

RAMADI EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

A Market Assessment of Ramadi, Anbar Governorate

IOM Iraq – October 2019

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SUMMARY

Ramadi was heavily affected by the crisis from 2014 to 2017 and experienced an Islamic States of Iraq and the Levant (ISIL) occupation where, despite being relatively short, businesses mostly closed down with the equipment mostly looted and destroyed. Displacement remains high in Anbar with over 40,000 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 in Ramadi largely all reported their businesses coming to a halt or as closing entirely during the crisis, whereas only one respondent from the food sector mentioned a decrease in sales.
- Most of the places were burnt and the equipment was stolen in Ramadi, which is a common occurrence in Newly Liberated Areas.
- Recovery is recorded in the construction, carpentry, automotive, metal, general trade, food production sector, less in agriculture, which historically represents the most important sector in Anbar.
- Sixty-two percent of businesses surveyed are to various degrees profitable; the automotive, construction, and services are among the strongest sectors, at least among the Employers surveyed.

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

- The construction, automotive, and manufacturing sectors reported good demand with lower percentages of good demand reported in other sectors. Nobody from the carpentry sector reported good demand.
- When asked on the single greatest challenge, almost half (46%) of the employers surveyed complained about electricity, 22% about the high rent, 8% about the low purchasing power among people, 5.4% about checkpoints, 5.4% mentioned cheap imports, 2% mentioned roads, and 1% water. Only 4.3% mentioned not having any challenge.
- When asked specifically about the policies and programmes that could strengthen the employers' ability to conduct business, the measures suggested included the provision of electricity, lower rents, loans/grants and capital in general, along compensations, and improvement in the provision of public services in general.

What cash grants could create the need for additional labor?

- On average, about half employees in all sectors are related to their employer. Lower percentages of relatives are found in the chemical sector and construction, followed by the food sector. The highest was in services though the number of employers surveyed was small. Employing external hires and including marginalized groups might be therefore problematic.
- When asked what would they do if supported by a grant between USD 5,000 and 25,000, 45% of employers mentioned they would hire more employees (in an open-ended question), which is a positive finding related to possibilities of job creation. These belonged to the following sectors: construction (11%), food (10%), manufacturing (9%), carpentry (10%), automotive (5.4%), and services (4%).

What cash grants could create market distortions?

- Linear modeling of the relationship between self-reported good demand showed positive (but not significant) relationships between being in the services and automotive sector.
- Key informant interviews mentioned the sectors that were considered oversaturated, which included: construction; the general trade of food, household items and appliances, electronics, cosmetics and clothes; the hospitality sector, especially restaurants, billiard; services, including barbers, transportation, mobile phone maintenance, internet providers, cafés; and selling of car accessories might, if funded, point to potential market distortions.
- Linear modeling of the relationship between self-reported good demand showed positive (but not significant) relationships between being in the services and the automotive sector with a significant negative association with being in the carpentry industry and reporting good demand.
- The latter is additionally confirmed by the survey with employers where carpentry seems to be experiencing particularly bad demand.

INTRODUCTION

The economy of Ramadi was highly affected by the ISIL occupation and in the aftermath of operations to retake the city. Livelihoods were lost, equipment was stolen, and buildings destroyed. Displacement remains high.

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 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 (KIs) 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.

The 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 sectors and different governmental departments participants, including MoLSA, the Chamber of Commerce (2), Al-Takadum Organization (microfinance) (2), the Mayor's Office's staff (2), the Department of Agriculture, the Department of Labor and Social Affairs. In total, 10 KIIs were completed. FGDS were conducted with participants from the food processing and the construction sector. Their exact number is unknown.

As the EDF intends to target registered industries, a sample size and breakdown, as representative of the market place as possible was used. Sampling guidelines provided targets for the number of employers to survey from each industry. Surveys with employers were conducted in different locations of Ramadi (mostly in the city). In total, 91 employers from Ramadi were surveyed. These belong to the following sectors:

Sector and Description as Provided by Employers	Number	Percentage of Total
Automotive	20	22%
Carpentry	10	11%
Chemical	5	5%
Cleaning powders	5	5%
Construction	15	16%
Food	22	24%
Sun flower seeds factory	11	12%
Sweets factory	11	12%
Manufacturing	14	15%
Plastic factory	5	5%
PVC	9	10%
Services	5	5%
Sewing	5	5%
Grand Total	91	100%

The locations of employers surveyed is shown below:

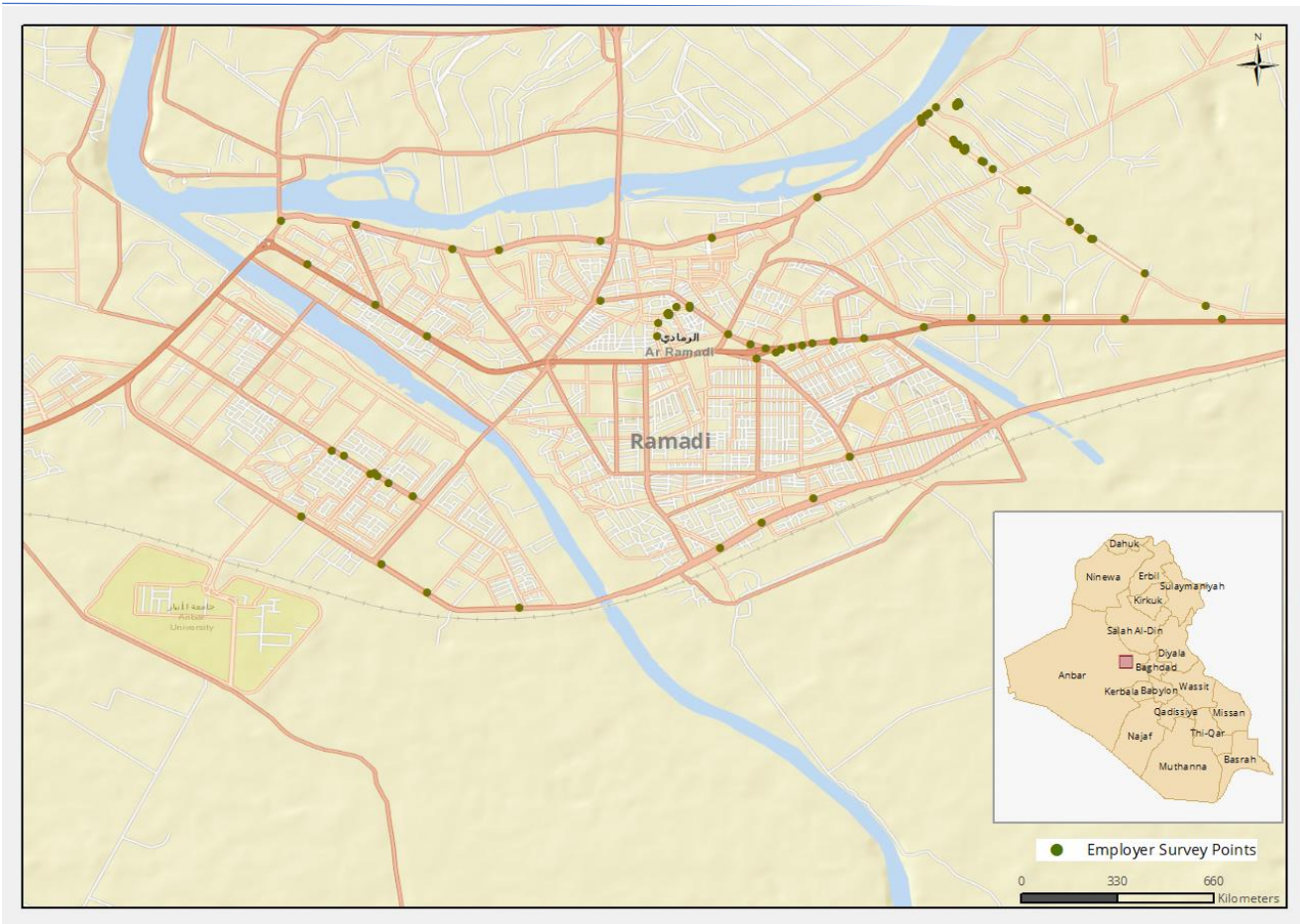


Figure 1 Map of Employers Surveyed in Ramadi

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 surveys with employers were eventually entered into Online Data Kit tools.

Limitations

Female employers are rare or closely to non-existent in conservative areas such as Ramadi. These were not surveyed, which precluded the analysis of any information related to gender issues in general.

BACKGROUND

Anbar is mostly inhabited by Sunni Arabs with a small number of Shias and other ethno-religious groups; though after ISIL occupations that tended to wipe out diversity, that might not be the case anymore.¹ Displacement in Anbar remains high with close to 40,000 individuals remaining displaced in the governorate as of August 2019 with more than 5000 recorded in Ramadi only.² Most of the displaced originate from the same governorate.³

