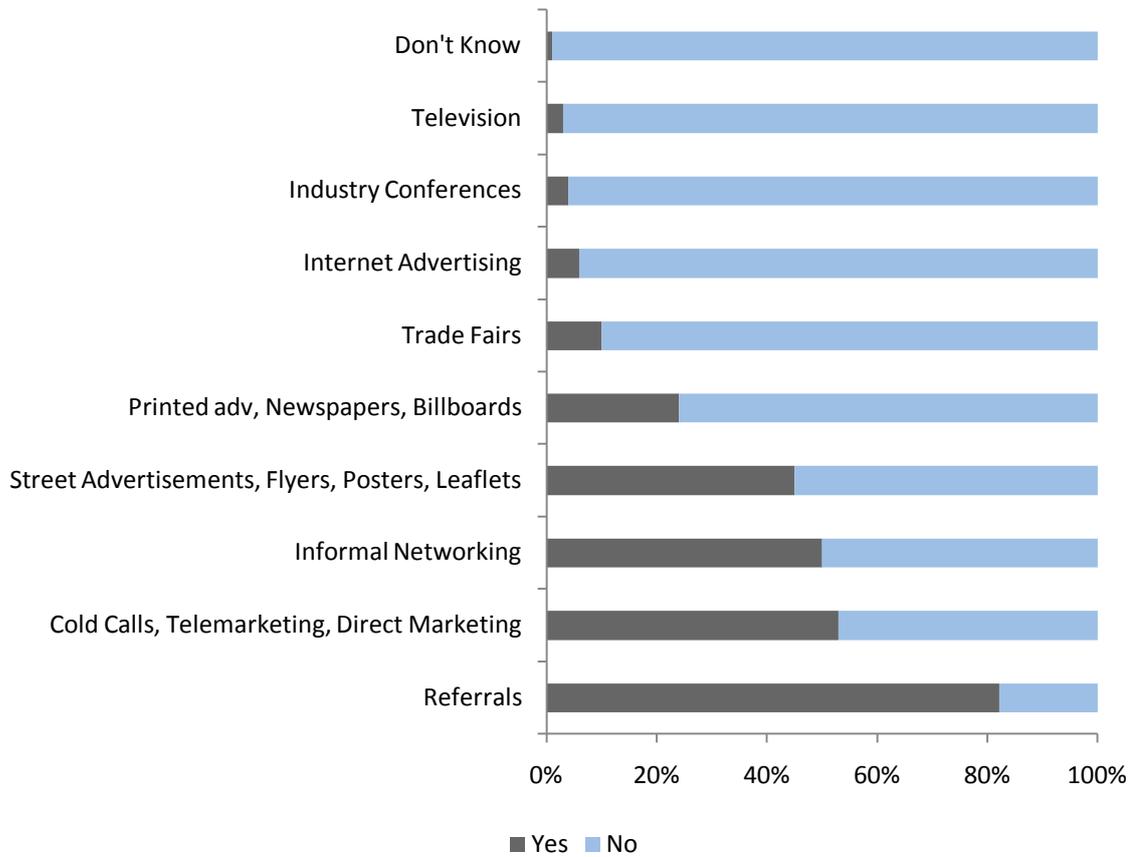
18. Are there any relatively large buyers you have not been able to do business with?

	Frequency	Percent
Yes	53	8%
No	643	92%
Total	696	100%
Missing Responses	13	
Total	709	



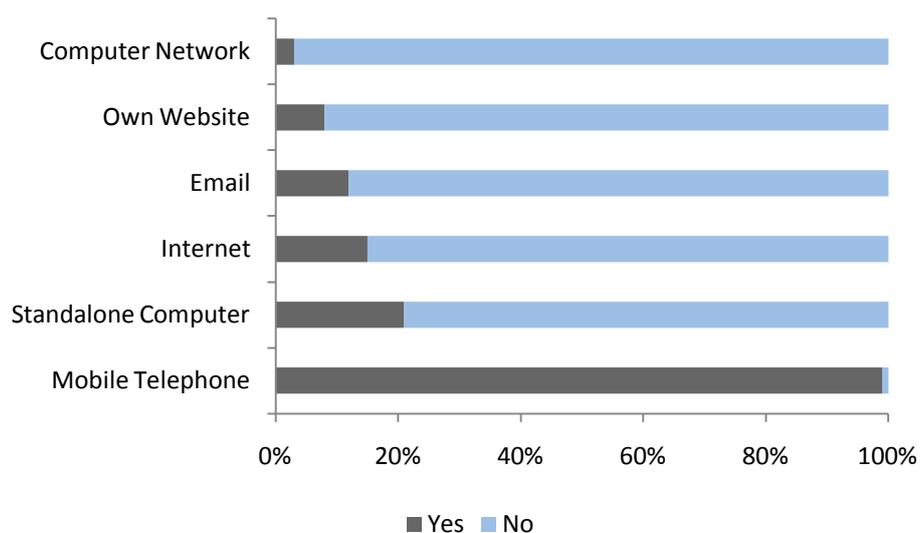
19. Which of the following techniques do you use to connect to your customers?

Technique		Utilization		Total
		Yes	No	
Referrals	Frequency	585	124	709
	%of Respondents	83%	18%	100%
Cold Calls, Telemarketing, Direct Marketing	Frequency	375	334	709
	%of Respondents	53%	47%	100%
Informal Networking	Frequency	356	353	709
	%of Respondents	50%	50%	100%
Street Advertisements, Flyers, Posters, Leaflets	Frequency	317	392	709
	%of Respondents	45%	55%	100%
Printed adv, Newspapers, Billboards	Frequency	171	538	709
	%of Respondents	24%	76%	100%
Trade Fairs	Frequency	69	640	709
	%of Respondents	10%	90%	100%
Internet Advertising	Frequency	39	670	709
	%of Respondents	6%	95%	100%
Industry Conferences	Frequency	27	682	709
	%of Respondents	4%	96%	100%
Television	Frequency	21	688	709
	%of Respondents	3%	97%	100%
Don't Know	Frequency	9	700	709
	%of Respondents	1%	99%	100%



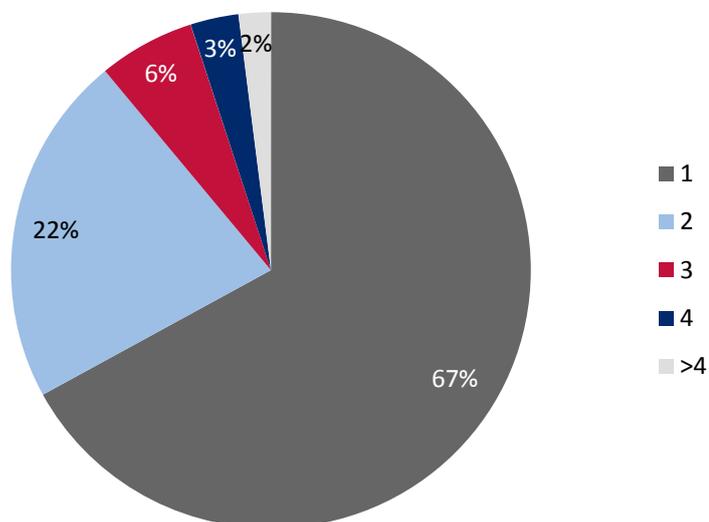
21. Indicate which of the following technologies you use to conduct business (multiple responses).

Technologies Used to Conduct Business		Utilization			Missing Responses	Total
		Yes	No	Total		
Mobile Telephone	Frequency	702	6	708	1	709
	%of Respondents	99%	1%	100%		
Standalone Computer	Frequency	150	552	702	7	709
	%of Respondents	21%	79%	100%		
Internet	Frequency	104	598	702	7	709
	%of Respondents	15%	85%	100%		
Email	Frequency	81	619	700	9	709
	%of Respondents	12%	88%	100%		
Own Website	Frequency	54	646	700	9	709
	%of Respondents	8%	92%	100%		
Computer Network	Frequency	21	677	698	11	709
	%of Respondents	3%	97%	100%		



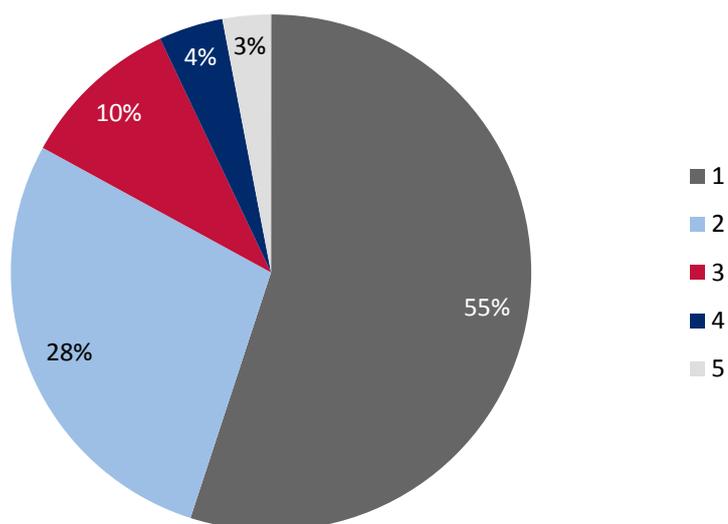
Mobile phone ownership

Number of Cell Phones Owned	Frequency	Percent
1	455	67%
2	150	22%
3	43	6%
4	18	3%
>4	15	2%
Total	681	100%
Missing Responses	28	
Total	709	



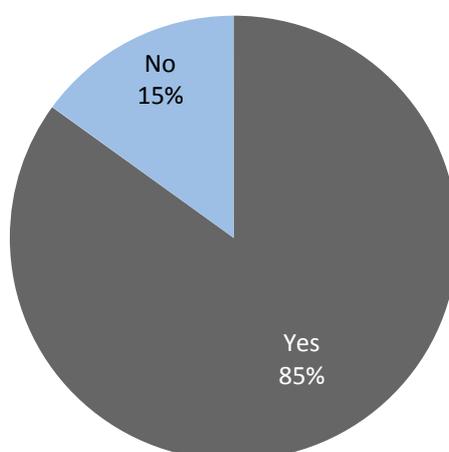
Standalone computer ownership

Number of Computers	Frequency	Percent
1	77	55%
2	39	28%
3	14	10%
4	5	4%
5	5	3%
>5	0	0%
Total	140	100%
Missing Responses	569	
Total	709	



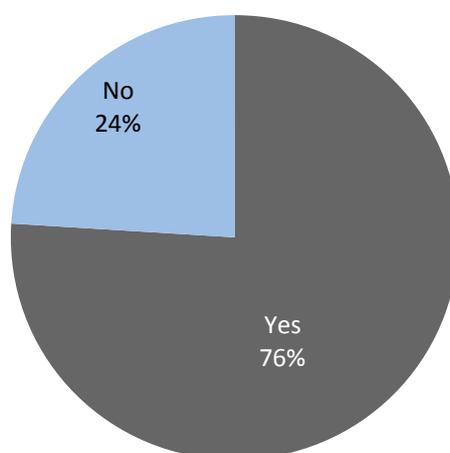
21. Can you currently find enough unskilled workers for your business?

	Frequency	Percent
Yes	597	85%
No	108	15%
Total	705	100%
Missing	4	
Total	709	



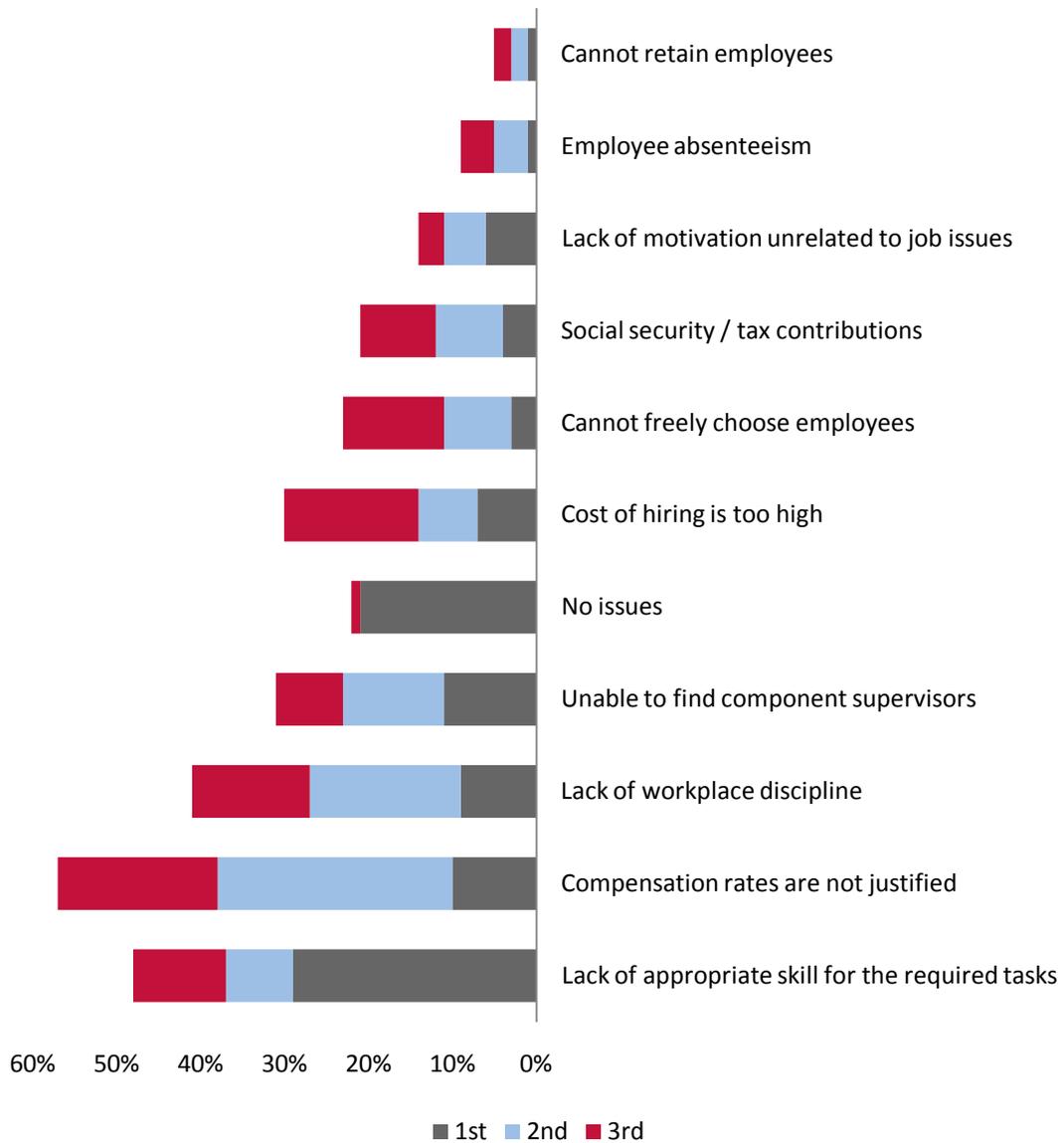
22. Can you currently find enough skilled workers for your business?

	Frequency	Percent
Yes	535	76%
No	170	24%
Total	705	100%
Missing	4	
Total	709	



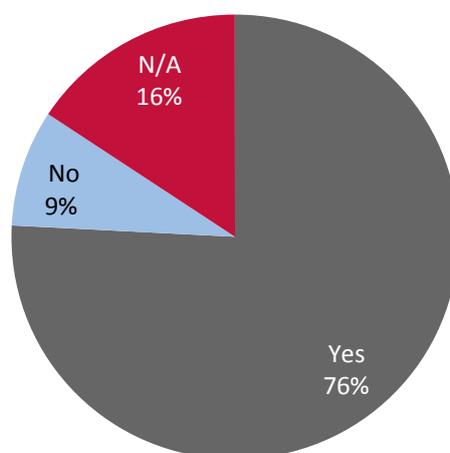
23. Rank the three main sources of concern regarding your employees:

Concern	1st		2nd		3rd		Overall Rank	
	Frequency	%	Frequency	%	Frequency	%	Rank	Weight
Lack of appropriate skill for the required tasks	198	29%	41	8%	58	11%	1	1.112542
Compensation rates are not justified	68	10%	151	28%	104	19%	2	1.040246
Lack of workplace discipline	64	9%	99	18%	74	14%	3	0.776599
Unable to find component supervisors	75	11%	66	12%	43	8%	4	0.645572
No issues	144	21%	2	0%	6	1%	5	0.640033
Cost of hiring is too high	47	7%	36	7%	88	16%	6	0.497951
Cannot freely choose employees	18	3%	46	8%	67	12%	7	0.370579
Social security / tax contributions	24	4%	45	8%	49	9%	8	0.359475
Lack of motivation unrelated to job issues	39	6%	25	5%	15	3%	9	0.287866
Employee absenteeism	10	1%	22	4%	21	4%	10	0.162788
Cannot retain employees	5	1%	10	2%	10	2%	11	0.076799
Others	3	0%	2	0%	5	1%	12	0.029548
Total	695	100%	545	100%	540	100%		
Missing responses	14		164		169			
Total	709		709		709			



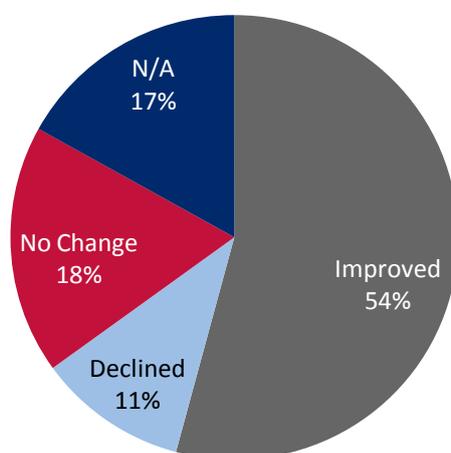
24. Are required skills learned on the job (in-house training)?

	Frequency	Percent
Yes	538	76%
No	60	9%
Not Applicable	111	16%
Total	709	100%



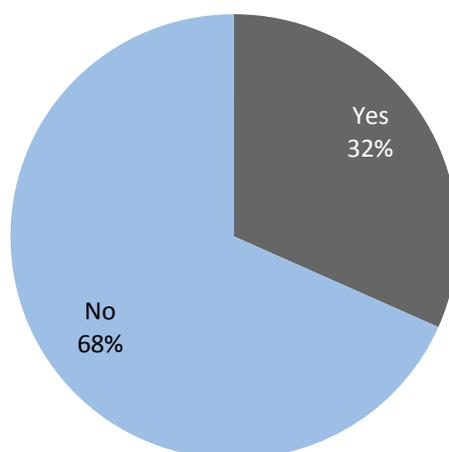
25. How has the availability of qualified labor changed over the past three years?

	Frequency	Percent
Improved	381	54%
Declined	76	11%
No Change	127	18%
Not Applicable	119	17%
Total	703	100%
Missing Responses	6	
Total	709	



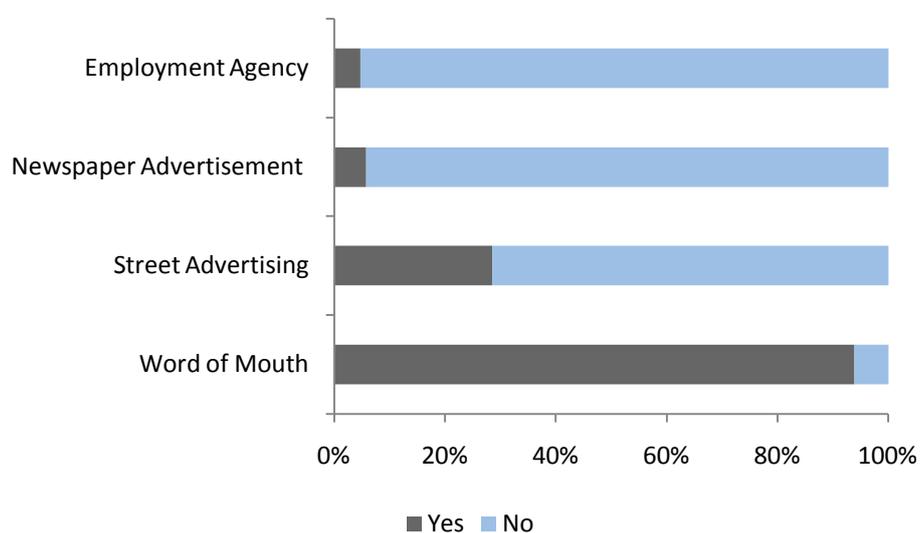
26. Do you employ people seasonally?

	Frequency	Percent
Yes	224	32%
No	482	68%
Total	706	100%
Missing Responses	3	
Total	709	



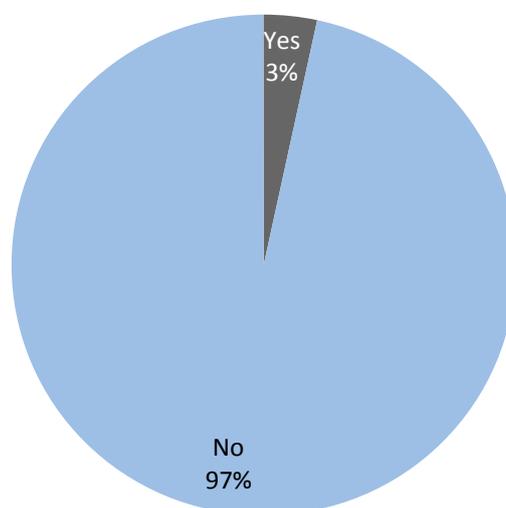
27. How do you go about hiring new employees?

