



**MIXED FORMAL AND INFORMAL MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES SURVEYS IN THE GOVERNORATES OF BAGHDAD, BASRA AND NINEVEH**

**IRAQ MSME 2020 SURVEY**

**FINAL REPORT**

**SEPTEMBER 2021**



IN ASSOCIATION  
WITH



## Foreword



*In the name of God, the merciful, the compassionate*

In light of the Iraqi government's directives, represented by the Ministry of Planning, to address and reform the national economy and activate the strategy of promoting the private sector, and enabling it to contribute actively to the development of the economy in all its sectors; it was necessary to identify the size and employment of this important sector and identify its needs and requirements at the level of micro, small and medium enterprises (MSMEs), within the informal sector. On this basis the Central Statistical Organization (CSO) implemented a statistical field survey of individuals working in the private sector, with the aim of providing economic indicators that serve the private sector development process and support decisions to develop MSMEs.

The results of the MSME field survey covered several areas of research, including; financing of MSMEs and their difficulties in obtaining loans, financial and banking services, as well as information on the use of modern technology and techniques, e-commerce, identifying the percentage of enterprises owned by women and women entrepreneurs and the problems they face in obtaining funding from banks and financial institutions. Additional efforts by the Ministry of Planning are underway within human development policies, to improve the status of women in various fields, and CSO has recently launched an Integrated Survey of Women's Health and Social Conditions in cooperation with UNFPA.

This MSME survey, the first of its kind in Iraq, is part of the activities of the first pillar of the Private Sector Development Strategy (PSDS), covering the Governorates of Baghdad, Basra and Nineveh, given the population density and size of economic activities in those governorates. The rest of the governorates will be covered in the second phase under a new methodology in cooperation with the United Nations Development Program "UNDP" and its support, to accomplish all activities assigned to the CSO.

Finally; I extend my sincere thanks and appreciation to the United Nations Development Program, to the United States Agency for International Development and everyone who contributed to the implementation of this survey from the staff of the main and sub-committees and all the supervising field teams, from field researchers to administrators and support staff, valuing their good efforts in this endeavor and wishing them all success and prosperity.

Prof. Dr. Khaled Battal Al Najm

Minister of Planning  
September 2021



## ***Message from***

### ***United States Agency for International Development-Iraq***

Micro, Small, and Medium Enterprises (MSME) are the lifeblood of a healthy economy. They are also exceptionally vulnerable to risk. As outlined in this study, MSMEs receive the brunt of systemic challenges to growth and innovation, ranging from insufficient funding resources, complex administrative processes for registering or opening a bank account, and underdeveloped infrastructure and technology. Financial shocks resulting from the aftermath of the war against ISIS, oil market volatility, the COVID-19 pandemic, and the unstable security situation only further compound this already complex context.

The findings of this study offer sobering insight into the barriers faced by Iraqi MSMEs and present promising opportunities for broadening the lens of prosperity. For example, the reality that 95 percent of surveyed MSMEs are owned by men indicates a massive, untapped potential for economic growth. USAID programs support greater market participation of women, youth, and members of vulnerable groups through tailored business training, facilitating investment opportunities, and targeted financial and in-kind support to help diversify and grow the Iraqi economy. Scaling up these inclusive models for capacity building, while building on concerted efforts for systemic and sustainable private sector growth, will help to foster a more business-friendly ecosystem that places Iraq's MSMEs at the heart of the process.

The U.S. Government, through USAID, proudly contributes to this pressing research that highlights the challenges of Iraqi MSMEs. Together with the Government of Iraq, international cooperation agencies like the UNDP, and other dedicated Iraqi stakeholders, we look forward to building on the recommendations of this study. By doing so, we are able to best respond to this critical component of the economy and contribute to fostering long-term stability and prosperity in Iraq.

John Cardenas  
Mission Director  
USAID Iraq



## ***Message from United Nations Development Program - Iraq***

Micro, Small, and Medium Enterprises (MSMEs) are the driving forces behind economic development in most countries. By creating new job opportunities and stimulating business growth and investment, they have become the backbone of economies around the world.

The United Nations Development Programme (UNDP) in Iraq aims at supporting national efforts for sustainable livelihoods creation in the country, including through support to MSMEs, particularly in the aftermath of the concurrent crises of the COVID-19 pandemic and the recent steep decline in oil prices.

The study, that was carried out in Baghdad, Basra, and Nineveh, was undertaken in close cooperation with our partners in the Ministry of Planning's Central Statistical Organization (MoP CSO) and was generously funded by the United States Agency for International Development (USAID). The study provides a comprehensive analysis of MSMEs in Iraq, identifies their needs, and explore their opportunities of growth. The study provides an evidence-base to policy makers in their strategy for employment creation, especially for vulnerable Iraqis. The study also supports the Government of Iraq strategic direction towards the diversification of the economy, including through the development of the private sector, in particular MSMEs, to cope with the ever-increasing demand on jobs, as outlined in Iraqi Private Sector Development Strategy 2014-2030 and the "White Paper" issued by the Iraqi government in October 2020. .

The study outlines a set of recommendations to support Iraq's economic diversification and sustainable employment creation through MSMEs, which we hope will help policy-making at all levels.

The study represents an urgent call to action on multiple axes: development of MSME capabilities, facilitation of access to growth opportunities, creation of a favorable business ecosystem for MSMEs, and the transformation of counterpart government agencies to better respond to MSME needs. UNDP Iraq remains committed to supporting the Government of Iraq and other development partners in this endeavor.

Zena Ali Ahmad  
Resident Representative  
UNDP Iraq

## ACKNOWLEDGEMENT TO THE DONOR (USAID)

The study was implemented under the leadership of the United Nations Development Programme in Iraq in close cooperation with the Ministry of Planning's Central Statistical Organization, generously funded by the American people through the United States Agency for International Development (USAID).

## ACKNOWLEDGMENTS

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### Higher Committee for Survey

Dr. Deah Awad Kazem/ CSO Head	Mr. Qosai Abdel Fattah Raouf/ Director of Technical Affairs
Mr. Husein Hamid Khalaf/ Head of Industrial Statistics	Mrs. Saja Qassem Kazem/ Committee Secretary

---

#### Baghdad Governorate

- Mr. Ahmed Ismail Ibrahim/ Local Supervisor
- Dr. Iyad Jawad Hassan/ Central Supervisor
- Mr. Atheer Mohamed Nahi/ Central Supervisor
- Dr. Ahmed Hassan/ Central Supervisor
- Mr. Qais Ghazi Jawad / Team Leader
- Ms. Arwa Shakir Ibrahim/ Team Leader
- Mr. Adnan Mahmood/ Team Leader
- Mr. Ammar Ahmed Ali / Team Leader
- Ms. Bushra Nassif Jassim/ Team Leader
- Mr. Hussain Ali Ibrahim / Team Leader
- Mr. Khaled Walid Mohamed/ field researcher
- Mr. Yasser Farid Saeed/ field researcher
- Mr. Yasser Mohamed Nada/ field researcher
- Mr. Muhammad Ali Hussain/ field researcher
- Mr. Ali Mustafa Jawad/ field researcher
- Mr. Samir Najm Abdullah/ field researcher
- Mrs. Difaf Abd Ali / field researcher
- Mr. Ali Ahmed Merdas/ field researcher
- Mr. Samir Hamid Rashid/ field researcher
- Mr. Farqad Khaled / field researcher
- Mr. Azhar Abbas / field researcher
- Ms. Nadia Nouri Hassan/ field researcher
- Mrs. Nahida Hashem Shanawa/ field researcher
- Mr. Ibrahim Khalil Majid/ field researcher
- Mrs. Sari Muhammad/ field researcher
- Mr. Mustafa Falah Abbas/ field researcher
- Mr. Mohamed Ibrahim Mohamed/ field researcher

#### Nineveh Governorate

- Mr. Nofal Suleiman Taleb/Local Supervisor
- Mr. Zaid Khalifa Mohammed / Central Supervisor
- Ms. Malameh Saber Hussain / Central Supervisor
- Mr. Iyad Suleiman Fattah / Team Leader
- Mr. Imad Attia Hussein / Team Leader
- Mr. Iyad Tariq Youssef / field researcher
- Mr. Fahad Suleiman Ahmed / field researcher
- Mr. Saleh Yassin Saleh / field researcher
- Mr. Khaled Khader Abdullah / field researcher
- Mr. Hani Nawaf Yassin / field researcher
- Ms. Fadia Faleh Hassan / field researcher
- Mr. Hussein Faleh Hassan / field researcher
- Mrs. Sabah Seddik Yahya / field researcher
- Ms. Reem Issa Saleh / field researcher
- Mr. Abdullah Natiq Saeed / Field Researcher
- Mr. Yazan Thamer Mustafa / field researcher

#### Basra Governorate

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- Mr. Mustafa Adel Hussein/ Central Supervisor
- Mrs. Rana Raad Jawad/ Central Supervisor
- Mr. Alaa Mahmoud Taha / Team Leader
- Mr. Mustafa Mohamed Khudair/ Team Leader
- Mr. Mahmoud Adnan Mahmoud/ Team Leader
- Mrs. Nadia Khalaf Mutashar/ field researcher
- Mr. Mustafa Adnan Qassem/ field researcher
- Mr. Jalal Mohamed Abdel Hamid/ field researcher
- Mr. Moataz Mudar Abdel Qader/ field researcher
- Mr. Mazen Jassim Mohammed/ field researcher
- Mr. Muhammad Aqil Safok/ field researcher
- Mrs. Hawraa Mustafa Nasser/ field researcher
- Mr. Ahmed Abdel Amir Samad/ field researcher
- Mr. Hassan Rashid Ashour/ field researcher

---

### Technical Support

Mr. Mazen Abdel Hassan/ Administrative Affairs	Miss Ban Farouk Jomaa/ Industrial Statistics
Miss Srour Sattar/ Administrative Affairs	Mrs. Najlaa Hadi Jouda/ Industrial Statistics
Miss Hadeel Obeid Fares/ Industrial Statistics	Mrs. Zeina Khalil Ibrahim/ Industrial Statistics
Miss Nawal Jassem Khamis/ Industrial Statistics	Mrs. Rana Abed El Reda/ Industrial Statistics

## LIST OF ABBREVIATIONS

<b>MSMEs</b>	Micro, Small, and Medium –Sized Enterprises Surveys
<b>UNDP</b>	United Nations Development Programme
<b>IBRD</b>	World Bank
<b>USAID</b>	United States Agency for International Development
<b>JICA</b>	The Japan International Cooperation Agency
<b>CSO</b>	Central Statistical Organization - Iraq
<b>ILO</b>	International Labor Organization
<b>UNOPS</b>	United Nations Office for Project Services
<b>PSDP</b>	Private Sector Development Program
<b>PSDS</b>	Private Sector Development Strategy
<b>PSDC</b>	Private Sector Development Center
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>BCDS</b>	Business Climate Development Strategy
<b>ASEAN</b>	The Association of Southeast Asian Nations
<b>PPPs</b>	Public–Private Partnerships
<b>CSR</b>	Corporate Social Responsibility
<b>CAPI</b>	Computer-Assisted Personal Interview
<b>MFI</b>	Micro Finance Institutions
<b>ICSB</b>	International Council for Small Business
<b>ICEF – SME</b>	Iraqi Company for Enterprise Financing – SME
<b>ICBG</b>	Iraqi Company for Bank Guarantee
<b>DFS</b>	Digital Finance Services

# FINAL REPORT

## CONTENTS

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	<u>Page</u>
<b>ACKNOWLEDGEMENT TO THE DONOR (USAID)</b> .....	<b>5</b>
<b>ACKNOWLEDGMENTS</b> .....	<b>5</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>6</b>
<b>CONTENTS</b> .....	<b>7</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>15</b>
<b>Part A: Iraq MSME 2020 Survey Planning and Preparation</b> .....	<b>23</b>
<b>1. Introduction</b> .....	<b>23</b>
<b>2. Objectives and Scope of the Survey</b> .....	<b>24</b>
<b>3. Previous Related Surveys</b> .....	<b>26</b>
<b>4. MSME 2020 Survey Logical Framework</b> .....	<b>27</b>
<b>5. MSME 2020 Survey Methodology</b> .....	<b>28</b>
5.1 Definition of MSME.....	28
5.2 Sampling Frame .....	29
5.3 Sample Size .....	29
5.4 Business Activities.....	29
5.5 Requirements and Incentives for Registration of Enterprises.....	30
5.6 Lessons Learned and Recommendations for Further Research .....	31
<b>Part B: MSME Survey Findings</b> .....	<b>32</b>
<b>6. MSME Profile</b> .....	<b>33</b>
6.1 Profile of Business Owners .....	33
6.2 Profile of MSMEs.....	34
6.3 Levels of Formality .....	35
6.4 Business Activity.....	38
6.5 Doing Business .....	39
6.6 Doing Business in Iraq – World Bank 2020 .....	40
6.7 Years in Business.....	42
6.8 Previous Activities of Business Owners .....	42
<b>7. MSME Finance</b> .....	<b>45</b>
7.1 Use of banking services.....	45
7.2 Financing to Start the Business .....	46
7.3 Business Assets .....	48
7.4 Financing needs and future requirements.....	51
7.5 Difficulty in Obtaining Financing .....	54
7.6 MSME Revenue Range .....	57

---

7.7 Share of Expenditure in Total Cost .....	58
7.8 Maintaining Proper Accounting and Book Keeping .....	59
7.9 Insurance Coverage.....	60
<b>8. Employment and Human Resources .....</b>	<b>61</b>
8.1 Enterprises Classification and Staffing.....	61
8.2 Employees Age .....	66
8.3 Business Activities.....	68
8.4 Type of Positions in Enterprises.....	69
8.5 Enterprises' Needed Positions and Sources of Employment.....	72
8.6 Staff Training .....	77
8.7 Enterprises' Organization and Management.....	79
<b>9. INNOVATION AND TECHNOLOGY .....</b>	<b>80</b>
9.1 Frequency of Digital Usage .....	80
9.2 E-Commerce.....	82
9.3 Level of Technology and Innovation .....	83
<b>10. MSMEs AND GLOBALIZATION .....</b>	<b>86</b>
10.1 Sales Distribution and Regions.....	86
10.2 Exportation.....	87
<b>11. Networking, Partnerships and Local Clusters .....</b>	<b>90</b>
11.1 Business Association Networking .....	91
11.2 Incentives for Business Association and Networking .....	91
11.3 Collaboration.....	93
<b>12. Women Entrepreneurs &amp; Women Owned Businesses.....</b>	<b>94</b>
12.1 Characteristics of Women Owned Businesses.....	94
12.2 Distribution of enterprises in Relation to Business Activities.....	94
12.3 Women Entrepreneurs Preferred Business Function .....	95
12.4 Access to Formal Financing (Banks and MFIs) .....	96
12.5 Ease/ Difficulty of Doing Business for Women over the Last Five Years .....	96
12.6 Problems Faced by Woman Business Owners .....	97
12.7 Initiatives Suggested by Women Business Owners .....	97
<b>13. COVID-19.....</b>	<b>98</b>
13.1 Impact of COVID-19 on MSMEs Turnover, Employment and Salaries.....	98
13.2 Government Actions .....	100
13.3 Respondent Suggestions for Maintaining their Businesses during COVID-19 Pandemic .....	101
13.4 Respondent Suggestions for the Most Important Business Tools, Programs, and Needs that will Facilitate the Completion of Business from Home.....	102
<b>14. Future Business outlook.....</b>	<b>104</b>
14.1 Expectations Next Year .....	104

14.2 Challenges and Opportunities.....	105
<b>Part C: MSME 2020 Survey Messages.....</b>	<b>109</b>
<b>15. MSME Operating Environment.....</b>	<b>109</b>
15.1 National Development Vision .....	109
15.2 Key Considerations.....	109
15.3 MSME Development Messages .....	111
<b>16. MSME Access to Finance – Challenges and Messages .....</b>	<b>112</b>
16.1 Findings .....	112
16.2 Challenges and Messages .....	113
<b>17. MSMEs and Globalization – Challenges and Messages .....</b>	<b>115</b>
17.1 Findings .....	115
17.2 Challenges and Messages .....	115
<b>18. Employment and Human Resources – Challenges and Messages .....</b>	<b>117</b>
18.1 Findings .....	117
18.2 Challenges and Messages .....	118
<b>19. Innovation and Technology - Challenges and Messages .....</b>	<b>121</b>
19.1 Findings .....	121
19.2 Challenges and Messages .....	121
<b>20. Networking, Partnerships and Local Clusters – Challenges and Messages .....</b>	<b>123</b>
20.1 Key Findings .....	123
20.2 Challenges and Messages .....	123
<b>21. Women Entrepreneurs &amp; Women Owned Business – Challenges and Messages.....</b>	<b>124</b>
21.1 Findings .....	124
21.2 Challenges and Messages .....	125
<b>22. COVID-19 – Challenges and Messages .....</b>	<b>127</b>
22.1 Key Findings .....	127
22.2 Challenges and Messages .....	127
<b>Part D: The Way Forward: Iraq MSME Accelerated Development Programme .....</b>	<b>129</b>
<b>23. Iraq MSME Accelerated Development Programme .....</b>	<b>129</b>
23.1 Urgent Need for Change .....	129
23.2 Key Strategic Directions .....	130
23.3 Next Steps .....	136
<b>Part E: International Best Practice.....</b>	<b>137</b>
<b>24. International Best Practice in channeling MSME Messages .....</b>	<b>137</b>
24.1 Private Sector Development: MSMEs Context .....	137
<b>25. Financial Technology.....</b>	<b>143</b>
25.1 What products and services are offered?.....	143
25.2 How are fintech players generally structured?.....	143
25.3 How are they generally financed? .....	144

25.4 How are they positioned within the broader financial services landscape? .....	144
25.5 Trends and Predictions .....	144
<b>26. Enhancement of Digitalized Finance for MSMEs .....</b>	<b>146</b>
26.1 Technology Foundation for FDS.....	146
26.2 Digitalization Trends and Developments .....	147
26.3 Digitalization and MSMEs .....	150

**Appendices:**

- **Appendix (1): (A)** MSMEs Related Statistical Reports  
**(B)** MSMEs Related Studies, Laws and Regulations
- **Appendix (2):** Micro, Small and Medium-sized Enterprises in Iraq; A Survey Analysis (ILO 2012)
- **Appendix (3):** Relevant Previous Studies
- **Appendix (4):** MSME Stakeholders Review
- **Appendix (5):** MSME 2020 Survey Methodology
- **Appendix (6):** Comparison between ILO-UNOPS 2012 and UNDP 2020 Survey
- **Appendix (7):** Estimation of Total Number of MSMEs and Total Employment in MSMEs in Iraq
- **Appendix (8):** MSME Financing in Asian Countries (Source: 2017 UKAid)
- **Appendix (9):** International Best Practices
- **Appendix (10):** 2019 MSME Climate Index Best-in-Class

## List of Figures

	<u>Page</u>
<b>Part A: Iraq MSME 2020 Survey Planning and Preparation</b>	
<b>Figure (4.1):</b> MSMEs Survey Logical Framework	26
<b>Part B: MSME Survey Findings</b>	
<b>Figure (6.4A):</b> Distribution of Enterprises by Business Activity	38
<b>Figure (6.7A) :</b> Distribution of Firms by Year of Establishment and Governorate	41
<b>Figure (6.8A) :</b> Reason for Closure of Previous Enterprises	43
<b>Figure (7.4A) :</b> Amount Forecast for Financing Future Requirements by No. of MSMEs	52
<b>Figure (7.4B) :</b> Amount Financing Future Requirements by Governorate	52
<b>Figure (7.5A) :</b> Reasons for not being granted the required financing	55
<b>Figure (7.7A):</b> Distribution of MSME operating expenditures	58
<b>Figure (8.1A):</b> Distribution of Enterprises and Employees by Size of Firm	61
<b>Figure (8.1B):</b> Number of Employees (2017, 2018, 2019, 2020)	63
<b>Figure (8.1C) :</b> Employee's Education	65
<b>Figure (8.5A) :</b> Needed Positions by Enterprise Size	72
<b>Figure (10.2A):</b> Reasons for not Exporting	88
<b>Part D: The Way Forward: Iraq MSME Accelerated Development Program</b>	
<b>Figure (23.1):</b> Proposed MSME Accelerated Development Strategy Map	129
<b>Figure (23.2):</b> Framework for MSME Development	130

## List of Tables

	<u>Page</u>
<b>Part A: Iraq MSME 2020 Survey Planning and Preparation</b>	
<b>Table (5.1) :</b> Planned Distribution of Sample by Governorate	28
<b>Part B: MSME Survey Findings</b>	
<b>Table (6.1A) :</b> MSME owners gender by size of business	32
<b>Table (6.1B) :</b> MSME owner gender by governorate	32
<b>Table (6.1C) :</b> MSME owner gender by business registration	32
<b>Table (6.1D) :</b> Age of owners by size of business	33
<b>Table (6.2A) :</b> Ownership Structure of the Business	34
<b>Table (6.2B) :</b> Availability of business locale	34
<b>Table (6.3A) :</b> Registration Status by Size of Business	34
<b>Table (6.3B) :</b> Respondents who have Attempted Business Registration	35
<b>Table (6.3C) :</b> Business Activity by Registration Status	35
<b>Table (6.3D) :</b> Reasons for not Registering the Business	36
<b>Table (6.3E) :</b> Reasons for not Registering the Business with the Company Registrar	37
<b>Table (6.4A) :</b> Business Activity by Size of Business	37
<b>Table (6.5A) :</b> Levels of Difficulty in Setting Up a Business	38
<b>Table (6.5B) :</b> Levels of difficulty in difficulty levels in setting up a business by governorate and gender	38
<b>Table (6.5C) :</b> Reasons for the Difficulties to Establish a Business	39
<b>Table (6.6A) :</b> Summary Table of Iraq's Rank out of 190 Countries and Average Scores by Topic	39

	<b>Page</b>
<b>Table (6.6B) :</b> Business Classification Comparison in Iraq for 2020, 2015, 2010	40
<b>Table (6.7A) :</b> Distribution of Firms by Year of Establishment	41
<b>Table (6.8A) :</b> Prior Activities of Owners	42
<b>Table (6.8B) :</b> Closure of Previous Enterprises	42
<b>Table (6.8C) :</b> Reason for Closure of Previous Enterprises	43
<b>Table (7.1A):</b> Usage of Bank Services – Business Bank Account	44
<b>Table (7.1B):</b> Reasons for not having a Bank Account	44
<b>Table (7.1C):</b> Usage of Mobile Money Payment Services	45
<b>Table (7.2A):</b> Need for Financing at Start Up	45
<b>Table (7.2B):</b> Type of Financing Acquired or Planned	46
<b>Table (7.2C):</b> Source of Financing: Local/Abroad	46
<b>Table (7.3A):</b> Availability of Assets to Start the Business	47
<b>Table (7.3B):</b> Availability of Titles for Existing Assets	47
<b>Table (7.3C):</b> Financing Acquired after Starting the Business	48
<b>Table (7.3D):</b> Size of Loan by Size of MSMEs and Gender	48
<b>Table (7.3E):</b> Reasons for not getting Financing	48
<b>Table (7.3F):</b> Purpose of Planned Financing	49
<b>Table (7.3G):</b> Sources of Financing	49
<b>Table (7.3H):</b> Financing after starting a business	50
<b>Table (7.4A):</b> Need for Current and Planned Financing Requirements	50
<b>Table (7.4B):</b> Purpose of Planned Financing Needs	51
<b>Table (7.4C):</b> Amount Forecast for Future Requirements	51
<b>Table (7.4D):</b> Amount of Financing needed if available	52
<b>Table (7.4E):</b> Source of Planned Financing	53
<b>Table (7.5A):</b> Perception of Business Owners of the Level of Difficulty to Access to Financing	54
<b>Table (7.5B):</b> Reasons for Rendering Access to Financing Difficult	54
<b>Table (7.5C):</b> Reasons for not being granted the required Financing	55
<b>Table (7.5D):</b> Perception of Business owners as to current available financing	56
<b>Table (7.6A):</b> Revenue Ranges by Size of MSMEs and Gender, 2017	56
<b>Table (7.6B):</b> Revenue Ranges by Size of MSMEs and Gender, 2018	57
<b>Table (7.6C):</b> Revenue Ranges by Size of MSMEs and Gender, 2019	57
<b>Table (7.8A):</b> Maintaining Proper Accounting and Bookkeeping	58
<b>Table (7.8B):</b> Reason for not Maintaining Accounts	58
<b>Table (7.9A):</b> Type of Insurance Coverage maintained by Businesses	59
<b>Table (8.1A):</b> Enterprises Registration Status	60
<b>Table (8.1B):</b> Comparison of the Current Study and the 2011 ILO Survey	61
<b>Table (8.1C):</b> Number of Employees in Micro Enterprises	61
<b>Table (8.1D):</b> Number of Employees in Small Enterprises	62
<b>Table (8.1E):</b> Number of Employees in Medium Enterprises	62
<b>Table (8.1F):</b> Number of Employees based on Enterprises Registration Status	62
<b>Table (8.1G):</b> Number of employees (2017, 2018, 2019, 2020)	63
<b>Table (8.1H):</b> Percentage Change over the last four years	63
<b>Table (8.1I):</b> Discharged employees in 2019	64
<b>Table (8.1J):</b> Recruited employees in 2019	64
<b>Table (8.1K):</b> Employee's Education	65
<b>Table (8.2A):</b> Age Groups of Enterprises' Owners	66
<b>Table (8.2B):</b> Employees Age Groups in the Surveyed Sample	66