Ramadi was temporarily occupied by ISIS, who were swept out by the Iraqi forces in 2015. Satellite data showed destruction in almost every neighbourhood in the city; every bridge was demolished,⁴ in a city that was heavily damaged already in 2003/2004.⁵ The city was once home to nearly 300,000 people where data suggests no more than 36,000 still lived there after ISIL.⁶ Cereal, legumes, and potatoes are the primary crops grown throughout Anbar. Being the largest governorate of Iraq, it occupies one third of Iraqi territory with vast stretches of desert, particularly in the largest district, Al - Rutba. Wheat and barley account for roughly one-quarter of agricultural production throughout Anbar.⁷ The drought recorded from 2008 to 2010 (based on reporting from 2010) has also had a negative impact on the rural populations' lives and livelihoods.⁸ Water shortages have affected both humans and livestock, and have devastated cropland. As of 2010, agriculture provided a quarter of jobs in the governorate, meaning that the drought was putting at risk the income of a significant proportion of the population.⁹

Unemployment in Anbar was lower than the national average (as of 2010) but this was much higher than the average in the governorate capital, Ramadi (recorded at 21 percent in 2010).¹⁰ In addition, half of all jobs in the governorate were unwaged, with two thirds of these in agriculture.¹¹ The labor force lacks basic skills due to years of war and sanctions, and massive emigration since 2003.¹²

FINDINGS

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

Nearly all employers reported their businesses stopped or closed during the crisis, with only 1 respondent mentioning decreased sales as their main impact (from a sunflower seed factory). The biggest employers before the crisis are outlined in Table 1.1 along with information on the sectors that were considered damaged or destroyed, and those that recovered (50% of businesses). Most of the places were burnt and the equipment was stolen. One KI mentioned that more than 500 smithery workshops' equipment and material were stolen in Ramadi.

¹ DFAT, Iraq Country Information Report, 2017. Michael Izady, Iraq Group Divisions, 2015, http://gulf2000.columbia.edu/images/maps/Iraq_Group_Divisions_

² IOM, DTM Dataset, August 2019.

³ IOM, DTM Dataset, August 2019.

⁴ RAND, ISIL Comes to Town, Case Studies: Ramadi, 2017, <https://www.rand.org/nsrd/projects/when-isil-comes-to-town/case-studies/ramadi.html>

⁵ NCCI, Anbar Profile, date not given but citations from 2010 point to the fact that it was written in 2010 or after, https://www.ncciraq.org/images/infobygov/NCCI_Anbar_Governorate_Profile.pdf

⁶ RAND, ISIL Comes to Town, Case Studies: Ramadi, 2017.

⁷ IAU, Anbar Governorate Profile, n. g.,

https://reliefweb.int/sites/reliefweb.int/files/resources/FF648724878184ACC12577EB0050C36D-Full_Report.pdf

⁸ IAU, Anbar Governorate Profile

⁹ IAU, Anbar Governorate Profile

¹⁰ IAU, Anbar Governorate Profile

¹¹ IAU, Anbar Governorate Profile

¹² NCCI, Anbar Profile

Rehabilitating all sectors will be difficult due to the cheaper prices of goods currently present in the market, which make local products less competitive KIs commented. Some employers also reported the issue of comparatively cheaper imports.

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

Sector	Number of KIs, who reported the specified sector as being a <u>major employer before the crisis</u>	Damaged/destroyed/burnt as mentioned by KIs	<u>Many businesses recovering (50%) as mentioned by KIs</u>
Construction	9 (marble and concrete blocks making, bricks, trading construction materials)	4 (marble and concrete blocks making, trading construction materials)	5 (construction, cement factory, marble, bricks)
Carpentry	6	3	2
Automotive	3 (car repair)	2 (car repair)	1 (car repair)
Metal	7 (aluminum factories, smithery, iron)	4 (aluminum factories, smithery, iron)	2 (smithery, aluminum,
Manufacturing	3 (PVC, textile, plastic, handicrafts,	2 (PVC, textile, plastic,	2 (handicrafts, PVC workshop)
General trade	5 (of food, electrical appliances, communication devices, electronic devices, computers, clothes, groceries)	3 (of food, electrical appliances, communication devices, electronic devices, computers, clothes, groceries)	3 (groceries, electronics; food)
Food	5 (food processing; diary; bakeries)	3 (food processing; diary; bakeries)	3
Agriculture	3 (animal food, fish and poultry, vegetables,	2 (animal food, fish and poultry, vegetables,	1 (livestock)
Textile	2 (textile)	2 (textile)	/
Chemical	2 (water purification, paint)	2 (water purification, paint)	/
Hospitality	3 (restaurants, cafeterias)		1 (restaurants)
Services	1 (mobile phone repair)		/