Method		Utilization		Total	Missing	Total
		Yes	No			
Word of mouth	Frequency	661	44	705	4	709
	%of Respondents	94%	6%	100%		
Street advertising	Frequency	199	499	698	11	709
	%of Respondents	29%	72%	100%		
Newspaper advertisement	Frequency	40	662	702	7	709
	%of Respondents	6%	94%	100%		
Employment agency	Frequency	32	667	699	10	709
	%of Respondents	5%	95%	100%		



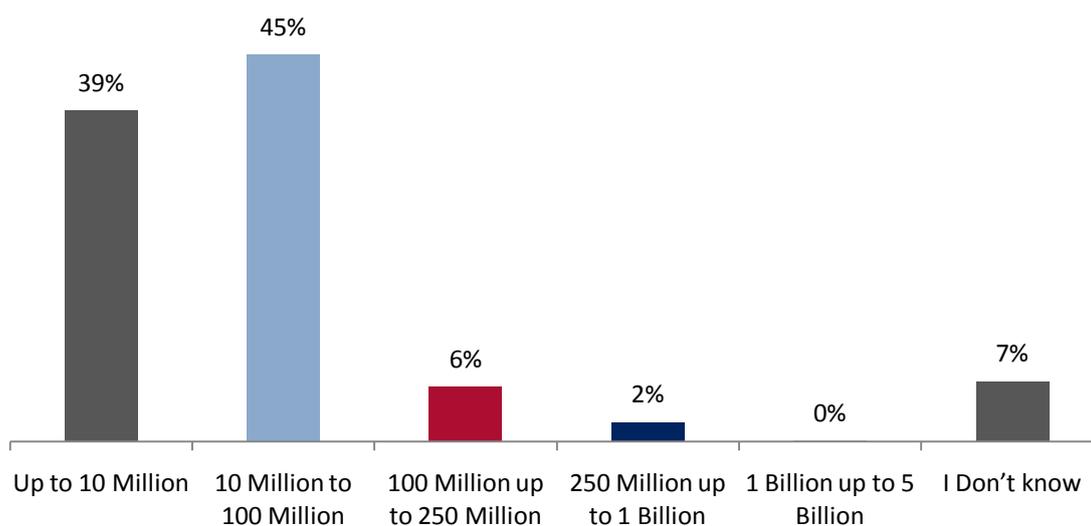
28. Are there companies in your area whose business it is to provide new employees (employment agencies)?

	Frequency	Percent
Yes	24	3%
No	683	97%
Total	707	100%
Missing Responses	2	
Total	709	



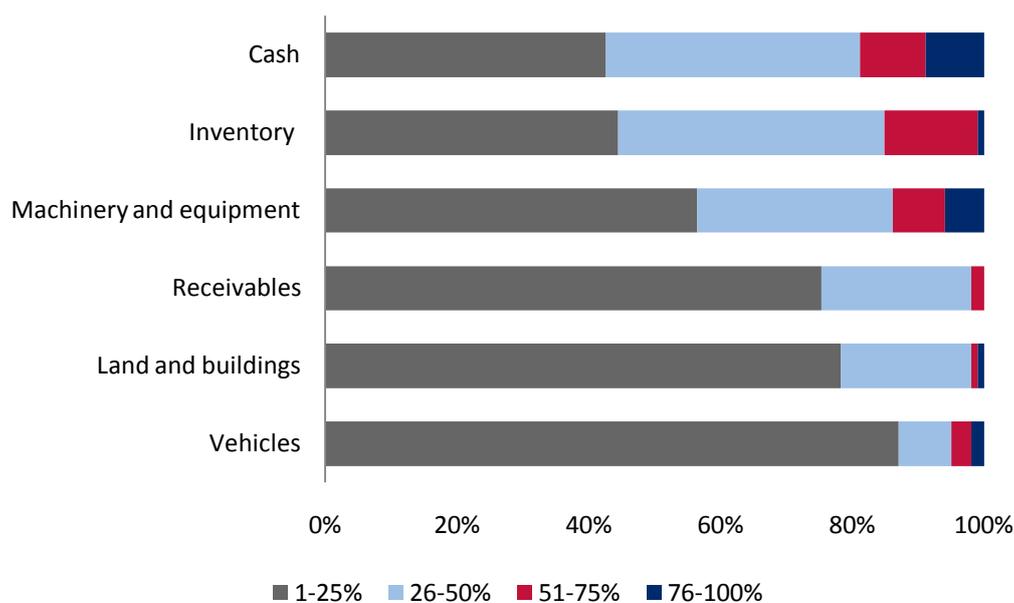
29. What is the approximate value of your current business assets (Iraqi Dinar)?

Asset Value (Iraqi Dinar)	Frequency	Percent
Up to 10 Million	274	39%
10 Million to 100 Million	321	45%
100 Million up to 250 Million	45	6%
250 Million up to 1 Billion	16	2%
1 Billion up to 5 Billion	1	0%
I don't know	50	7%
Total	707	100%
Missing Responses	2	
Total	709	



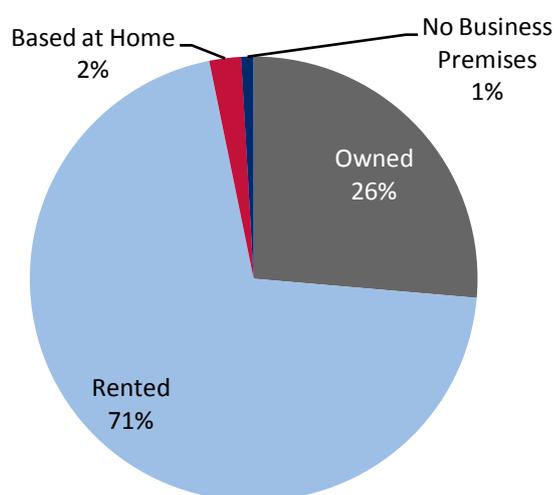
30. Approximate Assets Holding by Type

Type of Asset Holding		Percentage				Total	Missing	Total
		1-25%	26-50%	51-75%	76-100%			
Receivables	Frequency	359	107	8	0	474	235	709
	%of Respondents	76%	23%	2%	%0	100%		
Cash	Frequency	256	235	59	51	601	108	709
	%of Respondents	43%	39%	10%	9%	100%		
Inventory	Frequency	229	209	73	7	518	191	709
	%of Respondents	44%	40%	14%	1%	100%		
Machinery and equipment	Frequency	220	115	31	22	388	321	709
	%of Respondents	57%	30%	8%	6%	100%		
Vehicles	Frequency	181	17	6	4	208	501	709
	%of Respondents	87%	8%	3%	2%	100%		
Land and buildings	Frequency	138	34	1	1	174	535	709
	%of Respondents	79%	20%	%1	%1	100%		



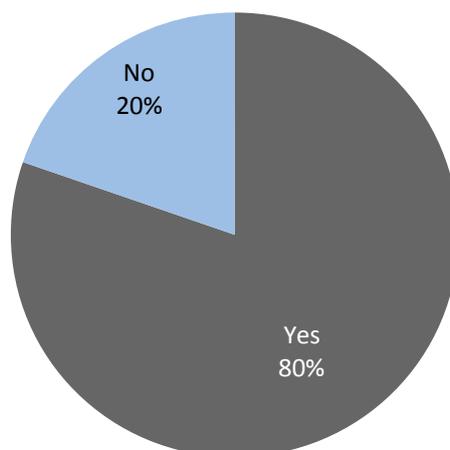
31. Where are your business premises located?

Location	Frequency	Percent
Owned	186	26%
Rented	497	71%
Based at Home	16	2%
No Business Premises	6	1%
Total	705	100%
Missing Responses	4	
Total	709	



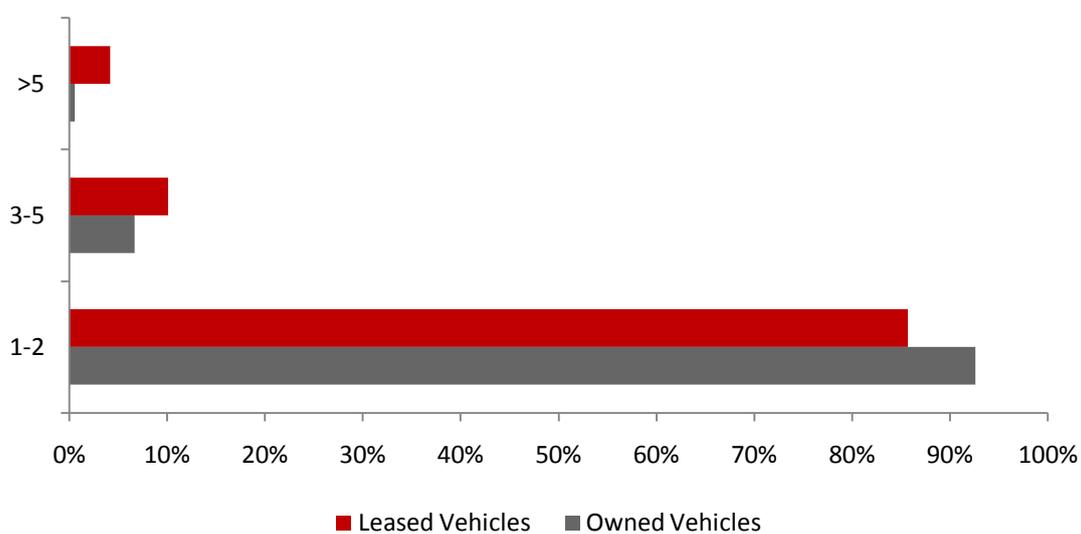
32. Does your business own or lease any vehicles?

	Frequency	Percent
Yes	564	80%
No	138	20%
Total	702	100
Missing Responses	7	
Total	709	



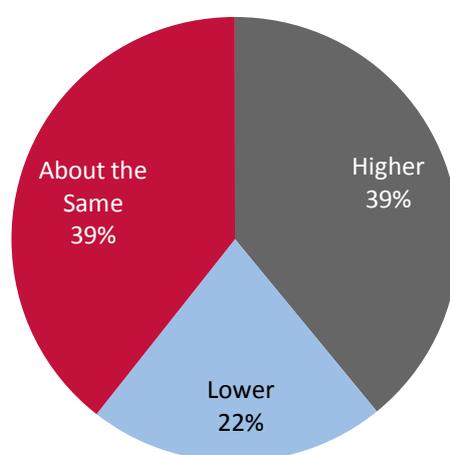
Number of vehicles owned / leased:

Number of Vehicles	Owned Vehicles		Leased Vehicles	
	Frequency	Percent	Frequency	Percent
1-2	289	93%	431	86%
3-5	21	7%	51	10%
>5	2	1%	21	4%
Total	312	100%	503	100%
Missing Responses	397		206	
Total	709		709	



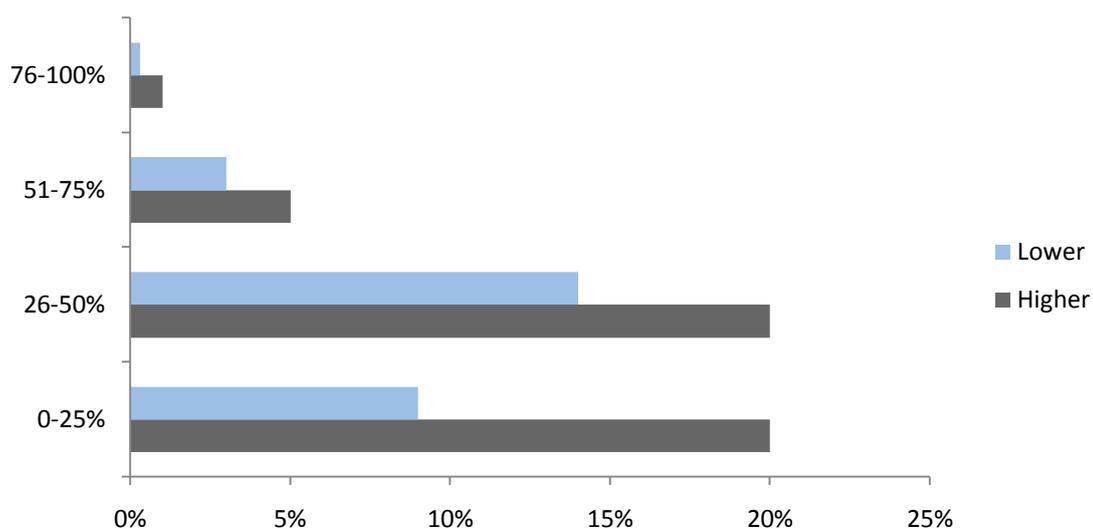
33. Is your sales turnover likely to be higher, or lower than it was in the last financial year?

Sales	Frequency	Percent
Higher	275	39%
Lower	151	22%
About the Same	277	39%
Total	703	100%
Missing Responses	6	
Total	709	



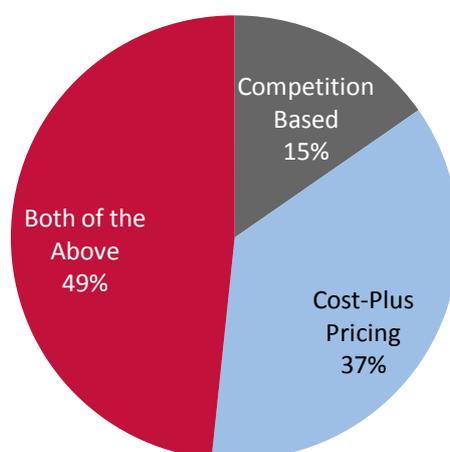
34. Sales turnover in the last financial year:

Sales Turnover		Estimated Percentage Change				Total
		0-25%	26-50%	51-75%	76-100%	
Higher	Count	120	116	31	5	272
	%of Total	20%	20%	5%	1%	46%
Lower	Count	51	83	15	2	151
	%of Total	9%	14%	3%	0%	26%



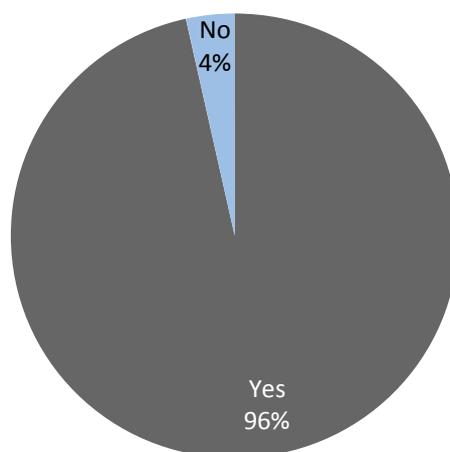
34. What pricing strategy do you use for your products/services?

Pricing Strategy	Frequency	Percent
Competition Based	108	15%
Cost-Plus Pricing	257	37%
Both of the Above	342	49%
Total	707	100%
Missing Responses	2	
Total	709	



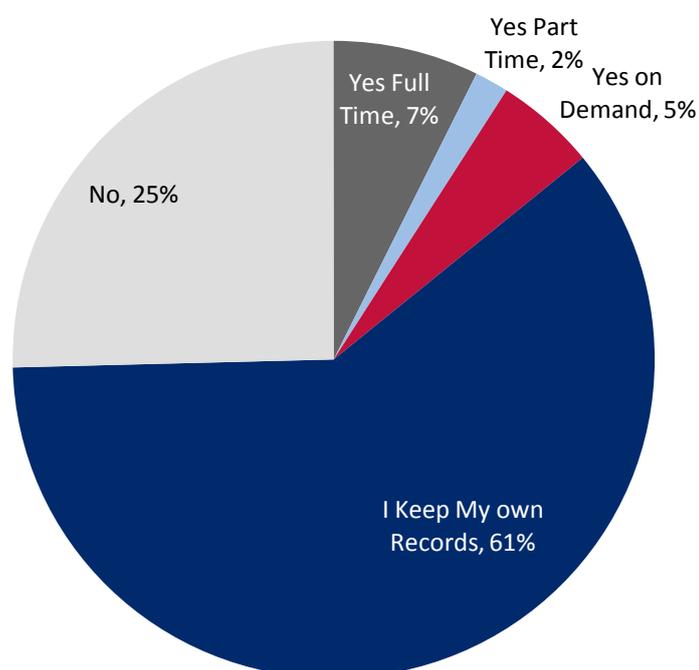
35. Is your business profitable?

	Frequency	Percent
Yes	681	96%
No	25	4%
Total	706	100%
Missing Responses	3	
Total	709	



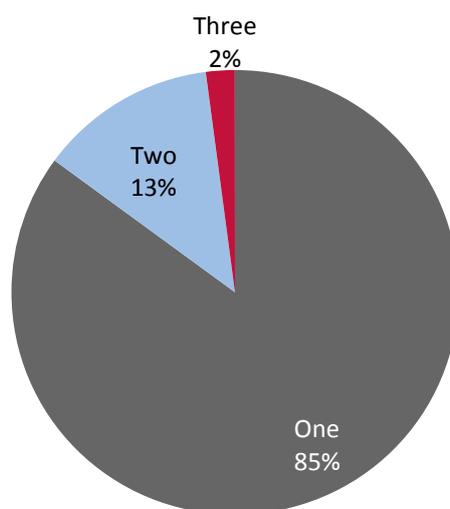
36. Do you employ the services of an accountant?

	Frequency	Percent
Yes Full Time	52	7%
Yes Part Time	12	2%
Yes on Demand	36	5%
I Keep My own Records	429	61%
No	180	25%
Total	709	100%



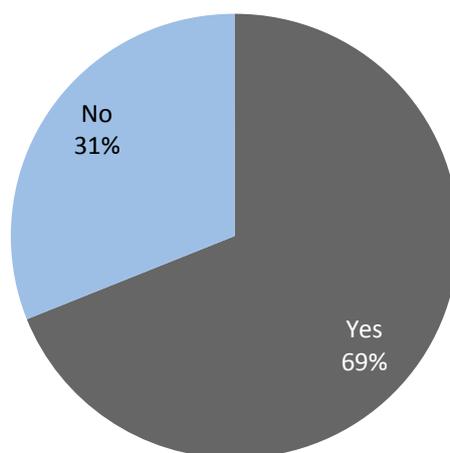
How many accountants do you employ?

Accountant	Frequency	Percent
One	40	85%
Two	6	13%
Three	1	2%
Total	47	100%
Missing Responses	662	
Total	709	



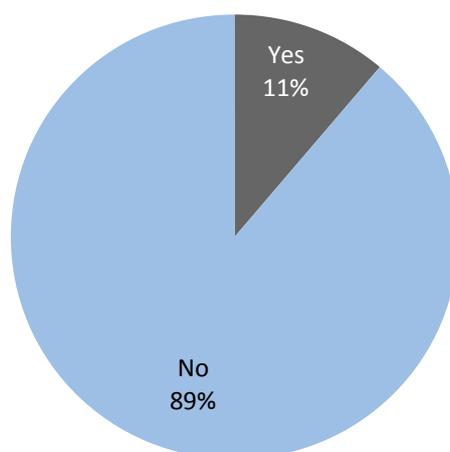
37. Do you keep your business accounts separate from family accounts?

	Frequency	Percent
Yes	478	69%
No	216	31%
Total	694	100%
Missing	15	
Total	709	



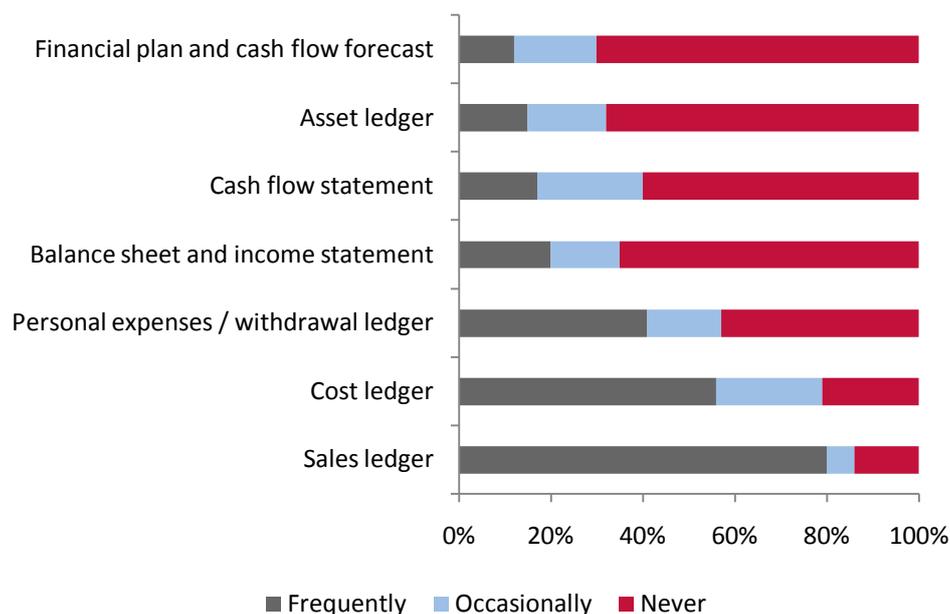
38. Do you utilize the services of an external auditor?

	Frequency	Percent
Yes	77	11%
No	611	89%
Total	688	100%
Missing Responses	21	
Total	709	



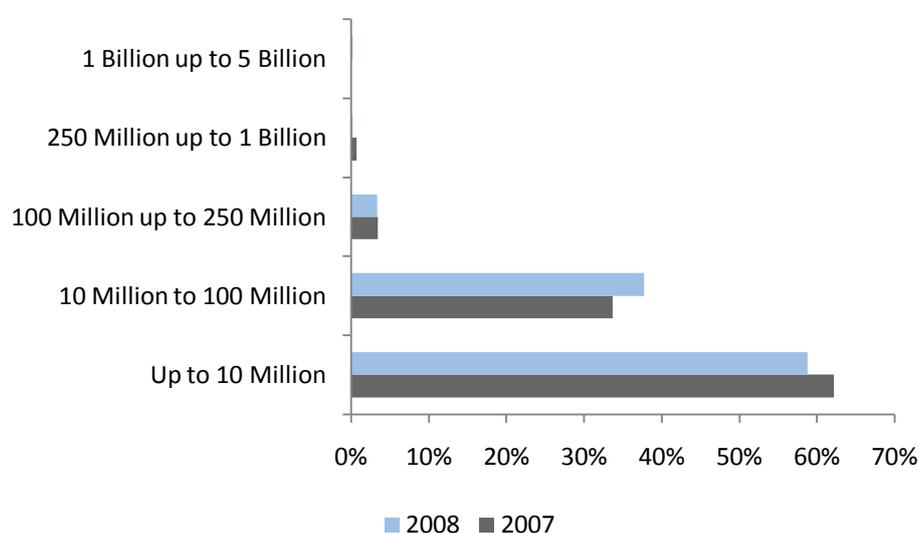
39. Which of the following accounting records do you keep?

Accounting Records		Utilization			Total	Missing	Total
		Frequently	Occasionally	Never			
Sales ledger	Frequency	563	46	97	706	3	709
	% of Respondents	80%	6%	14%	100%		
Cost ledger	Frequency	391	163	151	705	4	709
	% of Respondents	56%	23%	21%	100%		
Asset ledger	Frequency	103	121	481	705	4	709
	% of Respondents	15%	17%	68%	100%		
Balance sheet and income statement	Frequency	143	108	451	702	7	709
	% of Respondents	20%	15%	65%	100%		
Financial plan and cash flow forecast	Frequency	87	126	491	704	5	709
	% of Respondents	12%	18%	70%	100%		
Cash flow statement	Frequency	119	165	417	701	8	709
	% of Respondents	17%	23%	60%	100%		
Personal expenses / withdrawal ledger	Frequency	290	115	301	706	3	709
	% of Respondents	41%	16%	43%	100%		



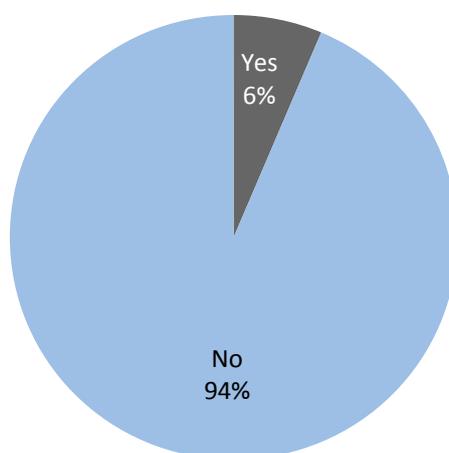
40. What has been your annual sales turnover for the past two years (Iraqi Dinar)?