	<b>Page</b>
<b>Table (8.3A):</b> Labor Force Distribution based on business activities	67
<b>Table (8.3B):</b> Labor Force Distribution based on Enterprise Size in Relation to Business Activities	67
<b>Table (8.4A):</b> Types of Prevalent Jobs in Construction and Trade	68
<b>Table (8.4B):</b> Type of Positions in Enterprises by Enterprise Size, Governorate, Gender and Enterprise Status	69
<b>Table (8.4C):</b> Type of Positions in Enterprises by Business Activities	70
<b>Table (8.5A):</b> Needed Positions by Enterprise Size	72
<b>Table (8.5B):</b> Needed Positions by Business Activities	73
<b>Table (8.5C):</b> Sources of Employment	75
<b>Table (8.6A):</b> Staff's Needed Skills	76
<b>Table (8.6B):</b> Staff's Training Needs by Business Activities	77
<b>Table (9.1A):</b> Frequency of Internet Usage by MSME	79
<b>Table (9.1B):</b> Frequency of Social Media Usage by MSME	80
<b>Table (9.1C):</b> Frequency of E-Commerce Usage by MSME	80
<b>Table (9.1D):</b> Frequency of Mobile Phone Usage by MSME	80
<b>Table (9.1E):</b> Frequency of E-Website Usage by MSME	80
<b>Table (9.1F):</b> Reasons Given for Low Frequency Usage by MSME	81
<b>Table (9.2A):</b> E-Commerce Users and Portals	81
<b>Table (9.2B):</b> E-Commerce Users Revenue through portal	82
<b>Table (9.3A):</b> Level of Advancement in Usage of Digital Technology Compared to Competition	83
<b>Table (9.3B):</b> Dependency on New Technology	83
<b>Table (9.3C):</b> Dependency on Research and Data Analysis	83
<b>Table (9.3D):</b> Dependency on Competitors Analysis	83
<b>Table (9.3E):</b> Dependency on New Innovations	84
<b>Table (9.3F):</b> Dependency on R & D	84
<b>Table (10.1A):</b> Percentage % of Sales Made Locally	85
<b>Table (10.1B):</b> MSMEs Export Prioritization	85
<b>Table (10.1C):</b> Percentage % of Sales Made with Bordering/Neighboring Countries	86
<b>Table (10.1D):</b> Percentage % of Sales Made with Foreign Countries (not bordering)	86
<b>Table (10.2A):</b> Reasons for not Exporting	87
<b>Table (10.2B):</b> Business Relations with Non-Iraqi Companies	88
<b>Table (11.1A):</b> Type of Business Networking	90
<b>Table (11.2A):</b> Incentives of Business Association and Networking	91
<b>Table (11.2B):</b> Incentives benefited from by MSMEs through Business Association and Networking	91
<b>Table (11.3A):</b> MSMES cooperation and collaboration	92
<b>Table (11.3B):</b> Cooperation and Collaboration of MSMEs by Sector	92
<b>Table (12.1A):</b> Table Women Entrepreneur Business Set Up	93
<b>Table (12.2A):</b> Table Women Entrepreneur Business Set Up in Relation to Business Activities	94
<b>Table (12.3A):</b> Women Preferred Business Function	94
<b>Table (12.3B):</b> Women Preferred Business Function in Relation to Business Activities	95
<b>Table (12.4A):</b> Women Entrepreneur Access to Formal Financing	95
<b>Table (12.5A):</b> Ease/Difficulty of Doing Business for Women Over the Last Five Years	96
<b>Table (12.6A):</b> Problems Faced by Woman Business Owners	96
<b>Table (12.7A):</b> Women Proposed Initiatives to facilitate doing business for Women	96
<b>Table (13.1A):</b> Impact of COVID-10 on Turnover	97
<b>Table (13.1B):</b> Impact of COVID-19 on Turnover by Governorate and Gender	97

	<b>Page</b>
<b>Table (13.1C):</b> Impact of COVID-19 by sector between February- October 2020	98
<b>Table (13.1D):</b> Impact of COVID-19 on employment and salary payment	99
<b>Table (13.1E):</b> Impact of COVID-19 on Employment and Salary Payment by Governorate and Gender	99
<b>Table (13.2A):</b> COVID-19 Government Action Assessment	99
<b>Table (13.2B):</b> Assessment of Actions Taken by the Government	100
<b>Table (13.3A):</b> Suggestions for Maintaining Businesses During COVID-19 Pandemic	101
<b>Table (13.4A):</b> Most Important Business Tools, Programs, and Needs that will Facilitate the Completion of Business from Home	102
<b>Table (14.1)</b> Key Elements of Success for Improvement	103
<b>Table (14.1A):</b> Perception of MSME Owners on how will the overall Business Environment in their sector will become in the next Year	104
<b>Table (14.1B):</b> Perception of MSME Owners on how the Economy will develop be in the next Year	104
<b>Table (14.1C):</b> Perception of MSME Owners on Comparing their Business Relative to other Businesses for the Coming Year	104
<b>Table (14.2A):</b> Opinion of MSMEs on the Challenges that they will face in the next Year	105
<b>Table (14.2B):</b> Opinion of MSMEs on the Opportunities / Factors that may have a positive impact in the next Year if they occur	106
<b>Table (14.2C):</b> Opinion of MSMEs on the Type of Government Support Needed to Improve Businesses	107
<b>Table (16.2):</b> Estimating the Financing Gap	112

#### List of Boxes

	<b>Page</b>
<b>Box (5.1) :</b> Definitions of Informal Sector Enterprises and Employment	27
<b>Box (13.1A) :</b> Impact of COVID-19 by sector between February- October 2020	98
<b>Box (15.2A):</b> Public Sector Reform	109
<b>Box (15.2B):</b> Perception of Government Employment	109
<b>Box (15.2C) :</b> A Businessman's Views	110

# FINAL REPORT

## EXECUTIVE SUMMARY

This report presents the results of the study of “Micro, Small and Medium Enterprises (MSMEs)” in the three governorates of: Baghdad, Nineveh and Basra, implemented via comprehensive field survey of Formal (registered) and Informal (not registered) enterprises covering various business activities. The purpose of this study was to build a comprehensive picture of the structure, characteristics and dynamics of businesses and a deeper understanding of the informal sector by capturing actual and reliable data, that can enable all relevant stakeholders to design initiatives that specifically support the development and growth of MSMEs. The ultimate aim is to facilitate the creation of new job opportunities and contribute to economic growth of Iraq.

The field survey was implemented between December 2020 and January 2021 in cooperation between the United Nations Development Program (UNDP) team and the Ministry of Planning/Central Statistical Organization (MoP/ CSO) team. The household was chosen as the sampling unit due to the availability of a reliable framework for the population at the governorate, district, and sub-district levels. The sample size was determined at 2000 households distributed among the three governorates according to their population. The information was collected by smart phones equipped with Computer-Assisted Personal Interview (CAPI) application using systematic sampling; whereby a random geographic point was chosen to start the path of each researcher to conduct a household interview for one out of 11 households sequentially. The survey took into account the enterprises operating in rural areas, by including 20% rural households in the sample. As such, the samples were representative of targeted survey population in each of the three governorates.

### **Key Findings of the Iraq MSME 2020 Survey**

The results of the field survey of MSMEs covered the following key areas:

- MSMEs Profile
- Finance
- Employment and Human Resources
- Innovation and Technology
- MSMEs and Globalization
- Networks, Partnerships and Local Clusters
- Women Entrepreneurs and Women Owned Businesses
- COVID-19 Impact
- Future Business Outlook

## **MSMEs Profile: General Characteristics**

- The survey shows that the vast majority of MSMEs are owned by males (95%).
- The percentage of “Individual Ownership” of enterprises is 89%. This percentage is inversely proportional to the size of the enterprise as follows: Micro 90%, Small 83%, and Medium-sized 72%. Consequently, the percentage of “Partnership” and “Share Holding” increases for the Small and Medium sizes.
- 83% of MSMEs are informal. The majority of owners of informal MSMEs considered that their business does not require registration. The majority of those that are formal are registered with the General Tax Authority, Municipality and the Agricultural Association. The percentage of formal MSMEs increases with the increase in the size of the enterprise. As for the registration rate in the Social Security fund, it is only 1% of the sample.
- The major sectors making up most business activities (63%) are Trade, Transportation, Warehousing and Construction.
- More than two-thirds of enterprises found it difficult to establish their business, and there is no significant variation in this proportion among the governorates or by gender. The reasons given were: insufficient financial resources (more than 70%) and difficulties in the process. This was confirmed by the World Bank report on Doing Business in Iraq for the year 2020, where Iraq ranked 172 out of 190 countries.
- MSMEs distribution according to the year of establishment is as follows: about 25% were established before 2003, another 25% between 2003 and 2014, and 50% after 2014.
- The previous activities of business owners were as follows: About 50% worked independently in the same activity or in a different activity, about 18% were students and about 14% are unemployed.
- The results of the “closure of enterprises” showed that more than 40% (467 respondents out of 1145) had been employed in failed enterprises before starting their business. The highest rate of closure is in Nineveh Governorate (62%), followed by Basra (35%) and Baghdad (34%). The main reasons for closures were: 30% due to losses, 14% type of business changed, 15% out of contract (another N.B. 15% due to displacement/security situation, with more than half of those effected by security situation/ displacement being in Nineveh Governorate).

## **Business Finance**

The survey revealed the low level of banking transactions and difficulties in access to finance by MSMEs, in particular:

- Weak use of banking services, as the rate of MSMEs that maintain bank accounts was 1% for Micro enterprises, 2.6% for Small enterprises, and 16% for Medium enterprises. This percentage came to be 4% for formal enterprises and 0.7% for informal enterprises. It rises from 0.6% for newly established enterprises (the age bracket of owners being 15-24) increasing gradually to reach 4.4% for enterprises whose ownership are aged 65 or over. The main reasons for not having bank accounts were the lack of funds to open the bank account when starting a business.

- The percentage with accessibility to financing was approximately 22%, with an equivalent percentage attempting to access financing but failing. Also, approximately 55% of respondents showed a reluctance to borrow.
- 46% of respondents stated that they obtained or planned to obtain financing either through; loans from family and friends (about 34%) or personal savings (about 12%).
- The majority of enterprises (77%) did not have any assets when they were established, this percentage decreases with the increase in the size of the enterprise. It is noted that formal enterprises are more interested in maintaining records of their assets than informal enterprises.
- The majority of MSMEs (62%) did not plan to obtain financing after starting their business. The average rate of access to finance was 8.5% across the survey, distributed by enterprise size as such; 8.3% for Micro enterprises, 11% for Small enterprises and 12.5% for Medium sized enterprises.
- The percentage of enterprises that tried to obtain financing and did not succeed reached 30%. The most important reasons for not obtaining financing (more than 55% of respondents) were; difficulty of finding a financier, the cost of financing in terms of interest rates and the provision of guarantees. The most important purposes of financing (about 70%) were business expansion and equipment modernization, while the most important sources of financing were: loans from family/friends or personal savings (more than 70%), with loans from banks being as low as 11%.
- With regard to future financing needs, 75% of respondents stated that they either need now or will need financing in the future, for the purpose of business expansion, equipment modernization and introduction of new products or services. More than 65% of the potential sources of funding were purportedly to be raised either by applying for bank loans or small loans from NGOs, microfinance organizations, or through loans from family/friends or donations (17%).
- When respondents were asked about the difficulty of obtaining financing, 62% said that it is very difficult and about 30% that it is somewhat difficult, compared to 8.5% who said that there is no difficulty.
- With regard to operating expenses, the largest proportion of expenses was spent on raw materials (26%), it is to be noted that taxes represent only 2% of expenditures.
- Given that most of enterprises were in the Micro category, the majority (74%) reported that they do not keep accounting records, and the main reason being that their work does not require it.
- The vast majority of enterprises (97.5%) do not have any type of insurance.

### **Employment and Human Resources**

- The results of the survey revealed that the vast majority (95%) of business owners are males, and the situation has not changed significantly since the survey conducted by the International Labor Organization in 2011, where the percentage of males was about 97%.

- In terms of the formality of MSME registration with governmental or professional bodies. The majority of the establishments (83%) are informal were unregistered (with the average number of employees in this sample being 1.93).
- The workforce increased by 17% in 2018, 13% in 2019, and decreased by 22.7% in 2020 due to the impact of the Covid-19 pandemic.
- The results of the survey revealed that one third of the employees in enterprises have completed secondary/intermediate education, one quarter have completed primary level, and about a quarter do not hold any certification. The percentage of university graduates was 16%.
- The distribution of enterprises by business activities showed a concentration in wholesale and retail trade activities, transportation and storage, building and construction works, followed by agriculture, fishing, handicrafts, hotel and restaurant services.
- The types of jobs in the sample focused on skilled/unskilled labor for the technical/industrial sectors, and on sales, management and marketing. Accounting and IT jobs were less present. The demand for skilled/unskilled labor for the technical/industrial sectors was higher in Basra and Nineveh governorates.
- The main channel of recruitment was through acquaintances and personal relationships, with very limited use of employment centers or training institutes. About half of the respondents indicated the need to develop practical professional skills for employees, followed by developing workplace skills.

The results showed clear weaknesses in the management and organization of institutions and their operating systems, including lack of registration with the competent authorities, accounting systems, marketing, production, and service delivery methods.

### **Innovation and Technology**

The study showed a low level of technology use by MSMEs, there is a significant percentage of mobile phone use (40% on a daily basis), and a further 28% saying they use this medium from 'time to time'.

It is clear that the concept of the use of technology in enterprises is generally immature. In the survey sample, 1,499 MSMEs indicated that; They don't need it, or it provides no added value to their business or they don't know how to use technology.

The use of the Internet and e-commerce is also very low, as only 9.4% of the enterprises use the Internet on a daily basis and 3.8% of the institutions work in e-commerce directly, of those responding to the use of "innovation", only 25% of organizations reported they relied on new innovations and 19% on new product technologies.

The level of awareness of enterprises in the area 'innovation and technology' is at a basic level except for the use of mobile phones. It is likely that mobile channels and applications will be the most likely starting point for enabling enterprises in technology advancement, as it is the fastest and most effective way to communicate and improve business performance.

## **MSMEs and Globalization**

The survey showed that MSMEs depend almost entirely on the Iraqi local sales markets, as the owners of these enterprises do not view the export market as a priority or necessity. The vast majority of enterprises do not have plans to export, and this indicates that most of these enterprises depend on the direct market contract in their proximity as a selling point. The evolution of markets will require creating channels that allow enterprises to connect with potentially markets growing for expansion.

## **Networks, Partnerships and Local Clusters**

- The results of the research showed a low overall activity in relation to partnerships and professional networks.
- 68 respondents reported cooperation with service providers, 50 respondents reported cooperation with other institutions in the same activity, and 12 reported cooperation with research centers.

## **Women and Entrepreneurs**

- Women-owned enterprises in Iraq are in a minority, their presence in this study was only (5.1%), and this figure in reference to other historic data has not changed significantly since 2011. This was evident in the International Labor Organization-United Nations Office for Project Services (UNOPS) survey of 2011, which included 4000 MSMEs, where the percentage of enterprises owned by women in the sample was only 3%, and the supplementary survey conducted on a sample of 533 enterprises in 2012 showed that the percentage of enterprises owned by women was only 5.6%.
- 60% of the respondents stated that the level of difficulty they experience when establishing a new enterprise is higher compared to the enterprises owned by males.
- The majority of women/entrepreneurs surveyed stated that obtaining financing from official credit bodies (banks and financial institutions) is more difficult for them compared to men.

## **COVID-19**

- The survey shows that the majority of MSMEs experienced a sharp decline in the revenues due to the Covid-19 pandemic, with 98% of Micro enterprises being affected.
- It was also evident that the trade sector, and the transport and warehousing sectors were the most effected by the pandemic.
- A large segment of respondents (44%) reported that they put workers on leave due to the pandemic, (on the governorate level, Nineveh was the most effected at 51% of workers were put on leave).

Other actions taken were as follows:

- Reduction in working hours with partial salaries, (20% of MSMEs).
- Salaries were reduced, but working hours were kept the same by 11% of the MSMEs. However, the disparity appears at the governorate level, where the ratio was 9% in Baghdad and Nineveh, and 16% in Basra.

- When asked whether the measures taken by the government were appropriate to reduce the impact of the COVID-19 pandemic, more than half answered that they were appropriate.

## **Recommendations: MSME Development Program**

### **The Need for Change**

An MSME development and reform program should address a number of challenges caused, inter alia, by the drop in oil prices and the Covid-19 pandemic, which resulted in a noticeable decline in the growth of Iraq's GDP, which in 2020 reached its lowest level in two decades.

Challenges that have been revealed by the Iraq MSME 2020 Survey include:

- Absence of a clear vision and strategy for the development of MSMEs.
- The weakness of the MSME sector in terms of capabilities, economic contribution, job creation, professional partnerships, use of technology and export.
- The lack of governmental body that sponsors and supports MSMEs, and the absence of representation and advocacy for MSMEs.
- The scarcity of data that supports enterprise development decisions.
- Very low participation of women in the establishment and management of enterprises, which leaves a large segment of Iraqi citizens from contributing to the national economy.
- There is a very high percentage of MSMEs that are not registered and operate informally and have no incentives to enter the formal economy, given the cost and complexity of the registration and licensing processes.
- Prevalence of low level of skill and the low quality of jobs, which reflects the low contribution to high quality jobs at the national level.
- Poor access to finance, business development, technology and innovation.
- The level of income resembles countries classified within the low-income ranking, although Iraq's wealth ranks it within the category of the upper middle-income countries.
- Weak infrastructure and public services.
- The burden of cumbersome governmental regulatory procedures creates stifling conditions and high costs for MSMEs.
- Weak public administration, weak accountability, and ineffective long-term reforms.
- Weak judicial framework and legal practice.
- Weak export links and facilities for the production of various institutions, which are limited to the local market only.
- Significant weakness in marketing capabilities

### **Recommendations to support and empower institutions**

The initiatives recommended below are arranged on the basis of strategic themes. As a whole, it represents an integrated and coherent roadmap for the rapid development of institutions, through successive interventions, reviews and evaluations with a horizon of

2030. Each planning cycle should be followed up to evaluate its results and draw lessons learned from them for inclusion in the subsequent planning cycle.

Below are the main headings of the recommendations, and details of their initiatives can be consulted in the body of the report:

1. Developing the capabilities of institutions
  - Developing the skills of business leaders
  - Capacity development at the enterprise level
  - Develop the capacity for professional interdependence, innovation and technology
2. Institutional access to growth opportunities
  - Facilitating access to finance
  - Strengthening access to appropriate infrastructure
  - Enhancing access to internal and external markets
  - Facilitating access to business development services
3. Create a business-friendly work environment
  - Promote local economic development
  - Establishing/strengthening the representation structure of MSMEs
  - Strengthening inclusive policies and programmes, gender balance and equality
4. Transition to a government responsive to development requirements
  - Building the institutional capacities of the concerned government agencies
  - Strengthening accountability in government agencies
  - Strengthening the independence of the judiciary

In terms of capacity development, the plan includes developing the performance of institutions in terms of managing their businesses, improving their productivity, marketing their products, developing their human resources, developing their accounting and financial management, raising awareness about intellectual property rights, promoting vocational training, encouraging entrepreneurship, and preparing specific programs for institutions led by women in rural areas.

Also, it requires the establishment of one or more support units in an appropriate government agency, as well as to enhance the compatibility of the technical and vocational education and training system with the needs of the market and the knowledge economy.

One of the most important capacity development initiatives is the formation of professional clusters and the establishment of a network to enhance cooperation between MSMEs, large companies and universities, as well as promoting technology and its uses and encouraging innovation in the field of business through appropriate incentives and prizes for knowledge-based creative industries.

As for facilitating the access of MSMEs to growth opportunities, the first thing is to facilitate access to finance and reduce its costs through the continuation of the Iraqi government's initiatives in this regard. This requires more training and capacity building, adopting new financing tools, financing exports and securing export-oriented loans, and preparing and implementing a digital financial technology infrastructure plan.

Among the opportunities for growth is also enhancing access to market opportunities through support programs and providing relevant information on local and external markets to enhance export capacity and to enable enterprises to enter the global supply chain. Among the support services that lead to business development; the establishment of business incubators and support centers at the local level, and technical and financial support for priority non-oil sectors such as food industries, industry, building and construction, information technology, transportation and tourism.

### **Enabling the Business Environment**

The business environment is one of the most important enablers in most countries, and the Iraqi government should take vital initiatives in this context, including improving legal, regulatory and administrative requirements for small and medium enterprises, reforming tax administration, facilitating access to the business environment, establishing an observatory for MSMEs, enhancing their representation and improving coordination mechanisms between the public and private sectors and allowing these institutions to have a "voice" in new policies.

Expanding Iraq's economy requires promoting gender balance and equality in various policies and programs. This requires promoting women's entrepreneurship and providing incentives for institutions run by women, enhancing cooperation between women entrepreneurs and professional associations of various industries and financing institutions, as well as encouraging the introduction of a quota system for women in various sectors.

The expansion of the economy also requires encouraging local authorities to prepare local development plans based on the guidelines, incentives and funding that the federal government can provide. This would enhance the alignment and development of MSMEs activities with local economic development strategies. This practice will make it possible to increase the effectiveness of public spending to promote economic and social development and enable sustainable financial planning and development-based budget preparation, enabling spending programs to achieve clear results that add to the accumulation of the public good in Iraq.

The plan supports the efforts of the Iraqi government in transforming public sector agencies into entities that respond to the needs of society. In this context, it is necessary to build the capabilities of government counterpart agencies towards MSMEs to become more effective in providing support to MSMEs through the adoption of modern management methodologies such as good governance and accountability, management by objectives and results, strategic management, performance measurement, monitoring and evaluation, and continuous improvement of services.

One of the best practices globally is to enhance platforms for communicating the views of MSMEs and citizens on public policies and programmes, to strengthen oversight bodies on government performance, and to periodically review the performance of government agencies and programs.

# FINAL REPORT

## Part A: Iraq MSME 2020 Survey Planning and Preparation

### 1. INTRODUCTION

The Iraq economy is dominated by the oil industry which accounts for over 90 percent of government revenue and 80 percent of foreign exchange earnings. However, a sustainable economic base needs to create an economic structure based on varied industries of different sizes. This is expressed in the National Development Plan – NDP 2018-2022. Also the challenges of unemployment needs to be solved by instigating realistic policies that allow Iraqis outside the current workforce to have opportunities through enterprise initiatives to create a non-oil economy that can create jobs and be sustainable at the same time.

Within this context, the promotion of micro, small and medium enterprises (MSMEs), along with the general development of the private sector and other forms of private investment promotion, is important. Given the right environment, MSMEs can become a sustainable source of employment for women and men. That will produce essential incomes for business owners and workers and their families, and provide necessary services and products. MSMEs also add value to the economy through the mobilization of domestic and foreign investment.