Employers were asked to describe the current status of their business. One employer was currently closed down, 15 mentioned being stagnant and having barely enough business to sustain his own needs, 17 mentioned their business as not being profitable/as losing money, 50 as profitable/successful but not enough to grow further, and 8 being very profitable (PVC and construction). In total, about 62%

of businesses surveyed could be considered as having different degrees of profitability. The automotive, construction, and services are among the strongest. 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	Services	Construction	Automotive	Manufacturing	Carpentry	Food	Total
Profitable/successful, but not enough to grow further (numbers)	5	8	15	6	6	10	50
Very profitable/successful, it is expanding (numbers)		5		3			8
Percentage currently profitable businesses	5% ¹³	14%	16% ¹⁴	10% ¹⁵	6%	11% ¹⁶	62%
Percentage within sector	100%	87%	75%	64%	60%	45%	/

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

Almost half of the employers reported various degrees of 'good demand' for their products/services. These are outlined in Table 2.1. The construction, automotive, and manufacturing sectors reported good demand with lower percentages of good demand reported in the other sectors. Nobody from the carpentry sector reported good demand. The remaining reported various degrees of dissatisfaction, where 44% reported bad or very bad demand (see Table 4.1 for details on low demand).

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

Sectors with Good Demand	Number	Percentage (of Total)	Percentage Within Sector
Construction	11	12%	73%

¹³ Sewing

¹⁴ Car repair; car wash, car spare parts trade

¹⁵ PVC

¹⁶ Sun-flowers factory, sweets

Automotive Car repairing, car wash, trade in car spare parts	14	15%	70%
Manufacturing PVC	7	8%	50%
Food Sweets factory	10	11%	45%
Services Sewing	2	2%	40%
Chemical Cleaning powders	1	1%	20%
Carpentry	0	0%	0%
Total	45	49%	/

Respondents were asked to identify the single greatest challenge for operating in the area. Almost half (46%) complained about electricity, 22% about the high rent, 8% about the low purchasing power among people, 5.4% about checkpoints, 5.4% mentioned cheap imports, 2% mentioned roads, and 1% water. Only 4.3% mentioned not having any challenges. Additionally, employers were asked about the challenges they experience with suppliers. These mentioned 'little money', which likely refers to their inability to pay suppliers, high prices, and suppliers requiring cash. Twelve percent mentioned delays in delivery, and a smaller percentage mentioned issues related to the quality of raw material. Only 28% mentioned not having any challenges.

Challenges with consumers were also explored. These mostly included indebted customers and some mentioned conflicts due failed payments. Only 11% of employers had no challenges with clients. These all point to major shortages in terms of liquidity.

When asked specifically about the policies and programmes that could strengthen the employers' ability to conduct business, the measures suggested included: the provision of electricity, lower rents, loans/grants and capital in general, compensation, and improving public services in general. The remaining respondents mentioned 'an improved economy' or improved demand. See Table 2.2 for details.

Table 2.2 Government policies and programmes for improving the business environment as mentioned by employers

Support required	Number of Employers	Percentage of Employers
Lower rent	24	26%
Electricity	15	16%
Loans/grants/capital	11	12%
Public services general	6	6.5%
Compensation from government	5	5.4%
Fuel (suitable prices)	5	5.4%
Paying taxes (other factories)	1	1%

Employers were asked whether they have received any formal or informal job entrepreneurship training. Almost half (44%) mentioned receiving it and the remaining mentioned not receiving any. When asked about training requirements, 52% of employers reported not requiring any training and 45% reported requiring vocational training in general without specifying, likely in their trades. Thirty-six percent of employers also considered expanding their business. What supported expansion among those, who managed to expand, were savings and support from relatives. Twelve percent mentioned a loan, but without specifying further.

2.1) Market Systems and Particular Disruptions

This section provides a closer look at 2 sectors and the bottlenecks these have experienced, including construction and food processing.