Fiscal Year		Annual Sales Turnover – Iraqi Dinar					Total	Missing	Total
		Up to 10 Million	10 Million to 100 Million	100 Million to 250 Million	250 Million to 1 Billion	1 Billion to 5 Billion			
2007	Frequency	362	196	20	4	0	582	127	709
	% of Respondents	62%	34%	3%	1%	0%	100%		
2008	Frequency	379	243	21	1	1	645	64	709
	% of Respondents	59%	38%	3%	0%	0%	100%		



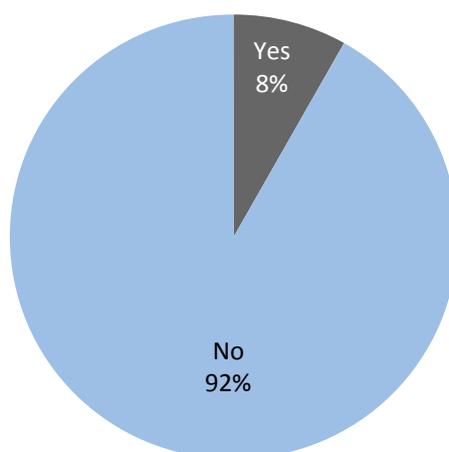
41. Do you know any state owned enterprise which buys products of the type you make?

	Frequency	Percent
Yes	45	6%
No	659	94%
Total	704	100%
Missing Responses	5	
Total	709	



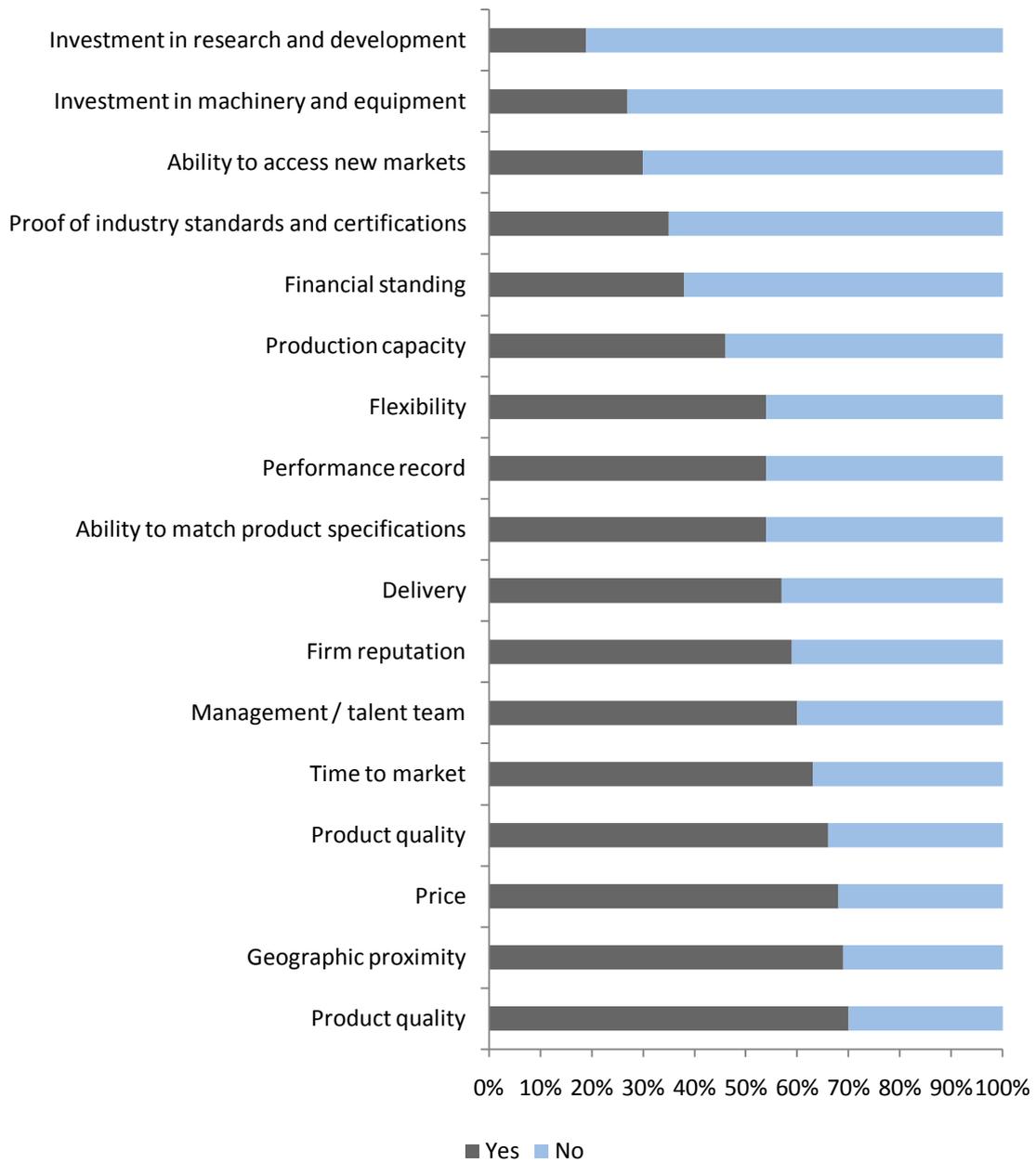
42. Have you been able to sell your products / services to a state owned enterprise?

	Frequency	Percent
Yes	58	8%
No	649	92%
Total	707	100%
Missing Responses	2	
Total	709	



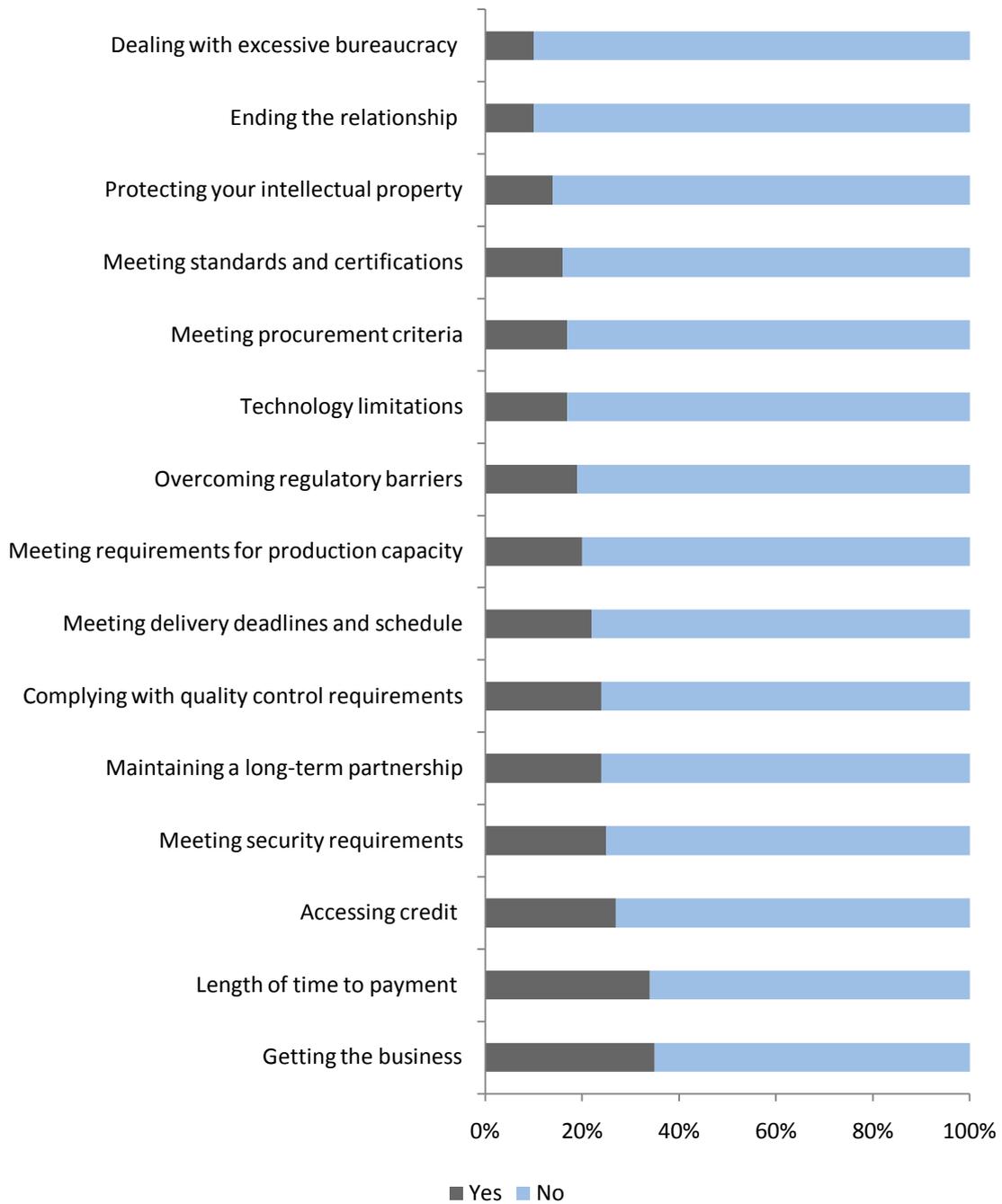
43. What do you think are the main criteria that large customers and SOEs use in deciding whether to do business with your company?

Large Customer and SOE Criteria		Response		Total	Missing	Total
		Yes	No			
Product quality	Frequency	494	209	703	6	709
	%of Respondents	70%	30%	100%		
Geographic proximity	Frequency	483	219	702	7	709
	%of Respondents	69%	31%	100%		
Price	Frequency	481	223	704	5	709
	%of Respondents	68%	32%	100%		
Product quality	Frequency	463	239	702	7	709
	%of Respondents	66%	34%	100%		
Time to market	Frequency	441	260	701	8	709
	%of Respondents	63%	37%	100%		
Management / talent team	Frequency	422	280	702	7	709
	%of Respondents	60%	40%	100%		
Firm reputation	Frequency	416	285	701	8	709
	%of Respondents	59%	41%	100%		
Delivery	Frequency	401	302	703	6	709
	%of Respondents	57%	43%	100%		
Ability to match product specifications	Frequency	379	325	704	5	709
	%of Respondents	54%	46%	100%		
Performance record	Frequency	379	325	704	5	709
	%of Respondents	54%	46%	100%		
Flexibility	Frequency	377	325	702	7	709
	%of Respondents	54%	46%	100%		
Production capacity	Frequency	320	382	702	7	709
	%of Respondents	46%	54%	100%		
Financial standing	Frequency	264	437	701	8	709
	%of Respondents	38%	62%	100%		
Proof of industry standards and certifications	Frequency	246	455	701	8	709
	%of Respondents	35%	65%	100%		
Ability to access new markets	Frequency	213	490	703	6	709
	%of Respondents	30%	70%	100%		
Investment in machinery and equipment	Frequency	189	512	701	8	709
	%of Respondents	27%	73%	100%		
Investment in research and development	Frequency	135	565	700	9	709
	%of Respondents	19%	81%	100%		



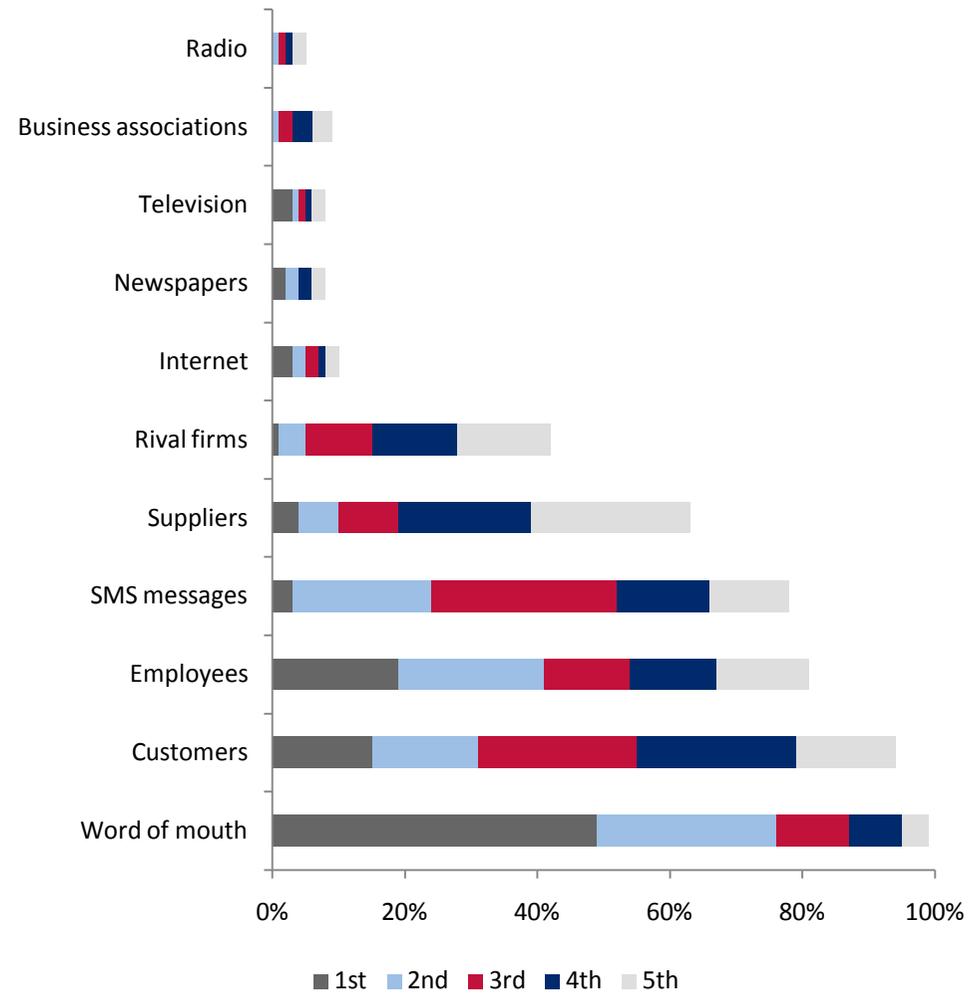
44. What are the main challenges your company has faced in being a supplier to a state owned enterprise / large buyers, if applicable?

Challenges to Supplying Large Customer and SOEs		Response		Total	Missing	Total
		Yes	No			
Getting the business	Frequency	246	454	700	9	709
	%of Respondents	35%	65%	100%		
Meeting standards and certifications	Frequency	111	589	700	9	709
	%of Respondents	16%	84%	100%		
Protecting your intellectual property	Frequency	96	604	700	9	709
	%of Respondents	14%	86%	100%		
Maintaining a long-term partnership	Frequency	171	529	700	9	709
	%of Respondents	24%	76%	100%		
Accessing credit	Frequency	190	510	700	9	709
	%of Respondents	27%	73%	100%		
Complying with quality control requirements	Frequency	170	530	700	9	709
	%of Respondents	24%	76%	100%		
Meeting security requirements	Frequency	175	525	700	9	709
	%of Respondents	25%	75%	100%		
Ending the relationship	Frequency	73	627	700	9	709
	%of Respondents	10%	90%	100%		
Dealing with excessive bureaucracy	Frequency	67	633	700	9	709
	%of Respondents	10%	90%	100%		
Meeting delivery deadlines and schedule	Frequency	156	544	700	9	709
	%of Respondents	22%	78%	100%		
Overcoming regulatory barriers	Frequency	135	564	699	10	709
	%of Respondents	19%	81%	100%		
Meeting requirements for production capacity	Frequency	137	563	700	9	709
	%of Respondents	20%	80%	100%		
Technology limitations	Frequency	121	579	700	9	709
	%of Respondents	17%	83%	100%		
Meeting procurement criteria	Frequency	118	582	700	9	709
	%of Respondents	17%	83%	100%		
Length of time to payment	Frequency	236	465	701	8	709
	%of Respondents	34%	66%	100%		



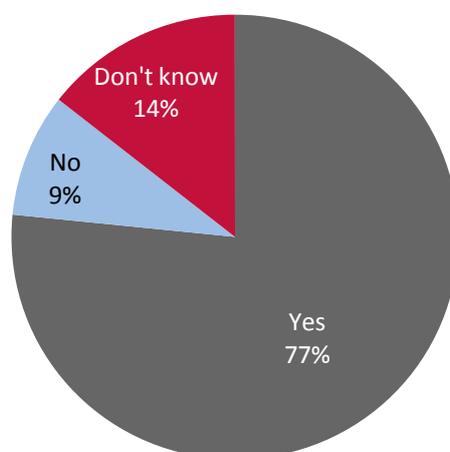
45. Rank (in order of importance) the top 5 main sources of news/information about business / customers:

Source	1st		2nd		3rd		4th		5th		Overall Rank	
	Frequency	%	Rank	Weight								
Word of mouth	345	49%	187	27%	76	11%	58	8%	26	4%	1	4.045224
Customers	107	15%	110	16%	169	24%	163	24%	101	15%	2	2.727736
Employees	131	19%	154	22%	93	13%	90	13%	94	14%	3	2.602208
SMS messages	24	3%	145	21%	196	28%	98	14%	84	12%	4	2.240898
Suppliers	29	4%	40	6%	60	9%	139	20%	166	24%	5	1.334327
Rival firms	6	1%	28	4%	68	10%	92	13%	92	14%	6	0.893189
Internet	20	3%	12	2%	15	2%	5	1%	14	2%	7	0.309517
Newspapers	17	2%	15	2%	3	0%	16	2%	15	2%	8	0.287016
Television	20	3%	4	1%	4	1%	6	1%	12	2%	9	0.216809
Business associations	1	0%	4	1%	11	2%	18	3%	19	3%	10	0.156696
Others	2	0%	0	0%	1	0%	4	1%	49	7%	11	0.10176
Radio	2	0%	4	1%	4	1%	5	1%	11	2%	12	0.084622
Total	704	100%	703	100%	700	100%	694	100%	683	100%		
Missing Responses	5		6		9		15		26			
Total	709											



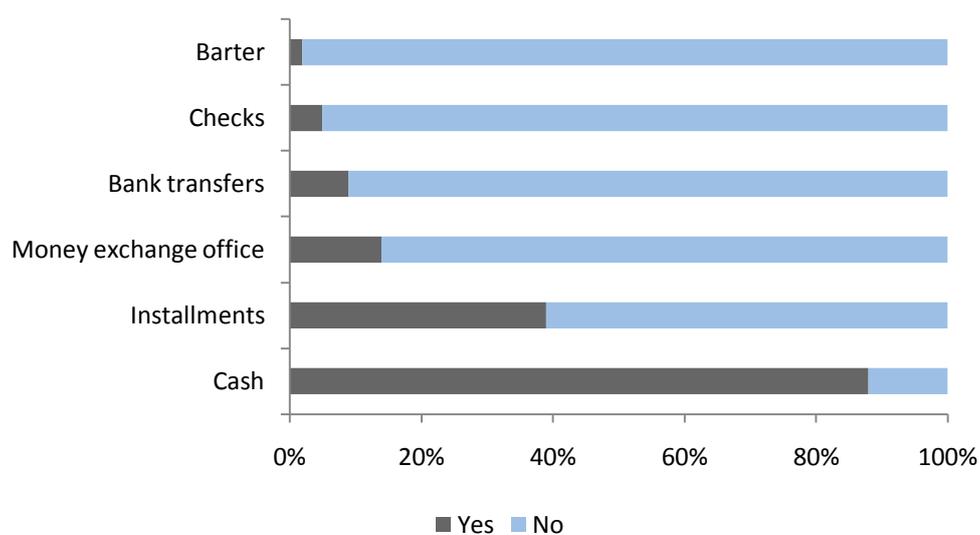
46. Do you plan to invest additional capital in your business in the next 24 months?

	Frequency	Percent
Yes	537	77%
No	63	9%
Don't know	101	14%
Total	701	100%
Missing Responses	8	
Total	709	



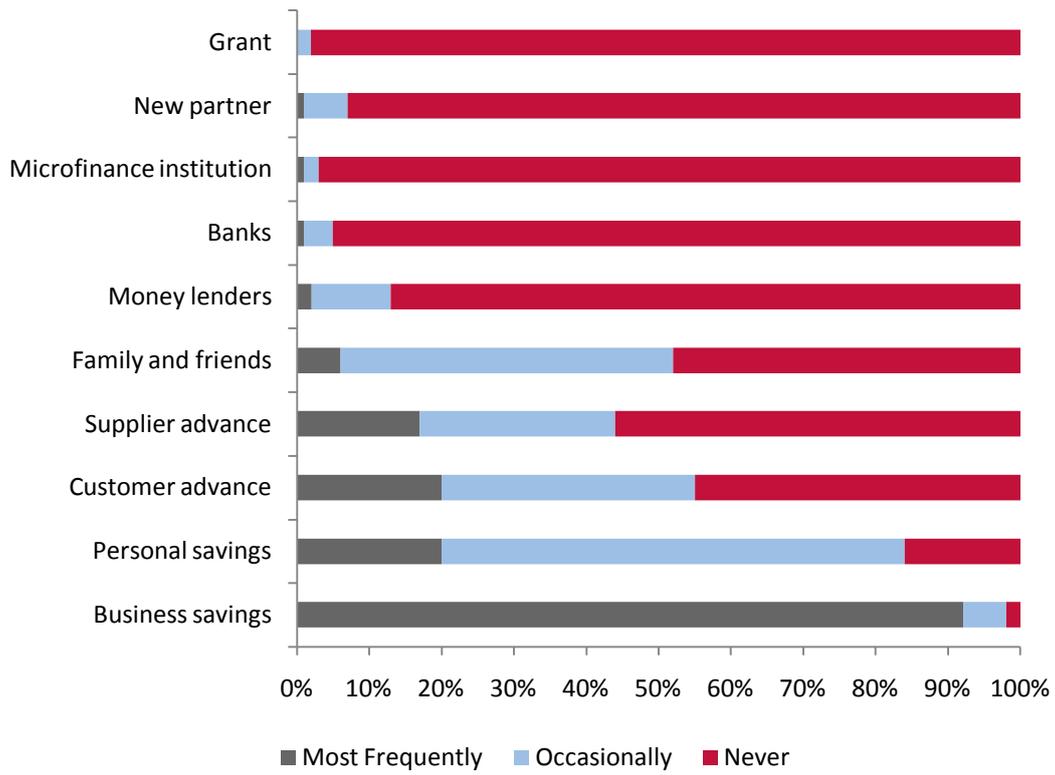
47. How do you settle your enterprise related bills?

