

# TIKRIT EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

A Market Assessment of Tikrit, Salah Al-Din Governorate

IOM Iraq – November 2019

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## SUMMARY

Tikrit was occupied by ISIS in 2014 and experienced heavy fighting with moderate destruction. The city was liberated in early 2015. Displacement remains high with almost 27,000 IDPs recorded at present.

The Enterprise 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 in order 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?

- Employers reported that their work was negatively affected by the events from 2014 to 2017, though the answers are somehow patchy. Nonetheless, likely all suffered considering that all were displaced.
- Agriculture was the main employer before the crisis. According to some informants, it barely recovered, and according to others at least 50% of the previous businesses in agriculture have recovered.
- Carpentry, construction, food, hospitality, manufacturing, and the metal sectors did not recover well according to key informants. Services and trade appear stronger.

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

- Thirty-seven percent of employers reported various degrees of 'good demand' for their products/services.
- Analysing whether demand was good was rather inconclusive as it varies depending on the seasons (reported as being better during summer-time), which was specified by 26% of employers, including carpentry businesses(1), manufacturers of water tanks, plastic doors and windows, roofing tiles (9), and the metal sector (5).
- As a single greatest challenge, respondents mentioned: electricity (64%) and other services such as water, high rents (4.3%), issues related to prices though not specified (4.3%), low purchasing power of people (3.2%), checkpoints (3.2%), among other issues. Higher budgets for generators and fuel can therefore support business owners in improving their business outcomes.

### What cash grants could create the need for additional labor?

- Forty-four percent of employers reported not having any relatives employed and these were more or less found in all sectors. Overall, compared to other governorates, hiring of relatives does not appear concerning and therefore points to attitudes possibly more open to hiring external referrals. Hiring happens through word of mouth.
- Almost all employers considered expanding their businesses.

- Overall, recruitment appears difficult. Almost 80% lamented on the difficulties in hiring qualified workers, which points to a mismatch between the skills and the market needs.
- When asked what would they do if supported by a grant between USD 5,000 and 25,000, 16% of employers mentioned hiring new workers (in an open-ended question) and these belonged to hospitality (5), food (2), and the metal (4) sectors and less to manufacture (1), carpentry (1), agriculture (1), and services (1).

#### What cash grants could create market distortions?

- Five key informants mentioned that not a single sector was oversaturated in Tikrit where one explained that this was because of the extensive destruction of the entire governorate. Others mentioned agriculture, hospitality, and health (private hospitals).
- General trade in food, construction tools, electrical appliances, clothes, restaurants and cafes were reported as supported by private investors, along with health services (as apparently people travel to other governorates for health services a key informant explained), the agricultural sector, and industrial development in general. The same sectors are also encouraged by the government with the addition of waste recycling, recreation (without specifications), and the oil sector.

## INTRODUCTION

The economy of Tikrit was negatively affected from the events from 2014 to 2017 and was a center of intense fighting. Displacement remains high about 27,000 individuals recorded at present.

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 ISIS and 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

In order to inform programming IOM has undertaken this market assessment, which aims to determine the demand for goods and services within 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 construction and food sectors. To assist with this process, interviewers were given focus group discussion guides that included an introduction letter, an information sheet, a consent form and a focus group discussion guide.

### Geographical Area Selection and Selection of Participants

Key Informant Interviews (KII) were conducted with participants belonging to different governmental departments, including the Investment Authority, Trade Monitoring Office, Chamber of Commerce, Department of Statistics, MoLSA (2), the Loans Office of MoLSA, Salah Al-Din Hospital, the Municipality, Directorate of Agriculture, Workers Union, and the Directorate of Education. In total, 12 KIIs were conducted. One FGD was also conducted with participants from the metal sector.