Current statistics published by Ministry of Planning, estimate the employment population at 42.7% which represents approximately 15.3 Million. The Public sector employs nearly 4 Million (3.1m officially registered as permanent staff and 0.9m estimated temporary contracted staff), leaving 11.3 Million as unemployed, and underemployed or employed in the Private Sector. Unemployment rate is 10.8%, while the underemployment is 28%, which combined represents 4.2m, meaning that 7m people have secured income with the formal and informal private sector.

However, there is no reliable information on the size and activities of the informal sector in Iraq. There are no estimates on employment by type of activity or by class of MSMEs. Though, there is enough evidence that Iraq's informal economy expanded considerably since 2003. The biggest increases have been in the areas of small-scale urban services with smaller increases in agriculture and various small-scale industries. A safe estimate of the size of the informal economy (as of 2006) is around 65% of GDP compared to 35% in 2000 although this may be a bit conservative. Approximately 68% of the labor force is engaged in informal activity, on the assumption that many workers listed as unemployed use the informal economy until formal sector jobs appear.

## 2. OBJECTIVES AND SCOPE OF THE SURVEY

The available data collected through indirect estimation shows 68% of the workforce is employed with the informal sector. Also, ILO MSMEs survey concluded that vast majority of the MSMEs in Iraq are operating informally. While it's recognized that the informal sector is notably expanding, there has been no attempt to measure the magnitude and nature of the informal economy which would help in understanding of the statistical concepts of the informal economy particularly the real contribution to the GDP, the employment size and pattern.

The purpose of this survey is to build a comprehensive picture on the MSMEs structure, trend, business dynamics, challenges and opportunities through up-to-date, reliable, relevant market information and analysis in order to identify those economic sectors / sub-sectors with the highest potential to allow all actors (governmental and non- governmental) to design informed initiatives aimed at supporting private sector through MSMEs or job creation, or even inclusive growth policy.

The government of Iraq considers the MSME sector as a backbone for economic development. The overarching development objectives of the Private Sector Development Strategy (PSDS) is to strengthen the private sector and to diversify and revitalize the national non-oil economy by providing a roadmap for a change process from 2014 to 2030. The PSDS is to make a significant contribution to economic growth and improve the environment for doing business in Iraq.

Therefore, this survey is conceived as a special formal and informal MSMEs survey to generate a broad range of information about the informal sector, including the number and characteristics of the enterprises involved, their production activities, employment, income generation, access to finance, IT use, capital equipment and conditions and constraints in which they operate.

The MSMEs survey would assist key stakeholders through in-depth analysis covering various manufacturing, agribusiness and other sectors to diagnose the level of productivity, innovation and competitiveness, and understand the business ecosystem as a first step to determine the advisory services, and financial support needed for increased and sustainable business productivity and competitiveness.

The specific objectives of the mixed survey included:

- Augmenting and complementing the statistics prepared by the Central Statistical Organization on the characteristics of Micro, Small and Medium-sized Enterprises (MSMEs) such as their type (size, sector, legal status, etc.), the characteristics of their owners, recent turnover and employment growth.
- Understand the current scenario of the cluster-based MSME development and non-cluster-based MSME development in Iraq including total number of firms, total number of employees, annual turnover, technology usage, and contribution to GDP etc.
- Providing governmental institutions such as Ministry of Trade, Industry, Agriculture and others with the data needed for budgeting state resources, specifically those aimed to support the private sector and the economic growth of the country;

- Provide accessible data and information platform through the CSO for all actors containing the type, number and distribution of formal and informal businesses, which tracks trends, evolving circumstances and other markets factors, to provide updated analysis for users of current constraints and new opportunities.
- Providing the private sector with data needed for strategic investment planning;
- Increasing significantly the registration of businesses;
- To know the current location of the MSMEs in identified clusters and geographical areas.
- List of key stakeholders/market players of cluster development
- Scope of sub-contracting for MSME clusters considering national and global perspectives.
- To examine thoroughly the scope of sub-contracting and value chain opportunities in the MSME regarding national and global perspectives.
- To identify and report policy anomalies, market failures and institutional barriers for cluster-based MSME development that prevent MSMEs fulfilling their potential.
- To create a database that can be used for follow-up research among the general MSME population, and sub-groups within it.

This survey was informed by the efforts of the Ministry of Planning and international organizations, including UNDP, USAID, the World Bank, ILO, and others.

Their interventions were consolidated in a number of documents, including the Private Sector Development Program (PSDP) which was developed with Iraqi public and private stakeholders and international stakeholders in an effort to create a responsive, coherent and comprehensive framework for private sector development in Iraq.

It is widely recognized that MSMEs are a cornerstone of national economies that can play an important role in delivering higher and more inclusive growth. Many governments have placed MSMEs at the center of growth and job creation strategies to meet the needs of young populations. Iraq through the PSDS has initiated policy interventions and schemes to support MSME development.

As such, the development of MSMEs will be a major component in a comprehensive strategy designed to diversify the Iraq economy and promote the creation of more productive and decent jobs for women and men. The government of Iraq is committed to create a conducive environment for sustainable enterprise development that accommodates firms of all sizes across multiple sectors, recognizes the value of MSMEs, and promotes the entrepreneurial mindset to enable achieving successful private sector development.

This study provides the information and evaluations needed to understand MSMEs, their operating environment and other factors that may help them in productive investment, create jobs and expand business environment. Among these factors are policy coherence and legal and regulatory conditions that govern business activities. The objective is to understand the current reality and develop accordingly the recommendations and initiatives that contribute to enhancing the development and growth of MSMEs, to create new jobs, reduce unemployment and improve economic growth and productivity.

### 3. PREVIOUS RELATED SURVEYS

Desk research was conducted on various types of data from different sources i.e. governmental and international organisations. Appendix (1) presents a summary of all data documents gathered with a brief description of their contents, under two headings (A) “MSMEs Related Statistical Reports” and (B) “MSMEs Related Studies, Laws and Regulations”. As an example of some of the most recent and relevant information reviewed has been the CSO document presenting ‘Small Industrial Establishments Statistics for the Private Sector – 2018’. Which has provided statistical data on small enterprises that helps in estimating the economic variables related to their activities and classification.

This survey also highlighted that most of the small industrial establishments are located within the districts and sub-districts centers, and that Baghdad governorate has approximately 20% of the total 25,747 small industrial establishments in various governorates of Iraq.

The data provided a quantitative insight into the scale of the sector and its economic contribution to the industrial category it represents.

There has also been surveys / studies conducted by international organizations that provided relevant information that have emerged from previous MSME initiatives in Iraq. As an example a comprehensive analytical document on MSME in Iraq which was commissioned by the ILO Regional Office for Arab States 2012. Which incorporated the following surveys;

A	First MSME survey - ILO-UNOPS PSD-I (2011).	4,000 MSMEs (10 Governorates).
B	Second MSME survey – ILO-UNOPS PSD-I (2012).	533 MSMEs (3 Governorates).
C	CIPE Survey (Center for International Private Enterprise) (2007).	1,630 businesses (throughout Iraq).
D	CIPE focus group consultation (2008).	Focus group 120 business leaders.
E	UNOPS-ILO survey (2008).	950 MSMEs (north, central and southern Iraq).
F	USAID-TIJARA survey reports (2009).	Assessment survey reports.

The focus of the documents analysis was on surveys (A) and (B) above, as they were among the most significant surveys taken to capture the MSME ecosystem in this manner.

Appendix (2) shows a summary of the studies mentioned above, including their basic data and conclusions. Appendix (3) contains relevant previous studies reviewed which were deemed pertinent to the development of the private sector in Iraq. Additionally, Appendix (4) Stakeholders Review – was configured as an important feature of the project in examining the scope of the stakeholders.

Ultimately, the surveys were focused on the issues of the informal MSME sector and the environment over the time (2007-2012). Since then significant events have happened and a prolonged time has passed. The impact of the elapsed time is empirically unknown and is yet to be determined (there is also the consideration of the current COVID-19 pandemic on the sector and the accuracy in attaining the actual conditions of the sector on an operational level).

These sources of information were reviewed to best construct the most focused survey design. This has enabled configuring the best way to serve the Iraq MSME sector by understanding its governing dynamics and requirements, in order to generate strategic policy and planning initiatives that can realistically enable its sustained development and growth.

## 4. MSME 2020 SURVEY LOGICAL FRAMEWORK

Figure (4.1) shows the logical framework of the MSME Survey. We started with the work methods and mechanisms that need to be performed in order to produce the required outputs: the information and descriptors of the attributes of MSMEs, that will support Pillar 1 of the Private Sector Development Strategy: Understanding the Private Sector, which in turn supports the national initiatives for transforming the national economy, in order to realize the national objective of creating a sustainable economic base.

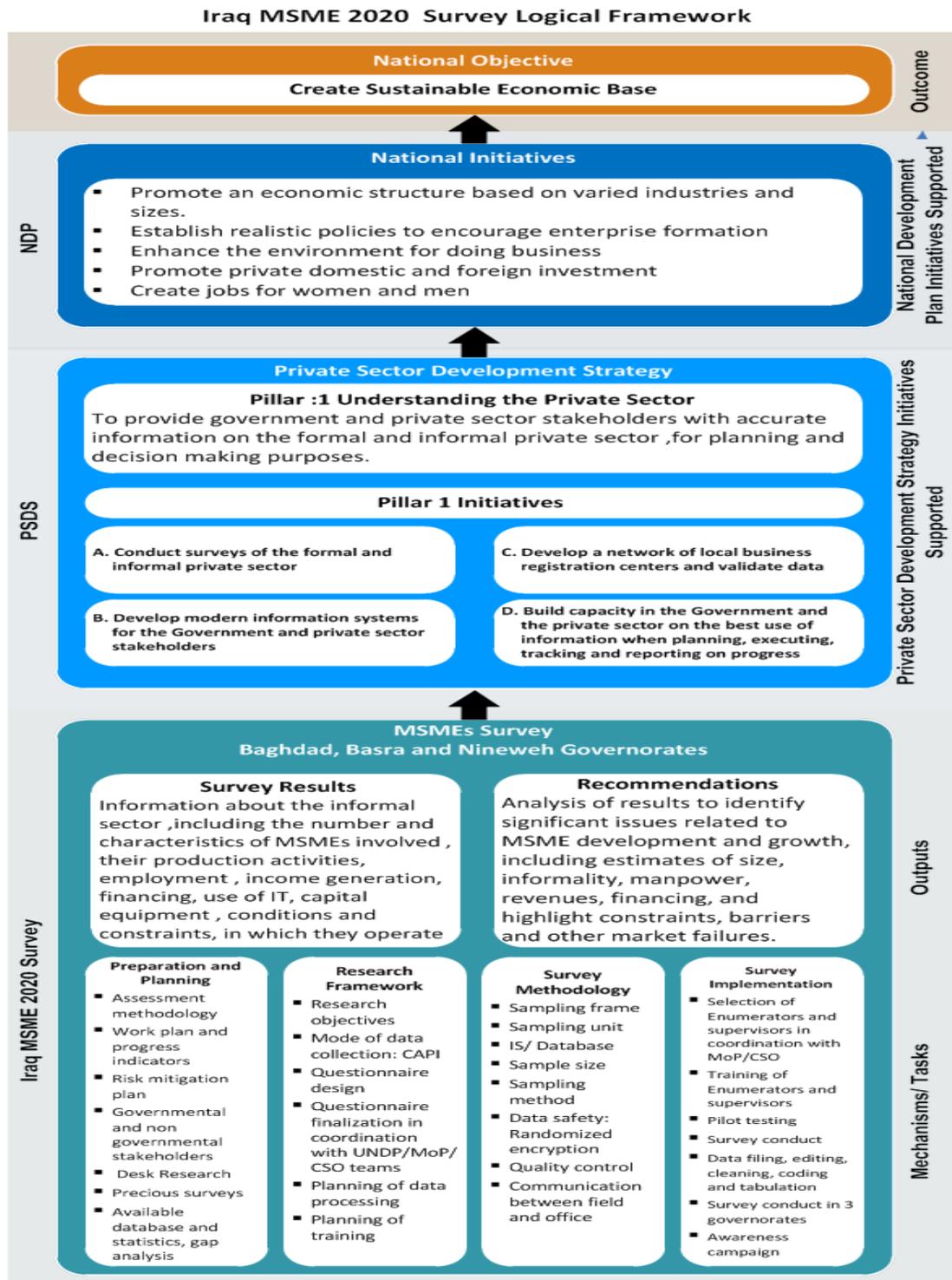


Figure (4.1): MSMEs Survey Logical Framework

## 5. MSME 2020 SURVEY METHODOLOGY

### - Survey Design

The survey design and methodology are detailed in Appendix (5). This was closely coordinated with UNDP and MOP/CSO teams as to various elements that ensure validity and reliability of the survey results. These elements included:

- Survey target population
- Sampling frame
- Sampling unit
- Sample size
- Sample allocation

CSO, therefore has been considered a key partner for this survey and will be the custodian of the data generated, so that this data remains vital and useful through periodic updating, and will thus add value to various stakeholders in developing evidence-based planning initiatives.

### 5.1 Definition of MSME

MSMEs are defined by ILO as:

***“Business activities producing an added value in goods or services for sale or barter regardless of the form of their legal form, and thus include both formal and informal businesses”.***

Thus, the means of production, as defined by the number of workers, is what determines whether an establishment is considered within the population of MSMEs (Box 5.1).

The classification by size of employment used by MOP, was adopted for this survey:

Micro	:	1-3 employees including owner
Small	:	4-9 employees including owner
Medium	:	10-29 employees including owner

#### Box (5.1): Definitions of Informal Sector Enterprises and Employment

##### Employment in the informal sector and informal sector enterprises

The definition of employment in the informal sector that was formally adopted by the 15th ICLS is based on the concept of the informal sector enterprise, with all jobs deemed to fall under such an enterprise included in the count. In other words, employment in the informal sector basically comprises all jobs in unregistered and/or small-scale private unincorporated enterprises that produce goods or services meant for sale or barter.

There are considerable nuances and complexities to the definition. The term “enterprise” is used in a broad sense, as it covers both units which employ hired labour and those run by individuals working on own account or as self-employed persons, either alone or with the help of unpaid family members. Workers of all employment statuses are included if deemed to be engaged in an informal enterprise. Thus, self-employed street vendors, taxi drivers and home-based workers are all considered enterprises. The logic behind establishing the criterion based on employment size was that enterprises below a certain size are often exempted, under labour and social security laws, from employee registration and are unlikely to be covered in tax collection or labour law enforcement due to lack of government resources to deal with the large number of small enterprises (many of which have a high turnover or lack easily recognizable features).

Certain activities, which are sometimes identified with informal activities, are not included in the definition of informal enterprises for practical as well as methodological reasons. Excluded activities include: agricultural and related activities, households producing goods exclusively for their own use, e.g. subsistence farming, domestic housework, care work, and employment of paid domestic workers; and volunteer services rendered to the community.

The definition of informal sector enterprises was subsequently included in the System of National Accounts (SNA 1993), adopted by the United Nations Economic and Social Council on the recommendation of the United Nations Statistical Commission. Inclusion in the SNA was considered essential, as it was a prerequisite for identification of the informal sector as a separate entity in the national accounts and hence for quantification of the contribution of the informal sector to gross domestic product.

##### The concept of “informal employment”

The definition of the 15th ICLS relates to the informal sector and the employment therein. But it has been recognized, also within the statistical community, that there are also aspects of informality that can exist outside of informal sector enterprises as currently defined. Casual, short term and seasonal workers, for example, could be, informally employed – lacking social protection, health benefits, legal status, rights and freedom of association, but when they are employed in the formal sector are not considered within the measure of employment in the informal sector.

*Source:* Measurement of the Informal Economy, ILO, Geneva.

As such, all establishments from 1 to 29 workers are included in the survey population irrespective of the type of production or legal entity.

## 5.2 Sampling Frame

Due to the absence of a sampling frame for MSMEs, we have, in consultation with UNDP and MOP/CSO teams opted to use population as the sampling frame. MOP/CSO keeps accurate data of the population of Iraq by governorate and district. So the sample results could be reliably expanded to the total population of Iraq by knowing the percentage of population belonging to MSMEs. The sampling unit was the household, and the survey was designed using CAPI.

## 5.3 Sample Size

The following table (5.1) shows the planned distribution of the sample in proportion to the populations of the three governorates

**Table (5.1): Planned Distribution of Sample by Governorate**

Governorate	Population السكان	%	Sample العينة
Baghdad	8,126,755	55%	1100
Basra	2,908,491	20%	394
Nineveh	3,729,998	25%	506
<b>Total</b>	<b>14,765,244</b>	<b>100%</b>	<b>2000</b>

## 5.4 Business Activities

Excluding those sectors that do not belong to MSMEs production types, such as public sector, electricity production, etc., the sectors that are included in the study scope are defined as follows:

- Technical, Professional
- Agriculture and fisheries
- Artisanal work
- Energy supply (small entities)
- Water supply and sanitation
- Construction
- Trade
- Transportation and storage
- Hospitality
- Automotive repair and maintenance
- Laborer
- Other

## **5.5 Requirements and Incentives for Registration of Enterprises**

For the legal status of enterprises, we have defined as “Formal” any enterprise that is registered at one or more of the following entities:

- General Commission for Taxes (GCT)
- Department of Retirement and Social Security for Workers
- Municipal Departments
- General Authority for Industrial Development
- Companies Registration Department
- General Union of Agricultural Associations

According to the “Companies Law” No. 21, 1997 and its amendment in 2004, Law No.4, 1999, the Companies Law No. 22, 1997, and Law No. 51, 2000 that organizes commercial authorizations, the registration requirements are:

### **Compulsory registration**

- Ministry of Commerce, Companies Registration Department
- General Commission for Taxes (GCT)
- Department of Retirement and Social Security for Workers
- Union of Chambers of Commerce

### **Registration pertaining to enterprise activity**

- Municipal Departments
- General Authority for Industrial Development
- General union of Agricultural Associations

### **Incentives of Enterprise Registration**

- Tax holidays and exemption
- Tax free profit distribution
- Possibility to use foreign workers
- Tax exemptions (import changes) for 3 years on certain equipment
- Priority to benefit from training programs offered by public bodies
- Priority to benefit from statistical reports and data
- Registration of enterprises on the Ministry of Commerce electronic platform as approved firms.
- Priority to access public procurement

### **Additional Benefits**

- Guarantee not to nationalize investments
- Possibility of facilities pertaining to external taxes

## 5.6 Lessons Learned and Recommendations for Further Research

In-depth discussions were held between UNDP and MOP/CSO teams during the preparation and implementation of the survey that led to generating a number of ideas that enriched the research as well as several lessons learned and insights. They include:

- Widening the scope of the survey to cover rural areas which include agriculture and agribusiness activities, and accordingly, 20% of the sample in each governorate was allocated to that sector. Also, the survey has captured the characteristics, needs and environment constraints of the enterprises (especially informal sector), and its objectives were well achieved in this regard. However, due to the importance of the rural sector to the economy of Iraq, a dedicated study needs to be conducted to address its development and modernization.
- The sampling scheme which was based on household interviews had the advantage of providing an inclusive, comprehensive and representative picture of MSMEs covering various business activities. However, two limitations emerged:
  - i. The sample for which the data was collected did not include enough small and medium-sized enterprises. This may, in fact, be the true picture as to the relatively limited number of medium-sized enterprises, which has been suggested by other studies.
  - ii. By nature of household interviews, data that is otherwise available in the work place, may not be captured fully (financial, costs, revenues...)

It is, therefore recommended that a work place survey be conducted in the 3 governorates to obtain complementary data on MSMEs. A work place survey may help generate information to identify which type of enterprises have the potential for growth and thus generate more employment. This requires updating the sampling frame of the Ministry of Planning/ CSO who keep updated statistics on formal small and medium-sized enterprises.

It is also recommended that this survey be extended to other governorates in Iraq to capture the governorate specific characteristics of MSMEs

The survey showed that micro-sized enterprises are averse to formality, due to the nature of their business, with a large proportion being self-employed persons, and due to costs and other burdens of registration.

For qualitative research, it is recommended to hold a number of focus groups in various governorates to bring together various stakeholders to perform SWOT analysis and generate practical ideas and approaches to support MSMEs in each governorate.

## Part B: MSME Survey Findings

The following sections provide an evidence – based characterization of MSMEs in Iraq. They contain the analysis and tabulation of the survey results as per the research design which was thoroughly discussed with UNDP and MOP/CSO teams and approved by UNDP. They provide essential statistical measurements of the size and nature of the informal economy that can be used for developing effective policies to support the transition to formality, for advocacy for the sector, for ascertaining employment trends and for analyzing linkages.

The MSMEs survey was completed in the governorates of Baghdad, Nineveh and Basra during the months of December 2020 and January 2021, based on the sample size estimated in the survey plan at  $2000 \pm 1\%$ : The table below shows the sample size partitioning by governorate.

**Planned and Actual Sample Sizes for the 3 Governorates**

<b>Governorate</b>	<b>Planned</b>	<b>Actual</b>
Baghdad	1100	1099
Nineveh	506	517
Basra	394	401
<b>Total</b>	<b>2000</b>	<b>2017</b>

The findings of the survey covered the following research areas of MSMEs:

- MSME Profile – Data and Statistics
- MSME Finance
- Employment and Human Resources
- Innovation and Technology
- MSME's and Globalization
- Networks, Partnerships and Local Clusters
- Women Entrepreneurs and Women Owned Businesses
- COVID-19 Impact
- Future Business Outlook

The completed questionnaires were subjected to individual review, editing and coding of open-ended questions.

- Each section begins with a textual analysis of the data, highlighting the most apparent feature of the survey findings for a set of related questions. This is followed by the relevant numeric data sheets that the survey has generated by size of MSMEs.
- The numbers in the numeric data sheets show the results of the responses and are also presented in the relevant text to filter and highlight significant figures resulting from the survey.

## 6. MSME PROFILE

This section covers the findings related to:

- Profile of business owners
- Profile of MSMEs
- Levels of formality
- Business activity
- Doing business
- Doing business in Iraq – World Bank 2020
- Years in Business
- Previous activities of business owners

### 6.1 Profile of Business Owners

#### Gender of MSME Owners

There is a huge gender imbalance. The overwhelming majority of business owners were male: 95% (Table 6.1A). This imbalance is also exhibited at the governorate level (Table 6.1B) and Formal/Informal segments (Table 6.1C).

It also shows:

- Half of the males work in the trade, transport and storage sector, 22% in the construction and agricultural sectors, while 63% of women work in the trade and handicraft sector, and 20% in the hospitality and professional sectors.
- Historically men's involvement in the labor market is older than women's.

**Table (6.1A): MSME owners gender by size of business**

Gender of the interviewee	Total		Micro		Small		Medium	
	No	%	No	%	No	%	No	%
Male	1915	94.9	1733	94.6	150	97.4	32	100
Female	102	5.1	98	5.4	4	2.6	0	0.0
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (6.1B): MSME owner gender by governorate**

Gender of the interviewee	Total		Baghdad		Nineveh		Basra	
	No	%	No	%	No	%	No	%
Male	1915	94.9	1035	94.2	504	97.5	376	93.8
Female	102	5.1	64	5.8	13	2.5	25	6.2
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1099</b>	<b>100</b>	<b>517</b>	<b>100</b>	<b>401</b>	<b>100</b>

**Table (6.1C): MSME owner gender by business registration**

Business Activity by Registration/ Gender						
Gender of the interviewee	Total		Formal		Informal	
	No	%	No	%	No	%
Male	1915	94.9	332	98.2	1583	94.3
Female	102	5.1	6	1.8	96	5.7
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>338</b>	<b>100</b>	<b>1679</b>	<b>100</b>

## Age of MSME Owners

The age of MSME owners are found in all age groups, with the highest in the 25 to 34 age group (table 6.1D).

The highest percentage of males was 27.5% between 25 and 34 years old, and the highest percentage of females was 27.5% between 35 and 44 years old.