Construction

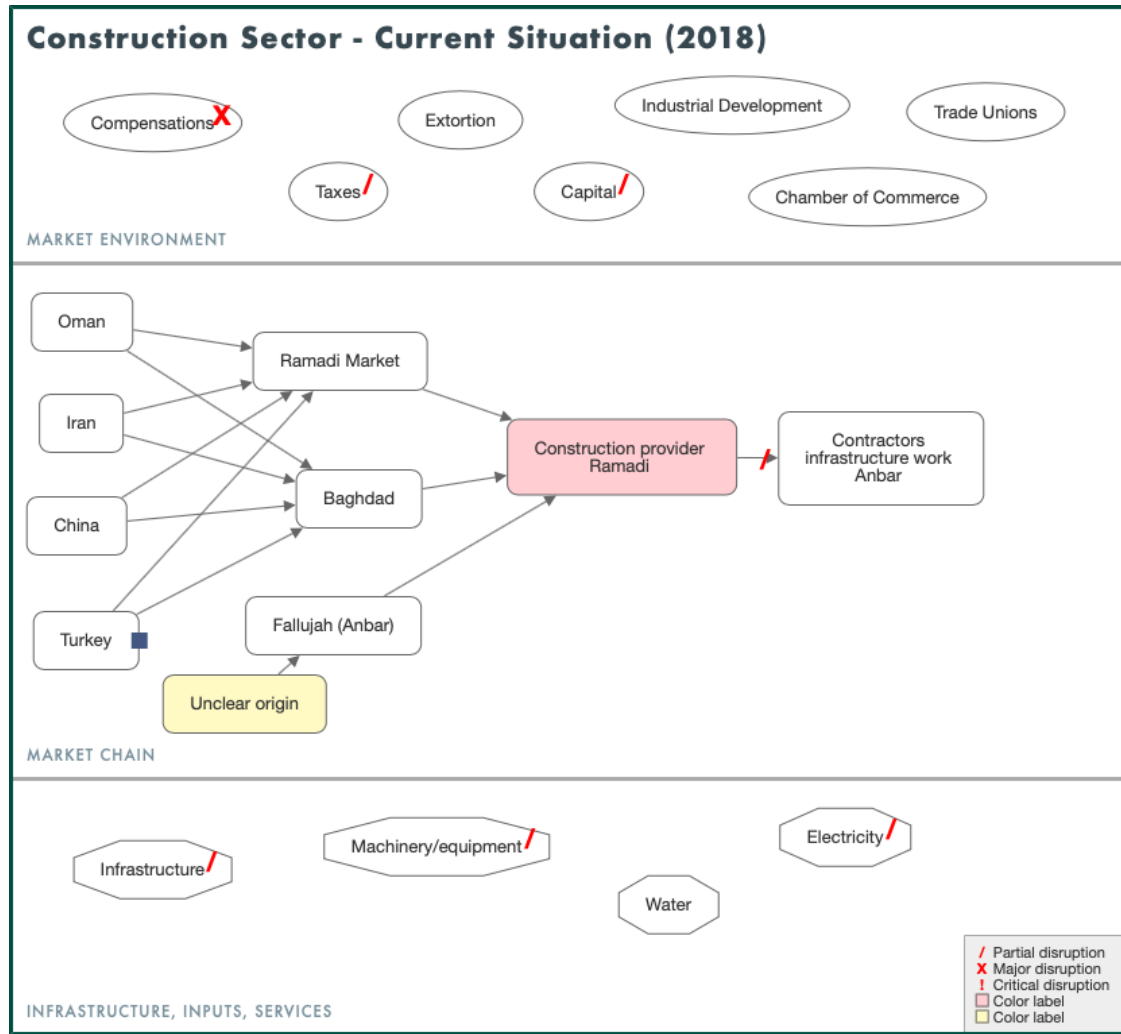


Diagram 1: Market Map for the construction sector in Ramadi based on FGDs with participants from the construction sector

The quantity and quality of materials was considered good among employers. FGDs mentioned the quality of materials as being an issue, in addition to a lack of modern machinery for construction. Purchasing power was mentioned as low, which affects also the construction sector along compensation disbursements for destruction remaining unpaid in Ramadi. Some pay taxes, some do not; FGDs also commented that a lot of factories in Ramadi are not registered therefore do not pay taxes. Services such as electricity and high rents represent a challenge, which was also overwhelmingly reported by employers surveyed in general. When KIs mentioned the biggest changes in Ramadi in the past 6 months, 2 highlighted the recovery of the construction sector.

