

TEL AFAR EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

A Market Assessment of Tel Afar, Ninewa Governorate

IOM Iraq – November 2019



From
the People of Japan

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SUMMARY

The crisis from 2014 to 2017 had a major effect on Tel Afar, which experienced destruction and arable land contamination. Most (around 75%) civilians were displaced due to the conflict and return has been slow, especially due to the low employment prospects.

The Economic Development Fund (EDF) rolled out by IOM in many governorates of Iraq prioritizes businesses that can potentially create job opportunities and contribute to community stabilization. The market assessments are conducted to understand the following:

- The extent of damage suffered by small and medium enterprises impacted by the conflict between 2014 and 2017;
- Market failures that can be addressed through matching grants or business development support;
- Businesses that would create additional employment opportunities if supported;
- Potentials for market distortion due to the introduction of cash.

KEY FINDINGS

Which small and medium enterprises suffered due to the conflict?

- Almost all enterprises suffered due to the conflict; the vast majority of employers reported that their work stopped entirely from 2014 to 2017 because they were displaced.
- According to key informants, the main employers before the crisis included the agricultural sector, especially wheat and barley, and government jobs. General trade, the automotive sector, a flour factory and farming machine maintenance were also reported as employing sectors. Among these, half have recovered, according to most key informants.
- As of today, the only employers who reported some degree of success included an employer in construction, another in sweets and juice processing, a trader of food and mobiles phones, a manufacturer (PVC), a barber, and an employer in food preparation and delivery.

What market failures can be addressed through matching grants or business development support?

- One third of employers reported various degrees of 'good demand' for their products/services. These were found in general trade and services, in addition to construction, food processing and manufacturing.
- Most employers surveyed reported experiencing challenges for operating in their area: one third reported a limited return of people; another third mentioned issues related to service provision, including electricity, water, rubble removal and security; and some mentioned issues such as a weak purchasing power, poor demand, and high rents.

- Employers were asked about the challenges they experience with suppliers. 73 per cent reported not facing any challenges, although others mentioned issues related to debts. Like in other governorates, challenges with consumers included mostly a low purchasing power.
- When asked specifically about the 'fixes' required to strengthen their ability to conduct business, the 'fixes' mentioned by employers mostly extended beyond regular business support and cash grants: the need for people to return from displacement (30%); service provision such as electricity, roads, a hospital, and water (11%); lowering the rents (10%); financial support (6%); along less frequently mentioned requirements such as the 'government paying compensations for damages' and lower taxes on some goods.
- Forty-three per cent of employers considered expanding their business. The main challenge reported by the majority of employers is lack of capital, which points to a bottleneck that could be addressed through grant matching, followed by less frequently reported challenges such as a lack of skilled workers, low demand, movement of goods restrictions and insecurity.

What cash grants could create the need for additional labor?

- On average, employers reported that about half of their workforce is a family relation. Overall, hiring of relatives is higher in carpentry and construction, where the workforce exclusively consists of relatives, and lower in the food sector where no employee was found to be related to the employer.
- Hiring was reported through word of mouth by the vast majority of employers. Such practices point to networking as being limited to internal networks, which might prevent those who do not belong to these networks, for example vulnerable groups (i.e. IDPs, female headed households, or the disabled), from being hired.
- When asked, in an open-ended question, what they would do if supported with a grant of USD 5,000 – 25,000, only 17 per cent of employers mentioned hiring new workers – these mostly belonged to the general trade sector and one to the manufacturing sector.
- Recruitment also appears easy in Tel Afar. Only 17 per cent of employers reported some difficulties in finding qualified employees. Key informants also commented that employers do not follow labour laws and in the most cases, the Ministry of Labor and Social Affairs (MoLSA) does not enforce these laws.
- The sectors that are currently underdeveloped but have potential for growth as reported by key informants include agriculture, electrical installations, food processing and general trade (especially of electrical appliances and food) in addition to services such as painting and cafes.

What cash grants could create market distortions?

- According to two key informants, the government promotes the agricultural sector but others thought that no sector was supported.
- As for private investment, key informants agreed that it is close to non-existent, with one clarifying that this was due to a low number of returns. Two mentioned construction in general as an area attracting private investment, as well as the building of football fields. One key informant mentioned a water filtering lab is being supported by private investment.
- As to changes observed in the past six months, one key informant noted the expansion of agriculture. Another mentioned an increase in the number of coffeeshops and football fields. Three mentioned an increase in the number of shops. Three key informants were more sceptical and thought that little has changed in the business environment of Tel Afar due to a low return of IDPs, and one specified that 'not even 50% of people have returned.'
- Additionally, 50 per cent of employers reported that many businesses like theirs exist, which might indicate that businesses might not have been competitive, and if funded, could cause market distortions. These businesses belong to the manufacturing sector, followed by general trade and services.
- Key informants mostly reported oversaturation– another indicator of potential market distortion – in construction, especially of football fields and other facilities, in addition to general trade in food, clothes and construction material. One key informant mentioned coffeeshops as experiencing high competition and one mentioned the agricultural sector in general.