How do you pay your bills?		Response		Total	Missing	Total
		Yes	No			
Cash	Frequency	622	82	704	5	709
	% of Respondents	88%	12%	100%		
Money exchange office	Frequency	96	603	699	10	709
	% of Respondents	14%	86%	100%		
Checks	Frequency	32	667	699	10	709
	% of Respondents	5%	95%	100%		
Barter	Frequency	14	685	699	10	709
	% of Respondents	2%	98%	100%		
Bank transfers	Frequency	63	636	699	10	709
	% of Respondents	9%	91%	100%		
Installments	Frequency	271	428	699	10	709
	% of Respondents	39%	61%	100%		



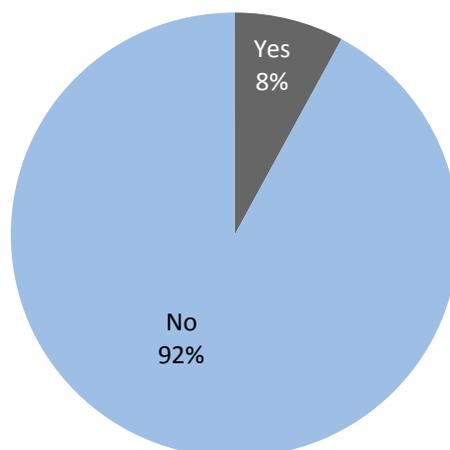
48. Which of the following sources do you use to fund your business?

Funding Source		Utilization			Total	Missing	Total
		Most Frequently	Occasionally	Never			
Business savings	Frequency	654	41	12	707	2	709
	% of Respondents	93%	6%	2%	100%		
Personal savings	Frequency	142	456	110	708	1	709
	% of Respondents	20%	64%	16%	100%		
Banks	Frequency	9	26	670	705	4	709
	% of Respondents	1%	4%	95%	100%		
Money lenders	Frequency	12	78	613	703	6	709
	% of Respondents	2%	11%	87%	100%		
Family and friends	Frequency	42	324	339	705	4	709
	% of Respondents	6%	46%	48%	100%		
Customer advance	Frequency	141	248	314	703	6	709
	% of Respondents	20%	35%	45%	100%		
Supplier advance	Frequency	120	192	391	703	6	709
	% of Respondents	17%	27%	56%	100%		
Microfinance institution	Frequency	9	15	682	706	3	709
	% of Respondents	1%	2%	97%	100%		
New partner	Frequency	6	44	655	705	4	709
	% of Respondents	%1	6%	93%	100%		
Grant	Frequency	3	15	688	706	3	709
	% of Respondents	%0	2%	98%	100%		



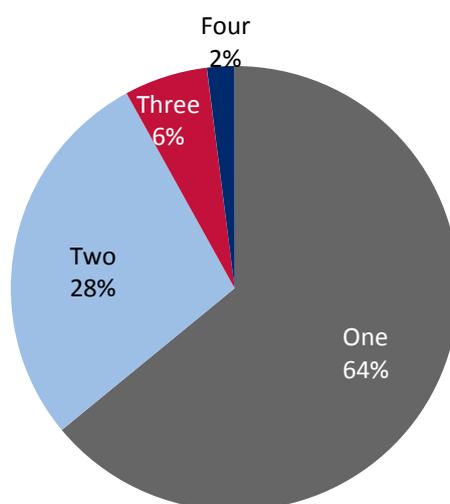
49. Do you hold a business bank account?

	Frequency	Percent
Yes	56	8%
No	649	92%
Total	705	100%
Missing Responses	4	
Total	709	



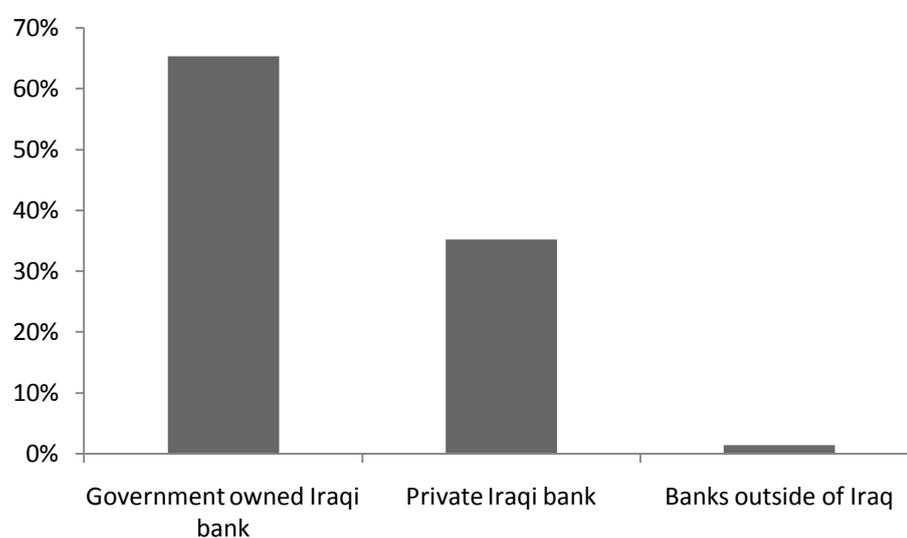
How many bank accounts does your business have?

Bank Accounts	Frequency	Percent
One	32	64%
Two	14	28%
Three	3	6%
Four	1	2%
Total	50	100%
Missing Responses	659	
Total	709	



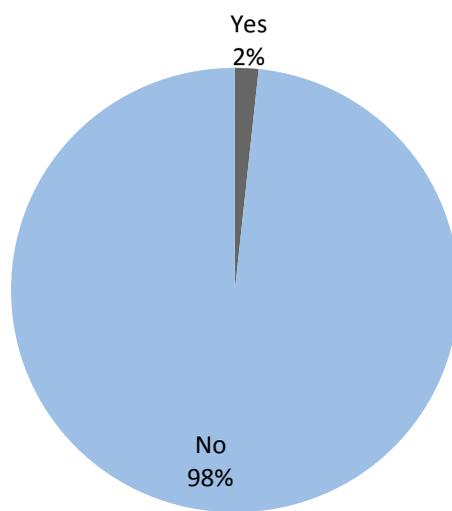
What type of bank does your business maintain its accounts with (variables are not exclusive of one another)?

Type of Bank		Frequency and %
Government owned Iraqi bank	Count	47
	%of Respondents	65%
Private Iraqi bank	Count	25
	%of Respondents	35%
Banks outside of Iraq	Count	1
	%of Respondents	2%



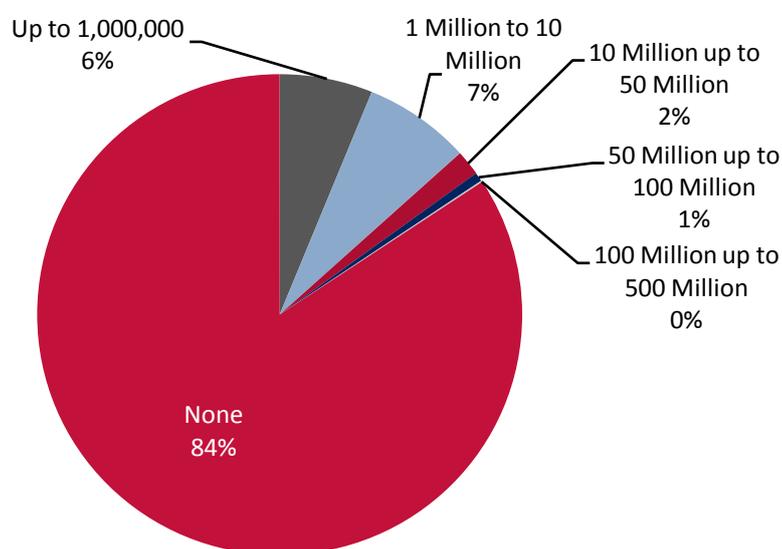
50. Have you ever borrowed from a bank of microfinance institution?

	Frequency	Percent
Yes	12	2%
No	687	98%
Total	699	100%
Missing Responses	10	
Total	709	



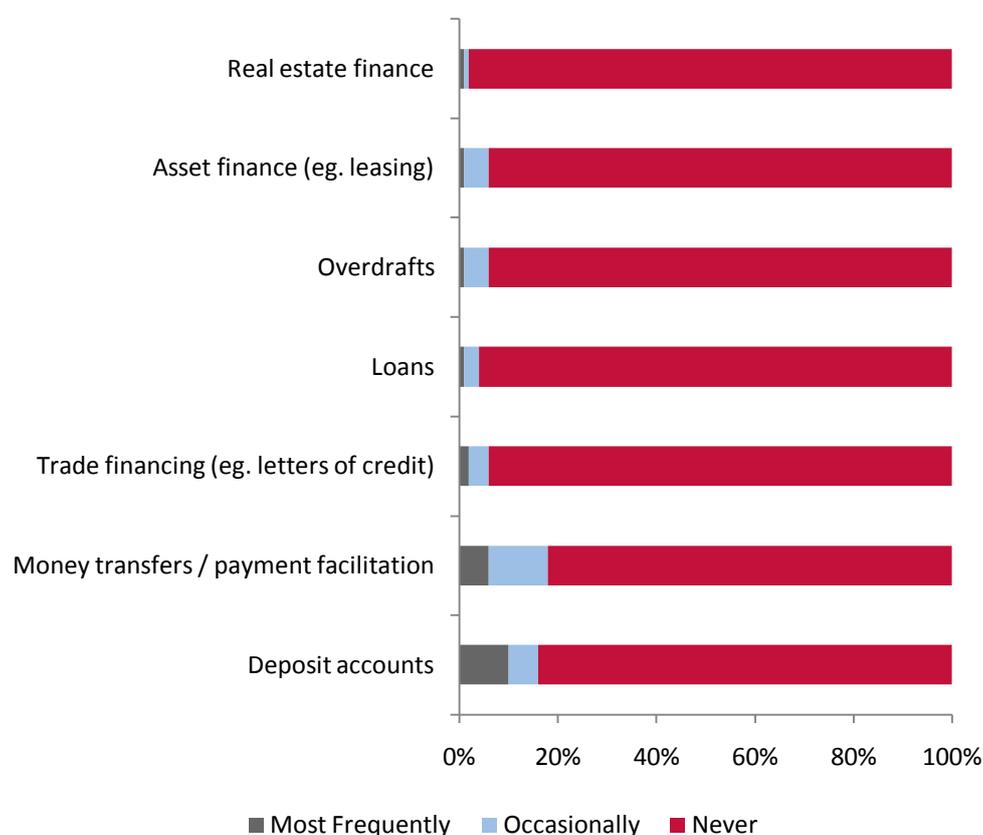
51. What is the total amount of credit owed by your business to others?

Credit (Iraqi Dinars)	Frequency	Percent
Up to 1,000,000	43	6%
1 Million to 10 Million	49	7%
10 Million to 50 Million	12	2%
50 Million to 100 Million	4	1%
100 Million to 500 Million	1	0%
None	582	84%
Total	691	100%
Missing Responses	18	
Total	709	



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

Banking Service		Utilization			Total	Missing	Total
		Most Frequently	Occasionally	Never			
Deposit accounts	Frequency	71	39	595	705	4	709
	%of Respondents	10%	6%	84%	100%		
Money transfers / payment facilitation	Frequency	42	86	577	705	4	709
	%of Respondents	6%	12%	82%	100%		
Loans	Frequency	8	24	674	706	3	709
	%of Respondents	1%	3%	96%	100%		
Trade financing (eg. letters of credit)	Frequency	15	25	666	706	3	709
	%of Respondents	2%	4%	94%	100%		
Overdrafts	Frequency	10	36	659	705	4	709
	%of Respondents	1%	5%	94%	100%		
Asset finance (eg. leasing)	Frequency	8	36	661	705	4	709
	%of Respondents	1%	5%	94%	100%		
Real estate finance	Frequency	7	9	688	704	5	709
	%of Respondents	1%	1%	98%	100%		



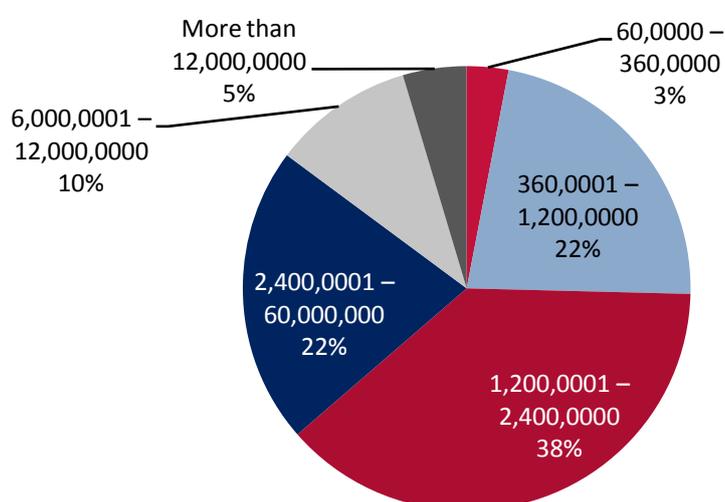
53. What additional services would you like banks to provide?

Additional Banking Services		Yes	No	Total	Missing	Total
Long-term financing	Frequency	459	248	707	2	709
	%of Respondents	65%	35%	100%		
Business planning	Frequency	240	465	705	4	709
	%of Respondents	34%	66%	100%		
Operations consulting	Frequency	225	480	705	4	709
	%of Respondents	32%	68%	100%		
Forums for SME - Bank/MFI interaction	Frequency	142	565	707	2	709
	%of Respondents	20%	80%	100%		
Greenfield (start-up) financing	Frequency	352	353	705	4	709
	%of Respondents	50%	50%	100%		
Financial planning	Frequency	162	543	705	4	709
	%of Respondents	23%	77%	100%		
Export development assistance	Frequency	122	583	705	4	709
	%of Respondents	17%	83%	100%		
Market information	Frequency	249	456	705	4	709
	%of Respondents	35%	65%	100%		
Project financing	Frequency	248	457	705	4	709
	%of Respondents	35%	65%	100%		
Financial literacy training	Frequency	152	553	705	4	709
	%of Respondents	22%	78%	100%		



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

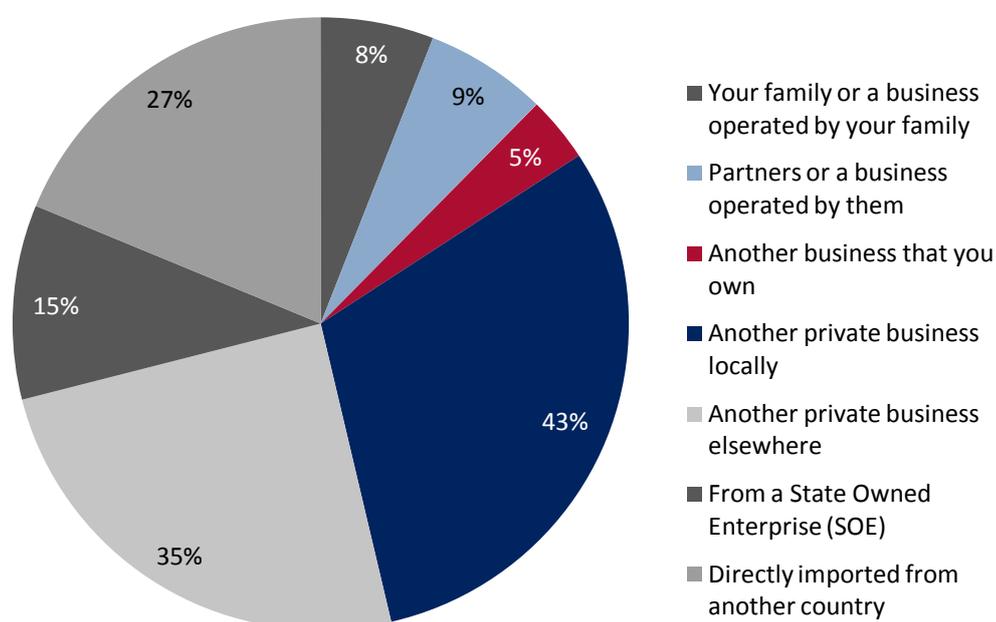
Loan Amount (Iraqi Dinar)	Frequency	Percent
60,000 – 360,000	20	3%
360,0001 – 1,200,0000	151	22%
1,200,0001 – 2,400,0000	258	38%
2,400,0001 – 60,000,000	146	22%
6,000,0001 – 12,000,0000	69	10%
More than 12,000,0000	31	5%
Total	675	100%
Missing Responses	34	
Total	709	



55. (Qualitative)

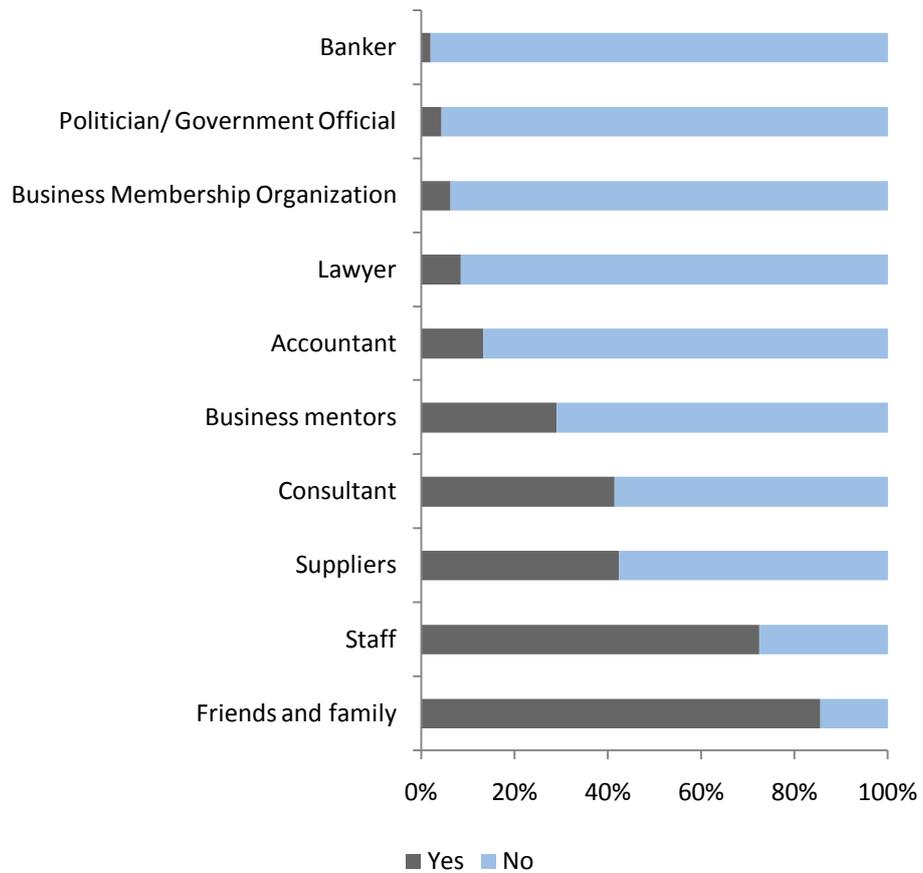
56. From where do you usually source your raw material?

Source of Raw Material		Response		Total	Missing	Total
		Yes	No			
Another private business locally	Frequency	63	82	145	564	709
	%of Respondents	43%	57%	100%		
Another private business elsewhere	Frequency	50	93	143	566	709
	%of Respondents	35%	65%	100%		
Directly imported from another country	Frequency	37	102	139	570	709
	%of Respondents	27%	73%	100%		
From a State Owned Enterprise (SOE)	Frequency	21	123	144	565	709
	%of Respondents	15%	85%	100%		
Partners or a business operated by them	Frequency	13	130	143	566	709
	%of Respondents	9%	91%	100%		
Your family or a business operated by your family	Frequency	12	131	143	566	709
	%of Respondents	8%	92%	100%		
Another business that you own	Frequency	7	136	143	566	709
	%of Respondents	5%	95%	100%		



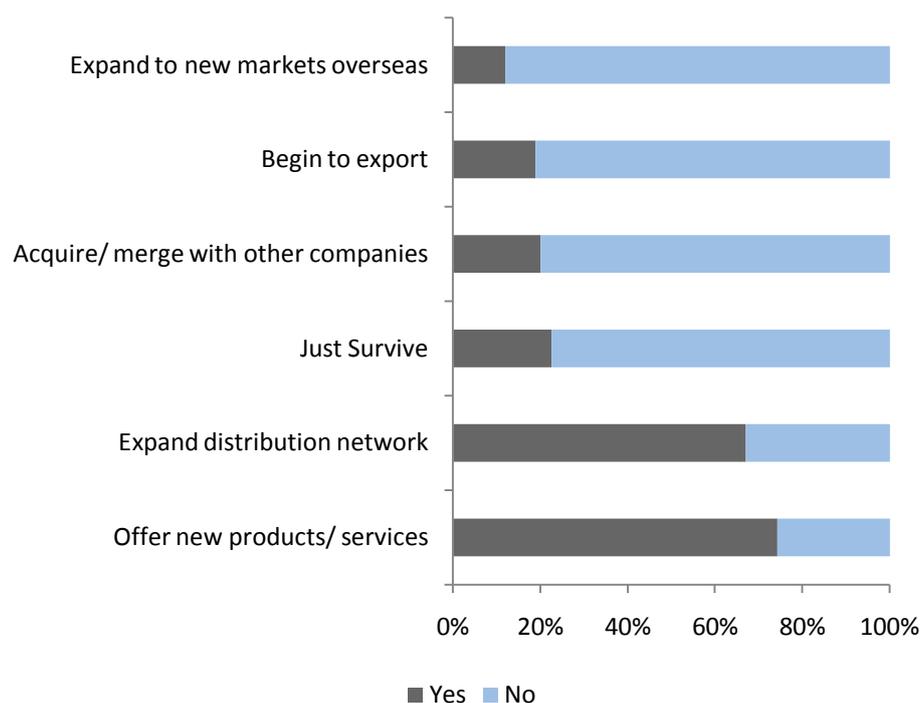
57. Whom do you approach to discuss a business idea or issue?