**Table (6.1D): Age of Owners by Size of Business**

Age of Owner	Total		Micro		Small		Medium	
	No	%	No	%	No	%	No	%
From 15 to 17	45 100%	2.2	44 98%	2.4	1 2%	0.6	0 0%	0
From 18 to 24	282 100%	14.0	261 92.5%	14.2	18 6.3%	11.7	3 1.2%	9.4
From 25 to 34	542 100%	26.9	490 90.4%	26.8	40 7.3%	26.0	12 2.2%	37.5
From 35 to 44	483 100%	23.9	441 91.3%	24.1	36 7.4%	23.4	6 1.2%	18.8
From 45 to 54	377 100%	18.7	346 91.7%	18.9	28 7.4%	18.2	3 0.8%	9.3
From 55 to 64	198 100%	9.8	172 95.9%	9.4	19 9.5%	12.3	7 3.5%	21.9
From 65 and above	90 100%	4.5	77 85.5%	4.2	12 13.3%	7.8	1 1.1%	3.1
<b>Total</b>	<b>2017 100%</b>	<b>100</b>	<b>1831 90.7%</b>	<b>100</b>	<b>154 7.6%</b>	<b>100</b>	<b>32 1.5%</b>	<b>100</b>

## 6.2 Profile of MSMEs

### Ownership Structure of the Business

MSMEs were asked to define their companies' ownership structure. The majority of respondents were sole ownership 89%. This percentage decreases with the size of enterprises: (Table 6.2A)

- 90% Micro
- 83% Small, and
- 72% Medium

The decrease in the percentage of sole ownership corresponds to the increase in the percentage of partnership and shareholders compared to micro and small enterprises.

The results showed that all the private establishments owned by women in the research sample are sole proprietorships. 69% of their owners, prior to their establishment, were housewives. In contrast, the percentage of sole proprietorships owned by males was 88%.

**Table (6.2A): Ownership Structure of the Business**

Ownership Structure	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Sole ownership	1794	89	1643	89.7	128	83.1	23	71.9
Partnership	183	9	151	8.3	25	16.3	7	21.8
Shareholders	40	2	37	2	1	0.6	2	6.3
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

### Locale of Business

The survey showed that the percentage of the availability of business locale increases proportionately with the size of the enterprise, and vice versa with regard to the type of work that does not require a dedicated local. As for the percentage of respondents who work from home, it was about 8%, as shown in Table (6.2 B).

**Table (6.2 B): Availability of Business Locale**

Business Location	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Available	1013	50.2	902	49.3	90	58.4	21	65.6
No, my business does not require a dedicated locale	834	41.3	778	42.5	49	31.8	7	21.9
Work from home	170	8.4	151	8.2	15	9.8	4	12.5
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

### 6.3 Levels of Formality

The majority of businesses surveyed were informal (80%) i.e. not registered with any entity. the highest percentage of registration is with the tax authority as they account for half of all registered businesses (table 6.3A).

There is a noticeable difference in the registration rate between institutions according to their size (Table 6.3B), as this percentage increases with the increase in the size of the institution. There is a clear concentration in registration with the General Federation of Agricultural Associations for Small Enterprises (14.6%).

**Table (6.3A): Registration Status by Size of Business (multiple responses)**

Business registration	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Tax Authority	196	9.4	174	9.3	12	7.3	10	18.5
Local Municipality	75	3.6	60	3.2	9	5.5	6	11.1
Agricultural Association	72	3.4	45	2.4	24	14.6	3	5.6
Company Registrar	39	1.9	28	1.5	6	3.7	5	9.3
Social Security Fund	17	0.8	10	0.5	2	1.2	5	9.3
Directorate of Industrial Development	10	0.5	3	0.2	2	1.2	5	9.3
Classification of Contractors	6	0.3	2	0.1	1	0.6	3	5.6
<b>Total of Registered Business</b>	<b>415</b>	<b>19.8</b>	<b>322</b>	<b>17.2</b>	<b>56</b>	<b>34.1</b>	<b>37</b>	<b>68.5</b>
Not Registered	1679	80.2	1554	82.8	108	65.9	17	31.5
<b>Total</b>	<b>2094</b>	<b>100</b>	<b>1876</b>	<b>100</b>	<b>164</b>	<b>100</b>	<b>54</b>	<b>100</b>

**Table (6.3B): Respondents who have Business Registration  
(By type and Single Registry) (multiple responses)**

Enterprise size	Business Registration					
	Total		Not Registered Enterprise		Registered Enterprise	
	No.	%	No.	%	No.	%
Micro	1831	100	1554	84.9	277	15.1
Small	154	100	108	70	46	30
Medium	32	100	17	53	15	47
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1679</b>	<b>83.2</b>	<b>338</b>	<b>16.8</b>

The highest concentration of registration is in Agriculture and Fisheries, trade, and transportation and storage and their percentage exceeded more than two thirds (Table 6.3C).

The Agriculture Association has more registered MSMEs by virtue of the services provided to its members. Additionally we find a significant number of MSMEs from the transportation sector registered, which could be due to operational/ transactional purposes, i.e.: license, permits and maintenance. The agriculture and transport MSMEs have an additional incentive to register to be eligible for governmental banking loans.

**Table (6.3C): Business Activity by Registration Status**

Registration status Business Sector	Total		Registered		Not Registered	
	No. of Enterprises	%	No.	Business Sector	No. of Enterprises	%
Trade	567	28.1	68 %12	20.1	499 %88	29.8
Transportation and Storage	451	22.3	100 %22.2	29.5	351 %77.8	20.9
Construction	257	12.7	2 %0.8	0.6	255 %99.2	15.2
Agriculture and Fishery	187	9.2	78 %41.7	23.1	109 %58.3	6.5
Artisanal Work	115	5.7	16 %13.9	4.7	99 %86.1	5.9
Hospitality	99	4.9	23 %23.2	6.8	76 %76.8	4.5
Technical Professional (hairdresser, technician,...)	90	4.4	8 %8.9	2.4	82 %91.1	4.9
Automotive Repair and Maintenance	60	2.9	5 %8.3	1.5	55 %91.7	3.3
Energy Supply	52	2.5	17 %32.7	5	35 %67.3	2.1
Water Supply and Sanitation	31	1.5	1 %3.2	0.3	30 %96.8	1.8
Administration and Support Services	14	0.6	4 %28.6	1.2	10 %71.4	0.6
Real Estate	12	0.5	8 %66.7	2.4	4 %33.3	0.2
Specialized Professional (doctor, lawyer, engineer)	10	0.5	1 %10.0	0.3	9 %90.0	0.5
Healthcare and Social Services	10	0.5	3 %30.0	0.9	7 %70.0	0.4
ICT	6	0.3	1 %16.7	0.3	5 %83.3	0.3
Other	56	2.7	3 %5.4	0.9	53 %94.6	3.1
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>338 %16.8</b>	<b>100</b>	<b>1679 %83.2</b>	<b>100</b>

## Reasons for not Registering the Business

Out of 2017 respondents, 1679 gave an answer as to why they have not registered their business (table 6.3A). The majority said they do not require registration (66.5%). Another significant reason was lack of knowledge and understanding of the registration process (table 6.3D).

**Note:** 89% of MSME being Microenterprises operated by one person, which makes the attraction/ incentives to register a lesser priority.

**Table (6.3D): Reasons for not Registering the Business (multiple responses)**

Reasons for not registering the business	Total		Micro		Small		Medium	
	No	%	No.	%	No.	%	No.	%
My business doesn't require registration	1122	66.5	1035	66.3	74	67.9	13	76.5
The level of information and understanding on the registration process	109	6.5	99	6.3	8	7.3	2	11.8
High Registration Fees	59	3.5	55	3.5	4	3.7	0	0
The shop is part of the house	46	2.7	44	2.8	2	1.8	0	0
I am not the owner	37	2.2	35	2.2	2	1.8	0	0
Complicated Governmental Procedure	24	1.4	21	1.3	3	2.8	0	0
Registered at another entity	20	1.2	18	1.2	2	1.8	0	0
Afraid of Taxes	11	0.7	10	0.6	1	0.9	0	0
Other	259	15.4	244	15.6	13	11.9	2	11.8
<b>Total</b>	<b>1687</b>	<b>100.0</b>	<b>1561</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>

## Reasons for not Registering the Business with the Company Registrar

The majority of MSMEs' considered they did not need to register with the company registrar (75%). The main reasons given were as follows: lack of information and lack of understanding of the registration process 39.1% and the reporting requirements that would result from registration 9.9% (table 6.3 E).

**Table (6.3E): Reasons for not Registering the Business with the Company Registrar (multiple responses)**

Reasons for not Registering the Business with the company registrar	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
The level of information and understanding of the registration process	194	39.1	162	38.1	27	45	5	45.5
The reporting requirements that would result from registration	49	9.9	44	10.4	5	8.3	0	0
The legal status of the business as a result of registration	38	7.7	33	7.8	5	8.3	0	0
There is no registration in the commercial registry	35	7.1	22	5.2	10	16.7	3	27.3
Registration is expensive	33	6.7	29	6.8	4	6.7	0	0
I don't know/ Other	147	29.6	135	31.8	9	15	3	27.3%
<b>Total</b>	<b>496</b>	<b>100</b>	<b>425</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>11</b>	<b>100</b>

### Enterprises Registered with the Social Security Fund

The results showed that there is a discrepancy in registration with the Social Security Fund, which is only 1% of the sample (17 out of 2017), indicating the lack of incentive to encourage owners to register employees.

### 6.4 Business Activity

It was noted that business activities were distributed as follows: Trade, transportation, storage and construction, approximately 63% of the sample. (Table 6.4A and Figure 6.4A)

**Table (6.4A): Business Activity by Size of Business**

Business Sector	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Trade	567	28.2	541	29.4	20	13	6	18.8
Transportation and Storage	451	22.4	448	24.5	2	1.3	1	3.1
Construction	257	12.7	206	11.3	44	28.6	7	21.9
Agriculture and Fishery	187	9.3	134	7.3	46	29.9	7	21.9
Artisanal Work	115	5.7	99	5.4	14	9.1	2	6.3
Hospitality	99	4.9	84	4.6	12	7.8	3	9.3
Technical Professional (hairstylist, technician,...)	90	4.5	88	4.8	1	0.6	1	3.1
Automotive Repair and Maintenance	60	3.0	57	3.1	3	1.9	0	0
Energy Supply	52	2.6	49	2.7	3	1.9	0	0
Water Supply and Sanitation	31	1.5	29	1.6	2	1.3	0	0
Administration and Support Services	14	0.7	9	0.5	2	1.3	3	9.4
Real Estate	12	0.6	11	0.6	1	0.6	0	0
Specialized Professional (doctor, lawyer, engineer)	10	0.5	9	0.5	0	0	1	3.1
Healthcare and Social Services	10	0.5	7	0.4	2	1.4	1	3.1
ICT	6	0.3	6	0.3	0	0	0	0
Other	56	2.6	54	3	2	1.3	0	0
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

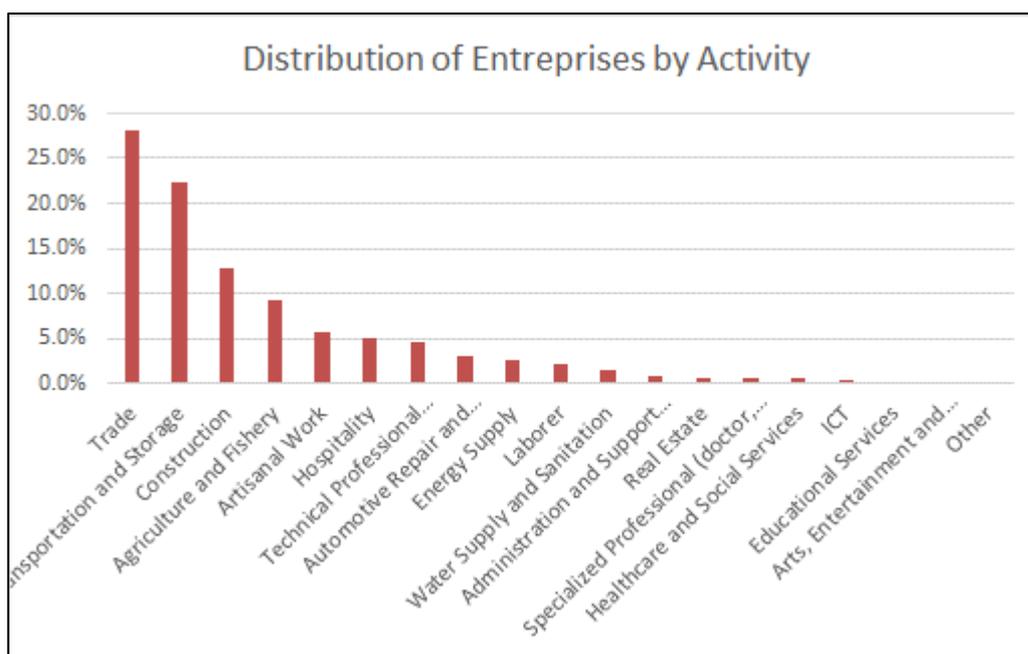


Figure (6.4A): Distribution of Enterprises by Business Activity

## 6.5 Doing Business

### Difficulty of Setting Up the Business

The survey showed that the majority (more than two-thirds) of the enterprises found difficulties in establishing their businesses as shown in Table (6-5A). There is no disparity in the sum of these two responses between governorates or at the level of gender.(Table No. (6-5 B).

Table (6.5A): Levels of Difficulty in Setting Up a Business

Difficulty to set up company	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Difficult	1446	71.7	1324	72.3	104	67.5	18	56.3
Neutral / Average	345	17.1	318	17.4	20	13	7	21.9
Easy	226	11.2	189	10.3	30	19.5	7	21.9
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

Table (6.5B): Levels of Difficulty in Difficulty levels in setting up a business by governorate and gender

Difficulty to set up company	Total		Governorate						Gender			
			Baghdad		Nineveh		Basra		Male		Female	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Difficult	1446	71.7	779	70.8	376	72.7	291	72.6	1362	71.1	84	82.4
Neutral / Average	345	17.1	189	17.1	100	19.3	56	14.0	331	17.3	14	13.7
Easy	226	11.2	131	11.9	41	7.9	54	13.5	222	11.6	4	3.9
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1099</b>	<b>100</b>	<b>517</b>	<b>100</b>	<b>401</b>	<b>100</b>	<b>1915</b>	<b>100</b>	<b>102</b>	<b>100</b>

## Reasons of the Difficulty to Setup the Business

The survey inquired to the possible difficulties for setting up companies. The main responses were (70%) between insufficient current resources, and the type of work is hard / tiring as shown in Table (6.5C). The percentages according to the governorates were as follows: "Type of work is hard/ tiring" in Baghdad 27%, Nineveh 38%, and Basra 18%.

**Table (6.5 C): Reasons for the Difficulties to Establish a Business**

Difficulty reasons	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Insufficient Financial Resources	723	45.9	675	46.8	40	34.2	8	44.4
Type of work is hard/ tiring	445	28.2	393	27.3	46	39.3	6	33.3
Debt	117	7.4	113	7.8	4	3.4	0	-
Lack of Expertise	67	4.3	62	4.3	5	4.3	0	-
Low payoff	64	4.1	61	4.2	3	2.6	0	-
Crowding	30	1.9	30	2.1	0	-	0	-
Security Situation	28	1.8	26	1.8	2	1.7	0	-
Lack of Governmental Support	25	1.6	23	1.6	2	1.7	0	-
Complicated Governmental Procedures/Routine Procedures	18	1.1	8	0.6	8	6.8	2	11.1
Business Location	16	1.0	12	0.8	2	1.7	2	11.1
I don't know	43	2.7	38	2.6	5	4.3	0	-
<b>Total</b>	<b>1576</b>	<b>100</b>	<b>1441</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>18</b>	<b>100</b>

## 6.6 Doing Business in Iraq – World Bank 2020

A recent World Bank Group report on Doing-Business in Iraq – 2020, provided the following table (6.6 A) on the position of Iraq among 190 countries. We notice that Iraq ranks low compared to the business environment in other countries.

**Table (6.6A): Summary Table of Iraq's Rank out of 190 Countries and Average Scores by Topic**

Topic	Rank	Score
1. Starting a Business	154	77.3
2. Dealing with Construction Permits	103	67.7
3. Getting Electricity	131	61.9
4. Registering Property	121	57.3
5. Getting Credit	186	0.0
6. Protecting Minority Investors	111	46.0
7. Paying Taxes	131	63.5
8. Trading across Borders	181	25.3
9. Enforcing Contracts	147	48.0
10. Resolving Insolvency	168	0.0

Source: World Bank Report – Business Activity 2020

(Table No. 6.6 B) shows the comparison of business activities - Business classification in Iraq for the year 2020, 2015, 2010 - according to the international classification

## Rate of change by Rank

**Table (6.6B): Business Classification Comparison in Iraq for 2020, 2015, 2010**

Topic	2020		Change in Rank (2015-2020)	2015		Change in Rank (2010-2015)	2010	
	Rank	Score*		Rank	Score		Rank	Score
11. Starting a Business	154	77.3	-12	142	74	-33	175	n/a
12. Dealing with Construction Permits	103	67.7	-94	9	86.7	+85	94	n/a
13. Getting Electricity	131	61.9	-95	36	84.9	n/a	-	n/a
14. Registering Property	121	57.3	-12	109	62.6	-56	53	n/a
15. Getting Credit	186	0.0	-6	180	5	-13	167	n/a
16. Protecting Minority Investors	111	46.0	+35	146	42.5	-27	119	n/a
17. Paying Taxes	131	63.5	-79	52	80	-27	53	n/a
18. Trading across Borders	181	25.3	-3	178	20.5	+2	180	n/a
19. Enforcing Contracts	147	48.0	-6	141	47.3	-2	139	n/a
20. Resolving Insolvency	168	0.0	+21	189	0.0	-6	183	n/a

## Business Environment Reforms in Iraq

The World Bank's Business Activity Report 2020 states the following:

From May 2, 2018 to May 1, 2019, 115 economies implemented 294 business regulatory reforms across the 10 areas measured by Doing Business. Reforms inspired by Doing Business have been implemented by economies in all regions. The following are reforms implemented in Iraq since Doing Business 2008.

- **Starting a Business:** Iraq made starting a business easier by combining multiple registration procedures and reducing the time to register a company.
- **Getting Credit:** Iraq improved access to credit information by launching a new credit registry.
- **Dealing with Construction Permits:** Iraq made dealing with construction permits easier by allowing the simultaneous processing of utility clearances and buildings permit applications.
- **Getting Electricity:** The Ministry of Electricity made getting electricity faster by enforcing tighter deadlines on electricity connections.
- **Starting a Business:** In Iraq starting a business became more expensive because of an increase in the cost to obtain a name reservation certificate and in the cost for lawyers to draft articles of association.

## 6.7 Years in Business

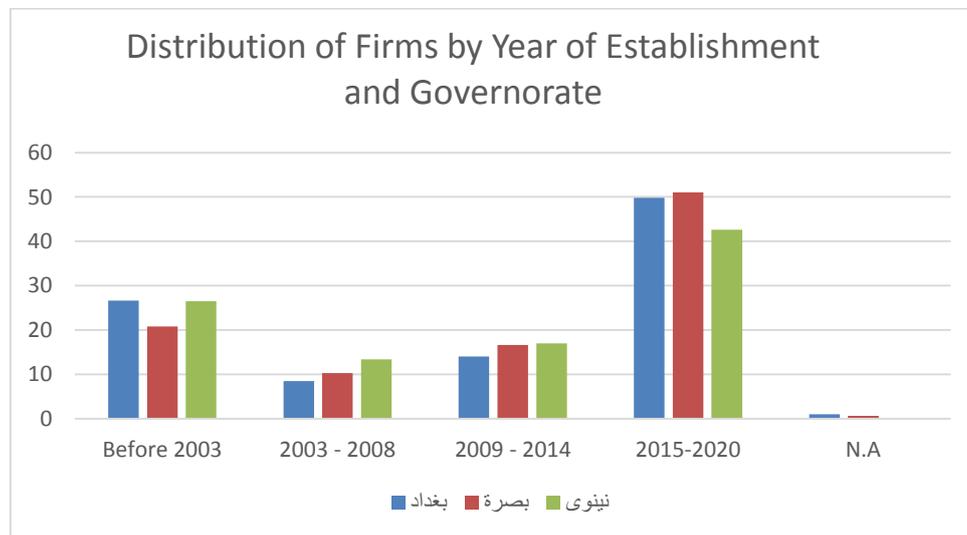
The responses pertaining to the year of establishment of the business spread over more than 20 years (table 6.7A), with significant number of firms established in the following years:

- 2015-2020: 48.2%
- 2009-2014: 15.4%
- 2003-2008: 10.1%
- Before 2003: 25.3%

**Table (6.7A): Distribution of Firms by Year of Establishment**

Year Established	Total		Baghdad		Nineveh		Basra	
	No.	%	No.	%	No.	%	No.	%
Before 2003	512	25.3	291	26.6	137	26.5	84	20.8
2003- 2008	205	10.1	94	8.5	69	13.4	42	10.3
2009- 2014	309	15.4	154	14.0	88	17.0	67	16.6
2015- 2020	972	48.2	547	49.8	220	42.6	205	51.0
NA	19	0.9	18	1.0	-	-	1	0.6
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1104</b>	<b>100</b>	<b>514</b>	<b>100</b>	<b>399</b>	<b>100</b>

**N.B:** MSME startups in Nineveh generated declined between 2015 and 2016 coincide with the presence of ISIS in the region. After which in 2017-2019 the number of MSME startups witnesses a significant increase. **Figure (6.7 A):**



**Figure (6.7 A): Distribution of Firms by Year of Establishment and Governorate**

## 6.8 Previous Activities of Business Owners

When asked about MSMEs' owners prior work/ job, the respondents stated the following answers (table 6.8A):

- 50% of business owners were working independently in the same sector or in a different sector.
- 18% were students
- 10.3% were unemployed.

**Table (6.8A): Prior Activities of Owners**

Element Previous work	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Independently working in different sector	675	33.5	623	34.0	40	26	12	37.5
Student	359	17.8	327	17.9	26	16.9	6	18.8
Independently working in same sector	322	16.0	273	14.9	41	26.6	8	25
Unemployed	278	13.8	269	14.7	9	5.8	0	0
Employed in public sector	235	11.7	206	11.3	25	16.1	4	12.5
Employed in private sector	148	7.3	133	7.3	13	8.6	2	6.2
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

### Closed Enterprises

Business closing data helps determine the degree of business viability in the context of factors affecting the business environment. More than half of the sample responded to the question about the state of the institutions in which they were working, as it was found that more than 40% of the previous institutions were closed (regardless of whether they were registered or not). The highest closure rate was in Nineveh Governorate 62%, followed by Basra 35%, and then Baghdad 34%.