INTRODUCTION

The economy of Tel Afar was heavily affected by the crisis from 2014 to 2017. The town experienced heavy fighting, which resulted in the displacement most of its residents. Business recovery has been slow, and returns limited.

As a complement to individual livelihood programming, IOM is implementing a grant mechanism to aid recovery and reconstruction following the retaking of areas of the country from ISIL, and to support stabilization. IOM is rolling out the grant mechanism in multiple locations of Iraq. The fund prioritizes businesses that can potentially create job opportunities and contribute to community stabilization. Support to the private sector through grants is an approach that is growing in scope and recognition.

Methodology

To inform programming, IOM has undertaken this market assessment to determine the demand for goods and services in various sectors, the actual comparable competitiveness of businesses, the variant impact of conflict on different sectors, and the challenges businesses are facing. The latter is based on the common assumption that the injection of cash into a market can contribute to a raise in demand and production. The main objective of the research was to capture:

Which small and medium enterprises have suffered from market failures due to the conflict, that, if addressed through matching grants and business development service, could create the need for additional labor, without market distortion?

A series of research questions were designed, segmenting the market into three different respondent groups:

Key Informants (KI) were identified in coordination with IOM and partner staff, and included representatives from industrial sectors, the Ministry of Labor and Social Affairs (MoLSA), and the Chamber of Commerce. To assist with this process, interviewers were given interview guides that included an introduction letter, an information sheet, a consent form and a list of questions.

Employer survey respondents were identified through community mapping exercises and referrals. To assist with this process, interviewers were given interview guides that included an introduction letter, an information sheet, a consent form and a survey guide.

Focus Group Discussion (FGD) participants included individuals from the agricultural sector. To assist with this process, interviewers were given FGD guides that included an introduction letter, an information sheet and a consent form.

Geographical Area Selection and Selection of Participants

Key Informant Interviews (KII) were conducted with participants belonging to different sectors in Tel Afar including pharmacists (2), an engineer, shop owners (2), an exchange office owner, teachers (2), a nurse, and an appliances shop owner. In total, 10 KIIs were conducted. One FGD was also conducted with employers from the agricultural sector (wheat).

Sampling guidelines provided targets for the number of employers to survey from each industry in Tel Afar. In total, 30 employers were surveyed, all male. The sectors and the respective description of the businesses as provided by employers include the following:

Sector	Number	Percentage
General trade Electrical appliances, machines, groceries, gifts, kitchenware, men's perfumes and watches, men's clothing, pharmacy, plastic, clothes, supermarket, greengrocer, mobile shop	18	57%
Services Barber, photocopy, mobile shop and repair, photography, food delivery, electrician	7	24%
Manufacturing Aluminum counters, PVC	2	7%
Carpentry	1	3%
Construction	1	3%
Food Sweets and juices	1	3%
Grand Total	30	100%

For details on locations of the survey administered to employers, see Figure 1.

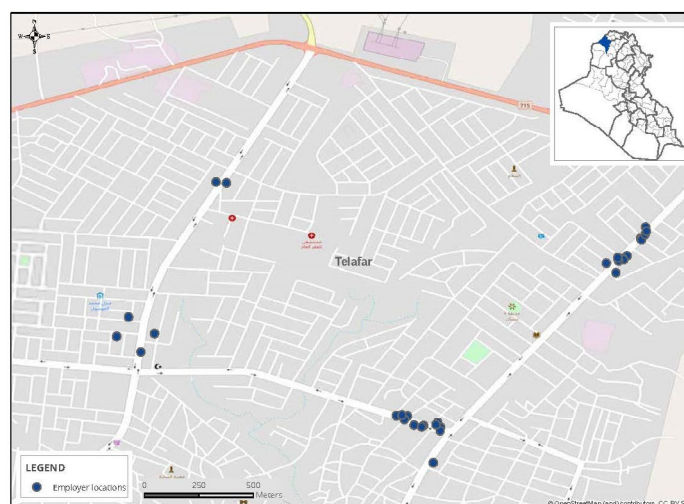


Figure 1: Location of surveys administered to employers in Tel Afar

All surveying tools are annexed to this report. Occasionally, manual data entry was used at the time of surveys, but all data from KIIs and employer surveys were eventually entered into Online Data Kit tools.