Sampling guidelines provided targets for the number of employers to survey from each industry in Tikrit. Two female employers were surveyed in Tikrit (and among these, 1 owns a gym and 1 a salon). In total, 92 employers were surveyed. The sectoral break-down with the activity as described by the employers is outlined below:

Sector	Number	Percentage
<b>Agriculture</b> Fish farms, poultry, poultry feed	4	4%
<b>Carpentry</b>	9	10%
<b>Construction</b>	2	2%
<b>Food</b> A bakery, dairy, processed food, sweets	14	15%
<b>Hospitality</b> Restaurants, diners	14	15%
<b>Manufacture</b> Blacksmithing workshop for doors and windows, PVC and aluminum, ceramics, plastic, decorations, kitchen equipment, water tanks, furnaces and ovens, plasma CNC workshop, PVC, doors/windows of PVC, roofing tiles	21	23%
<b>Metal</b> Aluminum factory, aluminum workshops, blacksmith	22	24%
<b>Services</b> Gym, salon, sewing, sewing men's clothes	6	7%
<b>All Sectors</b>	<b>92</b>	<b>100%</b>

Surveys with employers were conducted in different locations in Tikrit, see Figure 1 for details.

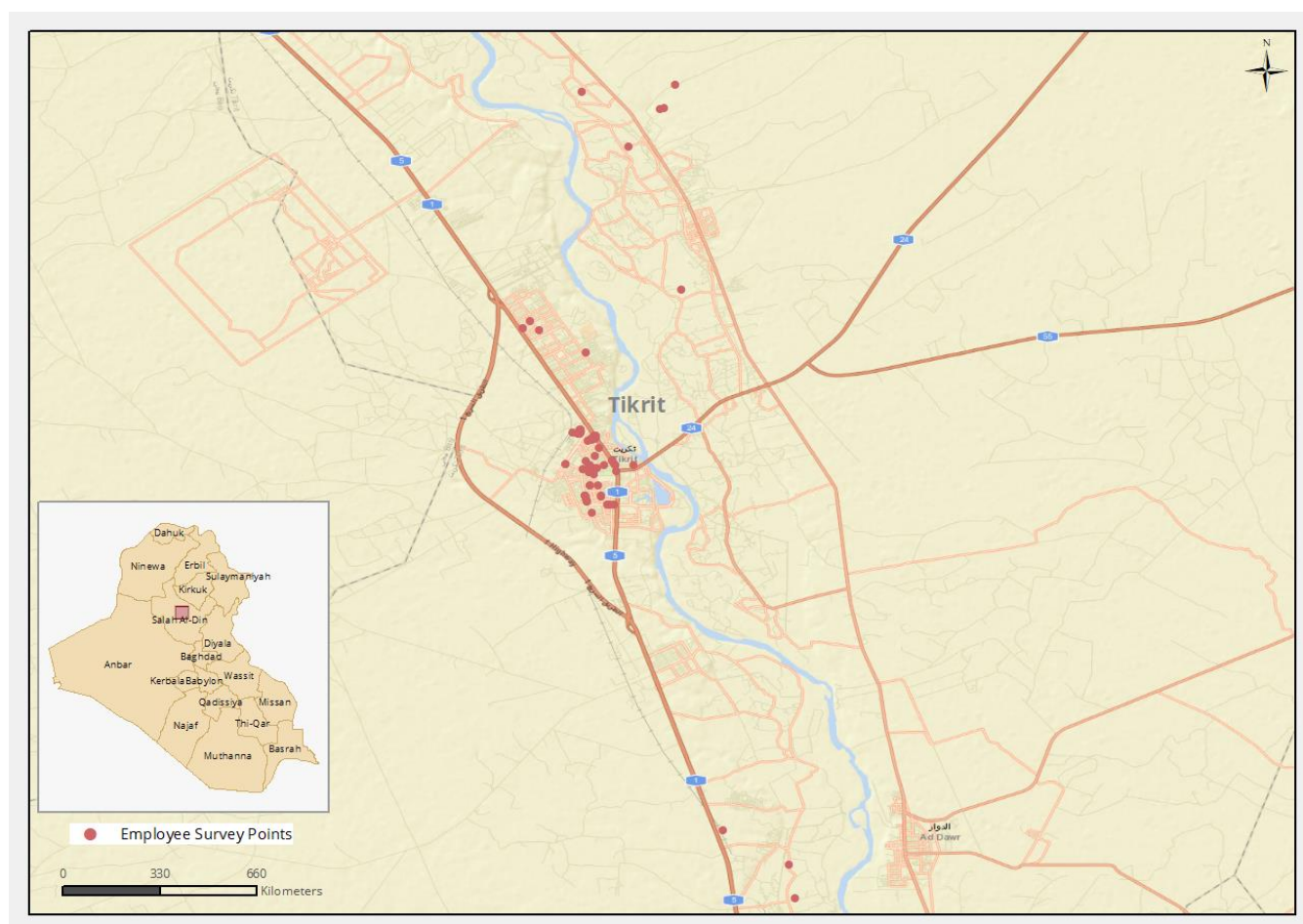


Figure 1 Map of Employers Surveyed in Tikrit

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.

### Limitations

Only 2 female employers were surveyed for the present assessment. These did not report any major issues if compared to the male employers.



## BACKGROUND

Tikrit is a district in Salah al-Din Governorate with Tikrit city as the district administrative center. While population estimates vary these range between 160,000 to 200,000.<sup>1</sup> The vast majority are Sunni Arabs. Tikrit greatly benefitted in the past as birth-place of Saddam Hussein. The factors that made the area stand out in influence under the previous regime are the same ones that led to its reversal of fortune in the aftermath of the Iraq War in 2003.<sup>2</sup> A significant proportion of households in Salah Al-Din as a whole, and in Tikrit and Al-Alam in particular, were heavily impacted by the ensuing de-Baathification process which purged those associated with the Baath party from their posts, including in government and security forces, limiting income sources for many and seen as a vengeful policy by those affected.<sup>3</sup> The governorate has since largely been neglected in terms of new investment and services as well. ISIL had seized Tikrit in early June 2014 after capturing Mosul and nearby Hawija in Kirkuk Governorate.