Source of Business Advice		Response		Total	Missing	Total
		Yes	No			
Friends and family	Frequency	604	102	706	3	709
	%of Respondents	86%	14%	100%		
Staff	Frequency	509	193	702	7	709
	%of Respondents	73%	28%	100%		
Suppliers	Frequency	297	404	701	8	709
	%of Respondents	42%	58%	100%		
Consultant	Frequency	291	412	703	6	709
	%of Respondents	41%	59%	100%		
Business mentors	Frequency	203	497	700	9	709
	%of Respondents	29%	71%	100%		
Accountant	Frequency	94	611	705	5	709
	%of Respondents	13%	87%	100%		
Lawyer	Frequency	60	641	701	8	709
	%of Respondents	9%	91%	100%		
BMO	Frequency	44	659	703	6	709
	%of Respondents	6%	94%	100%		
Politician / government official	Frequency	31	672	703	6	709
	%of Respondents	4%	96%	100%		
Banker	Frequency	14	689	703	6	709
	%of Respondents	2%	98%	100%		



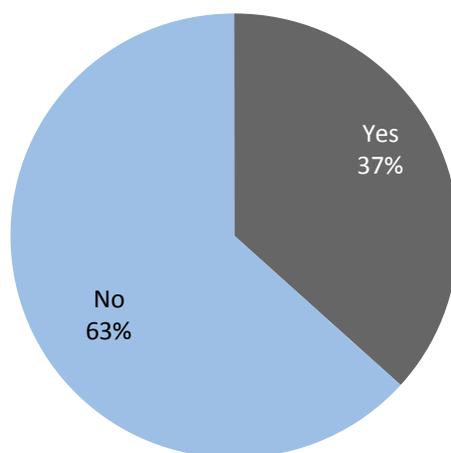
58. What is your key business strategy for the next two years?

Business Strategy		Response		Total	Missing	Total
		Yes	No			
Offer new products / services	Frequency	523	182	705	4	709
	%ofRespondents	74%	26%	100%		
Expand distribution network	Frequency	472	233	705	4	709
	%ofRespondents	67%	33%	100%		
Just survive	Frequency	159	544	703	6	709
	%ofRespondents	23%	77%	100%		
Acquire / merge with other companies	Frequency	141	561	702	7	709
	%ofRespondents	20%	80%	100%		
Begin to export	Frequency	132	571	703	6	709
	%ofRespondents	19%	81%	100%		
Expand to new markets overseas	Frequency	84	619	703	6	709
	%ofRespondents	12%	88%	100%		



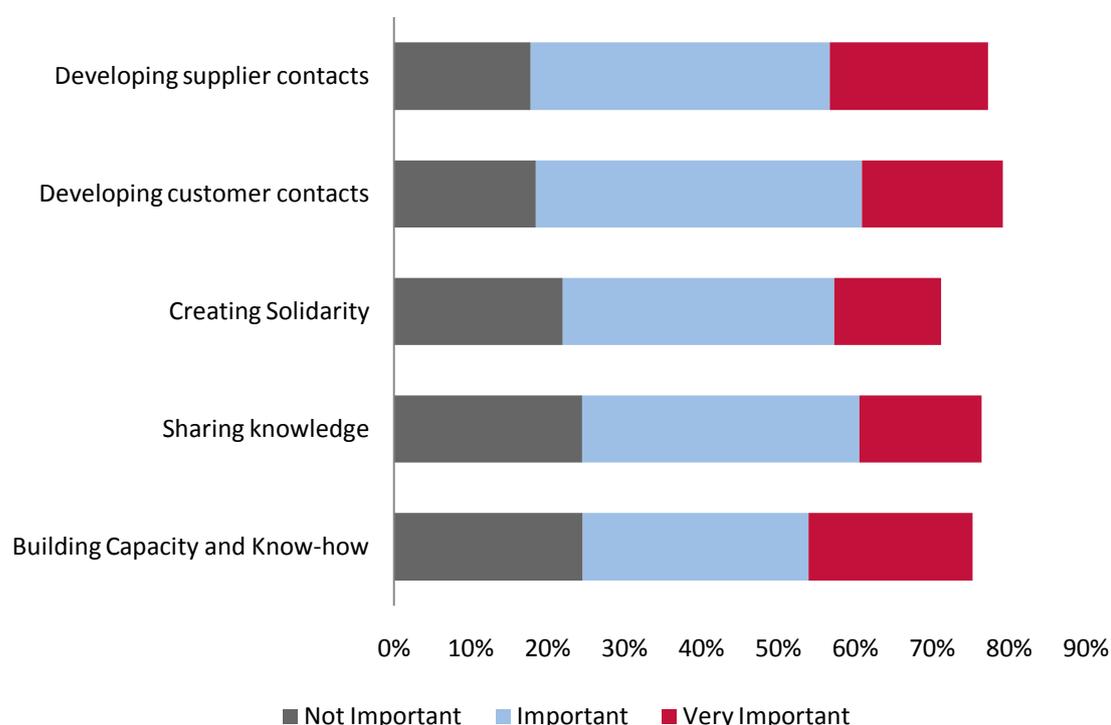
59. Do you believe business associations play a useful role to support small businesses?

	Frequency	Percent
Yes	258	37%
No	445	63%
Total	703	100%
Missing Responses	6	
Total	709	



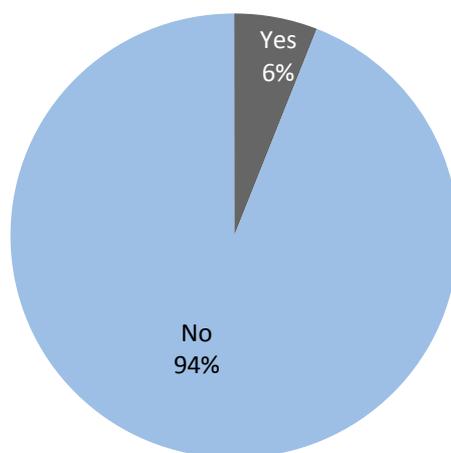
60. How important do you believe business association membership is for the following?

Perceived Benefits		Response				Total	Missing	Total
		Not Important	Important	Very Important	N/A			
Building capacity and know-how	Frequency	171	205	149	173	698	11	709
	%of Respondents	25%	29%	21%	25%	100%		
Sharing knowledge	Frequency	170	252	111	165	698	11	709
	%of Respondents	24%	36%	16%	24%	100%		
Creating solidarity	Frequency	153	247	97	202	699	10	709
	%of Respondents	22%	35%	14%	29%	100%		
Developing customer contacts	Frequency	129	297	128	147	701	8	709
	%of Respondents	18%	42%	18%	21%	100%		
Developing supplier contacts	Frequency	124	272	144	160	700	9	709
	%of Respondents	18%	39%	21%	23%	100%		



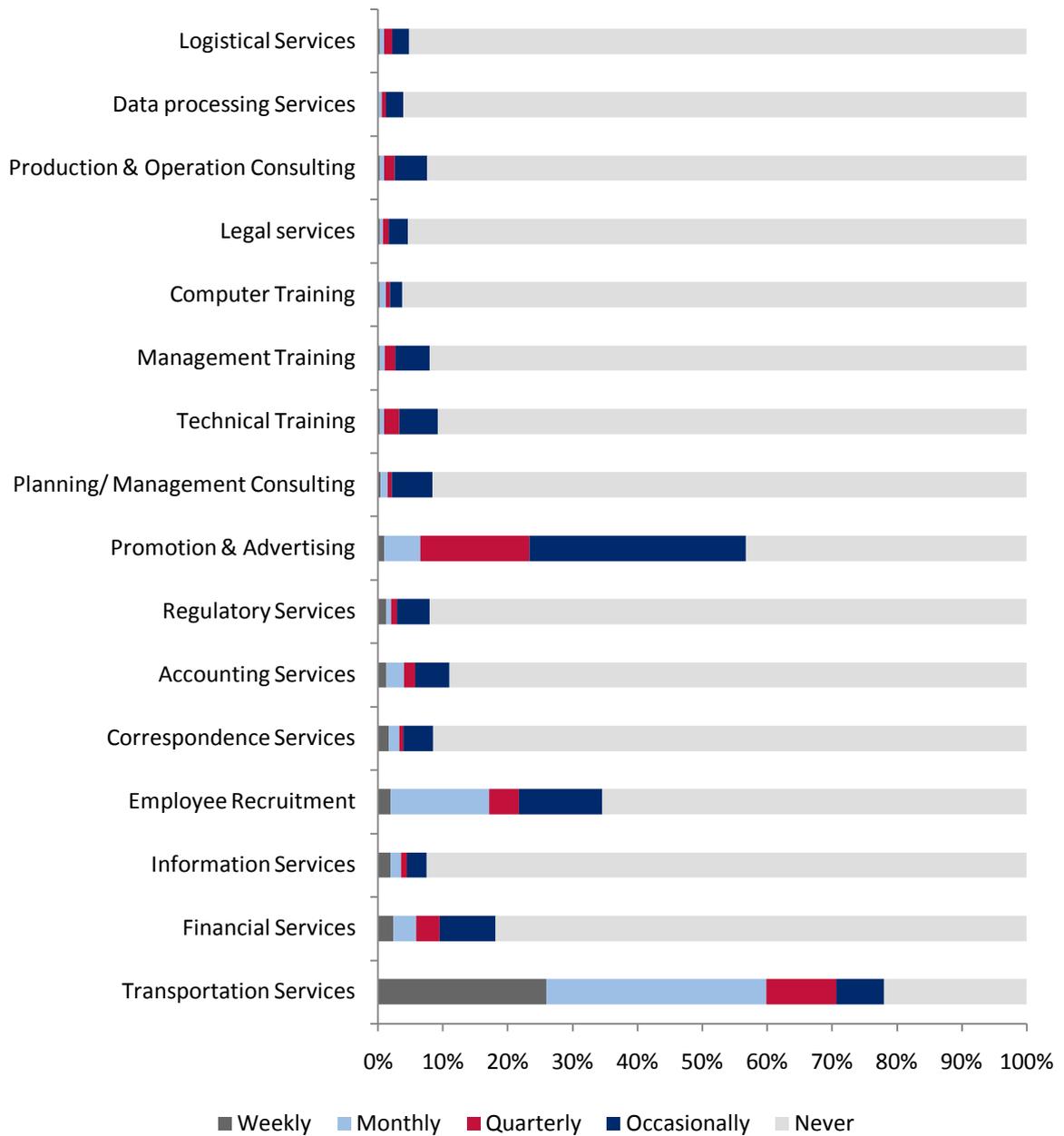
61. Have you ever been contacted by a business association offering membership services or other business services?

	Frequency	Percent
Yes	39	6%
No	662	94%
Total	701	100%
Missing Responses	8	
Total	709	



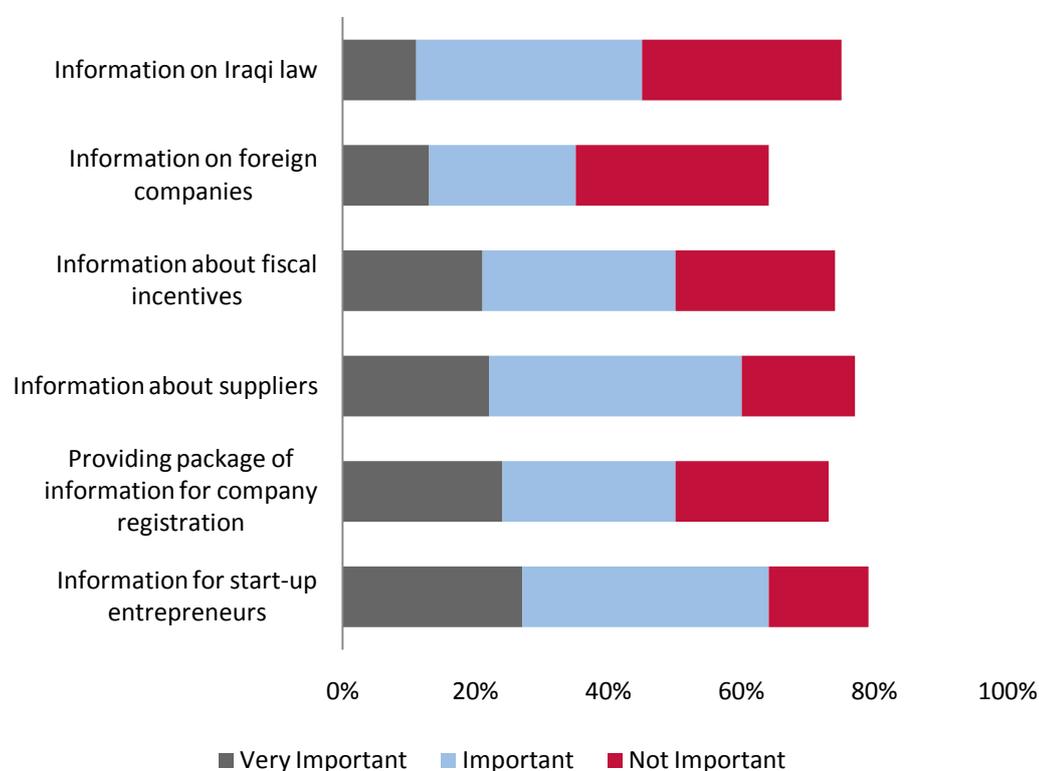
62. How often do you use the following business services?

Business Services		Response					Total	Missing	Total
		Weekly	Monthly	Quarterly	Occasionally	Never			
Transportation services	Frequency	182	238	76	52	154	702	7	709
	%of Respondents	26%	34%	11%	7%	22%	100%		
Financial services	Frequency	16	25	25	60	575	701	8	709
	%of Respondents	2%	4%	4%	9%	82%	100%		
Information services	Frequency	13	11	6	22	650	702	7	709
	%of Respondents	2%	2%	%1	3%	93%	100%		
Employee recruitment	Frequency	13	106	32	90	457	698	11	709
	%of Respondents	2%	15%	5%	13%	66%	100%		
Correspondence services	Frequency	11	11	5	32	642	701	8	709
	%of Respondents	2%	2%	%1	5%	92%	100%		
Accounting services	Frequency	9	19	12	37	625	702	7	709
	%of Respondents	1%	3%	2%	5%	89%	100%		
Regulatory services	Frequency	9	5	6	35	648	703	6	709
	%of Respondents	1%	%1	%1	5%	92%	100%		
Promotion & advertising	Frequency	6	39	118	235	304	702	7	709
	%of Respondents	%1	6%	17%	34%	43%	100%		
Planning / management consulting	Frequency	3	7	5	44	645	704	5	709
	%of Respondents	0%	1%	%1	6%	92%	100%		
Technical training	Frequency	2	4	16	42	640	704	5	709
	%of Respondents	0%	%1	2%	6%	91%	100%		
Management training	Frequency	2	5	11	37	648	703	6	709
	%of Respondents	0%	%1	2%	5%	92%	100%		
Computer training	Frequency	2	6	4	13	677	702	7	709
	%of Respondents	0%	%1	%1	2%	96%	100%		
Legal services	Frequency	2	3	6	21	672	704	5	709
	%of Respondents	0%	0%	%1	3%	96%	100%		
Production & operation consulting	Frequency	2	4	11	36	650	703	6	709
	%of Respondents	0%	%1	2%	5%	93%	100%		
Data processing services	Frequency	1	3	5	19	673	701	8	709
	%of Respondents	0%	0%	%1	3%	96%	100%		
Logistical services	Frequency	2	4	9	18	665	698	11	709
	%of Respondents	0%	%1	1%	3%	95%	100%		



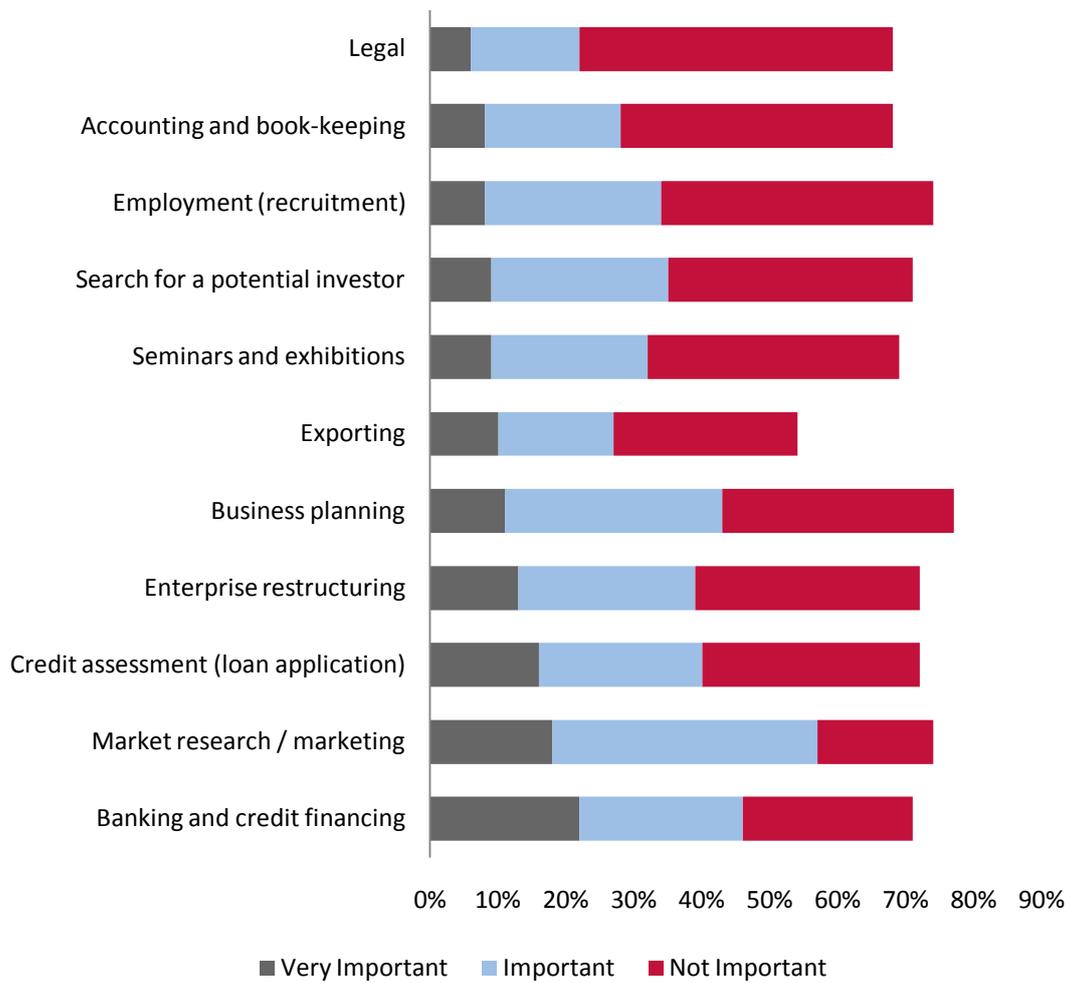
63A. List useful services from the following that you would like a business association to provide - Information Services

Information Services		Importance				Total	Missing	Total
		Not Important	Important	Very Important	N/A			
Information on foreign companies	Frequency	206	151	92	254	703	6	709
	%of Respondents	29%	22%	13%	36%	100%		
Information about suppliers	Frequency	119	271	158	158	706	3	709
	%of Respondents	17%	38%	22%	22%	100%		
Information on Iraqi law	Frequency	209	239	77	178	703	6	709
	%of Respondents	30%	34%	11%	25%	100%		
Information about fiscal incentives	Frequency	170	208	151	178	707	2	709
	%of Respondents	24%	29%	21%	25%	100%		
Information for start-up entrepreneurs	Frequency	108	260	193	144	705	4	709
	%of Respondents	15%	37%	27%	20%	100%		
Providing package of information for company registration	Frequency	160	180	167	198	705	4	709
	%of Respondents	23%	26%	24%	28%	100%		



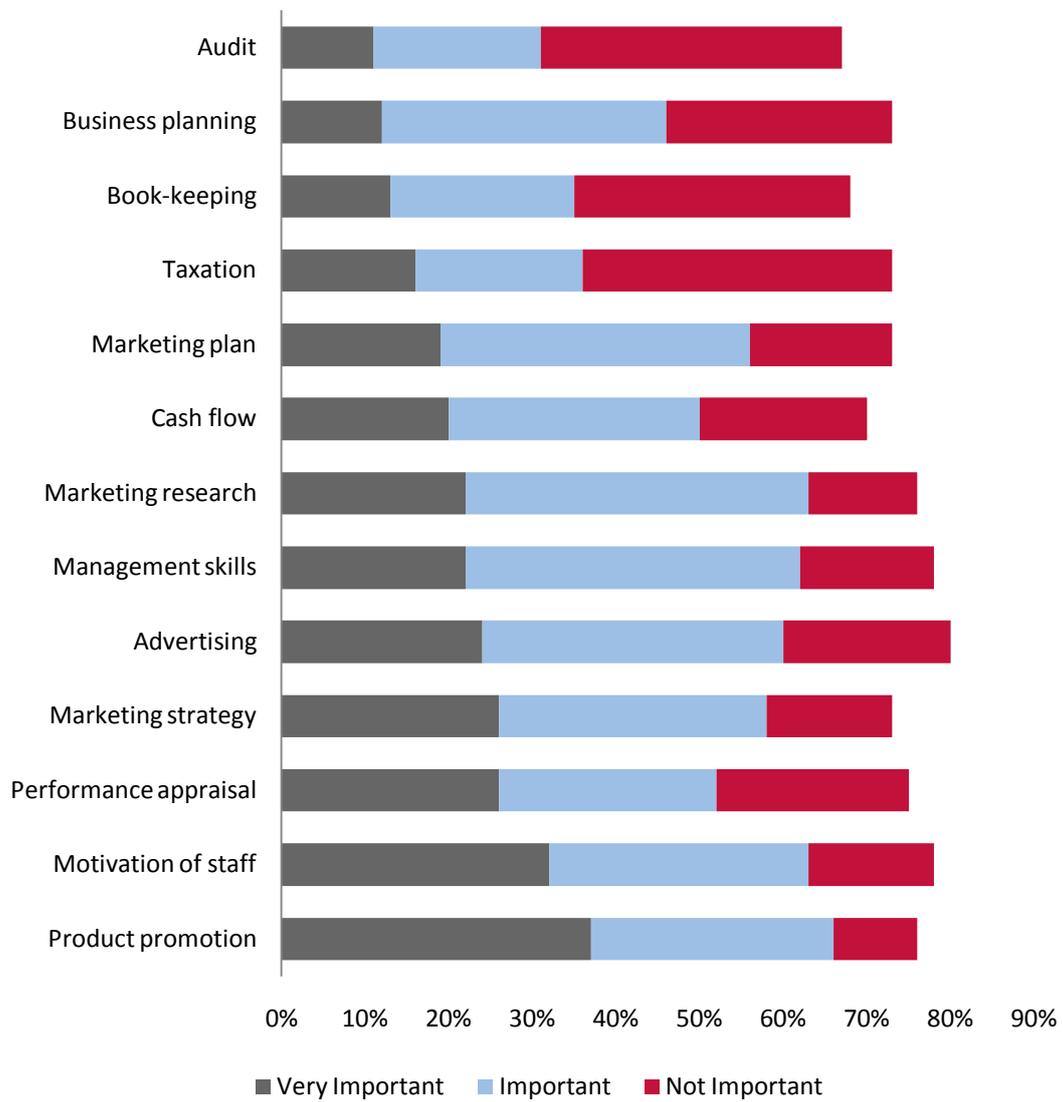
63B. List useful services from the following that you would like a business association to provide - Consulting Services