When asked about the respondents previous enterprise status, the responses were as follows (table 6.8b):

- 49.1% did not close
- 40.8% of MSMEs closed

**Table (6.8B): Closure of Previous Enterprises**

Closure of previous enterprises	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Did not close	562	49.1	489	47.5	56	59.6	17	77.3
Closed	467	40.8	429	41.7	34	36.2	4	18.2
N / A	116	10.1	111	10.8	4	4.3	1	4.5
<b>Total</b>	<b>1145</b>	<b>100</b>	<b>1029</b>	<b>100</b>	<b>94</b>	<b>100</b>	<b>22</b>	<b>100</b>

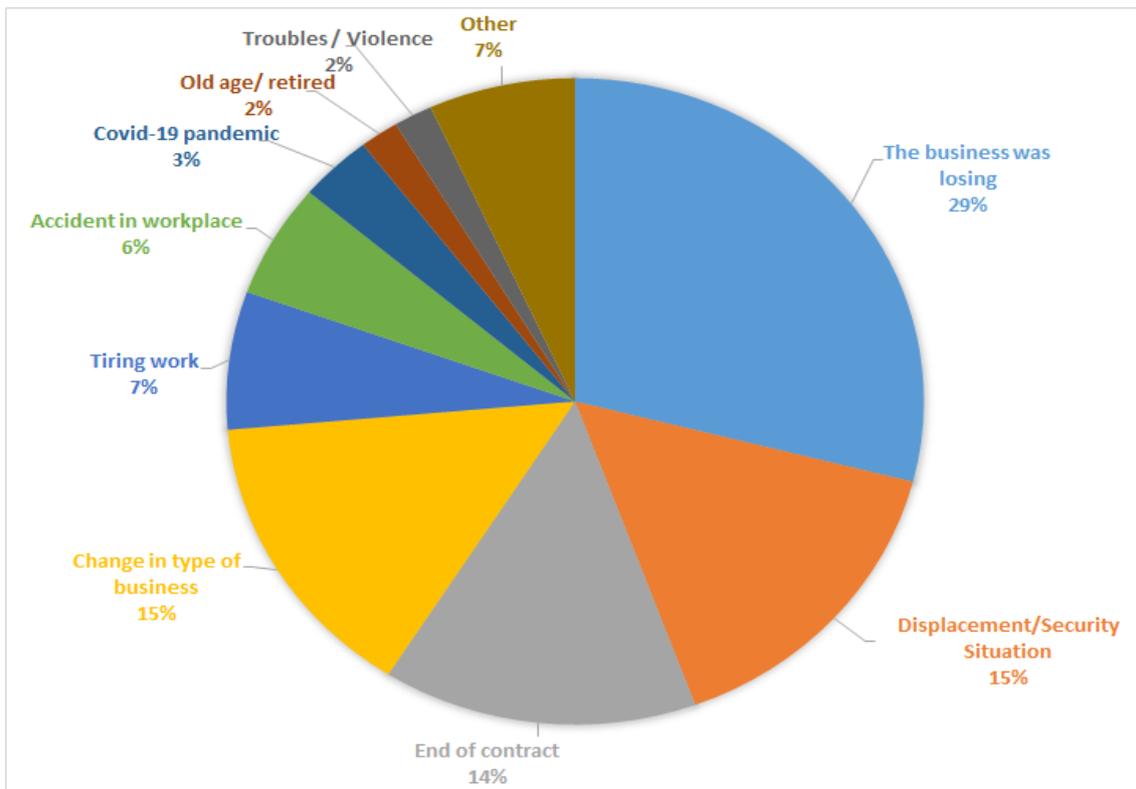
### Reason for Closure of Previous Enterprises

The consultants inquired to the possible reasons of business closure, and the main reasons were distributed as below (table 6.8C):

- It was losing: 29% and there is no significant variation between the enterprises at the level of size. At the governorate level, the lowest percentage was in Basra 21%.
- Sectarian Displacement/Security Situation: 15% and the highest percentage was in Nineveh Governorate.

**Table (6.8C): Reason for Closure of Previous Enterprises**

Reason	Total	
	No.	%
It was losing	147	29.0
Sectarian Displacement/Security Situation	78	15.4
End of contract	74	14.6
Changing the type of business	74	14.6
Tiring work	35	6.9
Accident (Fire in the workplace, lost my leg, robbery,...)	29	5.7
Covid-19 pandemic and its constrictions	17	3.4
Getting old	9	1.8
Troubles / Violence	9	1.8
Other	35	6.9
<b>Total</b>	<b>507</b>	<b>100</b>



**Figure (6.8A): Reason for Closure of Previous Enterprises**

## 7. MSME FINANCE

This section includes the survey findings on:

- Use of bank services.
- Financing to start a business.
- Financial history.
- Current financing needs.
- Difficulty in obtaining financing.
- Revenue range.
- Share of expenditure to total cost.
- Maintain proper accounting and bookkeeping.
- Insurance coverage.

### 7.1 Use of banking services

The survey showed that the vast majority of enterprises do not have bank accounts, with only 1% of MSMEs holding accounts. There is a significant variation as to the size of the enterprise, as this percentage increases from 1% for Micro to 2.6% for Small and up to 16% for Medium enterprises (Table 7.1 A). There is much less variation at the governorate level:

- Nineveh 2%
- Basra 1.5%
- Baghdad 1%

However, there is a significant variation at the formality perspective: 4% formal and 0.7% informal enterprises.

**Table (7.1 A): Usage of Bank Services – Business Bank Account**

Use of Bank Services	Total No.	%	Formal	Micro		Small		Medium	
				No.	%	No.	%	No.	%
Yes	25	1	13	16	1	4	2.6	5	15.6
No	1992	99	325	1815	99	150	97.4	27	84.4
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>338</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

Table (7.1 B) shows the reasons why business owners do not have bank accounts.

**Table (7.1 B): Reasons for not having a Bank Account**

Reasons for not having a Bank Account	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
No need to open an account	627	30.8	556	29.5	62	38.4	9	31.1
Not enough money to	556	27.1	515	28	33	22.3	8	28.6
too expensive	507	25.1	479	26	21	14	7	25.9
there isn't a bank branch in my area	104	5	92	5	12	8.2	-	0.0
do not trust banks	102	5	85	4.5	14	9.4	3	11.1
I do not know	87	4	81	4.5	6	4.3	-	0.0
too much paperwork	44	2	42	2	2	1.4	-	0.0
Other	13	1	9	0.2	3	2	1	3.3
<b>Total</b>	<b>2040</b>	<b>100</b>	<b>1859</b>	<b>100</b>	<b>162</b>	<b>100</b>	<b>28</b>	<b>100</b>

It is noted that nearly a third of the respondents said they did not require opening an account, while a smaller percentage stated that it was too expensive to carry an account.

In addition, respondents were asked if they use a mobile payment service to facilitate business transactions, and it was clear that the vast majority (98%) do not use digital mobile payment methods for their business. \*(See Part E: Best Practices and the current FinTech sector in Iraq).

The usage of mobile payment services was as follows, Table (7.1c):

- The overall average is 2%.
- Males 2%.
- Female 5%.
- Registered institutions 3%.
- Unregistered establishments 1.7%.

An example of the process of opening an account in a private bank includes compliance with the following criteria:

- The minimum balance in the account must be 500 thousand Iraqi dinars (an annual fee of 3,000 Iraqi dinars will be incurred if the balance falls below the required minimum).
- For a USD account, the minimum account balance is USD 500 (an annual fee of USD 2 will be charged if the balance falls below the required minimum).

**Table (7.1 C): Usage of Mobile Money Payment Services**

Usage of Mobile Money Payment Services	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Yes	38	2	28	1.5	2	1.3	8	25
No	1979	98	1803	98.5	152	98.7	24	75
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

## 7.2 Financing to Start the Business

Finance is the most important driver of enterprise development, as it provides the resources needed to establish, operate, and market business enterprises.

The results of the survey showed that 22% of MSMEs had access to financing irrespective of their size, 23% "planned but did not obtain financing", compared to the averseness of 55% of enterprises to borrow as shown in Table No. (7.2 A).

**Table (7.2 A): Need for Financing at Start Up**

Financing at Start Up	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
No, I did not want financing	1102	55	993	54	89	58	20	63
I planned but did not get financing	464	23	431	24	29	19	4	13
Yes, got financing	451	22	407	22	36	23	8	25
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

This indicates that there is a market shortage on the supply side in terms of finance programs. Also a weakness on the demand side in terms of the capability of MSMEs to understand financing systems and to deal adeptly with banks and financing institutions.

The age demographics of the MSMEs showed a strong concentration in the age groups between 25 and 55 years. Therefore, there will be a wide market for any financing program that is developed in the future. This requires a marketing campaign in which the advantages and financing requirements for each age group and sector are explained.

The following table (7.2 B) shows the type of financing according to MSME size. The following can be concluded from this data:

- A segment of the respondents stated that they obtained or planned to obtain financing either through loans from family and friends (33.7%), bank loans (30.7%), or personal savings (12.3%).
- The percentage of MSMEs that have already obtained or planned to obtain credit financing from banks or small loans is about 39%, and this percentage reaches 54% for males and 38% for females.
- Table (7.2 C) shows that almost all of institutions got their funding locally (from Iraq).

**Table (7.2 B): Type of Financing Acquired or Planned**

Type of Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Loan from family/friends	351	33.7	318	33.5	28	35.4	5	33.3
Bank Loan	320	30.7	300	31.6	18	22.8	2	13.3
Personal savings	128	12.3	114	12	12	15.2	2	13.3
Micro loan from NGOs or Micro Finance Organizations	82	7.9	72	7.6	9	11.4	1	6.7
Sold assets (property, car...)	51	4.9	43	4.5	5	6.3	3	20.0
Donations from individuals/religious/ political/ NGOs...)	47	4.5	43	4.5	2	2.5	2	13.3
Supplier credit	23	2.2	22	2.3	1	1.3	-	0.0
Investment from partners	11	1.1	9	0.9	2	2.5	-	0.0
Other	29	2.7	27	2.8	2	2.5	-	0.0
<b>Total</b>	<b>1042</b>	<b>100</b>	<b>948</b>	<b>100</b>	<b>79</b>	<b>100</b>	<b>15</b>	<b>100</b>

**Table (7.2 C): Source of Financing: Local/Abroad**

Source of Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
All local	325	99.4	292	99.4	28	100	5	100
All from abroad	1	0.3	1	0.3	-	-	-	-
Mix of both	1	0.3	1	0.3	-	-	-	-
<b>Total</b>	<b>327</b>	<b>100</b>	<b>294</b>	<b>100</b>	<b>28</b>	<b>100</b>	<b>5</b>	<b>100</b>

### 7.3 Business Assets

The majority of MSMEs (77%) did not have any assets when they set up their business and this percentage varies inversely with the size of the enterprise, as shown in Tables (7.3 A).

The survey showed that the larger the size of the institution, the more assets were available. With regard to the availability of ownership documents, this increases from about 47% for micro to 55% for small enterprises reaching 67% for medium enterprises, as shown in Table (7.3 B).

The percentage of availability of assets for MSMEs by governorate was as follows: Baghdad 58%, Basra 33%, and Nineveh 38%. This rate was 49% for males and 39% for females, 68% for formal MSMEs and 42% for informal. Overall, 48% of MSMEs have official papers proving their ownership of the assets.

**Table (7.3 A): Availability of Assets to Start the Business**

Availability of Assets	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
No	1557	77.2	1433	78.3	106	68.8	18	56.2
Yes, I had some assets	460	22.8	398	21.7	48	31.2	14	43.8
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>160</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (7.3 B): Availability of Titles for Existing Assets**

Availability of Titles of Assets	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
No	239	52	212	53.3	24	45.3	3	33.4
Yes	221	48	186	46.7	24	54.7	11	66.6
<b>Total</b>	<b>460</b>	<b>100</b>	<b>398</b>	<b>100</b>	<b>48</b>	<b>100</b>	<b>14</b>	<b>100</b>

#### Financing acquired after starting a business

62% MSMEs reported that they did not plan to obtain financing after starting their business. The results of the survey showed that the highest percentage of enterprises was in the services sector, followed by the trade sector. We conclude from this that industrial enterprises engaged in manufacturing do not have plans to obtain financing, and the reason for this may be due to competition with foreign goods and the dependence of the local market on imported goods, which shows that there is no appetite for industrialization, the focus being on distribution activities, trade, services, or logistical functions. The survey did not show in this regard demand for any financing for acquisition of fixed assets, but rather for the facilitation of distribution and sales outlets (i.e. locale, communications, sales, etc.). Table (7.3 C) shows financing acquired after commencing a business, and table (7.3 D) shows the amount of funds obtained. It is evident from these results that the average rate of obtaining financing was 8.5%, which was distributed as follows: This percentage ranged from 8.3% for micro enterprises to 11% for small enterprises and 12.5% for medium enterprises.

The percentage of MSMEs that tried to obtain financing, but did not succeed, reached 30%. The reasons for given in Table (7.3 E). The most important reasons for not obtaining

financing were the difficulty of finding a financier and the cost of financing in terms of interest rate and the provision of guarantees (more than 55% of the respondents).

**Table (7.3 C): Financing Acquired after Starting the Business**

Financing Acquired	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
No, I did not want financing	1249	62	1126	61.5	102	66.3	21	65.6
I planned but did not get financing	596	29.5	554	30.2	35	22.7	7	21.9
Yes, got financing	172	8.5	151	8.3	17	11	4	12.5
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (7.3 D): Size of Loan by Size of MSMEs and Gender**

Size of Loan (million IQD)	No. of MSMEs	Type of Enterprise			Gender	
		Micro	Small	Medium	Male	Female
24 to 120	10	7	2	1	9	1
5 to 24	56	48	7	2	55	1
Below 5	104	95	9	-	92	12

**Table (7.3 E): Reasons for not getting Financing (choose one or more responses)**

Reasons for not getting Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Can't find a financing provider	164	25.2	149	24.8	14	34.1	1	14.3
High benefit rates	104	16	96	15.9	8	19.5	-	0
I need to provide guarantees	87	13.4	83	13.8	2	4.9	2	28.6
I tried but wasn't approved, I don't know why	85	13.1	78	13	7	17.1	-	0
Lack of governmental support	52	8	47	7.8	4	9.8	1	14.3
Difficult conditions	41	6.3	37	6.1	2	4.9	2	28.6
Complicated routine procedures	29	4.5	27	4.5	2	4.9	-	0
Favoritism	25	3.8	25	4.2	-	0	-	0
I find difficulty paying it off	24	3.7	24	4.0	-	0	-	0
I don't know how to acquire financing	14	2.2	13	2.2	1	2.4	-	0
Because of the country's circumstances	13	2	11	1.8	1	2.4	1	14.3
Other	12	1.8	12	2	-	0	-	0
<b>Total</b>	<b>650</b>	<b>100</b>	<b>602</b>	<b>100</b>	<b>41</b>	<b>100</b>	<b>7</b>	<b>100</b>

### Reasons and sources of funding

Tables (7.3 F) and (7.3 G) show the reasons and sources of funding. The most important funding purposes reported (more than about 70%) were for business expansion and

equipment modernization. As for sources of funding, the majority were from loans from family/friends or personal savings (more than 70%) with loans from banks at 11%.

**Table (7.3 F): Reason of Planned Financing (one or more responses are chosen)**

Purpose of Planned Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
To expand the business	531	47.7	490	48.5	33	37.6	8	57.2
To update and upgrade equipment	241	21.7	211	21.1	26	28	4	28.6
To introduce new products / service	79	7	71	7	8	8.6	-	0
To overcome unpaid invoices / expenses	74	6.7	66	6.5	7	7.5	1	7.1
To increase inventory	69	6.1	63	6.2	5	5.3	1	7.1
To improve your business's cash flow	43	3.8	40	4	3	3.3	-	0
To do / improve marketing	28	2.5	26	2.5	2	2.1	-	0
To move business to a new location	28	2.5	25	2.4	3	3.3	-	0
To recruit and hire new employees	19	1.7	15	1.5	4	4.3	-	0
To go digital (ecommerce, technological development, ...)	3	0.3	3	0.3	-	-	-	0
<b>Total</b>	<b>1115</b>	<b>100</b>	<b>1010</b>	<b>100</b>	<b>91</b>	<b>100</b>	<b>14</b>	<b>100</b>

**Table (7.3 G): Sources of Financing**

Sources of Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Loan from family/friends	104	57.5	93	58.9	9	47.4	2	50
Personal savings	25	13.8	22	13.9	3	15.8	-	0.0
Bank loan	20	11	16	10.1	4	21.1	0	0.0
Micro loan from NGOs or Micro Finance Organizations	15	8.3	11	7	2	10.5	2	50
Investment from partners	7	3.9	7	4.4	0	0	0	0
Investment from family/friends	5	2.8	4	2.5	1	5.3	-	0
Sold assets (property, car...)	2	1.1	2	1.3	-	0	-	0
Other	3	1.7	3	1.9	-	0	-	0
<b>Total</b>	<b>181</b>	<b>100</b>	<b>158</b>	<b>100</b>	<b>19</b>	<b>100</b>	<b>4</b>	<b>100</b>

One of the reasons for the low rate of obtaining a bank loan is the complex routine procedures and high interest rates.

The following table (7.3 H) shows the type of businesses that succeeded in obtaining financing by activity and location.

**Table No. (7.3 H): Financing after starting a business (172 respondents)**

Governorate	MSMEs receiving funding	Trade	Transport	Agriculture & Fishery	Automotive
Baghdad	98	31	23	25	2
Basra	34	16	2	4	4
Nineveh	40	13	9	3	3
<b>Total</b>	<b>172</b>	<b>60</b>	<b>34</b>	<b>32</b>	<b>9</b>
<b>Percentage of MSMEs that received financing</b>	<b>40%</b>	<b>35%</b>	<b>20%</b>	<b>19%</b>	<b>5%</b>

The percentage of MSMEs that succeeded in obtaining financing reached 40% after establishing their businesses. This indicates that MSMEs have either been able to survive without the need for additional financing, or that the attractiveness of enterprises towards loans decreases over time, making them less preferred as investments.

Paradoxically, another reason for the low success rates in obtaining loans is that; after they have started a business, owners estimate that they need more money than they did when the business was established. For example, the majority of start-ups that successfully secured funding wanted less than 5 million Iraqi dinars (61%), but the majority of established MSMEs wanted between 5 million Iraqi dinars to 24 million Iraqi dinars (880 out of 1495). This can either be attributed to successful expansion or a lack of accurate estimation of business needs.

On the other hand, any policy or program dealing with micro, small and medium enterprises needs to find a way to transfer commercial knowledge and financial understanding to the market, to build a knowledge relationship between MSMEs and the financial sector.

#### 7.4 Financing needs and future requirements

75% of the respondents stated that they either currently need funding or will need it in the future as shown in Table (7.4 A), and the need for funding was highest in Nineveh Governorate (83%). There is no significant variation as to gender or age groups.

Table (7.4 B) shows the purpose of needed financing, where the majority of respondents reported the need to expand their business, renew or upgrade equipment, or introduce new products or services. There is no significant variation between governorates, nor over the other survey variables (gender and age groups).

**Table (7.4 A): Need for Current and Planned Financing Requirements**

Need for Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Yes	1,523	75	1380	75	122	79	21	66
No	494	25	451	25	32	21	11	34
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

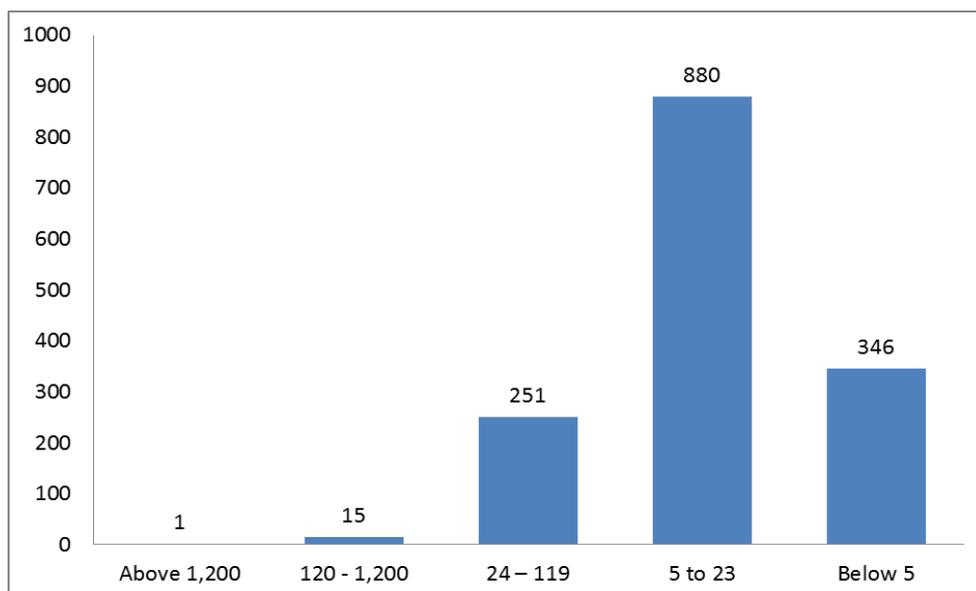
**Table (7.4 B): Purpose of Planned Financing Needs**

Purpose of Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
To expand the business	1004	43	914	44	75	35	15	56
To update and upgrade equipment	455	19	385	18	63	29	7	26
To introduce new products / service	173	7	154	7	17	8	2	7
To overcome unpaid invoices / expenses	149	6	136	6	13	6	-	0
To increase inventory	134	6	119	6	14	6	1	4
To improve your business's cash flow	124	5	115	5	9	4	-	0
To move business to a new location	65	3	58	3	7	3	-	0
To do / improve marketing	58	2	55	3	3	1	-	0
To recruit and hire new employees	47	2	38	2	9	4	-	0
To start a private project	44	2	43	2	1	0	-	0
Job: buy a car	36	2	36	2	-	0	-	0
Other	51	2	46	2	4	2	1	4
<b>Total</b>	<b>2340</b>	<b>100</b>	<b>2100</b>	<b>100</b>	<b>216</b>	<b>100</b>	<b>27</b>	<b>100</b>

The amounts of expected financing to meet business needs was reported as shown in Table (7.4 C) and figure (7.4 A).

**Table (7.4 C): Amount Forecast for Future Requirements**

Amount of Financing (million IQD)	No. of MSMEs	Baghdad	Basra	Nineveh
Above 1,200	1	1	-	-
120 - 1,200	15	9	4	2
24 – 119	251	150	46	55
5 - 23	880	451	192	237
Below 5	346	156	56	134
<b>Total</b>	<b>1493</b>	<b>767</b>	<b>298</b>	<b>428</b>

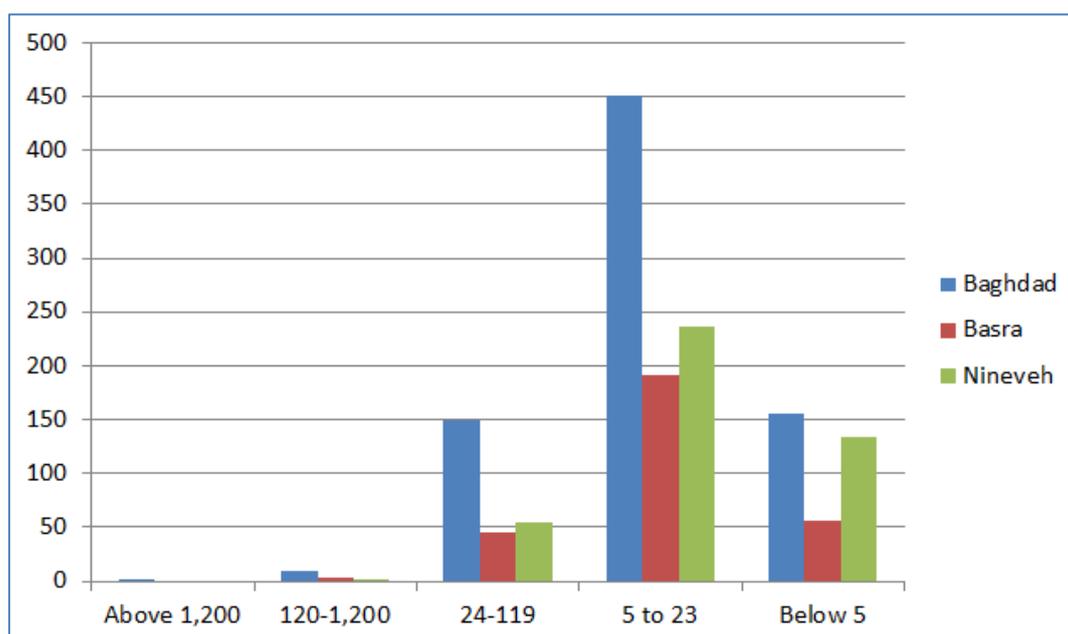


**Figure (7.4 A): Amount Forecast for Financing Future Requirements by no. of MSMEs (IQD million)**

When asked on their needs for financing – ‘if it were available today’ - the responses by governorate were as shown in Table (7.4 D) and Figure (7.4 B).

**Table (7.4 D): Amount of Financing needed if available**

Amount of Financing (million IQD)	No. of MSMEs	Baghdad	Basra	Nineveh	Male	Female
Above 1,200	1	1	-	-	1	-
120 - 1,200	15	9	4	2	15	-
24 - 119	251	150	46	55	243	8
5 - 23	880	451	192	237	844	36
Below 5	346	156	56	134	317	29



**Figure (7.4 B): Amount Financing Future Requirements by Governorate (IQD million)**

As to the sources of financing, the majority (70%) reported that the preferred sources were bank loans, micro loans and NGOs or micro finance organizations, and 18% loans from family and friends – Table (7.4 E).