The Speicher Camp massacre is a notable event in Tikrit where between 1,600 to 1,700 cadets were killed. The incident was seen as a driving factor behind an immediate intervention into Salah Al-Din.<sup>4</sup> The retake of the city caused massive displacement and a report concluded that no residents were left in Tikrit city at the end of the conflict in April 2015.<sup>5</sup> As of August 2019, 27,000 individuals were displaced in Tikrit.<sup>6</sup> Looting was also reportedly a major issue where specifically in the case of Tikrit it caused a public uproar; and even Prime Minister Al-Abadi spoke out against it and noted that some 168 homes or properties had been damaged.<sup>7</sup>

The impact of the conflict on the socio-economic fabric has been extremely large, even two years after the area was retaken a report released in 2017 found.<sup>8</sup> Job opportunities were scarce, especially new government positions, and steady income was not as spread as before. Other respondents, still a minority, pointed to the economic situation slowly improving again, but not to previous levels. Public services were reported as largely restored to the same (“precarious”) level, the same report found.<sup>9</sup>

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<sup>1</sup> Global Public Policy Institute, Iraq after ISIL: Tikrit and Surrounding Areas, 2017, <https://www.gppi.net/2017/08/29/iraq-after-isil-tikrit-and-surrounding-areas>

<sup>2</sup> Social Inquiry, Tikrit Social Cohesion, 2017, <https://static1.squarespace.com/static/5bbb4e4c29f2cc31b47ff50f/t/5c56a349971a1875f2c33fc8/1549181796420/Social+Inquiry+-+Report+Tikrit+Social+Cohesion+FINAL+FOR+DISSEMINATION.pdf>Cited from Sanad

<sup>3</sup> Ibid.

<sup>4</sup> Global Public Policy Institute, Iraq after ISIL: Tikrit and Surrounding Areas

<sup>5</sup> REACH, *Humanitarian Overview of Five Hard-to-Reach Areas in Iraq* (Geneva: REACH, 2016), 12, [reliefweb.int/report/iraq/humanitarian-overview-five-hard-reach-areas-iraq-december-2016](http://reliefweb.int/report/iraq/humanitarian-overview-five-hard-reach-areas-iraq-december-2016).

<sup>6</sup> IOM, DTM Dataset, August 2019.