BACKGROUND

Tel Afar is a town located 63 km west of Mosul in Ninewa Governorate. The town was home to Sunni and Shia Arabs, as well as Kurds and Turkmen. Before ISIL's occupation, Tel Afar was mainly inhabited by Sunni Turkmen, and its population was estimated to be between 200,000 and 220,000.¹ Policies implemented since the 1970s opened the door to sectarian differences between Sunni and Shia Turkmen in Tel Afar, with the town becoming polarized and used as an important hub for Al-Qaeda in 2005.²

ISIL took control of Tel Afar in June 2014. With the group in control, some reports suggested that almost all Shia Turkmen – an estimated 80,000–100,000 people – fled or were forced out of Tel Afar and surrounding areas.³ Additionally, a significant number of the city's Sunni Turkmen and Arab population also fled.⁴ By one estimate, only 50,000 of the 200,000 estimated population, and predominantly Sunni Turkmen residents, remained in Tel Afar after ISIL's take-over.⁵ The town quickly became of strategic importance for the rising self-styled Caliphate due to its location along the highway, which connected Mosul to Raqqa in Syria. The city was retaken in August 2017, after the liberation of Mosul. As of November 2019, 9,900 individuals were still displaced in Tel Afar.⁶

An assessment conducted in Tel Afar in mid-2018 reported that in addition to governmental jobs, agriculture used to be an important source of income and farmers used to cultivate wheat and other crops such as potatoes, tomatoes, grapes and cucumbers.⁷ The same assessment found that damages to the agricultural machinery and water network, and the presence of explosive hazards on farm lands, major barriers for resuming work in the agricultural sector.⁸ Additionally, a cement factory in Sinjar, now completely destroyed, reportedly employed about 1,000 residents from Tel Afar. Concrete block factories in Tel Afar were reportedly employing around 100 residents from the city, but were then operating at a reduced level, employing only around five residents as of mid-2018.⁹ Informants interviewed for the same assessment also reported that Tel Afar residents used to work in small shops (e.g. food markets).¹⁰ Due to limited financial means, the same report found, residents were not reopening all shops, which also provided employment to many people in Tel Afar, and were reportedly uncertain about the degree of business they would receive from residents as a consequence of unemployment.¹¹

As of September 2018, results from the same assessment established that only one-third of adult household members were reportedly earning an income from employment in the 30 days preceding the assessment, and on average, had worked 17 out of the last 30 days.¹² Employment among women was particularly low, with only 8% of women compared to 57% of men reportedly earning an income in the 30 days preceding data collection. Among this 8%, most women were between 18 to 29 years old (35%) or 30 to 39 years (22%).¹³ Among unemployed adults, 20% were reported to be actively seeking work in Tel Afar. However, when disaggregated by sex, 50% of men were actively seeking work compared to only 5% of women.¹⁴ The primary obstacle reported by those actively seeking work was that there were not enough jobs for everyone (71%), followed by feeling underqualified for the available jobs (23%) and a lack of family or personal connections (16%). Just over two thirds of households reported some level of debt, with only 31% of households in Tel Afar reporting not having any debt.¹⁵

¹ Gareth Stansfield, *The Looming Problem of Tel Afar*, Wilson Centre, 2017, https://www.wilsoncenter.org/sites/default/files/the_looming_problem_of_tel_afar.pdf

² Ibid.

³ Global Public Policy Institute, *Iraq After ISIL: Tal Afar City*, August 2017, <https://www.gppi.net/2017/08/21/iraq-after-isil-tal-afar-city>

⁴ Ibid.

⁵ Ibid.

⁶ IOM, *DTM Displacement Tracking*, 31 October 2019.

⁷ REACH, *Tel Afar: Area Based Assessment*, September 2018, https://reliefweb.int/sites/reliefweb.int/files/resources/reach_irq_report_aba_telafar_september_2018.pdf

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

FINDINGS

1) The Extent of Damage Suffered by Small and Medium Enterprises

Almost all employers reported that their work stopped entirely from 2014 to 2017 as they were mostly displaced, or had only started their business recently. Only two employers reported running a profitable business and these included two employers in general trade: a grocery store owner and an electronic shop owner.

The major employers before the crisis included the agricultural sector (farming of wheat and barley) in addition to governmental jobs, especially in the security forces, which confirms findings from secondary sources outlined earlier. General trade, the automotive sector, a flour factory and farming machine maintenance were also reported. These mostly recovered at 50% of their capacity and above. Only one KI reported that about 30% of the businesses in agriculture had recovered to pre-ISIL levels (where others thought 50% or more businesses recovered) and another reported that only 5 to 10% of governmental jobs had restarted. See Table 1.1 for details.