**Table (7.4 E): Source of Planned Financing (one or more responses)**

Source of Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Bank loan	1012	54	912	53.7	86	57.3	14	56
Micro loan from NGOs or Micro Finance Organizations	311	16.6	276	16.2	30	20	5	20
Loan from family/friends	199	10.6	186	10.9	12	8	1	4
Donations from individuals/religious/ political/NGOs...	141	7.5	132	7.8	8	5.3	1	4
Personal savings	52	2.8	45	2.6	5	3.3	2	8
Any source, but without interest	31	1.7	28	1.6	2	1.3	1	4
Sold assets (property, car...)	22	1.2	20	1.2	2	1.3	-	0
From the employer / from the institution/ from my work	17	0.9	15	0.9	2	1.3	-	0
No answer / did not specify a source	89	4.7	85	5	3	2	1	4
<b>Total</b>	<b>1874</b>	<b>100</b>	<b>1699</b>	<b>100</b>	<b>150</b>	<b>100</b>	<b>25</b>	<b>100</b>

### 7.5 Difficulty in Obtaining Financing

MSMEs were asked to rate the difficulty level of access to finance. The majority (62%) stated it was very difficult, 29.5% said it was ‘somewhat difficult’ and 8.5% said they had ‘no difficulty’ (table 7.5 A).

There is no significant variation between governorates, nor between age groups. However women respondents reported that it is more difficult for them to obtain financing compared to men.

At the governorate level, it was noted that there was no noticeable disparity in obtaining loans, and women believed that they face more difficulty than men in obtaining loans. The results also showed that there was no relationship between age and borrowing.

The reasons for the difficulty in obtaining financing as shown in Table (7.5 B) were as follows:

- No government support 26%
- No collateral 24%
- High interest rates 19%
- Risk avoidance by the financier 8%
- Other 23%

The details of the first three reasons are as follows:

Reasons	Governorate	Gender
No government support	Highest in Nineveh	Highest among men
No collateral	Highest in Basra	Highest among women
High interest rate	Highest in Basra	No difference

As for Table (7.5 C), it shows the reasons for not obtaining the needed funding.

**Table (7.5 A): Perception of Business Owners of the Level of Difficulty to Access to Financing**

Level of Difficulty	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Very Difficult	1,251	62	1,137	62.1	95	61.7	19	59.4
Somewhat Difficult	595	29.5	547	29.9	40	26	8	25
Not Difficult	171	8.5	147	8	19	12.3	5	15.6
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (7.5 B): Reasons for Rendering Access to Financing Difficult (one or more responses)**

Reasons for Difficulty of Access to Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
lack of government support	625	26.2	569	26	49	29.5	7	20.6
lack of collateral	584	24.4	545	24.9	28	16.9	11	32.4
high interest rates/ required return	449	18.8	415	19	30	18.1	4	11.8
avoiding risk by financier	181	7.6	158	7.2	16	9.6	7	20.6
weak track record	76	3.2	69	3.2	7	4.2	-	0
Do not have connections	64	2.7	61	2.8	2	1.2	1	2.9
Complicated procedures	54	2.3	47	2.1	7	4.2	-	0
No one provides financing / support	54	2.3	46	2.1	8	4.8	-	0
Cannot Payback / Have Difficulty Paying	52	2.2	50	2.3	2	1.2	-	0
Situation in Iraq does not permit / the economic and financial situation	44	1.8	39	1.8	4	2.4	1	2.9
My income is limited / few assets	33	1.4	30	1.4	3	1.8	-	0
Corruption / Bribes	24	1	22	1	2	1.2	-	0
Difficult requirements / difficulty in obtaining financing	22	0.9	21	1	-	0	1	2.9
only large companies are privileged	20	0.8	18	0.8	1	0.6	1	2.9
I applied previously and did not receive funding	9	0.4	8	0.4	1	0.6	-	0
Limited period	8	0.3	8	0.4	-	0	-	0
My age does not permit	4	0.2	4	0.2	-	0	-	0
Other	86	3.6	79	3.6	6	3.6	1	2.9
<b>Total</b>	<b>2389</b>	<b>100</b>	<b>2189</b>	<b>100</b>	<b>166</b>	<b>100</b>	<b>34</b>	<b>100</b>

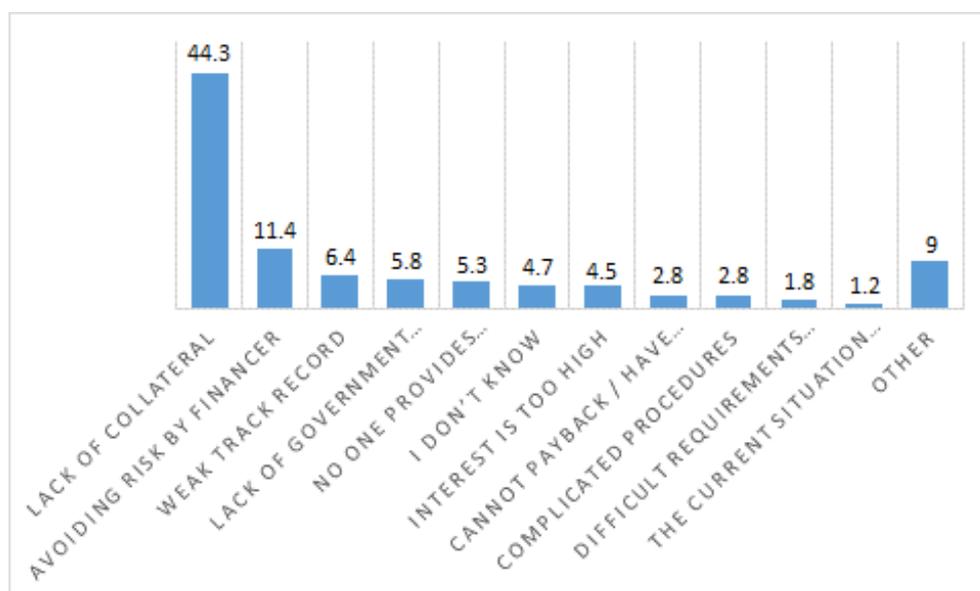
**Table (7.5 C): Reasons for not being granted the required Financing**

Reasons for not being granted Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Lack of collateral	345	44.3	325	45.1	15	30	5	62.5
Avoiding risk by financier	89	11.4	82	11.4	6	12	1	12.5
Weak track record	50	6.4	46	6.4	4	8	-	0
Lack of government support	45	5.8	37	5.1	8	16	-	0
No one provides financing / support	41	5.3	37	5.1	3	6	1	12.5
I don't know	37	4.7	36	5	1	2	-	0
Interest is too high	35	4.5	33	4.6	2	4	-	0
Cannot Payback / Have Difficulty Paying	22	2.8	21	2.9	1	2	-	0
Complicated procedures	22	2.8	17	2.4	5	10	-	0
Difficult requirements / difficulty in obtaining financing	14	1.8	13	1.8	-	0	1	12.5
The current situation doesn't allow it	9	1.2	9	1.2	-	0	-	0
Other	70	9	65	9	5	10	-	0
<b>Total</b>	<b>779</b>	<b>100</b>	<b>721</b>	<b>100</b>	<b>50</b>	<b>100</b>	<b>8</b>	<b>100</b>

The following are the types of government initiatives owners of enterprises would like to see implemented (this is further elaborated in section 14; Future business Outlook - table 14.1 B).

- 36% financial loans.
- 18% infrastructure development.
- 12% better security.
- 7% provision of raw materials.
- 5% simplification of government procedures.
- 3% allocation of special business zones.
- others 19%.

When asked on how they may obtain financing if needed at the present time, half the respondents reported their need for bank loans (7.5 D).



**Figure (7.5 A): Reasons for not being granted the required Financing**

**Table (7.5 D): Perception of Business owners as to current available financing (one or more responses)**

Current Sources of Available Financing	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Bank loan	1198	52.1	1088	52	93	53.8	17	48.6
Loan from family/friends	438	19	399	19.1	32	18.5	7	20
Micro loan from NGOs or Micro Finance Organizations	326	14.2	299	14.3	25	14.5	2	5.7
Donations from individuals/ religious/ political/...	128	5.6	122	5.8	4	2.3	2	5.7
Do not need financing	38	1.7	34	1.6	3	1.7	1	2.9
Personal savings	19	0.8	16	0.8	3	1.7	-	0
Investment from partners	17	0.7	15	0.7	1	0.6	1	2.9
investment funds/ venture capital	12	0.5	9	0.4	2	1.2	1	2.9
Credit Cards	12	0.5	11	0.5	-	0	1	2.9
From FX exchangers	92	4	84	4	6	3.5	2	5.7
Other	20	0.9	15	0.7	4	2.3	1	2.9
<b>Total</b>	<b>2300</b>	<b>100</b>	<b>2092</b>	<b>100</b>	<b>173</b>	<b>100</b>	<b>35</b>	<b>100</b>

## 7.6 MSME Revenue Range

Tables 7.6 A, 7.6 B and 7.6 C provide details of the revenues of enterprises by size, gender of owner.

**Table (7.6 A): Revenue Ranges by Size of MSMEs and Gender, 2017**

Revenue Range (million IQD)	Total No.	Micro	Small	Medium	Male	Female
		No.	No.	No.	No.	No.
6 or less	815	732	74	9	774	41
6 to 20	202	177	22	3	195	7
21 to 35	23	14	6	3	21	2
36 to 50	7	5	1	1	7	-
51 to 66	1	-	1	-	1	-
<b>Total respondents</b>	<b>1048</b>	<b>928</b>	<b>104</b>	<b>16</b>	<b>998</b>	<b>50</b>
n/a	646	610	27	9	609	37
<b>Total</b>	<b>1694</b>	<b>1538</b>	<b>131</b>	<b>25</b>	<b>1607</b>	<b>87</b>

**Table (7.6 B): Revenue Ranges by Size of MSMEs and Gender, 2018**

Revenue Range (million IQD)	Total No.	Micro	Small	Medium	Male	Female
		No.	No.	No.	No.	No.
6 or less	952	864	78	10	900	52
6 to 20	242	216	21	5	234	8
21 to 35	33	19	11	3	32	1
36 to 50	12	9	2	1	11	1
51 to 66	2	1	1	-	2	-
<b>Total respondents</b>	<b>1241</b>	<b>1109</b>	<b>113</b>	<b>19</b>	<b>1179</b>	<b>62</b>
n/a	481	426	48	8	462	19
<b>Total</b>	<b>1722</b>	<b>1534</b>	<b>161</b>	<b>27</b>	<b>1641</b>	<b>81</b>

**Table (7.6 C): Revenue Ranges by Size of MSMEs and Gender, 2019**

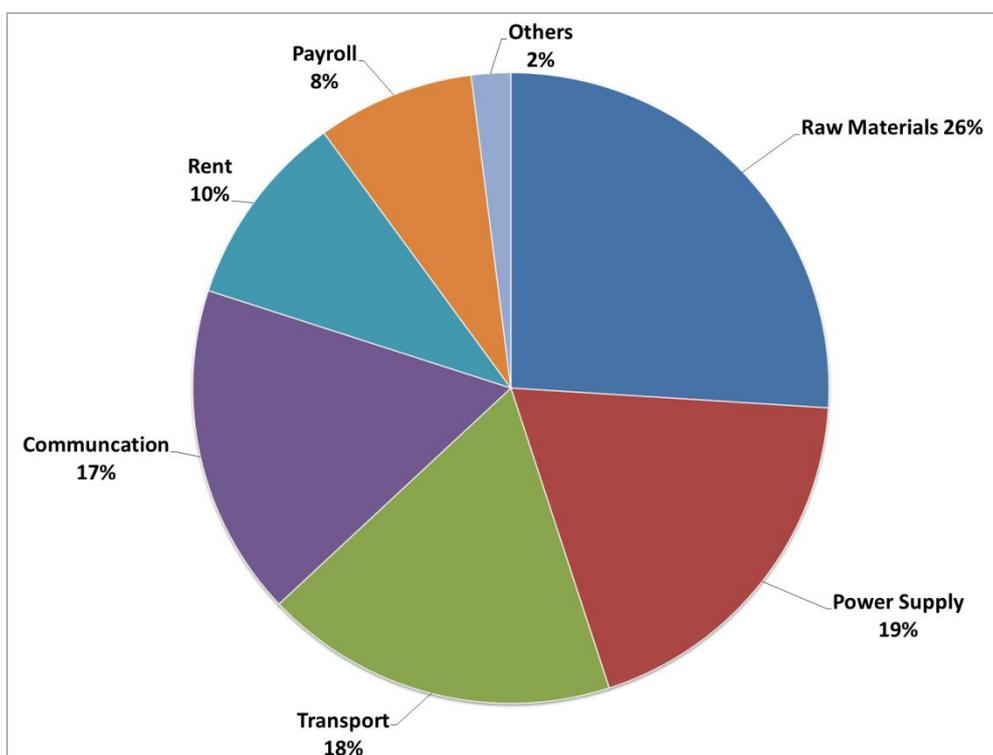
Revenue Range (million IQD)	Total No.	Micro	Small	Medium	Male	Female
		No.	No.	No.	No.	No.
6 or less	1091	1004	78	9	1029	62
6 to 20	227	189	28	10	217	10
21 to 35	38	25	11	2	38	-
36 to 50	10	8	1	1	9	1
51 to 66	5	3	1	1	5	-
<b>Total respondents</b>	<b>1371</b>	<b>1229</b>	<b>119</b>	<b>23</b>	<b>1298</b>	<b>73</b>
n/a	536	474	52	10	514	22
<b>Total</b>	<b>1907</b>	<b>1703</b>	<b>171</b>	<b>33</b>	<b>1812</b>	<b>95</b>

It is seen that the majority of enterprises have limited revenues, not exceeding IQD 6 million in the indicated years. These modest revenues of enterprises explain part of the difficulty in obtaining loans, and indicate the need for collateral and adequate cash flows that ensure settling of loans and their interest.

This adds additional burden on the financial policies/ programs that need to be developed for MSMEs, not only as to the needed financial incentives, but also for business and financial planning and understating the lending system.

### 7.7 Share of Expenditure in Total Cost

Figure (7.7 A) shows the percentage of expenditure items from the operating cost of the MSMEs.



**Figure (7.7 A): Distribution of MSME operating expenditures**

Figure (7.7 A) shows that the largest proportion of operating cost belongs to raw material (26%), followed by electricity (19%), whereas taxes represent only 2% of the cost.

## 7.8 Maintaining Proper Accounting and Book Keeping

The majority of MSMEs 74% do not maintain accounts, the main reason given by 91% of them is that their work does not require it and therefore there is no need to keep records.

**Table (7.8 A): Maintaining Proper Accounting and Bookkeeping**

Availability of Proper Accounting	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
No	1499	74	1402	77	70	45	19	59
Yes	518	26	429	23	84	55	13	41
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (7.8 B): Reason for not Maintaining Accounts**

Elements	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Work does not require/ there is no need	1368	91.3	1277	91.1	78	92.9	13	100
Do not know how	75	5	71	5.1	4	4.8	-	0
Additional cost	50	3.3	48	3.4	2	2.4	-	0
Other	6	0.4	6	0.4	-	0	-	0
<b>Total</b>	<b>1499</b>	<b>100</b>	<b>1402</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>13</b>	<b>100</b>

## 7.9 Insurance Coverage

98% of MSMEs did not have any type of insurance policy. The MSMEs insured had the following policy types: property, medical, worker and vehicle insurance.

**Table (7.9 A): Type of Insurance Coverage maintained by Businesses**

Elements	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Do not have any insurance	1967	97.5	1798	98.2	147	95.5	22	68.8
Property insurance	20	1	14	0.8	2	1.3	4	12.5
Medical insurance for staff	14	0.7	9	0.5	2	1.3	3	9.4
Workers' compensation insurance	9	0.4	5	0.3	1	0.6	3	9.4
Vehicle insurance	7	0.3	5	0.3	2	1.3	-	0
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

## 8. EMPLOYMENT AND HUMAN RESOURCES

The instability of the labor market and the persistently high unemployment rates have negatively affected all aspects of social and economic life in Iraq, as their impact is not limited to the workforce only, but also affect many groups of the society through their association with the production process.

The employment and human resources part of the survey aimed to provide data on:

- Nature and staffing of enterprises
- Employees of MSMEs, gender, and age groups
- Business activities
- Type of jobs
- Sources and channels for recruitment and training of employees
- Management and training

### 8.1 Enterprises Classification and Staffing

The total number of respondents in the sample were 2017 respondents, distributed by gender into 95% males and 5% females.

The informal enterprises (not registered at any entity) form the majority of the sample (84%), whereas formal enterprises (registered in at least in one entity) 17%. The captured data were distributed as follows (Tables 8-1A) and chart (8-1A).

**Table (8.1A): Enterprises Registration Status**

Enterprise size	Total		Registered Enterprise		Not Registered Enterprise	
	No.	%	No.	%	No.	%
Micro	1831	90.7	277	15.1	1554	84.8
Small	154	7.6	46	29.8	108	70.2
Medium	32	1.7	15	46.8	17	53.2
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>338</b>	<b>16.7</b>	<b>1679</b>	<b>83.3</b>

The employment distribution by gender showed a very high gender imbalance:

The total number of employees in the sample were 3886 employees of whom 3738 were males representing (96.2%). The number of female employees was 148 employees (3.8%).

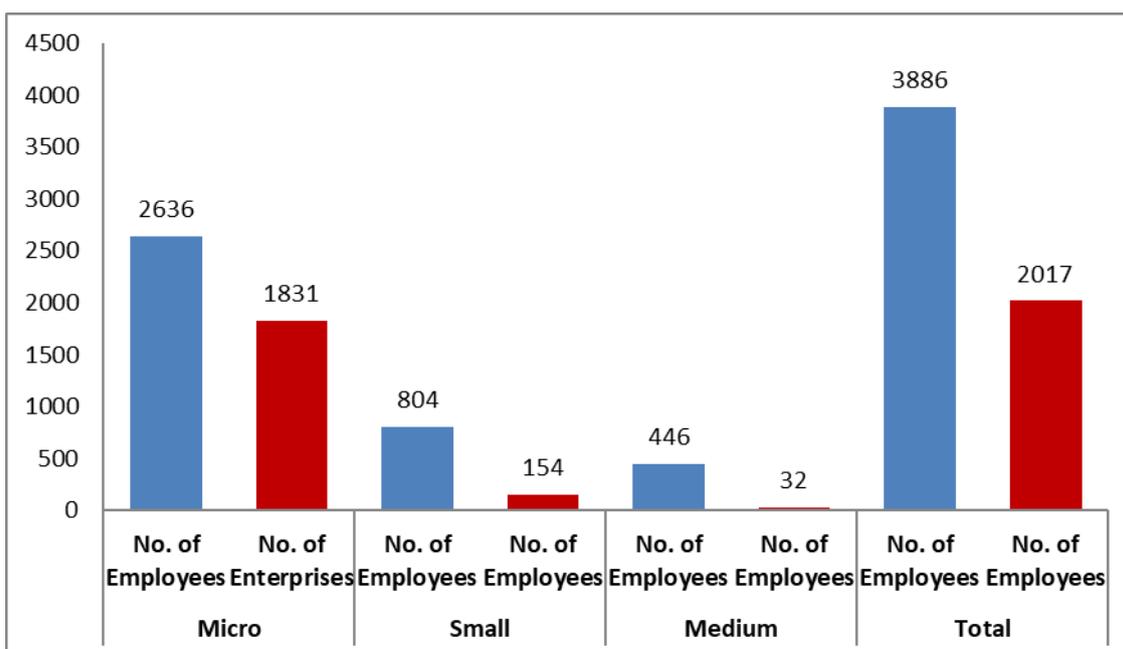


Figure (8.1A): Distribution of Enterprises and Employees by Size of Firm

Comparing the present survey with the ILO survey of 2011, the results do not differ significantly. The captured data were distributed as follows (Table 8-1B):

Table (8.1B): Comparison of the current study and the 2011 ILO survey

Enterprises Employment by Gender					
Survey	Total	Male		Female	
		No.	%	No.	%
MSMEs Survey (Baghdad, Nineveh, Basra) (2020-2021)	2017	1915	94.9	102	5.1
ILO Survey (2011 – 2012)*	4533	4388	96.8	145	3.2

\*Source: ILO - CCC(٢٠١٢, ٢٠١١)

The current survey showed that the majority of the employees were concentrated in **the micro enterprises with 2637 employees forming (67.8%)**, and distributed as follows (Tables 8-1C, 8-1D, 8-1E):

Table (8.1C): Number of Employees in Micro Enterprises

No. of Employees	Total	Male		Female	
		Respondents	Total No. of Employees	Respondents	Total No. of Employees
1	1240	1168	1168	72	72
2	758	360	720	19	38
3	639	206	618	7	21
Total	2637	1734	2506	98	131

**Table (8.1D): Number of Employees in Small Enterprises**

No. of Employees	Total	Male		Female	
		Respondents	Total No. of Employees	Respondents	Total No. of Employees
4	232	55	220	3	12
5	220	43	215	1	5
6	156	26	156		
7	105	15	105		
8	64	8	64		
9	27	3	27		
<b>Total</b>	<b>804</b>	<b>150</b>	<b>787</b>	<b>4</b>	<b>17</b>

**Table (8.1E): Number of Employees in Medium Enterprises**

No. of Employees	Total	Male		Female	
		Respondents	Total No. of Employees	Respondents	Total No. of Employees
10	90	9	90	0	0
11	66	6	66	0	0
12	60	5	60	0	0
13	26	2	26	0	0
14	14	1	14	0	0
15	30	2	30	0	0
17	17	1	17	0	0
20	60	3	60	0	0
25	25	1	25	0	0
28	28	1	28	0	0
29	29	1	29	0	0
<b>Total</b>	<b>445</b>	<b>32</b>	<b>445</b>	<b>0</b>	<b>0</b>

Thus, the main labor-force in the sample is concentrated in the informal (micro enterprises that consist of 1 employee (the owner), and distributed as follows (Table 8-1F).

**Table (8.1F): Number of Employees based on Enterprises Registration Status**

No. of Employees	Enterprises Registration Status			
	Registered Enterprise		Not Registered Enterprise	
	No.	%	No.	%
1	160	48.8	1074	6
2	70	20.7	309	18.4
3	42	12.4	171	10.2
4	14	4.1	44	2.6
5	16	4.7	28	1.7
6	7	2.1	19	1.1
7	4	1.2	11	0.7
8	4	1.2	4	0.2
9	1	0.3	2	0.1
10	4	1.2	5	0.3
11	1	0.3	5	0.3
12	-	-	5	0.3
13	2	0.6	-	-
14	1	0.3	-	-
15	2	0.6	-	-
17	1	0.3	-	-
20	1	0.3	2	0.1
25	1	0.3	-	-
28	1	0.3	-	-
29	1	0.3	-	64.0
<b>Total</b>	<b>338</b>	<b>100</b>	<b>1679</b>	<b>100</b>

**Staff Distribution for the Years (2017 – 2018 – 2019)**

The survey showed that the labor force in MSMEs was increasing in 2018 and 2019; however, in 2020, COVID-19 had a heavy impact on employment rates and recorded a decrease of (22.6%). The results were as follows (Tables 8-1G, 8-1H, and Figure 8-1B).