<sup>7</sup> Global Public Policy Institute, Iraq after ISIL: Tikrit and Surrounding Areas

<sup>8</sup> Social Inquiry, Tikrit Social Cohesion

<sup>9</sup> Ibid.

## FINDINGS

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

Employers reported that their work was negatively affected by the events from 2014 to 2017, though the answers as to how varied. The vast majority closed due to displacement though it is likely the case that all of them did as apparently nobody was left in the city after the fighting based on secondary sources. Some talked about their management style when asked whether they managed their work differently during the crisis, therefore providing less informative answers. Stolen or damaged equipment was reported by 6 employers, and many answered in general. They experienced 'losing money' during 2014 to 2017, which could have included stolen and damaged equipment too. Seven employers reported that competition increased during this time as many similar businesses were operating in the area. These included: fish farms, a carpentry factory, trade in construction materials, bakery, food processing, aluminum and plastic factories (2). These also referred to cheaper imports as damaging to the business, similar to findings in other governorates.

Agriculture was the main employer before the crisis, according to some KIs, it barely recovered and according to others at least 50% of the previous businesses recovered. Carpentry, construction, food, hospitality, manufacturing, and the metal sectors seem did not recover well according to KIs. Services and trade appear strong, according to KIs. One KI reported that the majority of jobs were in the government-owned companies and the security sector. A dairy factory was reported as completely destroyed and therefore not recovering. See Table 1.1 for details.

Table 1.1: Sectors reported by KIs as major employers before the crisis, as many recovering, and those that almost completely recovered (75%)

<b>Sector</b>	<b>Number of KIs, who reported the specified sector as being a <u>major employer before the crisis</u></b>	<b><u>Few</u> businesses recovering (up to 10%) as mentioned by KIs</b>	<b><u>Many</u> businesses recovering (50%) as mentioned by KIs</b>
Agriculture	6 (fish, chicken, farming, livestock, wheat vegetables, beekeeping, animal feed, milk, dairy factory)	2 (farming, livestock, beekeeping, fish, chicken, animal feed)	2 (in general, fish ponds, chicken, wheat, livestock)
Construction	4 (in general, residential complexes, bricks)	1 (in general, bricks)	2 (construction)
Carpentry	1	/	/
Food	5 (in general, water, canning)	1 (in general)	2 (in general, water)
General trade	9 (in general, electrical devices, grain, food, markets, electrical appliances, all sorts of raw materials, clothes)	5 (markets, grain, raw materials)	7 (in general, electrical devices, food, mini markets, clothes)
Hospitality	1 (restaurant, casinos,	1 (restaurant, casinos)	/
Manufacturing	2 (in general, PVC, workshops)	3 (in general, PVC, workshops)	/
Metal	1 (aluminum)	1 (aluminum)	/

Services	4 (car renting, plumbing, sewing, transportation,	1 (plumbing, sewing)	4 (renting cars, transportation)
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Employers were asked to describe the current status of their business. Most mentioned their status as stagnant and barely enough to sustain their own needs (50%), or profitable/successful but not enough to grow further (37%). Overall, profitability was reported by approximately 55% of employers. Trade was not reported by anyone as being profitable. The metal and hospitality sector appear rather weak followed by carpentry and food. The data need to be interpreted with caution as in construction only 2 employers were surveyed. See Table 1.2 for details.

**Table 1.2: Businesses mentioned as being to some extent successful but not to grow any further and those mentioned as being successful and expanding based on the responses provided by employers**

Sector	Agriculture	Services	Manufacturing	Food	Construction	Carpentry	Metal	Hospitality
Profitable/successful, but not enough to grow further (numbers)	3 (fish, animal feed, poultry farm)	4 (salon, men's clothes)	11 (doors, window, aluminum and PVC, plastic, decoration)	5 (sweets, food)	1	4	5	1 (restaurant)
Very profitable/successful, it is expanding (numbers)			3 (roof tiles, water tanks)	2 (bakery, food,				2 (restaurant, buffalo restaurant)
Number currently profitable businesses	3	4	14	7	1	4	5	3
Percentage within sector	75%	67%	67%	50%	50%	44%	23%	21%