Consulting Services		Importance				Total	Missing	Total
		Not Important	Important	Very Important	N/A			
Legal	Frequency	322	115	41	227	705	4	709
	%of Respondents	46%	16%	6%	32%	100%		
Employment (recruitment)	Frequency	284	182	56	184	706	3	709
	%of Respondents	40%	26%	8%	26%	100%		
Accounting and book-keeping	Frequency	280	143	55	228	706	3	709
	%of Respondents	40%	20%	8%	32%	100%		
Seminars and exhibitions	Frequency	259	159	61	227	706	3	709
	%of Respondents	37%	23%	9%	32%	100%		
Search for a potential investor	Frequency	255	184	63	205	707	2	709
	%of Respondents	36%	26%	9%	29%	100%		
Credit assessment (loan application)	Frequency	225	169	115	198	707	2	709
	%of Respondents	32%	24%	16%	28%	100%		
Business planning	Frequency	238	225	76	167	706	3	709
	%of Respondents	34%	32%	11%	24%	100%		
Enterprise restructuring	Frequency	234	183	92	198	707	2	709
	%of Respondents	33%	26%	13%	28%	100%		
Exporting	Frequency	188	122	71	324	705	4	709
	%of Respondents	27%	17%	10%	46%	100%		
Banking and credit financing	Frequency	174	169	153	208	704	5	709
	%of Respondents	25%	24%	22%	30%	100%		
Market research / marketing	Frequency	119	274	129	185	707	2	709
	%of Respondents	17%	39%	18%	26%	100%		



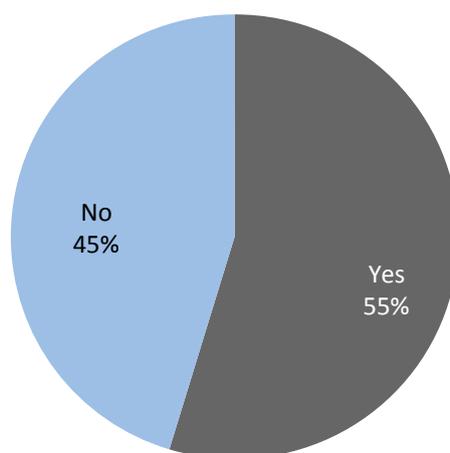
63C. List useful services from the following that you would like a business association to provide – Training Services

Training Services		Importance				Total	Missing	Total
		Not Important	Important	Very Important	N/A			
Performance appraisal	Frequency	161	180	185	178	704	5	709
	% of Respondents	23%	26%	26%	25%	100%		
Taxation	Frequency	260	141	113	192	706	3	709
	% of Respondents	37%	20%	16%	27%	100%		
Audit	Frequency	254	140	76	234	704	5	709
	% of Respondents	36%	20%	11%	33%	100%		
Book-keeping	Frequency	235	157	88	226	706	3	709
	% of Respondents	33%	22%	13%	32%	100%		
Business planning	Frequency	188	242	84	191	705	4	709
	% of Respondents	27%	34%	12%	27%	100%		
Cash flow	Frequency	141	212	142	212	707	2	709
	% of Respondents	20%	30%	20%	30%	100%		
Advertising	Frequency	138	253	172	143	706	3	709
	% of Respondents	20%	36%	24%	20%	100%		
Marketing plan	Frequency	118	263	135	191	707	2	709
	% of Respondents	17%	37%	19%	27%	100%		
Management skills	Frequency	110	279	156	158	703	6	709
	% of Respondents	16%	40%	22%	23%	100%		
Motivation of staff	Frequency	109	222	228	148	707	2	709
	% of Respondents	15%	31%	32%	21%	100%		
Marketing strategy	Frequency	105	227	186	189	707	2	709
	% of Respondents	15%	32%	26%	27%	100%		
Marketing research	Frequency	92	288	158	168	706	3	709
	% of Respondents	13%	41%	22%	24%	100%		
Product promotion	Frequency	70	207	261	168	706	3	709
	% of Respondents	10%	29%	37%	24%	100%		



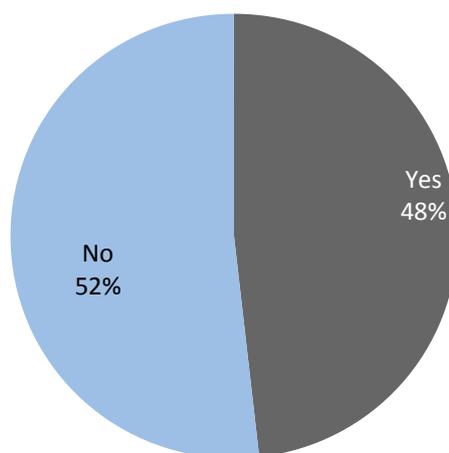
64. Does / would an employment agency provide useful service to your business?

	Frequency	Percent
Yes	379	55%
No	314	45%
Total	693	100%
Missing Responses	16	
Total	709	



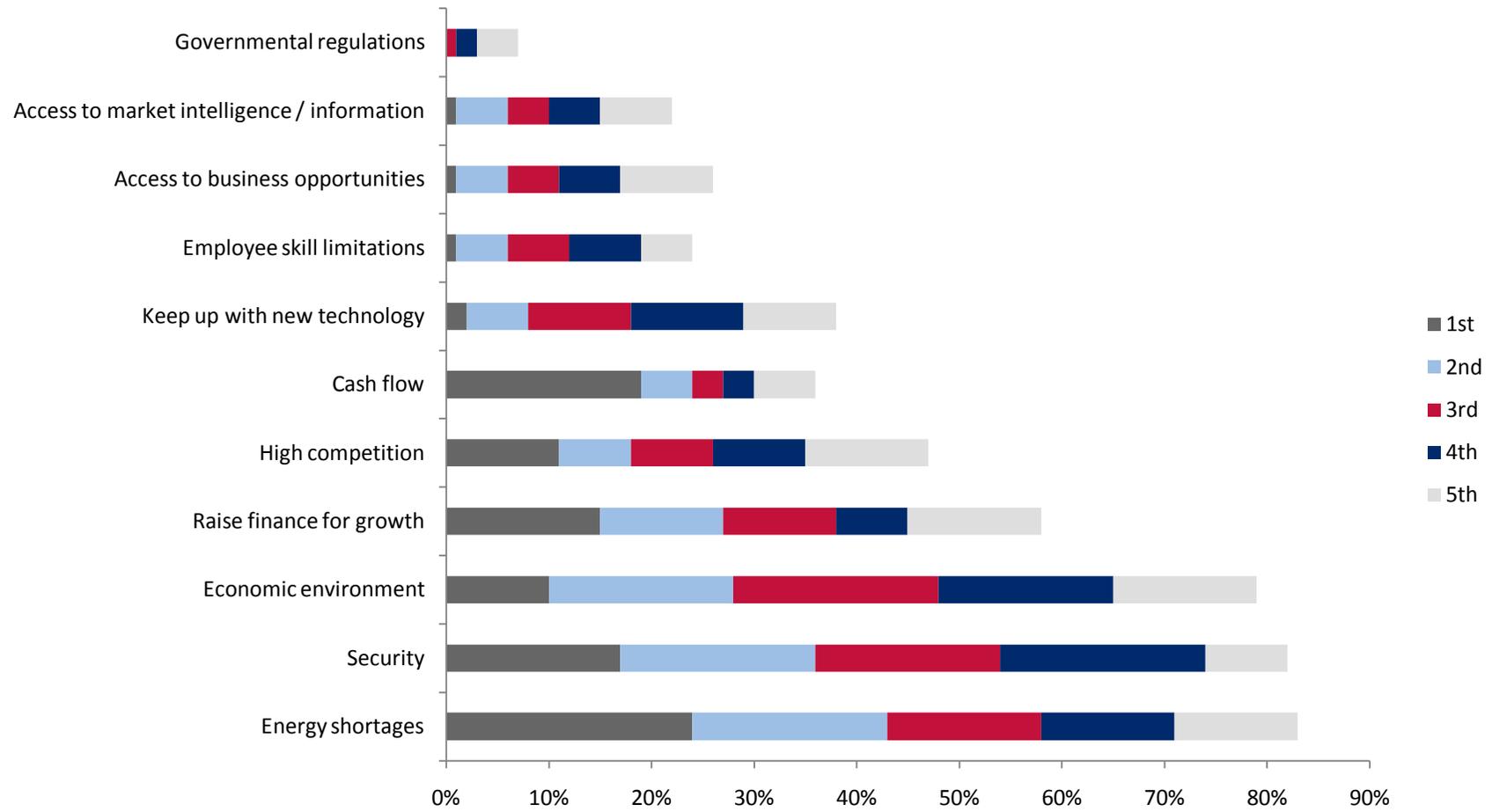
65. Do you pay / are you willing to pay for employment agency services?

	Frequency	Percent
Yes	334	48%
No	359	52%
Total	693	100%
Missing Responses	16	
Total	709	



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

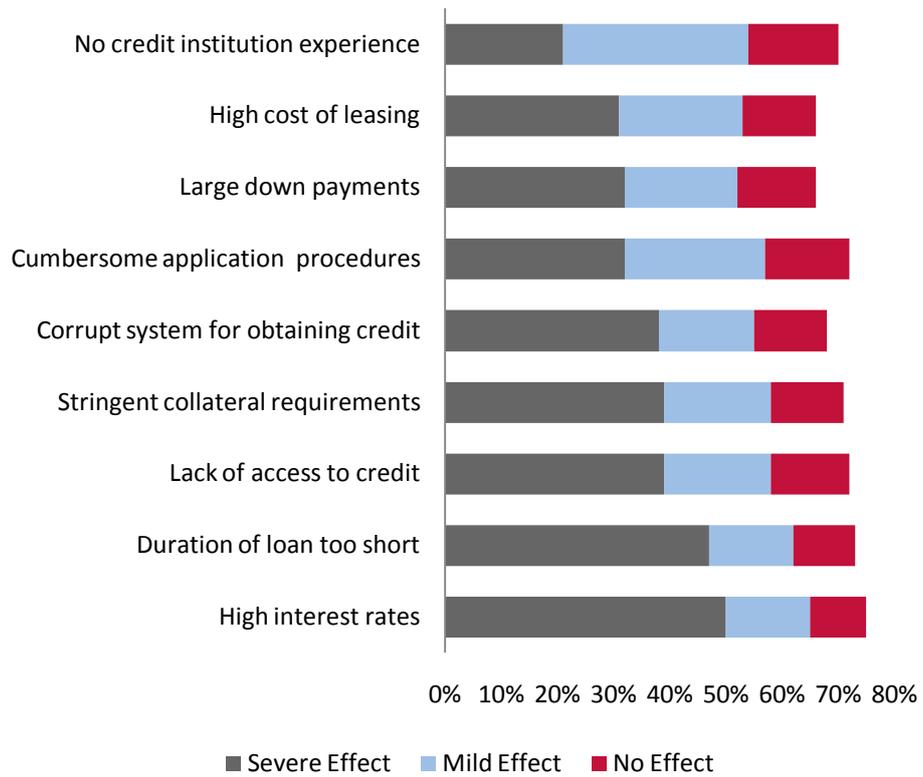
Hindrance	1 st		2 nd		3 rd		4 th		5 th		Overall Rank	
	Frequency	%	Rank	Weight								
Energy Shortages	168	24%	132	19%	104	15%	91	13%	81	12%	1	2.756061
Security	117	17%	137	19%	129	18%	143	20%	57	8%	2	2.643226
Economic environment	71	10%	130	18%	140	20%	117	17%	99	14%	3	2.310656
Raise finance for growth	106	15%	83	12%	78	11%	49	7%	92	13%	4	1.824564
High competition	76	11%	51	7%	56	8%	63	9%	86	12%	5	1.368168
Cash flow	135	19%	33	5%	19	3%	23	3%	44	6%	6	1.352557
Keep up with new technology	13	2%	41	6%	73	10%	75	11%	62	9%	7	0.9374
Employee skill limitations	8	1%	32	5%	42	6%	48	7%	38	5%	8	0.607862
Access to business opportunities	5	1%	33	5%	33	5%	41	6%	60	9%	9	0.56555
Access to market intelligence/ information	4	1%	32	5%	27	4%	37	5%	48	7%	10	0.498715
Governmental regulations	2	0%	1	0%	4	1%	15	2%	31	4%	11	0.123883
Others	1	0%	0	0%	0	0%	1	0%	1	0%	12	0.011358
Total	706	100%	705	100%	705	100%	703	100%	699	100%		
Missing Responses	3		4		4		6		10			
Total	709											



9.2 FIRM LEVEL CONSTRAINTS RESPONSES

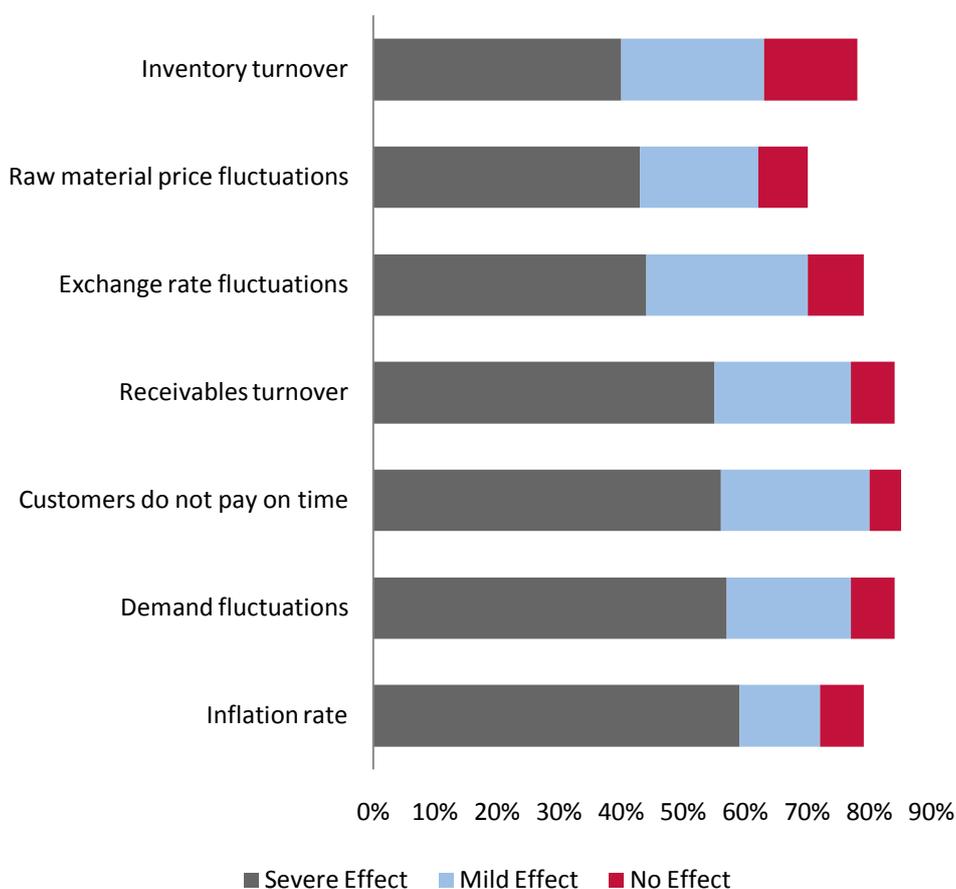
67A. Financial and HR Constraints

Financial Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Lack of access to credit	Frequency	95	136	276	196	703	6	709
	%of Respondents	14%	19%	39%	28%	100%		
Stringent collateral requirements	Frequency	93	135	278	199	705	4	709
	%of Respondents	13%	19%	39%	28%	100%		
No credit institution experience	Frequency	113	235	151	205	704	5	709
	%of Respondents	16%	33%	21%	29%	100%		
Cumbersome application procedures	Frequency	102	174	225	204	705	4	709
	%of Respondents	15%	25%	32%	29%	100%		
High interest rates	Frequency	73	108	351	175	707	2	709
	%of Respondents	10%	15%	50%	25%	100%		
Duration of loan too short	Frequency	78	109	332	187	706	3	709
	%of Respondents	11%	15%	47%	27%	100%		
Corrupt system for obtaining credit	Frequency	88	120	270	227	705	4	709
	%of Respondents	13%	17%	38%	32%	100%		
High cost of leasing	Frequency	92	157	215	238	702	7	709
	%of Respondents	13%	22%	31%	34%	100%		
Large down payments	Frequency	99	139	226	237	701	8	709
	%of Respondents	14%	20%	32%	34%	100%		



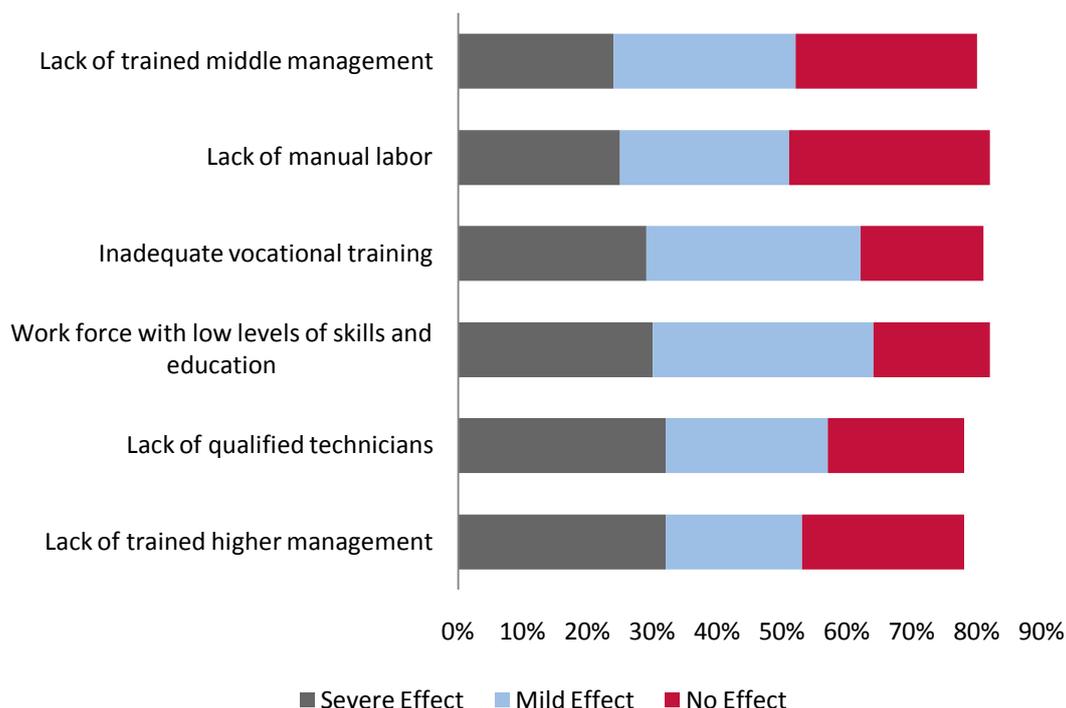
67B. Cash Flow Constraints

Cash Flow Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Demand fluctuations	Frequency	46	141	405	115	707	2	709
	%of Respondents	7%	20%	57%	16%	100%		
Raw material price fluctuations	Frequency	53	134	304	216	707	2	709
	%of Respondents	8%	19%	43%	31%	100%		
Customers do not pay on time	Frequency	35	171	394	104	704	5	709
	%of Respondents	5%	24%	56%	15%	100%		
Receivables turnover	Frequency	52	158	388	107	705	4	709
	%of Respondents	7%	22%	55%	15%	100%		
Inventory turnover	Frequency	103	164	280	158	705	4	709
	%of Respondents	15%	23%	40%	22%	100%		
Exchange rate fluctuations	Frequency	66	182	313	145	706	3	709
	%of Respondents	9%	26%	44%	21%	100%		
Inflation rate	Frequency	49	91	419	146	705	4	709
	%of Respondents	7%	13%	59%	21%	100%		