Sector	Number of KIs, who reported the specified sector as being a major employer before the crisis	Few businesses recovering	Many businesses recovering (50% and above)
Agriculture	6	1 (30% recovered)	6
Government jobs (especially military and police)	5	1 (5 to 10% recovered)	4
General trade	2 (market)	/	2 (market)
Automotive	1 (industrial area for cars)	/	1 (industrial area for cars)
Food	1 (flour factory)	/	1 (flour factory)
Services	1 (farming machines maintenance)	/	1 (farming machines maintenance)

Table 1.1: Sectors reported by KIs as major employers before the crisis, as barely recovering, and as recovering (50% of businesses)

Employers were asked to describe the current status of their business. Thirteen per cent though they were losing money, 57% thought their business was stagnant and barely sustaining their own needs, and 27% thought it was profitable/successful but not profitable enough to grow any further. No one reported their business as being profitable and/or expanding. One employer started his business recently and was not sure of the degree of success. Employers who reported a certain degree of success

included an employer in construction, another in sweets and juice processing, a trader of food and another of mobile phones, a PVC manufacturer, a barber, and one employer in food preparation and delivery.

2) Market Failures That Can Be Addressed Through Matching Grants or Business Developments

One third of employers reported various degrees of 'good demand' for their products/services. These were found in general trade and services in addition to construction, food processing and manufacturing. These sectors are outlined in Table 2.1. The remaining employers reported various degrees of dissatisfaction with the current demand.

Sector	Number of Employers
General trade Food, kitchen ware, male perfumes and watches, grocery	5
Services Barber, restaurant and delivery	2
Construction	1
Food Sweets and juice	1
Manufacturing PVC	1
All Sectors	10

Table 2.1: Sectors considered having various degrees of good demand for services/products as reported by employers

Additionally, a linear modeling of the relationship between self-reported good demand and sectors was performed, showing positive (but not significant) relationships related to food processing, carpentry, general trade, metal and construction in Ninewa. Results should be therefore read cautiously as these do not apply to Tel Afar specifically. Linear models used an interaction term to control for being in a specific sector and location. See Table 2.2 for details

Good Demand as a Function of Sector and other factors by location	
Factors	Good Demand
Age of owner	2.193 (.377)
Number of employees	-.005 (.017)
Salary of employees	.056 (.058)
Age of business	.045* (.027)

Gender of owner	.146*
	(.085)
Considered expanding previously	.151***
	(.033)
Ninewa *Food processing	.346
	(.263)
Ninewa *Prepared food	-.130
	(.281)
Ninewa *Textile	-.162
	(.298)
Ninewa *Carpentry	.254
	(.414)
Ninewa *General trade	.521
	(.307)
Ninewa *Metal	.381
	(.316)
Ninewa *Services	-.177
	(.365)
Ninewa *Construction	.116
	(.248)
Ninewa *Manufacturing	-.360
	(.547)
Adj. R Sq	.110
	1213
Adj. R Sq	.110
N	1213
F Test	2.627

Table 2.2 Good demand as a function of sector and other factors by location

Robust standard errors reported in parentheses. Levels of statistical significance indicated by asterisks: * 90 per cent, ** 95 per cent, *** 99 per cent. Controls added for location, the perceived number of similar businesses, the use of word of mouth as a recruitment mechanism and interaction terms between sectors and other governorates.

Respondents were asked to identify the single greatest challenge for operating in the area, and almost half raised at least some concerns. One third mentioned the limited number of returns; another one third issues related to service provision, including electricity, water, rubble removal and security; two employers, or 6%, mentioned weak purchasing power; two mentioned poor demand, and one mentioned high rents. Forty-seven per cent mentioned not facing any challenges. Employers were asked about the challenges they experience with suppliers and 73% reported not having any, while a small number reported issues related to debts. Quantity and quality of materials were considered adequate by 90% of employers. Challenges with consumers were also explored and 60% mentioned indebtedness followed by consumers' demands for reducing prices.

When asked specifically about the 'fixes' required to strengthen their ability to conduct business, the measures suggested by employers include the return of displaced people (30%); service provision such as improvement and/or access to electricity, roads, health and water (11%); lower rents (10%); and financial support (6%); 'government paying compensations for damages' and lower taxes on some goods were less frequently mentioned. When asked specifically about government support required, employers mentioned services, especially roads and bridges, health and other similar infrastructural requests (33%) followed by financial support, paying 'indemnification for damages,' creating job opportunities for youth, paying salaries to government staff, and simplifying custom procedures.

Employers did not receive any formal or informal job entrepreneurship training. Almost half of employers (43%) considered expanding their business and the remaining did not. The main challenge reported by the majority of respondents is lack of capital, followed by less frequently reported challenges such as lack of skilled workers, low demand, movement of goods restrictions and insecurity.

2.1) Market Systems and Particular Disruptions

This section provides a closer look at the agricultural sector in Tel Afar, more specifically wheat growing. Major challenges mentioned by the FGD participants for enhancing production included a lack of modern techniques in pest prevention. Machinery was stolen during the crisis and following the crisis the confidence among farmers in investing in land was reported as being low; the burning of fields was also reported as an issue. Wheat is mostly sold to the government whereas inputs, such as seed and fertilizer, and also information such as on pest prevention, are mostly received from the government. However, during the past year fertilizers were not provided. No major challenges with the government were reported. However, services were reported as not being available due to the government's prioritization of fighting against armed groups, as FGD respondents specified.