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

Thirty-seven percent of employers reported various degrees of 'good demand' for their products/services. These are outlined in Table 2.1. The data were somewhat difficult to analyze as many mentioned average, acceptable, acceptable but stagnant, or even good but stagnant where only those specifically mentioning as being good or similar responses are included in the table, which makes the estimate of good demand rather conservative. The table should be additionally read cautiously as demand varies depending on the seasons (reported as being better during summer-time), which was specified by 26% of employers, and these belonged to the following sectors: carpentry (1), manufacturing of water tanks, plastic doors and windows, roofing tiles (9), and the metal sector (5). Outright bad or low demand (therefore excluding average, stagnant and similar descriptions) was reported by 17% of employers across different sectors.

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

Sector	Number	Percentage Within Good Demand	Percentage Within Sector
<b>Agriculture</b> Fish farms, animal feed, poultry farm	3	9%	<b>75%</b>
<b>Services</b> Services (salon), sewing, sewing men's clothes	4	12%	<b>67%</b>
<b>Hospitality</b> Restaurants, buffalo restaurant, small restaurant	7	21%	<b>50%</b>
<b>Food</b> A bakery, food processing, sweets	5	15%	<b>36%</b>
<b>Manufacture</b> Aluminum and plastic factory, kitchen equipment, NDF factory, PVC, plasma CNC workshop, doors and windows of PVC	7	21%	<b>33%</b>
<b>Metal</b> Blacksmith workshop, smithery workshop	7	21%	<b>32%</b>
<b>Carpentry</b>	1	3%	<b>11%</b>
<b>Total Good Demand</b>	34	100%	<b>/</b>

Respondents were asked to identify the single greatest challenge for operating in the area. Responses included: electricity (64%) and other services such as water, high rents (4.3%), issues related to prices though not specified (4.3%), low purchasing power of people (3.2%), checkpoints (3.2%), and some others mentioned animal vaccines as being expensive, and customs in general. Two complained about health fees and one commented: “*The taxes of the social insurance, health, water and electricity, and municipality are too high. They increase on a monthly basis and sometimes even weekly.*”<sup>10</sup>

Employers were asked about the challenges they experience with suppliers and these include: high prices (14%), challenge related to liquidity and not working on credit (6.5%), and less mentioned issues such as delays, quality of materials, not delivering all the materials, and other. Seventy-two percent reported not experiencing any challenges. Quantity and quality were considered good by the vast majority of respondents where many actually were pleased with the very high quality of the materials and goods supplied. Challenges with consumers were also explored where these mentioned customers bargaining for lower prices, not paying, and similar issues related to indebtedness and liquidity issues as found in other governorates. Sixty-five percent had no challenges with customers.

When asked specifically about the ‘fixes’ required to strengthen their ability to conduct business, the measures suggested by employers include electricity (62%), easier passage at check-points (5.4%), lower rent (4.3%), and other less mentioned issues such as lower taxes in general and lower animal feed prices. When asked specifically on support required by the government, electricity was still the main requirement along, improved passage at checkpoints, better border control, customs (without specifications), lower taxes, less corruption, lower rents, and availability of loans.

<sup>10</sup> Tikrit, Employer survey, hospitality sector

Employers were asked whether they have received any formal or informal job entrepreneurship training where the vast majority mentioned not receiving any (66%). Some received it informally, others through employees, and some even trained themselves on YouTube videos. When asked about training requirements, 20% mentioned the need for training in their respective trades aside on how to operate plasma machines and CNC machines.

## 2.1) Market Systems and Particular Disruptions in the Metal Sector

The main restriction for enhancing production in smithery in Tikrit is the lack of capital to hire previous (skilled) workers and buy additional raw material. Shortage of raw materials was reported when the supplier runs out of it, particularly during the summer season, when there are more orders than usual, and sometimes due to the road closures between Baghdad and Salah Al-Din. Materials and equipment were stolen and the building damaged during fighting. In fact, the location of the FGD was damaged during the fighting based on a map on the extent of damage reported.<sup>11</sup> Issues with fuel for generators were also reported as a major problem as fuel prices tend to rise in summer when it is sometimes difficult to find it at all. Also when explaining whether they are able to deliver their work on time, a lack of electricity and fuel were reported.