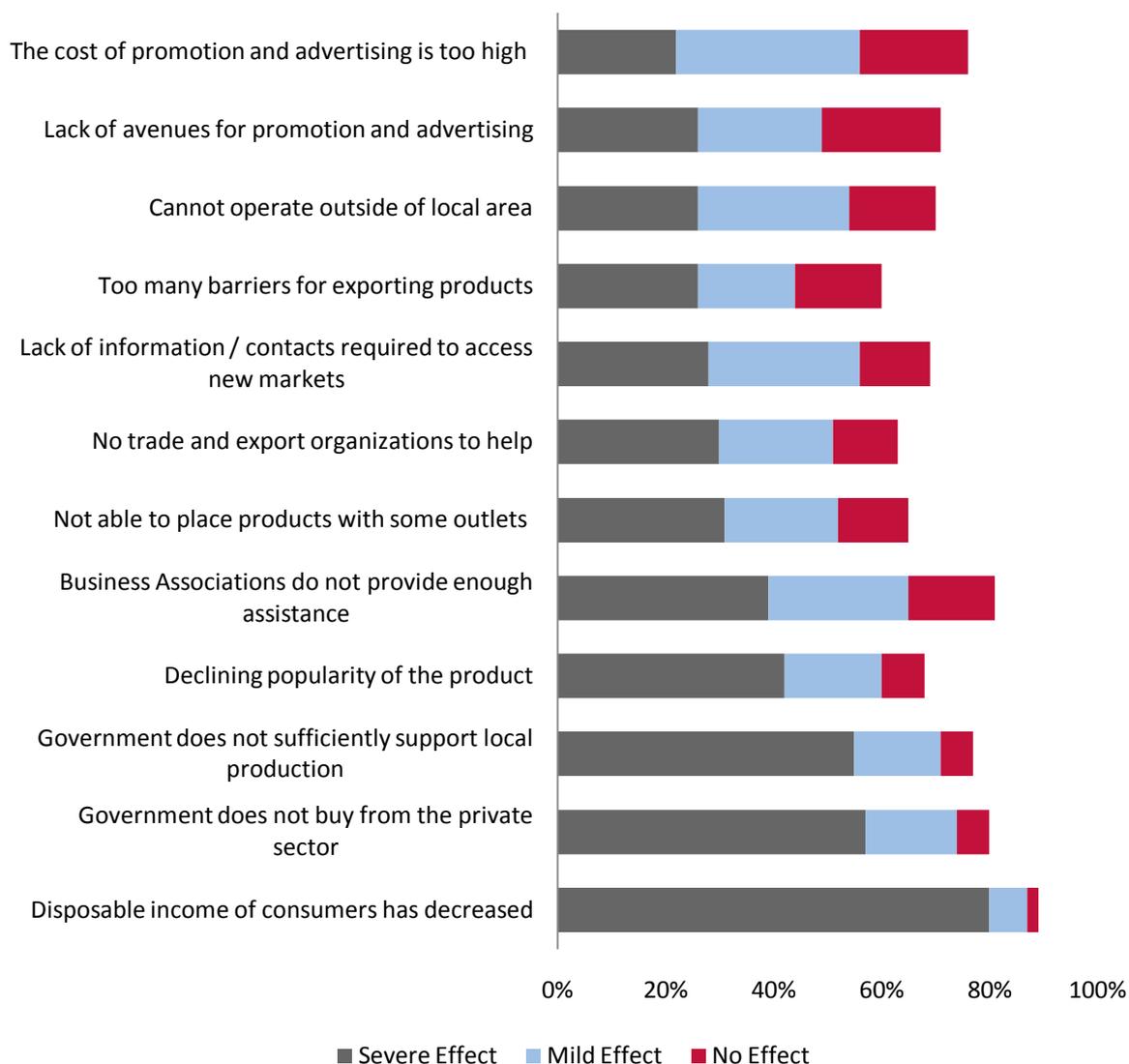
67C. HR Constraints

Human Resource Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Work force with low levels of skills and education	Frequency	126	238	210	131	705	4	709
	% of Respondents	18%	34%	30%	19%	100%		
Inadequate vocational training	Frequency	131	235	202	139	707	2	709
	% of Respondents	19%	33%	29%	20%	100%		
Lack of manual labor	Frequency	217	187	179	124	707	2	709
	% of Respondents	31%	26%	25%	18%	100%		
Lack of trained middle management	Frequency	195	199	168	143	705	4	709
	% of Respondents	28%	28%	24%	20%	100%		
Lack of trained higher management	Frequency	177	149	223	156	705	4	709
	% of Respondents	25%	21%	32%	22%	100%		
Lack of qualified technicians	Frequency	151	178	225	151	705	4	709
	% of Respondents	21%	25%	32%	21%	100%		



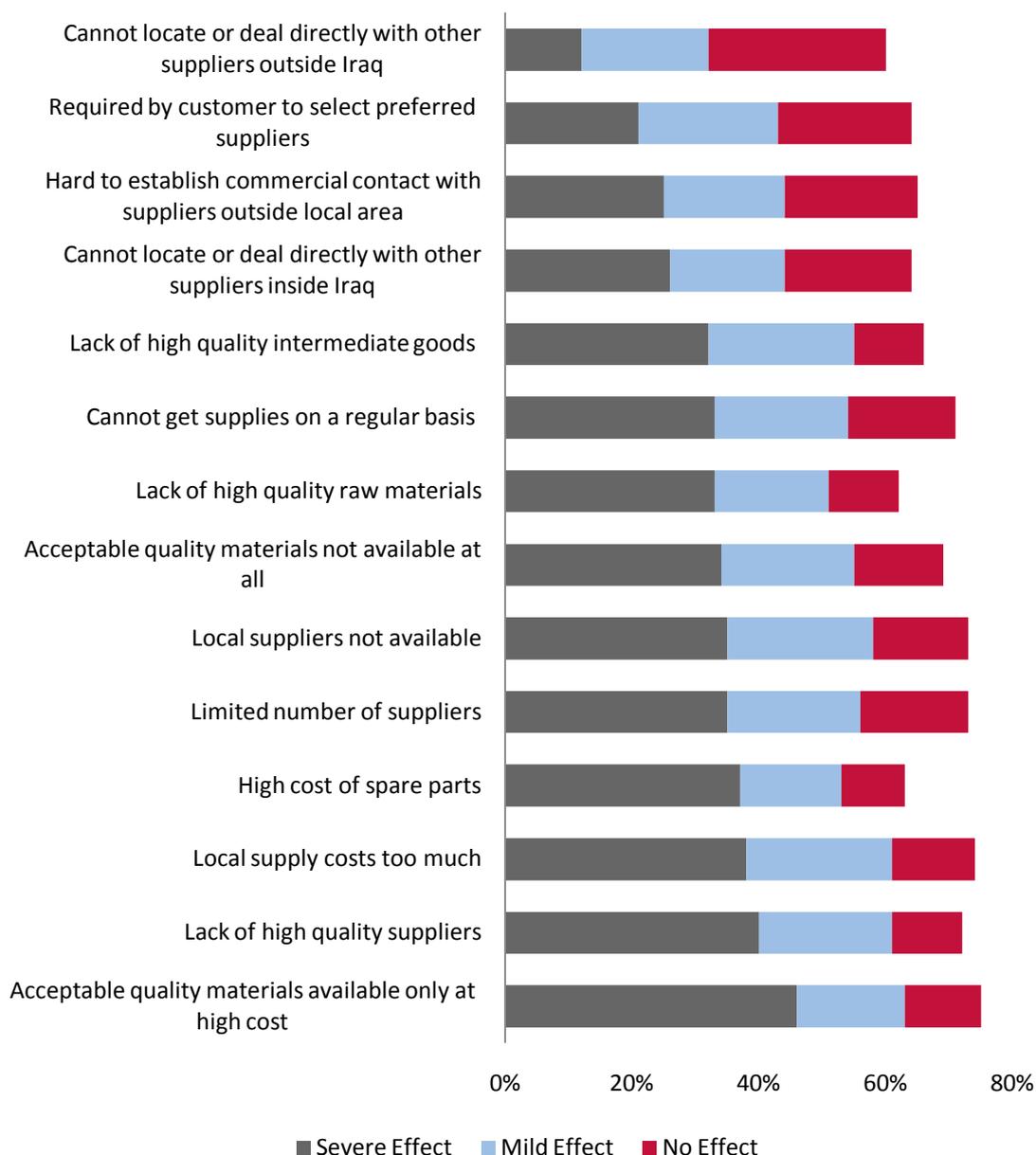
68. Marketing and Sales Constraints

Marketing and Sales Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Disposable income of consumers has decreased	Frequency	17	49	565	74	705	4	709
	% of Respondents	2%	7%	80%	11%	100%		
Government does not buy from the private sector	Frequency	42	118	400	142	702	7	709
	% of Respondents	6%	17%	57%	20%	100%		
No trade and export organizations to help	Frequency	84	146	209	264	703	6	709
	% of Respondents	12%	21%	30%	38%	100%		
Lack of information / contacts required to access new markets	Frequency	94	193	196	218	701	8	709
	% of Respondents	13%	28%	28%	31%	100%		
Business Associations do not provide enough assistance	Frequency	110	182	273	137	702	7	709
	% of Respondents	16%	26%	39%	20%	100%		
Too many barriers for exporting products	Frequency	111	125	179	286	701	8	709
	% of Respondents	16%	18%	26%	41%	100%		
Government does not sufficiently support local production	Frequency	40	111	388	165	704	5	709
	% of Respondents	6%	16%	55%	23%	100%		
Cannot operate outside of local area	Frequency	110	199	185	208	702	7	709
	% of Respondents	16%	28%	26%	30%	100%		
The cost of promotion and advertising is too high	Frequency	141	238	152	172	703	6	709
	% of Respondents	20%	34%	22%	25%	100%		
Lack of avenues for promotion and advertising	Frequency	158	165	182	199	704	5	709
	% of Respondents	22%	23%	26%	28%	100%		
Declining popularity of the product	Frequency	59	123	298	223	703	6	709
	% of Respondents	8%	18%	42%	32%	100%		
Not able to place products with some outlets	Frequency	93	146	214	247	700	9	709
	% of Respondents	13%	21%	31%	35%	100%		



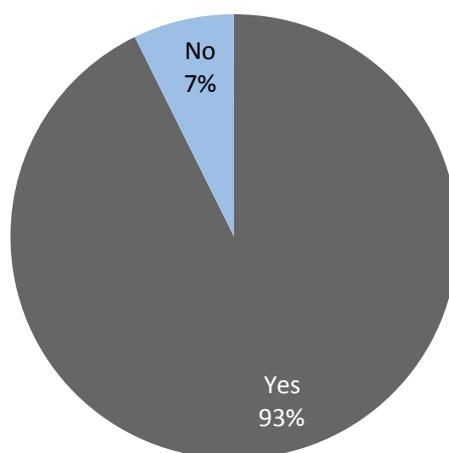
69. Supplier Constraints

Supplier Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Lack of high quality suppliers	Frequency	80	145	282	201	708	1	709
	% of Respondents	11%	21%	40%	28%	100%		
Lack of high quality raw materials	Frequency	80	129	232	266	707	2	709
	% of Respondents	11%	18%	33%	38%	100%		
Lack of high quality intermediate goods	Frequency	78	165	224	239	706	3	709
	% of Respondents	11%	23%	32%	34%	100%		
Acceptable quality materials available only at high cost	Frequency	87	118	326	175	706	3	709
	% of Respondents	12%	17%	46%	25%	100%		
Acceptable quality materials not available at all	Frequency	101	150	238	217	706	3	709
	% of Respondents	14%	21%	34%	31%	100%		
Cannot get supplies on a regular basis	Frequency	121	148	233	204	706	3	709
	% of Respondents	17%	21%	33%	29%	100%		
High cost of spare parts	Frequency	73	109	259	264	705	4	709
	% of Respondents	10%	16%	37%	37%	100%		
Limited number of suppliers	Frequency	117	146	245	197	705	4	709
	% of Respondents	17%	21%	35%	28%	100%		
Local suppliers not available	Frequency	103	159	249	193	704	5	709
	% of Respondents	15%	23%	35%	27%	100%		
Local supply costs too much	Frequency	93	162	265	185	705	4	709
	% of Respondents	13%	23%	38%	26%	100%		
Cannot locate or deal directly with other suppliers inside Iraq	Frequency	144	126	185	250	705	4	709
	% of Respondents	20%	18%	26%	36%	100%		
Cannot locate or deal directly with other suppliers outside Iraq	Frequency	198	138	84	286	706	3	709
	% of Respondents	28%	20%	12%	41%	100%		
Required by customer to select preferred suppliers	Frequency	150	155	144	254	703	6	709
	% of Respondents	21%	22%	21%	36%	100%		
Hard to establish commercial contact with suppliers outside local area	Frequency	146	131	178	251	706	3	709
	% of Respondents	21%	19%	25%	36%	100%		



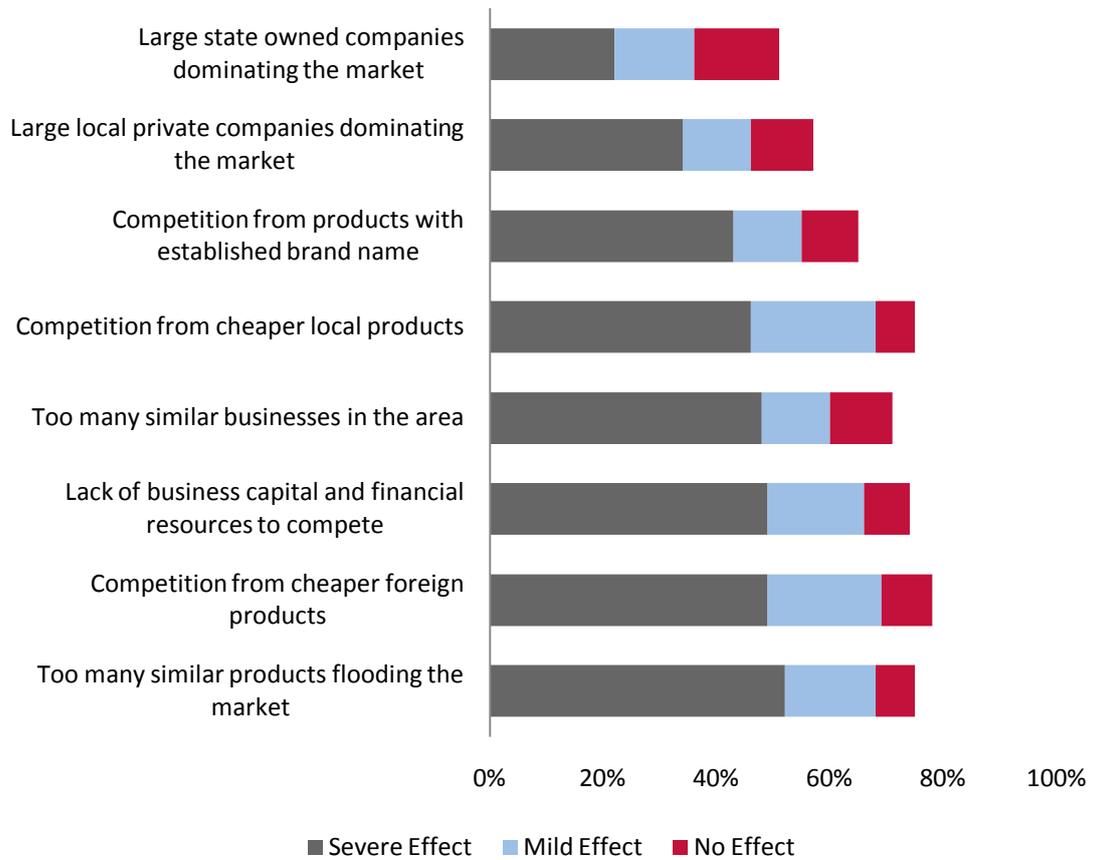
70. Are you free to choose any supplier you wish?

	Frequency	Percent
Yes	645	93%
No	51	7%
Total	696	100%
Missing Responses	13	
Total	709	



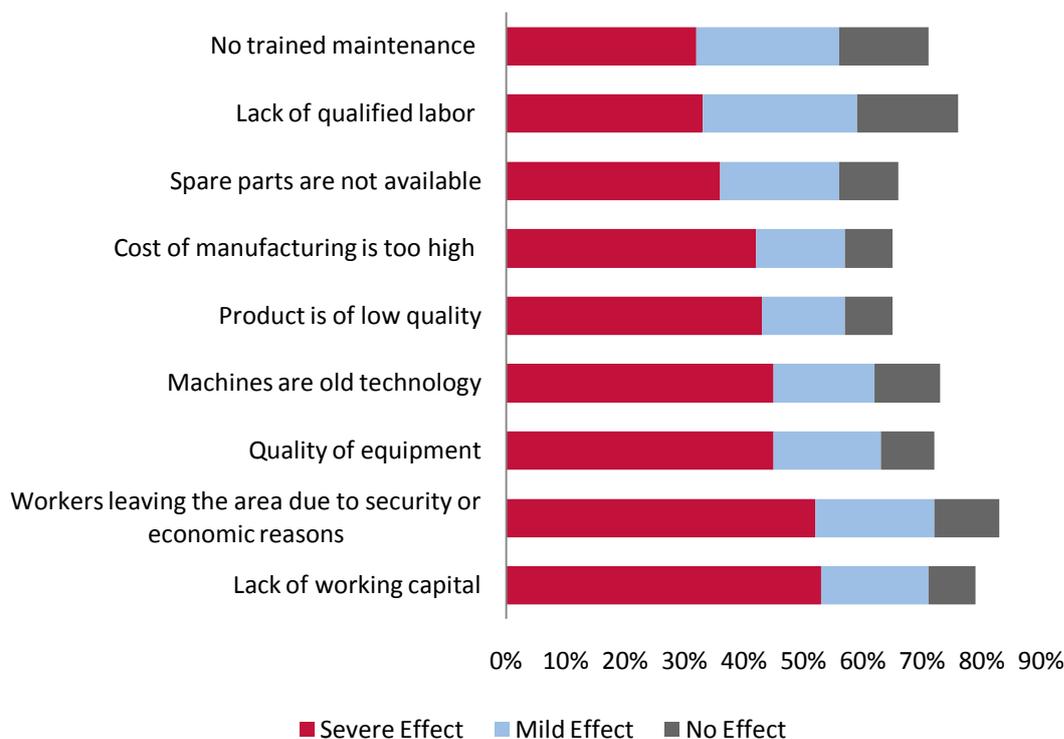
71. Competition Constraints

Competition Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Competition from cheaper foreign products	Frequency	62	139	347	159	707	2	709
	% of Respondents	9%	20%	49%	23%	100%		
Competition from cheaper local products	Frequency	49	154	322	181	706	3	709
	% of Respondents	7%	22%	46%	26%	100%		
Too many similar businesses in the area	Frequency	76	87	337	208	708	1	709
	% of Respondents	11%	12%	48%	29%	100%		
Competition from products with established brand name	Frequency	69	83	304	250	706	3	709
	% of Respondents	10%	12%	43%	35%	100%		
Large local private companies dominating the market	Frequency	77	83	241	305	706	3	709
	% of Respondents	11%	12%	34%	43%	100%		
Large state owned companies dominating the market	Frequency	105	99	153	348	705	4	709
	% of Respondents	15%	14%	22%	49%	100%		
Too many similar products flooding the market	Frequency	47	111	364	185	707	2	709
	% of Respondents	7%	16%	52%	26%	100%		
Lack of business capital and financial resources to compete	Frequency	58	120	347	181	706	3	709
	% of Respondents	8%	17%	49%	26%	100%		



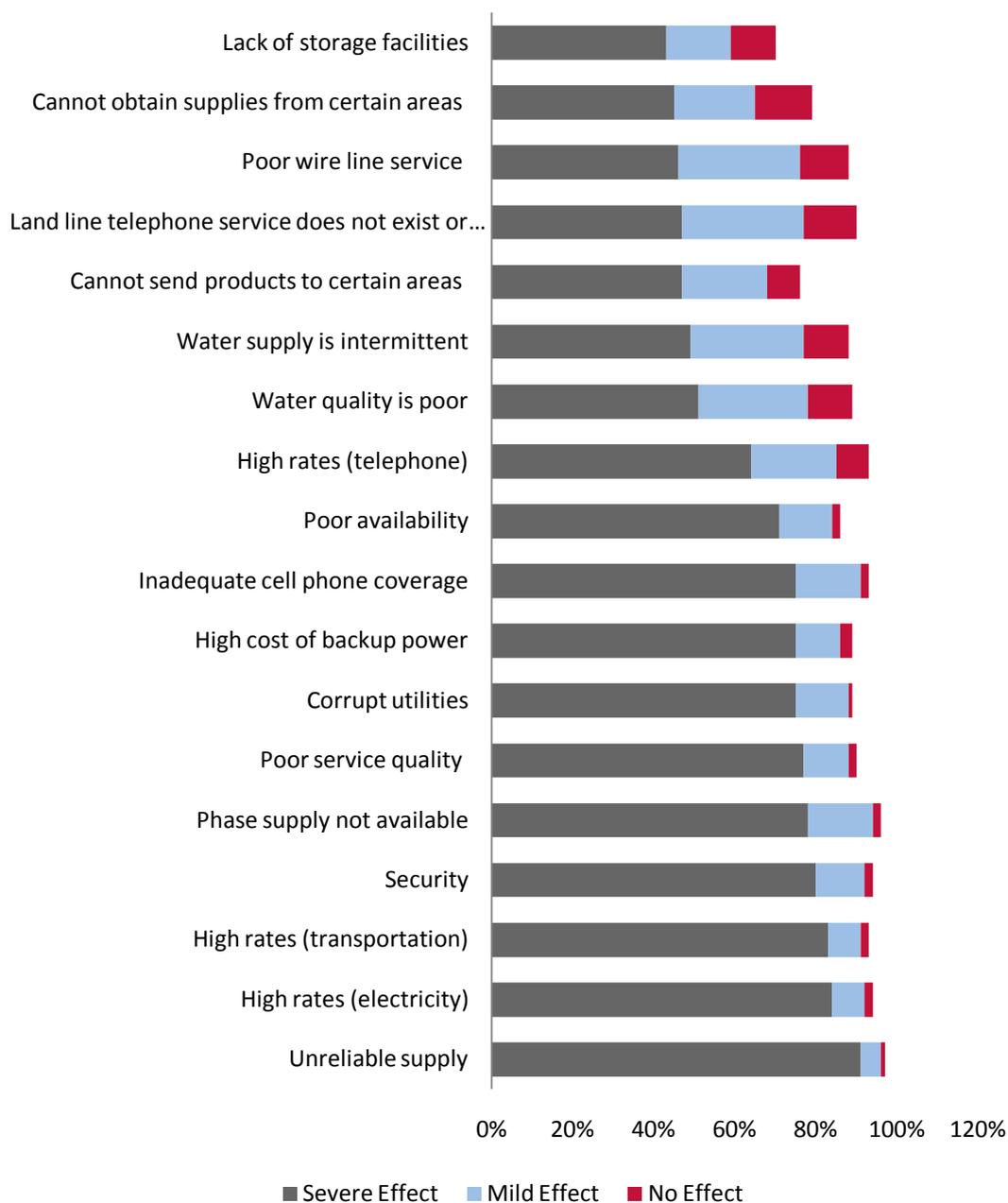
72. Operational Constraints

Operational Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Quality of equipment	Frequency	62	124	319	201	706	3	709
	% of Respondents	9%	18%	45%	29%	100%		
Cost of manufacturing is too high	Frequency	54	107	299	248	708	1	709
	% of Respondents	8%	15%	42%	35%	100%		
Product is of low quality	Frequency	58	100	300	247	705	4	709
	% of Respondents	8%	14%	43%	35%	100%		
Lack of working capital	Frequency	53	125	372	156	706	3	709
	% of Respondents	8%	18%	53%	22%	100%		
Lack of qualified labor	Frequency	119	183	234	169	705	4	709
	% of Respondents	17%	26%	33%	24%	100%		
Workers leaving the area due to security or economic reasons	Frequency	79	140	371	118	708	1	709
	% of Respondents	11%	20%	52%	17%	100%		
Machines are old technology	Frequency	77	118	319	191	705	4	709
	% of Respondents	11%	17%	45%	27%	100%		
Spare parts are not available	Frequency	70	140	250	245	705	4	709
	% of Respondents	10%	20%	36%	35%	100%		
No trained maintenance	Frequency	103	171	222	209	705	4	709
	% of Respondents	15%	24%	32%	30%	100%		