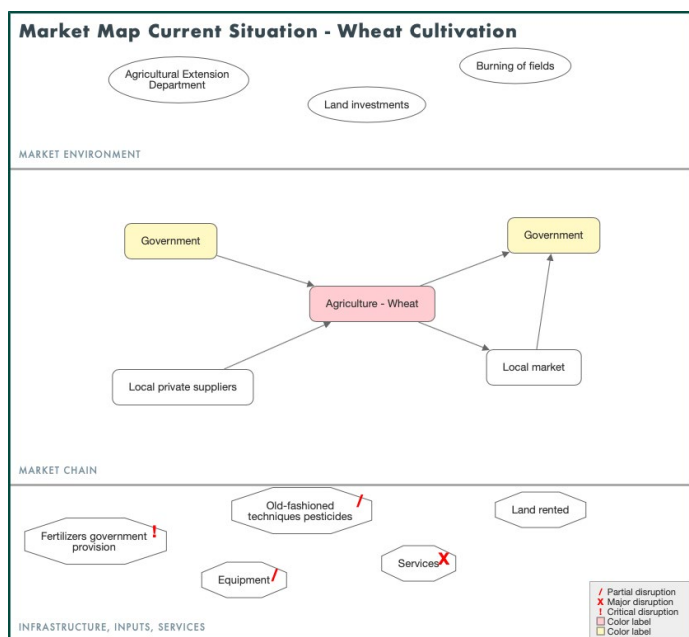


Diagram 1: Current situation of the agricultural sector based on FGD with participants from the sector in Tel Afar

3) Opportunities for Employment Creation

On average, employers reported that about half of their workforce was a family relation. Table 3.1 provides some information on the average percentage of relatives employed in each sector. Overall, hiring of relatives is higher in the carpentry and construction sectors, where the workforce consisted of exclusively of relatives, whereas in the food sector no employee was related to the employer. Hiring was reported through word of mouth by the vast majority of employers, as only one reported using formal job advertisements and one as advertising through Facebook. Such practices point to networking as being limited to internal networks, which might be preventing vulnerable groups from being hired.

Sector	Percentage Relatives
Carpentry	100%
Construction	100%
Manufacturing	75%
Grand Total	47%
General trade	42%
Services	42%
Food	0%
Average All	47%

Table 3.1: Average percentage of relatives employed in each sector

When asked, in an open-ended question, what they would do if supported by a grant of USD 5,000–25,000, only 17% of employers, from the general trade sector and one from the manufacturing sector mentioned hiring new workers. However, some employers might have implied potential job creation when they mentioned opening a new shop or expanding in general.

Overall, recruitment appears easy. Only 17% of employers reported some difficulties in finding qualified employees. KIs also commented that employers do not follow labour laws and MoLSA mst often does not enforce these laws.

The sectors that are currently underdeveloped but have potential for growth, as reported by KIs, are outlined in Table 3.2. These sectors included agriculture, food and general trade. Some KIs also specified that these sectors would have potential only if people return from displacement.

Sectors	Number of KIs, Who Mentioned the Sector
None	1
Food	3 (dairy, sweets, food processing)
Agriculture	2 (agriculture, livestock)
Construction	2 (electrical installation)
General trade	2 (electrical appliances, food)
Services	1 (painting, cafes)

Table 3.2: Sectors with potential for expansion in Tel Afar based on KIs

4) Potential for Market Distortion

According to two KIs, the agricultural sector is promoted by the government, but the rest thought that no sector is. As for private investment, KIs also agreed that it is close to non-existent, with one KI clarifying that the latter was due to low return. Two KIs mentioned construction in general and the building of football fields and one KI mentioned a water filtering lab as being supported by private investment (Table 4.1). In terms of changes observed in the past six months, one KI noted the expansion of agriculture. Another mentioned an increase in the number of coffeeshops and football fields. Three mentioned an increase in the number of shops. Three KIs were more skeptical and thought that little has changed in the business environment of Tel Afar due to a low rate of returns, and one specified that the lack of change was due to the fact that 'not even 50% of people have returned.'

Sectors	Mentioned by KIs as being:		
	Encouraged by the Government	Supported by Private Investors	Oversaturated
None		6 (in general, dairy factories)	2 (in general)
Agriculture	Not mentioned	Not mentioned	Not mentioned
Chemical	1	Not mentioned	1
Construction	1	Not mentioned	1
General trade	Not mentioned	Not mentioned	Not mentioned
Services	Not mentioned	Not mentioned	Not mentioned

Table 4.1: Sectors considered as encouraged by the government, supported by private investors and sectors considered oversaturated based on KIs in Tel Afar

Additionally, 50% of employers reported that many businesses like theirs exist, which can indicate that these businesses might not have been competitive anyway. These businesses belong to the manufacturing sector, followed by general trade and services, with half among all those surveyed reporting the presence of similar businesses to theirs (Table 4.2). Key informants mostly reported oversaturation in construction, especially in regards to football fields and other facilities, as well as in general trade in food, clothes and construction material. One mentioned that coffeeshops had high competition, and one also mentioned the agricultural sector as saturated (see Table 4.1).