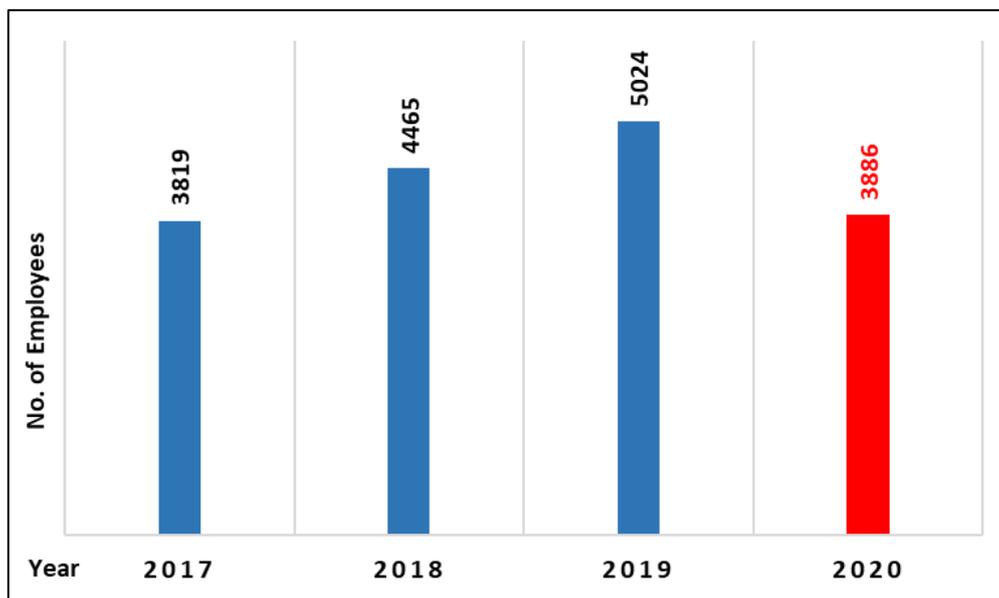
(Section (13) of the report covers details of the Covid-19 pandemic.)

**Table (8.1G): Number of Employees (2017, 2018, 2019, 2020)**

2017	2018	2019	2020
Total No. of Employees			
3819	4465	5024	3886

**Table (8.1H): Percentage Change over the Last Four Years**

Percentage Change over the Last Four Years		
% Variation 2017 – 2018	% Variation 2018 - 2019	% Variation 2019 - 2020
17%	12.5%	(-22.6%)



**Figure (8.1B): Number of Employees (2017, 2018, 2019, 2020)**

## Employees Rotation in 2019

The survey showed that the majority of enterprises retained their employees, and (12%) of the enterprises stated that they discharged only 1 employee. It should be noted that **the total number of discharged employees in 2019 were 759 employees (20%)** of the current labor force in the sample (Table 8.1 I).

**Table (8.1I): Discharged Employees in 2019**

No. of Discharged Employees	Total		Total No. of Discharged Employees
	Enterprises	% of discharged Employees	
0	1394	79.2	0
1	210	11.9	210
2	76	4.3	152
3	42	2.4	126
4	12	0.7	48
5	7	0.4	35
6	3	0.2	18
7	3	0.2	21
8	1	0.1	8
9	1	0.1	9
10	5	0.3	50
11	1	0.	11
12	2	0.1	24
18	1	0.1	18
29	1	0.1	29
<b>Total</b>	<b>1759</b>	<b>100</b>	<b>759</b>

## Employees Recruitment in 2019

The survey showed that the majority of enterprises (80%) did not recruit any employees in 2019, and (11.5%) stated that they recruited only 1 employee. It should be noted that the total number of recruited employees in 2019 were 735 employees (Table 8-1J).

**Table (8.1J): Recruited Employees in 2019**

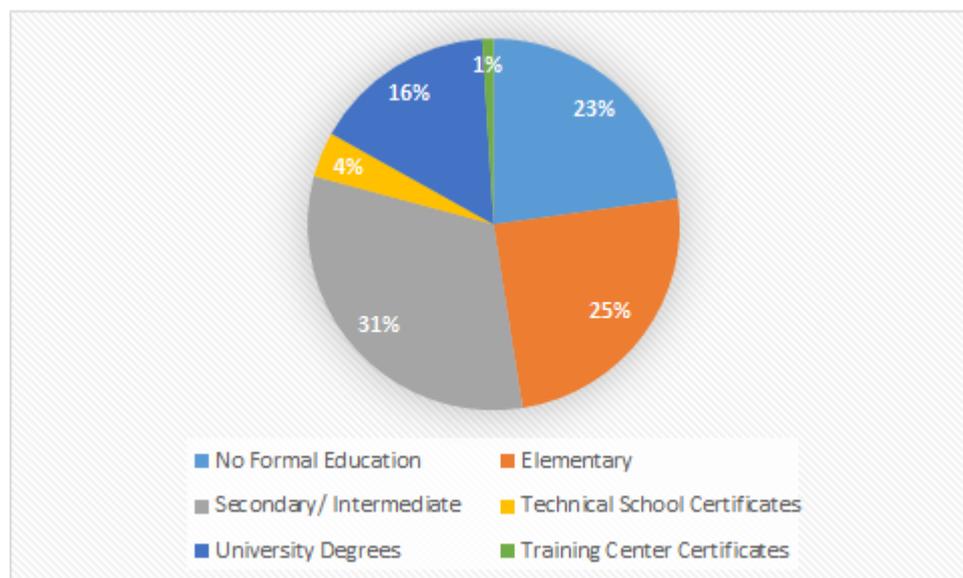
No. of Recruited Employees	Total		Total No. of Recruited Employees
	No.	% of Recruited Employees	
0	1408	80	0
1	203	11.5	203
2	70	4.0	140
3	35	2.0	105
4	16	0.9	64
5	8	0.5	40
6	3	0.2	18
7	7	0.4	49
9	2	0.1	18
10	4	0.2	40
11	1	0.1	11
18	1	0.1	18
29	1	0.1	29
<b>Total</b>	<b>1759</b>	<b>100</b>	<b>735</b>

## MSMEs' Staff Education

With regards to MSMEs' staff education, 32% of the respondents **stated that their staff have secondary/ intermediate education**; whereas, **(23%) stated that their staff have no formal education**. It should be noted that a large segment of university degree holders are concentrated in medium size enterprises (24%), (Table 8.1K).

**Table (8.1K): Employee's Education**

Education Level	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
No Formal Education	281	23	201	23.4	70	22	10	19
Elementary	303	25	223	26.2	75	24	5	9
Secondary/ Intermediate	396	32	280	32.6	98	31	18	33
Technical School Certificates	43	4	25	3	11	4	7	13
University Degrees	192	16	124	14.4	55	18	13	24
Training Center Certificates	9	1	4	0.4	4	1	1	2
<b>Total</b>	<b>1224</b>	<b>100</b>	<b>857</b>	<b>100</b>	<b>313</b>	<b>100</b>	<b>54</b>	<b>100</b>



**Figure (8.1C): Employee's Education**

## 8.2 Employees Age

Table 8.2A shows the distribution of respondents by size of firm and age group (Table 8-2 A and Table 8-2B). The results show that:

- 327 Respondents are from 15 to 24 years old, (16.2%)
- 1025 Respondents are from 25 to 44 years old representing half of the employees in the sample (51%)
- 575 Respondents are from 45 to 64 years old, (28.5%)
- 90 Respondents are form 65 years and above, (4.5%)

**Table (8.2A): Age Groups of Enterprises' Owners**

Enterprise Size	Age Groups							
	From 15 to 24 years		From 25 to 44 years		from 45 to 64 years		65 years and above	
Micro	305	93.2%	931	90.8%	518	90%	77	85.5%
	16.7%		50.8%		28.3%		4.2%	
Small	19	5.8%	76	7.4%	47	8.3%	12	13.3%
	12.3%		49.4%		30.5%		7.8%	
Medium	3	1%	18	1.8%	10	1.7%	1	1.2%
	9.4%		56.3%		31.3%		3.1%	
<b>Total</b>	<b>327</b>	<b>100%</b>	<b>1025</b>	<b>100%</b>	<b>575</b>	<b>100%</b>	<b>90</b>	<b>100%</b>

Table (8.2B) shows the distribution of enterprises and employees by number of employees per enterprise and age groups of employees.

**Table (8.2B): Employees Age Groups in the Surveyed Sample**

No. of Employees	No. of Respondents	Total No. of Employees	From 15 to 24 years	From 25 to 44 years	from 45 to 64 years	years 65 and above
1	1239	1239	188	624	375	52
			57.5%	60.9%	65.2%	57.8%
2	379	759	68	202	90	19
			20.8%	19.7%	15.7%	21.1%
3	213	639	49	105	53	6
			15.0%	10.2%	9.2%	6.7%
4	58	232	9	30	16	3
			2.8%	2.9%	2.8%	3.3%
5	44	220	5	18	16	5
			1.5%	1.8%	2.8%	5.6%
6	26	156	4	15	6	1
			1.2%	1.5%	1.0%	1.1%
7	15	105	-	8	5	2
			-	0.8%	0.9%	2.2%
8	8	64	1	3	3	1
			0.3%	0.3%	0.5%	1.1%
9	3	27	-	2	1	-
			-	0.2%	0.2%	-
10	9	90	-	5	4	-
			-	0.5%	0.7%	-
11	6	66	-	3	3	-
			-	0.3%	0.5%	-
12	5	60	1	2	1	1
			0.3%	0.2%	0.2%	1.1%
13	2	26	-	-	2	-
			-	-	0.3%	-
14	1	14	-	1	-	-
			-	0.1%	-	-
15	2	30	-	2	-	-
			-	0.2%	-	-
17	1	17	-	1	-	-
			-	0.1%	-	-
20	3	60	1	2	-	-
			0.3%	0.2%	-	-
25	1	25	1	-	-	-
			0.3%	-	-	-
28	1	28	-	1	-	-
			-	0.1%	-	-
29	1	29	-	1	-	-
			-	0.1%	-	-
<b>Total</b>	<b>2017</b>	<b>3886</b>	<b>327</b>	<b>1025</b>	<b>575</b>	<b>90</b>
			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### 8.3 Business Activities

Business activities were distributed among service, commercial, and production activities. Table (8.3A) shows the distribution of enterprises by business activity and size of firm.

**Table (8.3A): Labor Force distribution based on Business Activities**

Business Activity	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Trade	567	28.1%	541	29.5%	20	13.0%	6	18.8%
Transportation and Storage	451	22.4%	448	24.4%	2	1.3%	1	3.1%
Construction	257	12.7%	206	11.3%	44	28.6%	7	21.9%
Agriculture and Fishery	187	9.3%	134	7.4%	46	29.9%	7	21.9%
Artisanal Work	115	5.7%	99	5.5%	14	9.1%	2	6.3%
Technical Professional	90	4.5%	88	4.8%	1	0.6%	1	3.1%
Hospitality	99	4.9%	84	4.5%	12	7.8%	3	9.4%
Automotive Repair and Maintenance	60	3.0%	57	3.2%	3	1.9%	-	-
Energy Supply	52	2.6%	49	2.7%	3	1.9%	-	-
Water Supply and Sanitation	31	1.5%	29	1.5%	2	1.3%	-	-
Others	108	5.30%	96	5.20%	7	4.50%	5	15.6%
<b>Total</b>	<b>2017</b>	<b>100.0%</b>	<b>1831</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>32</b>	<b>100%</b>

Segregated data of enterprises by business activity, governorate and size of firm are shown in (Table 8.3B).

**Table (8.3B): Labor Force Distribution Based on Enterprise Size in Relation to Business Activities**

Business Activities	Total		Baghdad			Nineveh			Basra		
	No.	%	Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium
Trade	567	28.1	288	9	2	117	6	2	136	5	2
Transportation and Storage	451	22.4	280	-	-	89	2		79	-	1
Construction	257	12.7	113	19	5	45	21	2	49	2	1
Agriculture and Fishery	187	9.3	83	27	7	43	15		8	4	-
Artisanal Work	115	5.7	46	2	-	30	6	1	24	6	-
Hospitality	99	4.9	47	3	1	24	4	1	13	5	1
Technical Professional	90	4.5	47	-	-	19	1		22	-	1
Automotive Repair and Maintenance	60	3.0	13	1	-	30	1	-	14	1	-
Energy Supply	52	2.6	26	1	-	18	2	-	5	-	-
Water Supply and Sanitation	31	1.5	18	1	-	8	1	-	3	-	-
Others	108	5.3	54	4	3	26	3	0	16	0	2
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1015</b>	<b>67</b>	<b>18</b>	<b>449</b>	<b>62</b>	<b>6</b>	<b>369</b>	<b>23</b>	<b>8</b>

## 8.4 Type of Positions in Enterprises

Of the total sample 2017 respondents, 723 respondents provided 988 responses about the type of positions they have in their enterprises (Tables 8-4B and 8-4C) as follows:

- Skilled and unskilled laborers, 363 Responses (36.7%)
- Sales, 178 Responses (18%)
- Management, 113 Responses (11.4%)
- Others, 157 Responses (15.9%)

The least prevalent position was HR with only 7 responses (0.7%), this reflects the dominance of the micro size enterprises (that does not need any organization management and planning) in the surveyed sample.

Within this context, "Accounting" and "Information Technology" were also among the least prevalent job positions, and their results were as follows:

- Accounting 33 Responses (3.3%)
- IT 12 Responses (1.2%)

These results reflect the weak institutions' financial planning and management and their insufficient awareness of the importance of IT support to business. The prevailing perception is that they do not require technology in their work.

The key job clusters are shown in table 8.4A.

**Table (8.4A): Types of Prevalent Jobs in Construction and Trade**

Business Activities	Type of Position	Total	No. of Responses	%
Construction	Skilled and Unskilled Laborers	363	115	31.6
Trade	Sales	178	133	74.7
	Marketing		53	29.7

Human resources, accounting and IT positions were among the least prevalent job positions in the in the survey sample.

**Table (8.4B): Type of Positions in Enterprises by Enterprise Size, Governorate, Gender and Enterprise Status (Multiple Responses)**

Positions	Total	Size Of Enterprises			Governorate			Gender		Enterprise Status	
		Micro	Small	Medium	Baghdad	Nineveh	Basra	Male	Female	Registered	Not Registered
Skilled & Unskilled Laborers (For technical/ industrial sectors)	363	252	96	15	168	134	61	359	4	86	277
	36.7%	37.7%	37.9%	22.7%	38.5%	37.6%	31.1%	37.8%	10.5%	29.8%	39.6%
Sales	178	147	24	7	62	55	61	164	14	44	134
	18.0%	22.0%	9.5%	10.6%	14.2%	15.4%	31.1%	17.3%	36.8%	15.2%	19.2%
Management	113	59	42	12	77	28	8	111	2	44	69
	11.4%	8.8%	16.6%	18.2%	17.7%	7.9%	4.1%	11.7%	5.3%	15.2%	9.9%
Marketing	78	54	16	8	18	40	20	73	5	27	51
	7.9%	8.1%	6.3%	12.1%	4.1%	11.2%	10.2%	7.7%	13.2%	9.3%	7.3%
Accounting	33	9	16	8	8	17	8	32	1	18	15
	3.3%	1.3%	6.3%	12.1%	1.8%	4.8%	4.1%	3.4%	2.6%	6.2%	2.1%
Specialized Staff (Designers, Machine Operators, Editors...)	28	21	4	3	8	9	11	27	1	13	15
	2.8%	3.1%	1.6%	4.5%	1.8%	2.5%	5.6%	2.8%	2.6%	4.5%	2.1%
Support Staff (Secretary, Office Boy...)	19	10	6	3	11	4	4	17	2	13	6
	1.9%	1.5%	2.4%	4.5%	2.5%	1.1%	2.0%	1.8%	5.3%	4.5%	0.9%
IT	12	8	2	2	4	5	3	12	-	4	8
	1.2%	1.2%	0.8%	3.0%	0.9%	1.4%	1.5%	1.3%	-	1.4%	1.1%
Human Resource	7	-	4	3	3	1	3	6	1	5	2
	0.7%	-	1.6%	4.5%	0.7%	0.3%	1.5%	0.6%	2.6%	1.7%	0.3%
Other	157	109	43	5	77	63	17	149	8	35	122
	15.9%	16.3%	17.0%	7.6%	17.7%	17.7%	8.7%	15.7%	21.1%	12.1%	17.5%
Total	988	669	253	66	436	356	196	950	38	289	699
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table (8.4C): Type of Positions in Enterprises by Business Activities (Multiple Responses)**

Positions	Total	Technical Professional	Agriculture and Fishery	Artisanal Work	Energy Supply	Water Supply and Sanitation	Construction	Trade	Transportation and Storage	Hospitality	Automotive Repair and Maintenance	Others
Skilled & Unskilled Laborers (For technical/ industrial sectors)	363	23	50	43	13	9	115	27	8	30	26	19
	36.7%	60.5%	33.3%	55.1%	46.4%	90.0%	73.2%	9.0%	20.5%	34.9%	63.4%	30.6%
Sales	178	2	6	6	2	-	1	133	2	19	2	5
	18.0%	5.3%	4.0%	7.7%	7.1%	-	0.6%	44.5%	5.1%	22.1%	4.9%	8.1%
Management	113	3	30	10	1	1	7	32	4	11	5	9
	11.4%	7.9%	20.0%	12.8%	3.6%	10.0%	4.5%	10.7%	10.3%	12.8%	12.2%	14.5%
Marketing	78	-	9	4	-	-	1	53	-	6	1	4
	7.9%	-	6.0%	5.1%	-	-	0.6%	17.7%	-	7.0%	2.4%	6.5%
Accounting	33	-	-	1	1	-	1	14	1	8	2	5
	3.3%	-	-	1.3%	3.6%	-	0.6%	4.7%	2.6%	9.3%	4.9%	8.1%
Specialized Staff (Designers, Machine Operators, Editors...)	28	3	1	9	5	-	1	5	-	1	1	2
	2.8%	7.9%	0.7%	11.5%	17.9%	-	0.6%	1.7%	-	1.2%	2.4%	3.2%
IT	12	1	-	-	-	-	1	5	-	1	1	3
	1.2%	2.6%	-	-	-	-	0.6%	1.7%	-	1.2%	2.4%	4.8%
Human Resource	19	-	1	1	-	-	1	2	7	1	-	6
	1.9%	-	0.7%	1.3%	-	-	0.6%	0.7%	17.9%	1.2%	-	9.7%
Human Resource	7	-	-	-	-	-	1	3	-	-	-	3
	0.7%	-	-	-	-	-	0.6%	1.0%	-	-	-	4.8%
Other	157	6	53	4	6	-	28	25	17	9	3	6
	15.9%	15.8%	35.3%	5.1%	21.4%	-	17.8%	8.4%	43.6%	10.5%	7.3%	9.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	988	38	150	78	28	10	157	299	39	86	41	11

## 8.5 Enterprises' Needed Positions and Sources of Employment

A high proportion of the respondents (42.1%) stated that "No position is Hard to Find", this is due to the nature of most enterprise business activities that do not need high technologies and specializations to carry out their work (Table 8.5 A).

It should be noted that 599 respondents (28.4%) stated that it is difficult to find skilled and unskilled laborers (for technical/ industrial sectors).

At the governorate level, the demand for "skilled and unskilled workers (for the technical/industrial sectors)" was higher in the governorates of Basra and Nineveh, and the answers were as follows:

- Baghdad Governorate (24.4%)
- Nineveh Governorate (34%)
- Basra Governorate (38.7%)

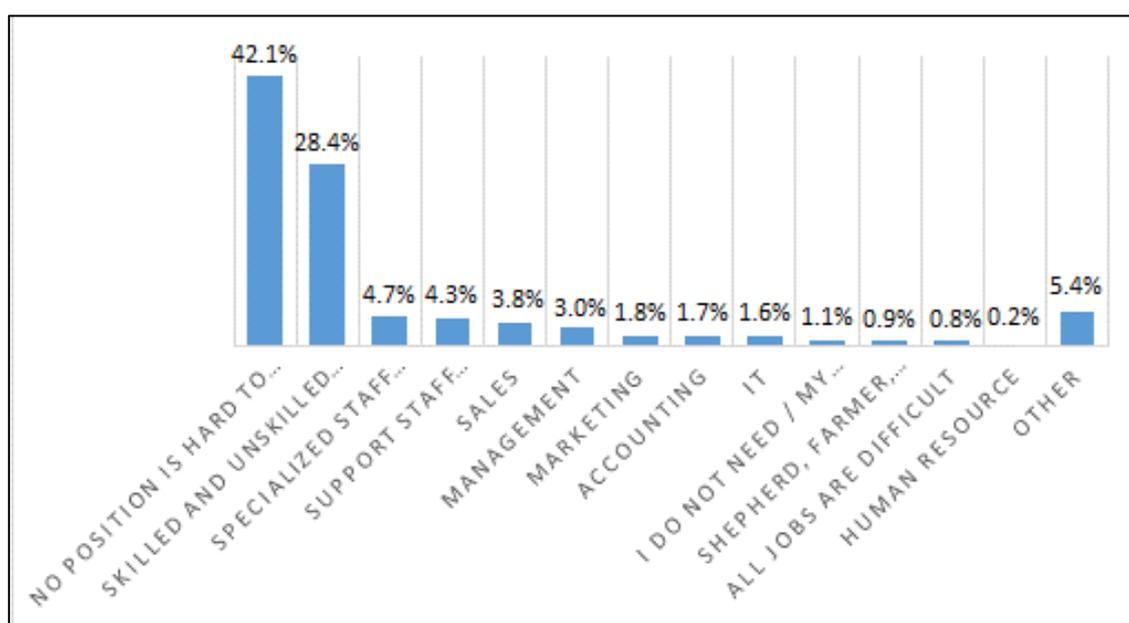
"Accounting" and "Information Technology" were among the least needed job positions, and their results were as follows:

- Human Resources (0.2%)
- IT (1.7%)
- Accounting (1.8%)

At the business activity level, business owners who are working in construction, 140 out of 262 responses (53.4%) and in wholesale trade, 131 responses out of 594 (22.1%) indicated that they find difficulties to find skilled labor (Table No. 8-5 B).