Food Processing

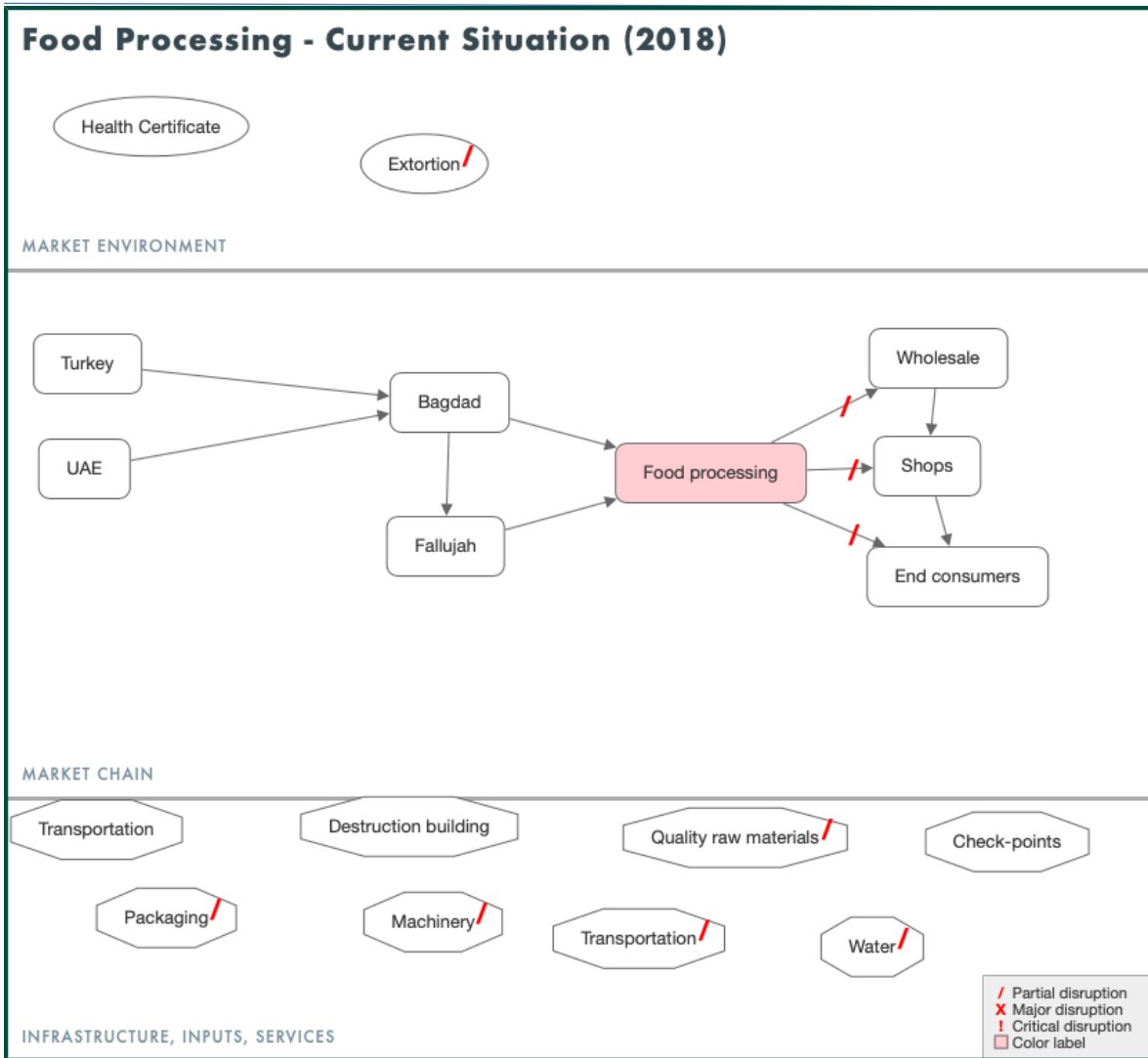


Diagram 2: Market Map for food processing in Ramadi based on FGD participants from the food sector

The main issues reported for enhancing production include the improvement of the quality of raw materials, packaging, and machinery. Sometimes check-points and transportation are problematic too. Like in any sector, low purchasing power was reported. Corruption in terms of renewal of documents was reported, including long waiting times. These participants reported paying taxes, as the health certificate renewal is issued upon the payment of taxes. Overall costs of services are considered high.

3) Opportunities for Employment Creation

The majority of respondents reported at least one employee related to them where only 14% reported no employees related to them (and these belong to the food and manufacturing sector). On average, about half employees in all sectors are related to the employer. Table 3.1 provides some information on the average percentage of relatives employed in each sector. Lower percentages of relatives are found in the chemical sector and construction followed by the food sector. The highest was in services, although the number of employers surveyed was small therefore the data should be interpreted with caution. It is likely the case that the bigger the company, the more one needs to look outside the immediate family members for hiring, inevitably. Almost all businesses were older than 6 years, which again points to inter-generational business models, which in turn favor family-oriented practices. In fact, the vast majority of

recruitment was also through word of mouth, whereas only a few reported relying on formal recruiting mechanisms.

Table 3.1: Percentage of relatives employed in each sector

Sector	Average Percentage Relatives
Services	73%
Automotive	64%
Carpentry	53%
Manufacturing	45%
Food	44%
Construction	36%
Chemical	33%

When asked what would they do if supported by a grant between USD 5,000 and 25,000 45% Employers mentioned they would hire more employees (in an open-ended question), which is a positive finding related to possibilities of job creation. These belonged to the following sectors: construction (11%), food (10%), manufacturing (9%), carpentry (10%), automotive (5.4%), and services (4%).

Overall, recruitment does not appear difficult in Ramadi. Seventy-two percent mentioned not having any difficulty, mostly due to high unemployment. Twenty-seven percent mentioned it was hard to find qualified workers. These were mentioned by employers in the construction (7), automotive (6), carpentry (1), food (6), manufacturing (2), and services (2), and therefore in most of the sectors.