Sector	Number	Percentage Within Sector
Manufacturing Aluminum counters, PVC	2	100%
General trade Food, grocery, kitchen ware, men's perfumes and watches, pharmacy, plastic shop	9	53%
Services Barber, copying, mobile shop and maintenance, electrician	4	50%
Total	15	

Table 4.2 Number of employers who reported the presence of many similar businesses to theirs and percentage of similar businesses in the same sector

CONCLUSIONS

The direct consequences of the crisis from 2014 to 2017 for the small and medium enterprises in Tel Afar were far reaching, as most employers were displaced. Half of the major employers from before the crisis have recovered to pre ISIL levels, which roughly corresponds to some respondents' estimates in terms of percentages of returned populations. A small number reported some degree of success, including an employer in construction, another in sweets and juice processing, a trader in food, and in mobiles phones, a PVC manufacturer, a barber, and an employer in food preparation and food delivery.

A relatively low number of employers in the sample (2 out of 30) reported experiencing good demand. As major bottlenecks, low numbers of returns and poor service provision remain key. While less than half of employers thought of expanding their business, they reported lack of capital as a major bottleneck, which could be addressed through cash grants.

As in other governorates, hiring of relatives and hiring through word of mouth is common. Additionally, finding skilled workers was mostly mentioned as being easy, which might pose additional challenges for hiring other groups, including IDPs and other marginalized members of the community, such as female headed households or disabled persons. While some practices, which might run against scalability and lower the prospects for a fair hiring were reported, several sectors were still reported as having potential for growth and therefore potential for additional job creation in Tel Afar.

Government encouragement and private investment in Tel Afar were – other than a few exceptions – were reported as being absent. Market distortions could be caused by businesses that reported the presence of similar businesses – these belonged to the manufacturing sector, followed by general trade and some services. Oversaturation – another indicator of potential market distortion – were reported in construction, especially of football fields and other facilities and in the general trade of food, clothes, construction material, coffeeshops and the agricultural sector in general.

ANNEX 1: RECOMMENDATIONS FROM THE MARKET ASSESSMENT

1. The agricultural sector was considered a major employer before the crisis and according to the majority of respondents, 50% of businesses have recovered. Only one key informant mentioned agriculture as being oversaturated. Agriculture therefore represents a suitable candidate for funding.
2. While a small number of employers were surveyed in construction, these reported good demand. Oversaturation was reported in football fields and 'venues' construction, indicating potential for growth in electrical installations. The sector should be therefore funded with caution.
3. Food was reported as experiencing some degree of success and good demand, including food processing (also supported by the linear modelling conducted for Ninewa). Relatives were not employed and KI reported the sector as having potential for growth, which makes it a suitable candidate for funding.
4. General trade, a major employer before the crisis, was considered as having potential for growth though over-saturation was reported in trade with groceries, clothes and construction materials. A high number of similar businesses were reported in groceries, trading in kitchen ware, men's perfumes and watches, pharmacies and plastic. General trade also showed a positive relationship with good demand in Ninewa Governorate (though not significant). The percentage of relatives employed is relatively low. The sector should be therefore funded with caution.
5. Although a small number of employers in the manufacturing sector were surveyed, which might not be representative, the manufacturing sector reported good demand. A positive (but not significant) relationship was established between good demand and the carpentry and metal sectors by the linear modelling for Ninewa, but not with manufacturing, which was negative. Similar businesses were also reported in aluminium counters manufacturing and PVC. While suitable, the sector should be therefore funded with caution.
6. Services, to some extent, experienced good demand. The linear model established a negative relationship between good demand and the services sector in Ninewa (though not significant), but expansion was seen as having potential in painting and coffeeshops. However, coffeeshops were at the same time reported as facing a lot of competition and as having expanded recently, which might make them less suitable for support. A high number of similar businesses were reported by a barber, a photocopying services shop owner, a mobile phone maintenance shopowner, and an electrician. Services should be therefore funded with caution.
7. Considering the electricity issues and high rents in some cases, allow for higher than average budgets for rent along electricity and/or investments in generators in business plans.

ANNEX 2: MARKET ASSESSMENT PLAN

Market Assessment Plan

IOM aims to restore essential economic infrastructure and contribute to job creation in primary and secondary economic sectors that were successful prior to the conflict but suffered loss and damage and need assistance to resume activities. The IOM Business Development Fund will aim to encourage the return and reintegration of Iraqis through, directly, matching grants and business development support to businesses, and indirectly, sustainable job creation.