Suppliers are chosen based on whether these accept payment in instalments. Liquidity is an issue as FGD participants also reported selling to intermediaries, who are able to sell in installments (at higher prices). Selling on credit was also reported though without any consequences, at least so far.

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<sup>11</sup> REACH, *Humanitarian Overview of Five Hard-to-Reach Areas in Iraq*

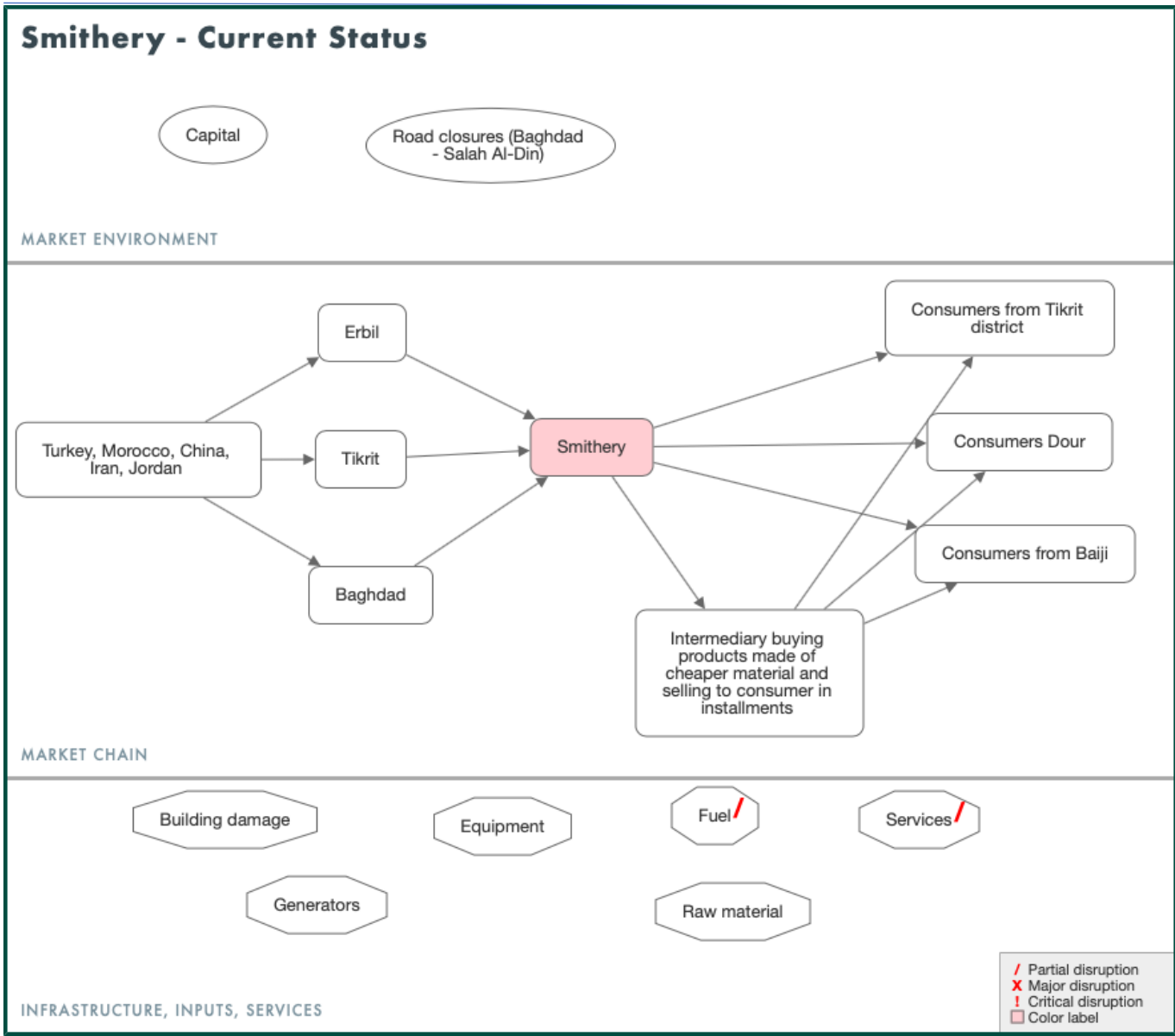


Diagram 1: Market map for smithery based on FGD with participants from Tikrit

### 3) Opportunities for Employment Creation

The majority of respondents reported at least one employee related to them. Though 44% reported not having any relatives employed and these were more or less found in all sectors. Construction appears on the higher end for hiring relatives though only 2 construction business employers were surveyed. Overall, if compared to other governorates, hiring of relatives in Tikrit does not appear concerning and therefore points to attitudes more open to hiring externals. Hiring happens through word of mouth mostly where some specified in consultations with similar employers. Almost half of the businesses are 4 years old or younger also.

Table 3.1: Average percentage of relatives employed in each sector

Sectors	Average Percentage of Relatives
Construction	50%
Metal	37%
Food	32%
Services	31%
Agriculture	29%
Carpentry	28%
Manufacture	22%
Hospitality	9%
<b>Average All Sectors</b>	<b>27%</b>

When asked what would they do if supported by a grant between USD 5,000 and 25,000, 16% of employers mentioned hiring new workers (in an open-ended question) and these belonged to hospitality (5), food (2), and the metal (4) sectors and less to manufacture (1), carpentry (1), agriculture (1), and services (1).

Almost all employers considered expanding their businesses. Overall, recruitment appears difficult. Almost 80% lamented on the difficulties in hiring qualified workers (many also specified that they do not need them at the moment). The latter point to the needs in terms of vocational training. The remaining small percentage thought it was easy. Key informants seem to agree that companies do not register, do not pay taxes, and do not follow labor laws in Tikrit where only 1 informant thought all were registered and following rules (a respondent from the Chamber of Commerce).

The sectors currently underdeveloped with potential for growth as reported by KIs are outlined in Table 3.2. Leading sectors include agriculture and construction followed by general trade, services, and industrial development in general.

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

Sectors	Number of KIs, Who Mentioned the Sector