KIs also commented on whether employers follow labor laws and MoLSA enforces them, and there seems to be consensus that the latter is not the case as many companies do not register in order to avoid paying taxes.

The sectors currently underdeveloped with potential for growth as reported by KIs are outlined in Table 3.3. Leading is construction, the metal sector, and carpentry, especially the adoption of new technologies and techniques for design and hospitality, followed by other sectors.

Table 3.3: Sectors with potential for expansion in Ramadi based on KIIs

Sectors	Number of KIs, who mentioned the sector
Construction (in general, marble, porcelain, cement, blocks, bricks, roof covering, malls, housing)	8
Metal (smithery, aluminum, CNC smithery)	8
Carpentry (in general, new technologies in carpentry)	5
Services (café, decoration, design, painting, hairdressing)	3
Hospitality (amusement parks, restaurants, fast foods)	3
Manufacturing (plastic)	2
Food (general, sweets)	2
Agriculture (in general, livestock)	2

General trade (ornamental fish, birds, Turkish kitchen)	2
---------------------------------------------------------	---

4) Potential for Market Distortion

KIs mentioned the sectors that were considered oversaturated, which included: construction; general trade of food, household items and appliances, electronics, cosmetics and clothes; the hospitality sector, especially restaurants, billiards; services, including barbers, transportation, mobile phone maintenance, internet providers, cafés; and selling of car accessories.

In terms of government support, KIs were unanimous that the latter is close to non-existent, especially in the agricultural sector, which represents an important source of income for the vast majority of people residing in the governorate. Some remarked that the government is mostly causing delays instead. The construction sector was especially highlighted as being supported by private investors – aside from general trade and hospitality. This was attributed especially to the construction of houses, which are sold in installments by mostly local investors, since international investors fear instability, aside from being deterred by the ‘lengthy procedures’ when dealing with the government, as one KI remarked. All the information is captured in Table 4.1.

To some extent car repairing and trading with spare parts experiences low demand, carpentry in general (though it was not mentioned by KIs as being oversaturated), the production of cleaning powder appears hurt by low demand (again not mentioned by KIs). Construction also seem saturated and to some extent experiencing low demand among a third of the employers surveyed. Food was not mentioned by KIs as saturated but demand was reported low among half of the employers. Oversaturation was reported by 8 KIs in trade where these specified in trade with food (wholesale also), furniture, groceries, household items, mobile phones, computers, electrical appliances, cosmetics, clothes though Employers in general trade were not surveyed, so information on demand is lacking. The demand in plastic and PVC is medium where KIs did not comment on it. Hospitality, such as restaurants and billiards. were considered oversaturated. KIs also reported high saturation in services such as transportation, mobile phone maintenance, internet providers, café, barbers and fairly low demand by 60% of the surveyed tailors.

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

Sectors	<i>Mentioned by KIs as being:</i>			<i>Employers reporting:</i>	
	Encouraged by the government	Supported by private investors	Oversaturated	Low demand (percentage of total/percentage within sector)	
Agriculture	Not supported	/	/	NA	
Automotive	/	/	1 (car accessories,	6.5% 30%	Car repairing, spare parts
Carpentry	/	/	/	11% 100%	Carpentry in general
Chemical	/	/	/	4.3% 80%	Cleaning powders
Construction	Not supported	7 (housing, cheap housing, hotels, soccer	2 (construction material)	4.3% 27%	Construction in general

		fields, swimming pools, malls, cement, parks)			
Food	/	1 (water, food)	/	12% 50%	Sun-flower factory, sweets
General trade		1 (clothes, furniture)	8 (food (wholesale also), furniture, groceries, household items, mobile phones, computers, electrical appliances, cosmetics, clothes)	NA	
Manufacturing	/	/	/	8% 50%	PVC, plastic
Hospitality	/	4 (tourism, gyms, restaurants)	3 (billiard, restaurants)	NA	
Services	/	1 (beauty centers)	5 (transportation, mobile phone maintenance, internet provider, café, barber)	3.2% 60%	Sewing

Linear modeling of the relationship between self-reported good demand showed positive (but not significant) relationships between being in the services and the automotive sector with a significant negative association with being in the carpentry industry and reporting good demand. See Table 4.2 for details.