To provide support to SMEs, it is necessary to understand underlying factors that limit the growth potential and competitiveness of SMEs, and as a result their ability to stimulate job creation and other positive social and economic returns. This knowledge involves assessing the current market situation by identifying the constraints, obstacles or bottlenecks that inhibit growth, and by understanding the outlook and potential of the market (challenges and opportunities). This information will then allow IOM to develop targeted interventions. The general themes are: competitors (local/international), market place (demand, supply, quality information), context (security, cultural, corruption), labor supply (skills), infrastructure (IT, physical), regulatory (laws), financial (taxes, interest rates, access to credit, access to markets).

The question therefore best answered by a market assessment would be:

- Which small and medium enterprises that suffered from market failures due to the conflict, if addressed through matching grants and business development service, could create the need for additional labor, without market distortion?
- This is a multipart question that can be broken into several sub-questions:
- Which small and medium enterprises suffered due to the conflict?
- Which market failures can be addressed through matching grants or business development support? Which cash grants could create the need for additional labor?
- What could cause market distortion?

The sub-questions, in turn, can be addressed through a combination of surveying tools:

Research Sub- question	Information Needed	Source of data
Which small and medium enterprises suffered due to the conflict?	Direct consequences of conflict for SME owners and workers	<p><i>How have political events affected your business? Describe the current status of your business (FGD, Q4)</i></p> <p><i>Did you manage your business differently during 2014–2017, and how did it affect your revenue? (ES, Q3)</i></p> <p><i>How would you describe your business performance from before ISIL, during ISIL, and since the end of ISIL's occupation? (ES, Q4)</i></p> <p><i>How will recovery continue to impact your business over the next 12-months? (ES, Q5)</i></p> <p><i>Do businesses selling your product or providing your services in this area generally make a small or sizeable profit? (ES, Q8)</i></p> <p><i>Prior to the crisis, what sectors were the biggest employers in the city? What happened to these sectors? (KII, Q4)</i></p>

<p>Which market failures can be addressed through cash grants, or may be better supported through other business development services?</p>	<p>Supply-side and demand- side bottlenecks due to constraints/obstacles</p>	<p><i>Where do you get your raw product from? Is it sufficient in quantity and quality? (FGD, Q1)</i> <i>Who do you sell your product to? (FGD, Q2)</i> <i>How much time does it take to sell your product to a buyer? Do you usually have enough stock to meet demand? (FGD, Q3)</i> <i>Where do you get your product from? Is it sufficient in quantity and quality? (ES, Q10)</i> <i>Who do you sell to? How is the demand for your product these days? (ES, Q11)</i> <i>What is the single greatest challenge that you face operating in Mosul, what are the other challenges? For the challenges you have identified please indicate what kind of changes would improve your ability to do business. (ES, Q8)</i> <i>What challenges do you face dealing with clients? (ES, Q7) What challenges do you face dealing with suppliers? (ES, Q6)</i> <i>What kinds of government policies or programmes, or infrastructural improvements, could strengthen your business? (ES, Q13)</i> <i>What sort of training or skills do you need to run this business? Have you received any sort of formal or informal job or entrepreneurship training? (ES, Q14)</i> <i>Have you ever considered expanding your business (e.g. opening another location, adding additional products/services, hiring more employees, etc.)? If you have already, what key factors helped you to do so (e.g. bank, VSLA, or personal loan; government investment fund; family to staff 2nd location, etc.). If you have considered this but found it difficult, what were your primary barriers to growth/expansion? (ES, Q15)</i></p>
<p>Which cash grants could create the need for additional labor?</p>	<p>Evidence of scalability, networking beyond internal networks</p>	<p><i>How many of your employees are related to you? (ES, Q13)</i> <i>How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why? (ES, Q11)</i> <i>In your experience, are labor laws strictly followed by employers and enforced by MoLSA? Could most businesses show proof of registration, company social security numbers, and personal income taxes for employers? (FGD, Q5)</i> <i>What sectors are currently underdeveloped and/or have significant potential for growth? (KII, Q7)</i></p>
<p>What could cause market distortion?</p>	<p>Which SME's would not have been competitive anyway</p>	<p><i>Are there a lot of businesses like yours? (ES, Q8)</i> <i>What sectors are oversaturated / face too much competition? (KII, Q2)</i></p>
	<p>Which areas are other private sector funders targeting, including public actors such as government programs, that could crowd out investment</p>	<p><i>Into what sectors is private investment flowing (either from local or international investors)? Are these sectors affected by external factors, for e.g. seasonality? (KII, Q5)</i> <i>What have been the biggest changes in the business environment have you observed over the past six months? (KII, Q10)</i> <i>What are the priority sectors where the government is encouraging development? (KII, Q8)</i> <i>What major economic development initiatives are important for business? (KII, Q12)</i></p>