Agriculture (in general, livestock)	4
Construction (in general, housing, cold storage, infrastructure, malls, supermarkets,	4
General trade	1
Industry in general	1
Services (marketing)	1

#### 4) Potential for Market Distortion

Five key informants mentioned that no sector was oversaturated in Tikrit where one explained because of the extensive destruction of the entire governorate. Others mentioned agriculture, hospitality, and health (private hospitals) and construction. Construction was also noted to be encouraged by the government and heavily supported by private investors, especially in building residential complexes since “*the revenue is quite good and comes fast*” one KI commented. General trade in food, construction tools, electrical appliances, clothes, restaurants and cafes were reported as supported by private investors along with health services (as apparently people travel to other governorates for health services, as 1 KI explained).

The agricultural sector and industrial development in general was also seen to be receiving private investment. The same sectors are also encouraged by the government with the addition of waste recycling, recreation (without specifications), and the oil sector.

Information with low demand of employers is not reported as demand is heavily influenced by seasons, which made the responses vary heavily, and those who mentioned bad demand could have implied this due to seasonality.

**Table 4.1: Sectors considered as encouraged by the government, supported by private investors, sectors considered oversaturated based on KIIs in Tikrit**

<b>Sectors</b>	<i>Mentioned by KIIs as being:</i>		
	<b><i>Encouraged by the government</i></b>	<b><i>Supported by private investors</i></b>	<b><i>Oversaturated</i></b>
<b>Agriculture</b>	2 (in general, dairy)	2	2 (in general)
<b>Construction</b>	6 (in general, housing, markets)	6 (housing)	3
<b>General Trade</b>	1 (markets)	5 (food, construction tools trade, electrical appliances, clothes)	1 (clothes, food)
<b>Hospitality</b>	3 (recreation)	1 (restaurants, cafes)	1 (in general)
<b>Industrial</b>	2	1	/
<b>Services</b>	1 (waste recycling)	/	/
<b>Oil</b>	4 (oil, also gas)	/	/
<b>Health</b>	/	3 (hospitals)	1 (health)



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## CONCLUSIONS

Based on the heavy fighting present in the city and displacement, major changes in the ways businesses were conducted have occurred for all. Agriculture was the main employer before the crisis, and has barely recovered according to some respondents. Carpentry, construction, food, hospitality, manufacturing, and the metal sectors seem did not recover well according to key informant interviews. Services and trade appear stronger currently.