Table 4.2 Good demand as a function of sector and other factors by location

Factors	Good Demand
Age of owner	.006 (.014)
Number of employees	.023 (.21)
Salary of employees	.002*** (.001)
Age of business	.063 (.077)
Ramadi *Carpentry	-.695***

	(.171)
Ramadi *Car mechanic	.035
	(.151)
Ramadi *Construction	-.273
	(.207)
Ramadi *Plastic	-.139
	(.143)
Ramadi *Textile	-.197
	(.210)
Ramadi *Chemical	-.249
	(.211)
Ramadi *Services	.046
	(.232)
Adj. R Sq	.531
F Test	5.438

Notes: Robust standard errors reported in parentheses. Levels of statistical significance indicated by asterisks: * 90 percent, ** 95 percent, *** 99 percent. Additional controls added for the number of related employees.

CONCLUSIONS

In conclusion, quite a few sectors appear recovering and having demand in Ramadi, despite the destruction and looting recorded in the aftermath of Liberation. The challenges for businesses are similar to the ones in other governorates, including low purchasing power, check-points, high rents, and poor electricity supply, among other issues. Demand for capital is also high. The construction, automotive, and manufacturing sectors reported good demand with lower percentages of good demand reported in other sectors. Nobody from the carpentry sector reported good demand along the significant negative association established by the regression model, though considering that the survey is not representative of the sector, the latter should be interpreted with caution.

A mismatch between jobs and skills is also apparent as employers reported trouble for finding qualified workers, which calls for support in vocational training provision. On average, about half employees in all sectors are related to the employers. Lower percentages of relatives are found in the chemical sector and construction followed by the food sector. The highest was in services, though the number of employers surveyed was small. Employing external referrals, including marginalized groups might be therefore problematic. When asked what would they do if supported by a grant, almost half employers mentioned they would hire more employees, which is a positive finding related to possibilities of job creation.

Key informants mentioned the sectors that were considered oversaturated, which included: construction; the general trade of food, household items and appliances, cosmetics and clothes; the hospitality sector, and services, including barbers, transportation, mobile phone maintenance, internet providers. These might, if funded, create potential market distortions.

ANNEX 1: RECOMMENDATIONS FROM THE MARKET ASSESSMENT

1. The automotive sector was considered a strong employer before the crisis and it seems recovering today as it also experiences good demand (also supported by the positive relationship established by the regression model), which makes it a suitable candidate for funding support.
2. Construction was important in the past and remains an important sector today despite informants reporting saturation, especially related to construction materials. Private investors seem already supporting housing, hotels, soccer fields, swimming pools, malls, cement production, and parks, which points to funding with caution. Demand is also high in the sector and the employment of relatives low and therefore with high potential for job creation.
3. Carpentry was an important employer before the crisis and is recovering though the demand was reported as being poor among all employers, additionally supported by a significantly negative relationship established by the regression model, which makes it less suitable for support.
4. Manufacturing and plastic represented important employers the past, PVC seems recovering according to informants and with potential for expansion. Demand is medium (good among 50% of employers surveyed), which makes it a suitable candidate for support. Hiring of relatives is also relatively low.
5. General trade was reported as saturated by a high number of informants although it may be recovering well, especially general trade in groceries, cosmetics, electric appliances, house items, clothes, computers and similar, which makes it an unsuitable candidate for grant matching.
6. Food experienced decent demand though mostly sunflower factories and sweet producers were surveyed. The sector is supported by private investment already. Nonetheless, it represents a suitable candidate for support along the fact that in the past was also a major employer in Ramadi.
7. Cleaning powder demand was poor nor anyone mentioned it as being important before and after the crisis, which makes it an unsuitable candidate for funding.
8. Restaurants and cafes are being already supported as informants mentioned, including by private investors, which makes them unsuitable for grant matching.
9. Services seem to be saturated in transportation, mobile phone maintenance, internet providers, and barbers. Nonetheless, the regression model established a positive (but not significant) relationship with good demand. Potential for growth in the services include decorations, painting, hairdressing, according to the interviewed informants, which should be prioritized when it comes to supporting the expansion of the service sector.
10. In light of the general lack of skills, vocational training is required, as the latter was reported for most of the sectors surveyed.
11. Considering the electricity issues allow for higher than average budgets for electricity and/or investments in generators in business plans.
12. Considering the high rents request lease information and confirm amounts owed, if any, for rent by businesses to their locations.
13. Considering the damaging impact of cheaper imported goods, consider conducting joint advocacy with other organizations in terms of price control regulations.

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></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>
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<p>What 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>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></p> <p><i>What challenges do you face dealing with clients? (ES, Q7) What challenges do you face dealing with suppliers? (ES, Q6)</i></p> <p><i>What kinds of government policies or programmes, or infrastructural improvements, could strengthen your business? (ES, Q13)</i></p> <p><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></p> <p><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>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></p> <p><i>How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why? (ES, Q11)</i></p> <p><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></p> <p><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?