ANNEX 3: SURVEYING TOOLS

Focus Group Questionnaire for Small Business Owners

The Market Chain

1. (If applicable) Where do you get your raw product from?
2. Why did you choose the suppliers you use? (i.e. punctuality, price, honesty)
3. (If applicable) How can raw materials affect your final product quality?
4. (If applicable) What is your main restriction on enhancing production?
5. (If applicable) Are your raw materials sufficient in quantity? Have you ever had a shortage of raw materials and why?
6. Do you certify your suppliers for quality?
7. Have your suppliers changed in the last 5 years and how? Is it easy to change your supplier?
8. Where do your suppliers get their raw product from? Where is it from originally?
9. Who do you sell your product or service to? What challenges do you face dealing with clients?
10. Are you able to respond to and accommodate demand variations, such as seasonality?
11. Do you consumers sell your product onwards? How? The Market Environment
12. What challenges, if any, do you face from regulatory bodies or agencies?
13. Do you pay taxes?
14. Have you experienced extortion or corruption in the last 5 years? From who?
15. How did the political crisis affect your business?
16. Have you benefited from any public services in the last 5 years?
17. Are you a member of any association? Infrastructure Services
18. Do you have to use credit in your business? Do you have any issues with this?
19. What percentage of your budget goes to transportation?
20. What other services do you pay for to run your business? What challenges do you have with these?
21. How did these services change in the last 5 years?
22. How are the cost of these services?
23. Can your firm/company usually meet delivery due dates on time, and if not why no

Key Informant Interview Questions

1. Respondent:
2. Occupation:
3. Organization:
4. Prior to the crisis, what trading and industrial sectors were the biggest employers in the city?
5. What happened to these sectors (that have been listed)?
6. What sectors currently employ the most people in the city?
7. What sectors are oversaturated or face too much competition
8. What sectors are currently underdeveloped and/or have significant potential for growth?
9. What are the priority sectors that the government is encouraging development i
10. Into what sectors is private investment flowing (either from local or international investors)? Are these sectors affected by external factors, for instance seasonality?
11. What about United Nations or International Programmes that you are aware of?
12. What have been the biggest changes in the business environment have you observed over the past six months?
13. In your experience, are labor laws strictly followed by employers and enforced by MoLSA? Could most businesses in this city show proof of registration, company social security numbers, and personal income taxes for employers? If not, what percentage do you think could?
14. Was there anything else you would like to tell us?

Employer Questionnaire

Respondent

Phone number: Gender: Age:

Type of business:

Number of Employees:

Length of time business has been operational:

1. How did you acquire the skills to start your business?

- Decided to try an idea as an entrepreneur
- Learned from a family member
- Attended vocational training
- Apprenticeship
- Formal certification or course
- Other (specify)

2. Are there a lot of businesses like yours?

3. Has this changed in the last 6 months?

- The number of similar businesses increased
- The number of similar businesses stayed the same
- The number of similar businesses decreased
- Not applicable
- I don't know

4. Did you manage your business differently during 2014–2017, and how did it affect your revenue?

5. How would you describe your business status now? Single Answer

- Not profitable, I'm losing money. (business contraction)
- Stagnant, barely enough to sustain my own needs
- Profitable/ successful, but not enough to grow further
- Very profitable/ successful, it is expanding
- Other: (specify: -----)

6. How do you expect your business to recover or expand over the next 12-months?

7. Where do you get your product or raw materials from? Is it sufficient in quantity and quality? What challenges do you face dealing with suppliers?

8. Who do you sell to? How is the demand for your product these days? What challenges do you face dealing with clients?

9. What products or services are in demand by consumers but difficult to find in the local market?

10. For those you have listed, why are they difficult to find?

11. What are the main recruitment mechanisms in your city? Word of mouth, formal job advertisements?

12. Do you sign a written contract with your full-time employees?

13. What is the average monthly salary that you pay full time workers in Iraqi dinars?

14. How many of your employees are related to you?

15. How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why?

16. What is the single greatest operating challenge that you face, and what are the other challenges? For the challenges you have identified, please indicate what kind of changes would improve your ability to do business.

17. What kind of government policies or programmes, or infrastructural improvements, could strengthen your business?

18. What sort of training or skills do you need to run this business? Have you received any sort of formal or informal job or entrepreneurship training?

19. Have you ever considered expanding your business (e.g. opening another location, adding additional products, hiring more employees, etc.)? If you have already, what key factors helped you to do so (e.g. bank, VSLA, or personal loan; government investment fund; family to staff 2nd location, etc.). If you have considered this but found it difficult, what were your primary barriers to expansion?

20. If you were to receive unrestricted funding of US \$ 5,000 to US \$ 25,000 for business expansion purposes, what would you likely spend this on?



IOM-IRAQ MISSION

TEL AFAR EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

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