Thirty-seven percent of employers reported various degrees of 'good demand' for their products/services, which seems heavily affected by seasonality, making the answers less informative. The somewhat usual issues were identified for operating in the area, including electricity, rents, low purchasing power, and check-points. There is potential for employment as employers do not seem to be hiring relatives, at least overwhelmingly, and all wanted to expand their business. Vocational training is also needed as there seems to be a mismatch between jobs and skills.

According to key informants, not a single sector was considered oversaturated due to the extensive destruction of the entire governorate. Others mentioned agriculture, hospitality, and health (private hospitals) where construction was certainly the most cited, which is also encouraged by the government and heavily supported by private investors, especially in building residential complexes. General trade in food, construction tools, electrical appliances, clothes, restaurants and cafes were reported as supported by private investors along with health services, the agricultural sector, and industrial development in general. The same sectors are also encouraged by the government with the addition of waste recycling, recreation, and the oil sector.

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## ANNEX 1: RECOMMENDATIONS FROM THE MARKET ASSESSMENT

1. Agriculture is reported as encouraged, supported by private investment, oversaturated and as at the same time having the highest potential for expansion and creating jobs, which makes it a suitable candidate for funding.
2. Carpentry, the metal sector and manufacturing in general experience limited demand where KIs commented mostly on the ‘industrial sector’ where the latter represents a priority for the government. These therefore represent legitimate sectors for grant matching.
3. Food was a major employer in the past and some businesses have recovered but experiences fairly low demand. The latter is a suitable candidate for funding but not a priority.
4. General trade is supported by the government, private investors, and is oversaturated, especially trading with food and clothes. The sector is therefore less suitable for funding.
5. Construction was a major employer before the crisis and recovered to some extent. It seems it takes central stage in private investment and appears over-saturated too, which makes it a less suitable candidate for funding.
6. Hospitality receives a lot of attention from private investors and appears saturated. Funding such sector is therefore not recommended.
7. Services experience good demand and represented the major employer in the past. The sector is therefore a suitable candidate for funding.
8. Considering the lack of skills, vocational training should be also considered where the latter should be informed also by the Labour Market Assessment report for the same area also written by IOM.
9. Considering the challenges in terms of health access in the governorate and the need to travel to other areas of Iraq, funding medical services should be considered appropriate.
10. Considering the major electricity issues allow for higher than average budgets for electricity and/or fuel and/or investments in generators in business plans.
11. Considering the high rents request lease information and confirm amounts owed, if any, for rent by businesses to their locations.

## 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 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 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?

This is a multipart question that can be broken into several sub-questions:

Which small and medium enterprises suffered due to the conflict?

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

<p>Which small and medium enterprises suffered due to the conflict?</p>	<p>Direct consequences of conflict for SME owners and workers</p>	<p><i>How have political events affected your business? Describe the current status of your business (FGD, Q4)</i>  <i>Did you manage your business differently during 2014–2017, and how did it affect your revenue? (ES, Q3)</i>  <i>How would you describe your business performance from before ISIL, during ISIL, and since the end of ISIL’s occupation? (ES, Q4)</i>  <i>How will recovery continue to impact your business over the next 12-months? (ES, Q5)</i>  <i>Do businesses selling your product or providing your services in this area generally make a small or sizeable profit? (ES, Q8)</i>  <i>Prior to the crisis, what sectors were the biggest employers in the city? What happened to these sectors? (KII, Q4)</i></p>
<p>What 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></p> <p><i>What have been the biggest changes in the business environment have you observed over the past six months? (KII, Q10)</i></p> <p><i>What are the priority sectors where the government is encouraging development? (KII, Q8)</i></p> <p><i>What major economic development initiatives are important for business? (KII, Q12)</i></p>
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## 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?