73. Infrastructure and Logistics Constraints

Infrastructure and Logistics Constraints		No Effect	Mild Effect	Severe Effect	N/A	Total	Missing	Total
		High rates (electricity)	Frequency	14	59	596	39	708
	% of Respondents	2%	8%	84%	6%	100%		
Poor service quality	Frequency	17	77	545	68	707	2	709
	% of Respondents	2%	11%	77%	10%	100%		
Unreliable supply	Frequency	5	37	644	21	707	2	709
	% of Respondents	1%	5%	91%	3%	100%		
Phase supply not available	Frequency	14	110	552	31	707	2	709
	% of Respondents	2%	16%	78%	4%	100%		
Corrupt utilities	Frequency	10	94	532	71	707	2	709
	% of Respondents	1%	13%	75%	10%	100%		
High cost of backup power	Frequency	22	77	530	78	707	2	709
	% of Respondents	3%	11%	75%	11%	100%		
Water supply is intermittent	Frequency	74	200	345	88	707	2	709
	% of Respondents	11%	28%	49%	12%	100%		
Water quality is poor	Frequency	75	188	359	86	708	1	709
	% of Respondents	11%	27%	51%	12%	100%		
High rates (transportation)	Frequency	13	59	585	51	708	1	709
	% of Respondents	2%	8%	83%	7%	100%		
Poor availability	Frequency	15	92	504	95	706	3	709
	% of Respondents	2%	13%	71%	14%	100%		
Security	Frequency	12	84	560	48	704	5	709
	% of Respondents	2%	12%	80%	7%	100%		
Cannot send products to certain areas	Frequency	55	150	328	172	705	4	709
	% of Respondents	8%	21%	47%	24%	100%		
Cannot obtain supplies from certain areas	Frequency	98	141	314	151	704	5	709
	% of Respondents	14%	20%	45%	21%	100%		
Lack of storage facilities	Frequency	78	112	302	212	704	5	709
	% of Respondents	11%	16%	43%	30%	100%		
Land line telephone service does not exist or is inadequate	Frequency	95	210	333	70	708	1	709
	% of Respondents	13%	30%	47%	10%	100%		
High rates (telephone)	Frequency	59	149	455	44	707	2	709
	% of Respondents	8%	21%	64%	6%	100%		
Inadequate cell phone coverage	Frequency	15	111	529	53	708	1	709
	% of Respondents	2%	16%	75%	8%	100%		
Poor wire line service	Frequency	84	211	322	90	707	2	709
	% of Respondents	12%	30%	46%	13%	100%		



9.3 BUSINESS AND POLICY LEVEL CONSTRAINTS RESPONSES

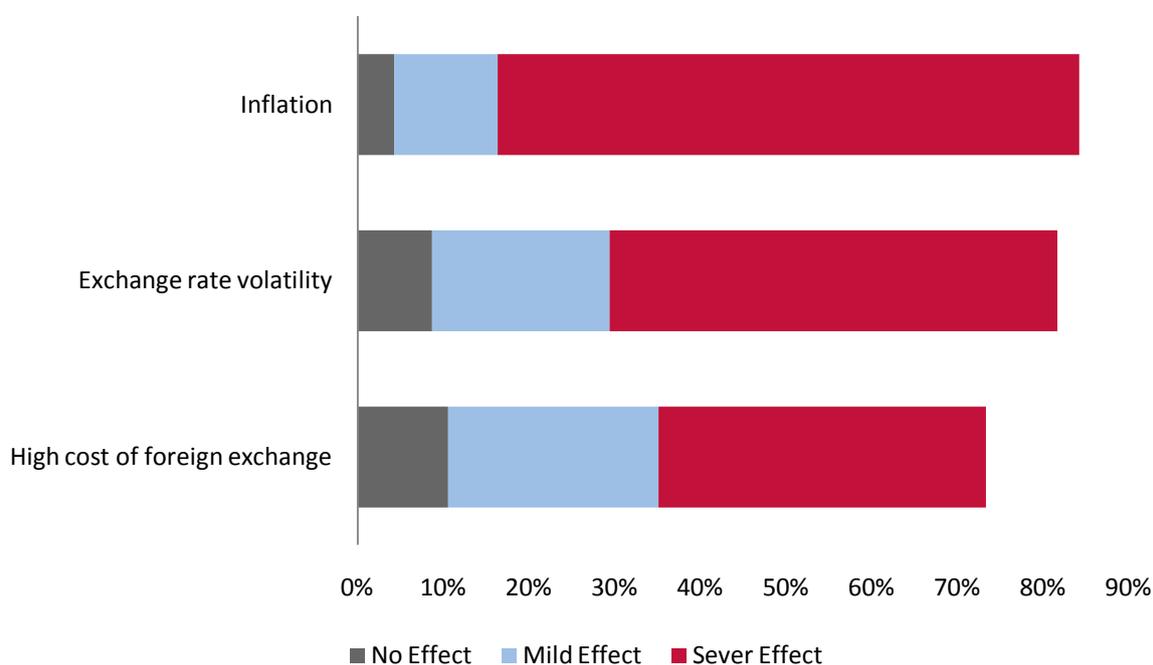
74. Within the context of your business, rate your satisfaction with government performance in the following areas:

Areas of Government Performance		Satisfaction				Total	Missing	Total
		Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied			
Guarantee Security	Frequency	137	429	104	34	704	5	709
	% of Respondents	20%	61%	15%	5%	100%		
Provide tax relief	Frequency	64	301	217	124	706	3	709
	% of Respondents	9%	43%	31%	18%	100%		
Provide special credit schemes	Frequency	63	114	363	160	700	9	709
	% of Respondents	9%	16%	52%	23%	100%		
Provide business services	Frequency	56	113	391	140	700	9	709
	% of Respondents	8%	16%	56%	20%	100%		
Good governance	Frequency	54	174	302	171	701	8	709
	% of Respondents	8%	25%	43%	24%	100%		
Safeguard fair competition	Frequency	50	185	322	142	699	10	709
	% of Respondents	7%	27%	46%	20%	100%		
Protect SME from competition with big industry	Frequency	50	186	320	148	704	5	709
	% of Respondents	7%	26%	46%	21%	100%		
Guarantee a fair legal system	Frequency	47	171	288	198	704	5	709
	% of Respondents	7%	24%	41%	28%	100%		



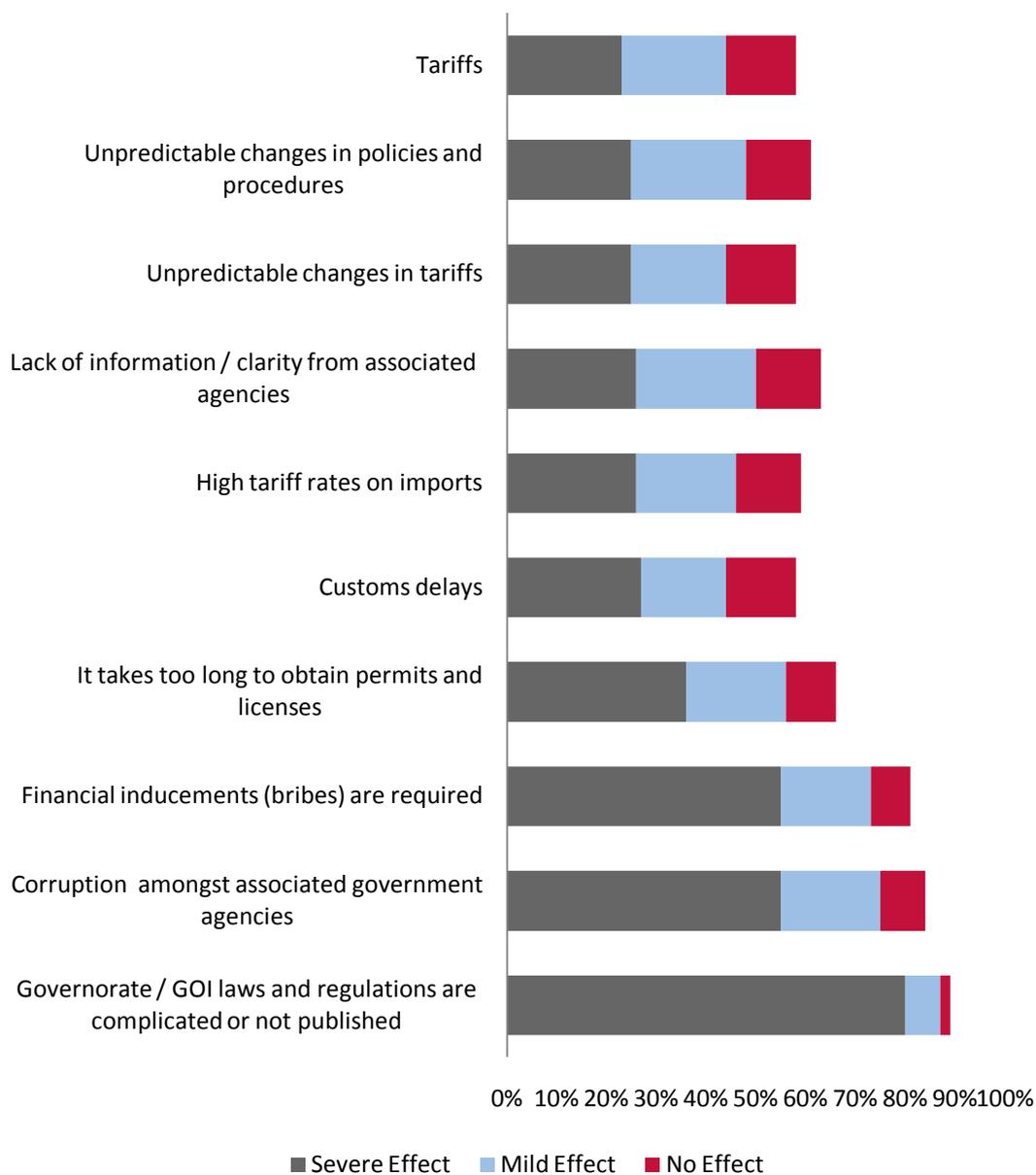
75A. Macro and Monterey Constraints

Macro and Monetary Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
High cost of foreign exchange	Frequency	75	173	269	188	705	4	709
	%of Respondents	11%	25%	38%	27%	100%		
Exchange rate volatility	Frequency	61	146	369	129	705	4	709
	%of Respondents	9%	21%	52%	18%	100%		
Inflation	Frequency	30	85	478	112	705	4	709
	%of Respondents	4%	12%	68%	16%	100%		



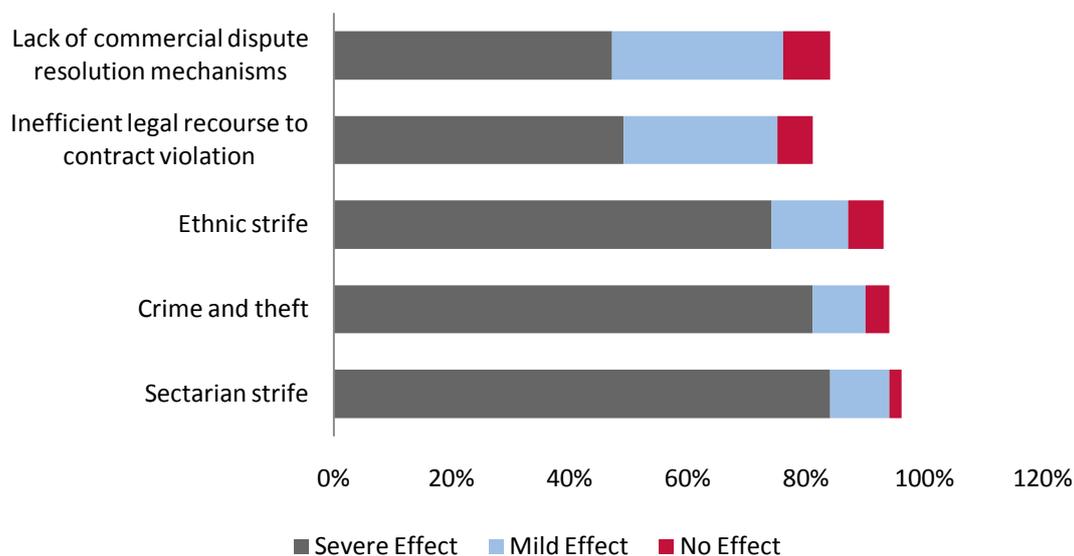
75B. Regulation and Business Enabling Environment Constraints

Regulation and Business Enabling Environment Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Corruption amongst associated government agencies	Frequency	62	142	391	112	707	2	709
	% of Respondents	9%	20%	55%	16%	100%		
Tariffs	Frequency	99	146	165	297	707	2	709
	% of Respondents	14%	21%	23%	42%	100%		
High tariff rates on imports	Frequency	94	139	184	292	709	0	709
	% of Respondents	13%	20%	26%	41%	100%		
Unpredictable changes in tariffs	Frequency	96	132	179	300	707	2	709
	% of Respondents	14%	19%	25%	42%	100%		
Unpredictable changes in policies and procedures	Frequency	93	164	176	274	707	2	709
	% of Respondents	13%	23%	25%	39%	100%		
Lack of information / clarity from associated agencies	Frequency	92	170	186	256	704	5	709
	% of Respondents	13%	24%	26%	36%	100%		
Financial inducements (bribes) are required	Frequency	57	130	387	133	707	2	709
	% of Respondents	8%	18%	55%	19%	100%		
Customs delays	Frequency	102	121	189	296	708	1	709
	% of Respondents	14%	17%	27%	42%	100%		
It takes too long to obtain permits and licenses	Frequency	67	138	252	250	707	2	709
	% of Respondents	10%	20%	36%	35%	100%		
Governorate / GOI laws and regulations are complicated or not published	Frequency	17	49	565	74	705	4	709
	% of Respondents	2%	7%	80%	11%	100%		



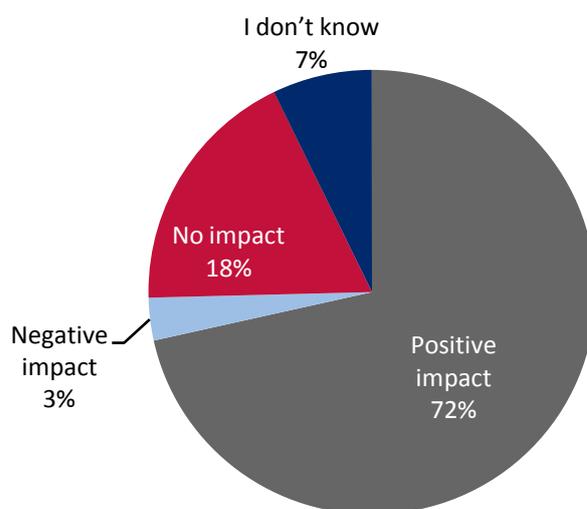
75C. Security and Law Constraints

Security and Law Constraints		Effect				Total	Missing	Total
		No Effect	Mild Effect	Severe Effect	N/A			
Ethnic strife	Frequency	39	95	527	48	709		
	% of Respondents	6%	13%	74%	7%	100%		
Crime and theft	Frequency	28	60	574	46	708	1	709
	% of Respondents	4%	9%	81%	7%	100%		
Sectarian strife	Frequency	15	68	593	32	708	1	709
	% of Respondents	2%	10%	84%	5%	100%		
Lack of commercial dispute resolution mechanisms	Frequency	54	202	331	120	707	2	709
	% of Respondents	8%	29%	47%	17%	100%		
Inefficient legal recourse to contract violation	Frequency	40	184	345	139	708	1	709
	% of Respondents	6%	26%	49%	20%	100%		



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

	Frequency	Percent
Positive impact	506	72%
Negative impact	22	3%
No impact	129	18%
I don't know	51	7%
Total	708	100%
Missing	1	
Total	709	



10. APPENDIX 3: PROJECT TIMELINE

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

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

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

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

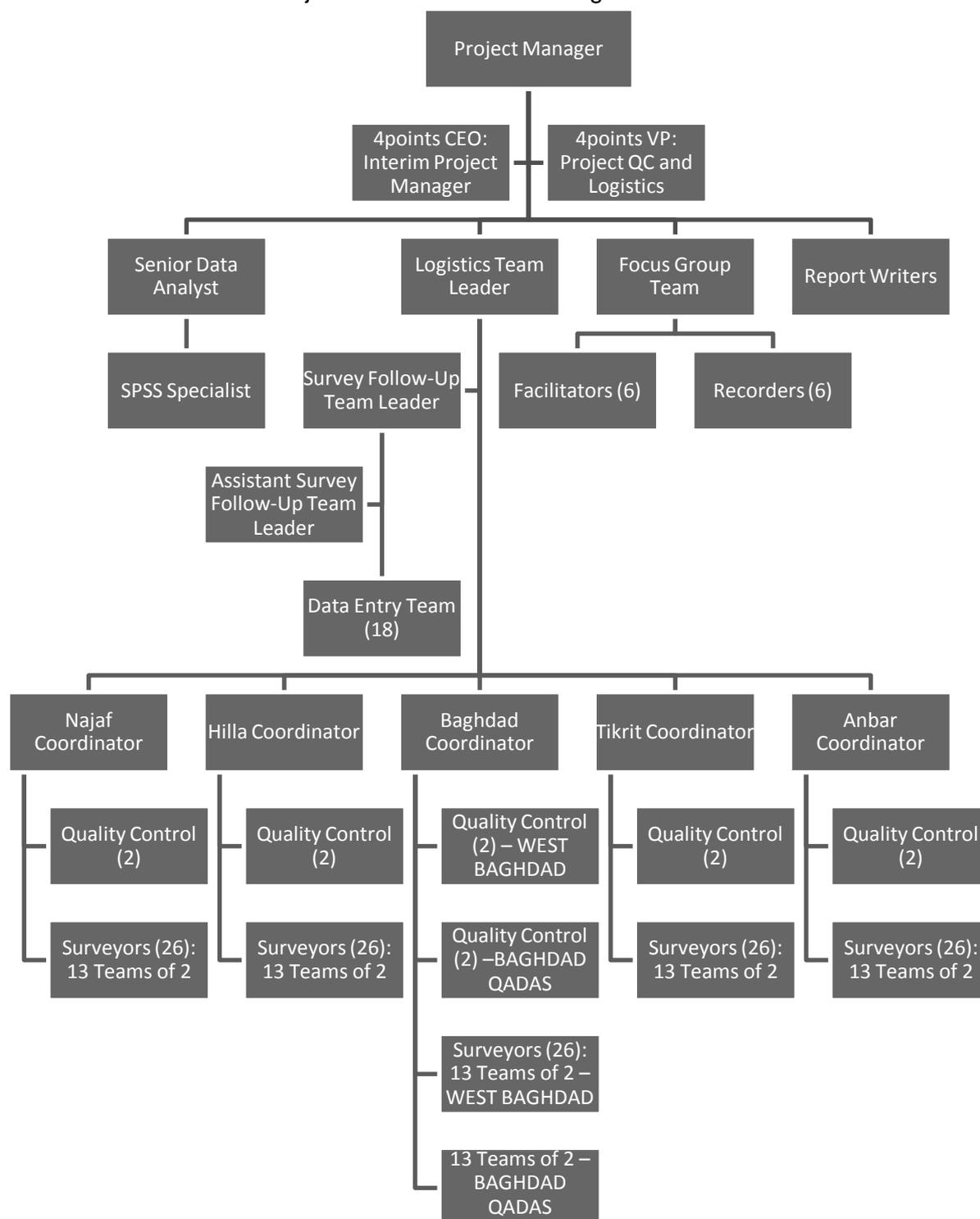
Description of Task	Responsible	Expected Date	SEPTEMBER			
			Week 1	Week 2	Week 3	Week 4
			7-Sep	14-Sep	21-Sep	28-Sep
1 Proposals Received	LBG	30-May				
2 Subcontract Agreement Signed	LBG/Subcontractor	5-Jun				
3 MA Survey Design Completed, including review	LBG/Subcontractor	12-Jun				
4 Questionnaire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

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

11. APPENDIX 4: SALAH AD DIN RESEARCH TEAM

11.1 PROJECT ORGANIZATION

The Market Assessment Project staff members were organized as follows:



11.2 PROJECT MANAGEMENT

The Market Assessment Project for Salah ad Din included a total of 84 personnel serving functions in various roles. The project was led by Mohammad Shohaieb, with oversight and implementation assistance provided by Tania Khaled, Eric Nigh, Ahmed Abbas, and Mohannad Abdulhay, the 4points principals.

11.2.1 USAID-TIJARA Project Management Team

1	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

11.2.2 Project Management Team

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

11.3 FIELD TEAM, SUPPORT, AND DATA ENTRY

11.3.1 The Salah ad Din Survey Field Research Team

1	Raed Khalil	IRQ	Coordinator	M
2	Ali mohmad	IRQ	QC Officer	M
3	Azzam Abid	IRQ	QC Officer	M
4	Abdul Khaliq Musa Batosh	IRQ	Researcher	M
5	Sadam Abed Abdullah	IRQ	Researcher	M
6	Fkry Ahmed Lahmod	IRQ	Researcher	M
7	Arkan Khalil Ibraheem	IRQ	Researcher	M
8	Mthana Abed Hamed	IRQ	Researcher	M
9	Muhammed Ali Abdullah	IRQ	Researcher	M
10	Qaid Khalil Ibraheem	IRQ	Researcher	M
11	Nasir Zain AlAbdeen	IRQ	Researcher	M
12	Salam Ayash Hameed	IRQ	Researcher	M
13	Ali Yassin Ali	IRQ	Researcher	M
14	Nadhun Muhammed Hussein	IRQ	Researcher	M
15	Ihsan Hussein Khalaf	IRQ	Researcher	M
16	Muhammed Ali Mahdi	IRQ	Researcher	M
17	Ammar Burhan Hameed	IRQ	Researcher	M
18	Nashwan Safi Abood	IRQ	Researcher	M
19	Thair Khalil Salih	IRQ	Researcher	M
20	Esa Batosh Arak	IRQ	Researcher	M
21	Ashraf Hameed Salih	IRQ	Researcher	M
22	Khalid Ahmed Mahdi	IRQ	Researcher	M
23	Anas thiab Khalaf	IRQ	Researcher	M
24	Marwa Ali Tawfiq	IRQ	Researcher	F
25	Intisar Ghanim Abdul Wahab	IRQ	Researcher	F
26	Mroj Muhammed Salih	IRQ	Researcher	F
27	Safa Ali Tawfiq	IRQ	Researcher	M
28	Omar Adel Qazoqi	IRQ	Researcher	M
29	Sahir Abdullah Jassim	IRQ	Researcher	M

11.3.2 Baghdad-Based Data Entry Team

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

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

11.3.3 Supporting Staff

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

12. APPENDIX 5: FOCUS GROUP GUIDELINES

Focus groups were 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 8 and maximum of 10. 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 issue 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.