**Table (8.5A): Needed Positions by enterprise Size (Multiple Responses)**

Needed Positions Base	Total	Enterprise Size		
		Micro	Small	Medium
	<b>2107</b>	<b>1908</b>	<b>176</b>	<b>23</b>
No position is Hard to Find	888 42.1%	818 42.9%	60 34.1%	10 43.5%
Skilled and Unskilled Laborers (For technical/ industrial sectors)	599 28.4%	513 26.9%	78 44.3%	8 34.8%
Specialized Staff (Designers, Machine Operators, Editors...)	99 4.7%	84 4.4%	11 6.3%	4 17.4%
Support Staff (Secretary, Driver, Office Boy...)	91 4.3%	90 4.7%	1 0.6%	- -
Sales	81 3.8%	73 3.8%	7 4.0%	1 4.3%
Management	63 3.0%	59 3.1%	4 2.3%	- -
Marketing	38 1.8%	34 1.8%	4 2.3%	- -
Accounting	36 1.7%	33 1.7%	3 1.7%	- -
IT	34 1.6%	33 1.7%	1 0.6%	- -
I do not need / my work does not require employees (taxi driver)	23 1.1%	23 1.2%	- -	- -
Shepherd, farmer, butcher	20 0.9%	14 0.7%	6 3.4%	- -
All jobs are difficult	16 0.8%	16 0.8%	- -	- -
Human Resource	5 0.2%	4 0.2%	1 0.6%	- -
Other	114 5.4%	114 6%	- -	- -
<b>Total</b>	<b>2107</b> <b>100.0%</b>	<b>1908</b> <b>100.0%</b>	<b>176</b> <b>100.0%</b>	<b>23</b> <b>100.0%</b>



**Figure (8.5A): Needed Positions by enterprise Size**

**Table (8.5B): Needed Positions by Business Activities (Multiple Responses)**

Positions Needed	Total	Technical Professional	Agriculture and Fishery	Artisanal Work	Energy Supply	Water Supply and Sanitation	Construction	Trade	Transportation and Storage	Hospitality	Automotive Repair and Maintenance	Others
No position is Hard to Find	888	27	121	41	21	12	83	259	211	44	16	53
	42.1%	28.4%	63.4%	34.5%	33.9%	35.3%	31.7%	43.6%	45.4%	43.1%	25.4%	44.2%
Skilled and Unskilled Laborers (For technical/ industrial sectors)	599	41	31	52	22	13	140	131	92	28	30	19
	28.4%	43.2%	16.2%	43.7%	35.5%	38.2%	53.4%	22.1%	19.8%	27.5%	47.6%	15.8%
Specialized Staff (Designers, Machine Operators, Editors...)	99	6	9	11	6	2	12	18	9	8	8	10
	4.7%	6.3%	4.7%	9.2%	9.7%	5.9%	4.6%	3.0%	1.9%	7.8%	12.7%	8.3%
Support Staff (Secretary, Driver, Office Boy...)	91	1	6	1	1	1	-	3	73	-	1	4
	4.3%	1.1%	3.1%	0.8%	1.6%	2.9%	-	0.5%	15.7%	-	1.6%	3.3%
Sales	81	1	2	1	1	1	-	61	5	2	1	6
	3.8%	1.1%	1.0%	0.8%	1.6%	2.9%	-	10.3%	1.1%	2.0%	1.6%	5%
Management	63	3	-	2	2	-	6	20	20	2	-	8
	3.0%	3.2%	-	1.7%	3.2%	-	2.3%	3.4%	4.3%	2.0%	-	6.7%
Marketing	38	-	2	-	1	1	-	28	1	4	-	1
	1.8%	-	1.0%	-	1.6%	2.9%	-	4.7%	0.2%	3.9%	-	0.8%
Accounting	36	2	-	1	2	1	1	20	2	2	-	5
	1.7%	2.1%	-	0.8%	3.2%	2.9%	0.4%	3.4%	0.4%	2.0%	-	4.2%
IT	34	6	-	1	2	1	2	8	5	-	2	7
	1.6%	6.3%	-	0.8%	3.2%	2.9%	0.8%	1.3%	1.1%	-	3.2%	5.8%
I do not need / my work does not require employees (taxi driver)	23	1	3	1	-	-	-	9	4	3	2	-
	1.1%	1.1%	1.6%	0.8%	-	-	-	1.5%	0.9%	2.9%	3.2%	-

**Table (8.5B): Needed Positions by Business Activities (Multiple Responses) (Cont'd)**

<b>Positions Needed</b>	<b>Total</b>	<b>Technical Professional</b>	<b>Agriculture and Fishery</b>	<b>Artisanal Work</b>	<b>Energy Supply</b>	<b>Water Supply and Sanitation</b>	<b>Construction</b>	<b>Trade</b>	<b>Transportation and Storage</b>	<b>Hospitality</b>	<b>Automotive Repair and Maintenance</b>	<b>Others</b>
Shepherd, farmer, butcher	<b>20</b>	-	<b>14</b>	-	-	-	<b>1</b>	<b>1</b>	-	<b>4</b>	-	-
	<b>0.9%</b>	-	<b>7.3%</b>	-	-	-	<b>0.4%</b>	<b>0.2%</b>	-	<b>3.9%</b>	-	-
All jobs are difficult	<b>16</b>	<b>1</b>	<b>1</b>	-	-	-	<b>2</b>	<b>6</b>	<b>5</b>	-	-	<b>1</b>
	<b>0.8%</b>	<b>1.1%</b>	<b>0.5%</b>	-	-	-	<b>0.8%</b>	<b>1.0%</b>	<b>1.1%</b>	-	-	<b>0.8%</b>
Human Resource	<b>5</b>	-	-	-	<b>1</b>	<b>1</b>	-	-	<b>2</b>	-	<b>1</b>	-
	<b>0.2%</b>	-	-	-	<b>1.6%</b>	<b>2.9%</b>	-	-	<b>0.4%</b>	-	<b>1.6%</b>	-
Other	<b>114</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>15</b>	<b>30</b>	<b>36</b>	<b>5</b>	<b>2</b>	<b>6</b>
	<b>5.4%</b>	<b>6.4%</b>	<b>1%</b>	<b>6.7%</b>	<b>4.80%</b>	<b>2.90%</b>	<b>5.7%</b>	<b>5.1%</b>	<b>7.8%</b>	<b>4.9%</b>	<b>3.2%</b>	<b>5.1%</b>
<b>Total</b>	<b>2107</b>	<b>95</b>	<b>191</b>	<b>119</b>	<b>62</b>	<b>34</b>	<b>262</b>	<b>594</b>	<b>465</b>	<b>102</b>	<b>63</b>	<b>120</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Recruitment Channels

**778 respondents have provided 806 answers.** Pertaining to different recruitment channels used by enterprises to find employees (Table 8.5C). The data revealed that the majority of responses (77.5%) preferred “Personal Acquaintances and Referrals”. The results based on the enterprises size were distributed as follows:

- On the micro level,           **488 Responses**
- On the small level,           **121 Responses**
- On the medium level,       **16 Responses**

“Personal Acquaintances and Referrals” is an informal method of hiring, and does not have any cost on enterprises. It is a channel to get local people from the same industry who are ready to work for extended hours if required and useful in multitasking. Formal methods of hiring involve cost and time; which is an important constraint mainly for micro and small informal enterprises.

Employment agency and training institutions were the least chosen and the results were respectively 1% and 0.2%.

- Employment agency,           7 Responses (0.9%)
- Training institution,         2 Responses (0.2%)

The results of the survey showed a weakness in the role of employment agencies and training centers in providing manpower.

**Table (8.5C): Sources of Employment (Multiple Responses)**

Sources of Employment	No.	%
Personal acquaintances and referrals	625	77.5%
Unsolicited applications	56	6.9%
Advertisement (e.g. in newspapers)	39	4.8%
Neighborhood	34	4.2%
My work does not require employees	24	3.0%
Recruit from other enterprises	8	1.0%
Employment agency	7	0.9%
Training institution	2	0.2%
Others	11	1.4%
<b>Total</b>	<b>806</b>	<b>100%</b>

## 8.6 Staff Training

Of the total sample (2017 respondents), only 778 have responded to the question and provided 913 responses (Table 8.6A).

With regard to training areas needed to improve staff skills, the majority of responses stated that there is a need for practical professional skills (450 respondents) 49.3%, followed by work attitude with 253 respondents (32.5%).

Micro and small enterprises dominate the survey sample and they need skilled labor to carry out their work. Therefore the development of "practical professional skills" for workers in the field of their enterprises' activities is important for the sustainability and continuity of work. In addition, developing "Work Attitude (Behavioral Skills)", especially in the field of customer service and sales, is very important for the success of the daily tasks of employees in enterprises.

**Table (8.6A): Staff's Needed Skills (Multiple Answers)**

Needed Skills	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Practical Professional Skills	450	49.3%	320	46.2%	115	59.6%	15	53.6%
Work Attitude (Behavioral Skills)	253	27.7%	208	30.1%	44	22.8%	1	3.6%
Theoretical Know-How	127	13.9%	101	14.6%	21	10.9%	5	17.9%
Communication and Social Skills	45	4.9%	33	4.8%	9	4.7%	3	10.7%
Computer Literacy, IT, and Social Media	27	3.0%	23	3.3%	2	1.0%	2	7.1%
Language and Writing Skills	11	1.2%	7	1.0%	2	1.0%	2	7.1%
<b>Total</b>	<b>913</b>	<b>100%</b>	<b>692</b>	<b>100%</b>	<b>193</b>	<b>100%</b>	<b>28</b>	<b>100%</b>

It should be noted that all business activities covered in the survey identified “**practical professional skills**” as the most needed area for training their staff followed by “**work attitude**” and the results were concentrated as follows (table 8.6B).

**Table (8.6B): Staff's Training Needs by Business Activities (Multiple Responses)**

Skills needed for Training	Total	Technical Professional	Agriculture and Fishery	Artisanal Work	Energy Supply	Water Supply and Sanitation	Construction	Trade	Transportation and Storage	Hospitality	Automotive Repair and Maintenance	Others
Practical Professional Skills	450	23	84	42	18	7	108	69	19	29	26	25
	49.3%	59.0%	71.2%	68.9%	60.0%	46.7%	63.9%	27.3%	40.4%	40.8%	61.9%	36.8%
Work Attitude	253	6	16	13	6	5	39	105	12	26	8	17
	27.7%	15.4%	13.6%	21.3%	20.0%	33.3%	23.1%	41.5%	25.5%	36.6%	19.0%	25.0%
Theoretical Know-How	127	7	16	4	4	3	17	43	11	11	4	7
	13.9%	17.9%	13.6%	6.6%	13.3%	20.0%	10.1%	17.0%	23.4%	15.5%	9.5%	10.3%
Communication and Social Skills	45	1	1	2	2	-	3	18	4	5	2	7
	4.9%	2.6%	0.8%	3.3%	6.7%	-	1.8%	7.1%	8.5%	7.0%	4.8%	10.3%
E. Computer literacy, IT, and Social Media	27	2	1	-	-	-	1	13	1	-	2	7
	3.0%	5.1%	0.8%	-	-	-	0.6%	5.1%	2.1%	-	4.8%	10.3%
Language and Writing Skills	11	-	-	-	-	-	1	5	-	-	-	5
	1.2%	-	-	-	-	-	0.6%	2.0%	-	-	-	7.4%
Total	913	39	118	61	30	15	169	253	47	71	42	68
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

## Training by Medium Size Enterprises

The question pertaining to provision of training was directed to **medium size enterprises with 10 to 29 employees**. Of the total of 32 Medium size enterprises in the sample, only 23 enterprises have responded to the questions related to training. Therefore the following results should be read as qualitative information rather than as statistical data.

### Training Program Provision

With regard to provision of training program the results were as follows:

- **6 Respondents stated that the enterprise provide training programs**
- **17 Respondents stated that the enterprise does not provide any training**

Despite understanding the need for training to develop and improve the enterprises staff's knowledge and skills (As identified in question B 11) the majority of enterprises in the sample did not provide any training programs. Maybe, because enterprises are not able to afford the cost of training or the cost of training is not directly visible in terms of returns on immediate bases.

### Awareness of Technical Vocational Education and Training System (TVET)

In relation to (TVET), the question also was directed to medium size enterprises and the answers were as follows:

- |   |             |
|---|-------------|
| ▪ Know it well                          | 8 Responses |
| ▪ Never Heard of It                     | 8 responses |
| ▪ Heard about it but do not know enough | 4 Responses |
| ▪ Know about but not fully              | 3 Responses |

## 8.7 Enterprises' Organization and Management

### Organization Structure

15 respondents stated that they **do not have an organization chart for their enterprise**. Only 8 respondents stated that they have one.

Though the responded enterprises were medium size formal enterprises (registered at least in one entity) they still have no organizational planning. This may be because most enterprises are family businesses.

### Human Resources Management Systems

14 respondents stated that there is no job description for their employees. Only 9 respondents had job descriptions for their employees.

The result showed that most enterprises may have weak or no HR department to manage their staff. Capacity building and training at the level of the firm will, therefore, be a strategic MSME support thrust.

## 9. INNOVATION AND TECHNOLOGY

The technology section attempts to give an indication of the technological channels and the frequency of use and dependency, via the following tabulations;

- Channel and Frequency of use.
- E-commerce.
- Technology Innovation.
- Technology Dependency.

### 9.1 Frequency of Digital Usage

The survey showed a weak use of technology by enterprises (Tables 9.1 A and 9.1B) as follows:

- About 76% of the total MSMEs surveyed did not use the 'internet' for their business needs.
- Approximately 72% did not use 'social media' for their business needs.
- Approximately 94% of MSMEs did not use 'E-Commerce' or a 'Website'.
- The predominant reliance of any technology among the total surveyed was in 'mobile technology'. 40% of MSME's depended on mobile phone use for their daily business functions. This number expands to 68% when including 'time to time' use. The remaining 32% is 'rare to no usage'. (Tables 9.1 C and 9.1 D)

It is noted that the percentage of utilization rises with the increase of the enterprises size. At the governorate level, Basra had the highest usage of the Internet and social media, followed by Nineveh. Nineveh had the highest usage of mobile phone, followed by Basra. As for e-commerce, Baghdad was slightly higher, and all governorates were equal in their websites usage rate (Table 9-1 E).

**Table (9.1 A): Frequency of Internet Usage by MSME**

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	190	9.4%	163	8.9%	19	12.3%	8	25.0%
from time to time	190	9.4%	173	9.4%	15	9.7%	2	6.3%
rarely	110	5.5%	97	5.3%	10	6.5%	3	9.4%
not at all	1527	75.7%	1398	76.3%	110	71.5%	19	59.3%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>32</b>	<b>100%</b>

**Table (9.1 B): Frequency of Social Media Usage by MSME**

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	194	9.6%	161	8.8%	23	14.9%	10	31.2%
from time to time	261	12.9%	228	12.5%	30	19.5%	3	9.4%
rarely	119	5.9%	107	5.8%	9	5.8%	3	9.4%
not at all	1443	71.5%	1335	72.9%	92	59.8%	16	50.0%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>32</b>	<b>100%</b>

**Table (9.1 C): Frequency of E-Commerce Usage by MSME**

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	39	1.9%	35	1.9%	3	1.9%	1	3.1%
from time to time	38	1.2%	35	1.9%	1	0.6%	2	6.3%
rarely	41	2.0%	38	2.1%	3	1.9%	-	0.00%
not at all	1899	94.2%	1723	94.1%	147	95.5%	29	90.6%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>32</b>	<b>100%</b>

**Table (9.1 D): Frequency of Mobile Phone Usage by MSME**

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	807	40.0%	717	39.2%	96	44.8%	32	65.6%
from time to time	568	28.2%	511	27.9%	51	33.1%	6	18.8%
rarely	159	7.9%	151	8.2%	7	4.5%	1	3.1%
not at all	483	23.9%	452	24.7%	27	17.5%	4	12.5%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>32</b>	<b>100%</b>

**Table (9.1 E): Frequency of E-Website Usage by MSME**

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	40	2.0%	33	1.8%	5	3.2%	2	6.3%
from time to time	25	1.2%	20	1.1%	3	1.9%	2	6.3%
rarely	44	2.2%	42	2.3%	1	0.6%	1	3.1%
not at all	1908	94.6%	1736	94.8%	145	94.2%	27	84.4%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>154</b>	<b>100%</b>	<b>32</b>	<b>100%</b>

It is clear that the general perception of enterprises is not fully mature in the use of technology. 1,461 respondents in the sample survey indicated that they either did not need it, or it did not add any value to their business, or they did not know how to use it (Table 9.1F).

The main reasons for low use of digital channels in MSMEs', except for mobile phones are;

- 63.2% of enterprises do not need digital channels in their marketing operations
- 10.6% of enterprises have difficulty using digital channels

**Table (9.1 F): Reasons Given for Low Frequency Usage by MSME (choose one or more reasons)**

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
My work does not require advertising	1284	63.2	1157	62.8	108	69.2	19	57.6
Difficult to use	215	10.6	207	11.2	6	3.8	2	6.1
My phone is old	150	7.4	136	7.4	12	7.7	2	6.1
I don't like to use it	65	3.2	59	3.2	4	2.6	2	6.1
I don't have time	49	2.4	44	2.4	4	2.6	1	3.0
There is no internet coverage	38	1.9	32	1.7	5	3.2	1	3.0
Other	231	11.4	208	11.3	17	10.9	6	18.2
<b>Total</b>	<b>2032</b>	<b>100</b>	<b>1843</b>	<b>100</b>	<b>156</b>	<b>100</b>	<b>33</b>	<b>100</b>

## 9.2 E-Commerce

The usage of the Internet and e-commerce is very low (with only 77 enterprises from 2017 using e-commerce). 9.4% of all MSMEs said they use the Internet on a daily basis, and only 3.8% of them are engaged in e-commerce.

For the 77 MSMEs engaged in e-commerce, 40 of them have their own portal/ platform (21 are formal, 56 are informal). The distribution of the enterprise by type was: 70 Micro, 4 Small, and 3 Medium enterprises.

In terms of innovation, there was 533 respondents; 25% of which relied on new innovations and 19% on new technologies.

It is noted that the percentage of revenues related to the use of e-commerce increases with the size of the MSMEs (at the governorate level, Basra was the highest in this regard).

**Table (9.2 A): E-Commerce Users and Portals**

Portal Type	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Yes, my portal	28	61.5	24	34.3	3	75	1	33.3
No, in another portal	49	38.4	46	65.7	1	25	2	66.7
<b>Total</b>	<b>77</b>	<b>100%</b>	<b>70</b>	<b>100%</b>	<b>4</b>	<b>100%</b>	<b>3</b>	<b>100%</b>

**Table (9.2 B): E-Commerce Users Revenue through portal**

Percentage	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
75-100%	5	6.5	5	7.1	-	0	-	0
50-75%	8	10.4	7	10.0	-	0	1	33.3
25-50%	20	26.0	16	22.9	2	50	2	66.6
10-25%	24	31.2	22	31.4	2	50	-	0
less than 10%	10	13.0	10	14.3	-	0	-	0
None	10	13.0	10	14.3	-	0	-	0
<b>Total</b>	<b>77</b>	<b>100%</b>	<b>70</b>	<b>100%</b>	<b>4</b>	<b>100%</b>	<b>3</b>	<b>100%</b>

### 9.3 Level of Technology and Innovation

Of the 533 MSMEs who responded to advanced questions on the level of digital technology and innovation, and degree of dependence on new technology. The main findings indicated;

- 133 MSMEs depended on new innovations.
- 100 Depended on new technologies.
- 167 Depended on R&D.

The main business sectors of these MSMEs was;

1. Trade.
2. Construction.
3. Technical Professionals.
4. Artisanal work.
5. Transportation and storage.

Tables (9-3 A) to (9-3 F) show the extent to which MSMEs rely on the use of digital technology, research, market analysis and innovation, and on research and development.

Focusing on new technologies and innovation we discover that usage remains low as part of the 533 respondents and lower still when imposed on the total sample (2,017), for example; with new technologies 100 MSMEs dependent on them 'very often' out of 533 (19% of sample) or 4.9% of the total 2,017 survey sample. Likewise with new innovations 133 MSMEs dependent on them 'very often' out of 533 (25% of sample) or 6.5% of total survey sample.

In general, the reliance on technology, research and innovation increases with the size of MSMEs, with reservations here about the number of answers for enterprises whose number in the sample was limited. As for the governorates, there is no noticeable discrepancy.

**Table (9.3 A): Level of Advancement in Usage of Digital Technology Compared to Competition**

Level	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
very advanced	61	11.4%	46	10.0%	11	19.0%	4	28.6%
advanced a little	92	17.3%	80	17.4%	11	19.0%	1	7.1%
at par	241	45.2%	209	45.3%	27	46.6%	5	35.7%
a little behind	76	14.3%	67	14.5%	6	10.3%	3	21.4%
well behind	63	11.8%	59	12.8%	3	5.2%	1	7.1%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>461</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

**Table (9.3 B): Dependency on New Technology**

Dependency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
do not depend at all	208	39.0%	188	40.8%	17	29.3%	3	21.4%
rarely depend	98	18.4%	84	18.2%	11	19.0%	3	21.4%
occasionally depend	127	23.8%	108	23.4%	15	25.9%	4	28.6%
depend very often	100	18.8%	81	17.6%	15	25.9%	4	28.6%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>461</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

**Table (9.3 C): Dependency on Research and Data Analysis**

Dependency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
do not depend at all	309	58.0%	277	60.1%	23	39.7%	9	64.3%
rarely depend	87	16.3%	75	16.3%	11	19.0%	1	7.1%
occasionally depend	83	15.6%	68	14.8%	13	22.4%	2	14.3%
depend very often	54	10.1%	41	8.9%	11	19.0%	2	14.3%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>461</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

**Table (9.3 D): Dependency on Competitors Analysis**

Dependency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
do not depend at all	253	47.5%	225	48.8%	23	39.7%	5	35.7%
rarely depend	84	15.8%	73	15.8%	11	19.0%	-	0.0%
occasionally depend	126	23.6%	103	22.3%	16	27.6%	7	50.0%
depend very often	70	13.1%	60	13.0%	8	13.8%	2	14.3%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>461</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

**Table (9.3 E): Dependency on New Innovations**

Dependency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
do not depend at all	168	31.5%	154	33.4%	11	19.0%	3	21.4%
rarely depend	69	12.9%	60	13.0%	8	13.8%	1	7.1%
occasionally depend	163	30.6%	137	29.7%	19	32.8%	7	50.0%
depend very often	133	25.0%	110	23.9%	20	34.5%	3	21.4%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>461</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

**Table (9.3 F): Dependency on R & D**

Dependency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
do not depend at all	173	32.5%	156	33.8%	13	22.4%	4	28.6%
rarely depend	58	10.9%	48	10.4%	8	13.8%	2	14.3%
occasionally depend	135	25.3%	112	24.3%	19	32.8%	4	28.6%
depend very often	167	31.3%	145	31.5%	18	31.0%	4	28.6%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>461</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

The level of awareness of MSMEs in the field of technology and innovation is currently limited except for the use of mobile phones. Therefore, this will be the starting point for empowering enterprises through smartphone applications, as this will be the fastest and most impactful way to connect with and empower the sector. Applications covering areas such as finance, sales and support for MSMEs will be the best basis to start, after which they can be developed through the use of technologies and other innovations.

## 10. MSMES AND GLOBALIZATION

The MSMEs and globalization component aims to give an indication of the market placement of the MSME sector, in terms of sales activity, via the following tabulations;

- Sales percentages.
- Sales region.
- Exportation.

The MSME sector is highly dependent on the Iraq market with 99% of sales being transacted locally. Additionally, MSME owners do not view the export market as a priority or a necessity (with 95% having no plans to export). This suggests that a high number of MSMEs depend on the immediate market in their area as their point of sale.

The need to create channels that allow MSMEs to connect and cultivate potential markets must be a strategic priority, since only with sustainable revenue and prospects of increased profits will the MSME sector be able to survive, evolve and formalize.

### 10.1 Sales Distribution and Regions

The following tables (10-1 A and 10-1 B) shows that 99% of MSMEs sell in the local market, and that 95% of enterprises have no plans to export their products or services abroad. There is no discrepancy in these results at the governorate level or any of the other variables.

**Table (10.1 A): Percentage % of Sales Made Locally**

Sales (%)	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
100%	1996	98.96	1811	98.9%	154	100	31	96.9
98%	1	0.05	1	0.1	-	-	-	0
84%	1	0.05	1	0.1	-	-	-	0
50%	2	0.1	1	0.1	-	-	1	3.1
40%	2	0.1	2	0.1	-	-	-	0
30%	7	0.35	7	0.4	-	-	-	0
20%	6	0.3	6	0.3	-	-	-	0
0%	2	0.1	2	0.1	-	-	-	0
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (10.1 B): MSMEs Export Prioritization**

Export Priority	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Do not plan to export	1907	94.54	1743	96.25	138	86.91	26	83.87
I had plans to export but did not work	50	2.51	40	2.21	8	5.19	2	6.45
I have plans to export	39	1.95	28	1.55	8	5.19	3	9.68
<b>Total</b>	<b>1996</b>	<b>100%</b>	<b>1811</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>31</b>	<b>100</b>

**Note: 21 institutions did not provide answers on their exports**

**Table (10.1 C): Percentage % of Sales Made with Bordering/Neighboring Countries**

Sales (%)	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
0%	1998	99.06	1812	98.96	154	100	32	100
20%	3	0.15	3	0.16	-	0	-	0
30%	3	0.15	3	0.16	-	0	-	0
40%	7	0.35	7	0.38	-	0	-	0
50%	2	0.1	2	0.11	-	0	-	0
100%	1	0.05	1	0.05	-	0	-	0
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (10.1 D): Percentage of Sales Made with Foreign Countries (not bordering)**

Sales (%)	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
0%	2002	99.3%	1816	99.2%	154	100	32	100
20%	1	0.0%	1	0.1%	-	0	-	0
30%	5	0.2%	5	0.3%	-	0	-	0
40%	4	0.2%	4	0.2%	-	0	-	0
50%	4	0.2%	4	0.2%	-	0	-	0
100%	1	0.0%	1	0.1%	-	0	-	0
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

## 10.2 Exportation

The following tables (10-2A and 10-2B) show the reasons that prevent enterprises from exporting. The results were as follows:

- 43% of respondents indicated that their product or services are not permitted for exportation.
- 27% did not consider exportation at all (this percentage came to 35% in Basra Governorate, 32% in Baghdad, and 15% in Nineveh).
- 6% indicated that they lacked the financial means in order to export (this percentage came to 11% in Nineveh Governorate, 6% in Basra, and 4.5% in Baghdad).
- 97% stated they had no direct business relations with non-Iraqi companies or suppliers.

The following are a list of products that are banned from exportation:

### A. Manufacturing and minerals

1. Waste metal.
2. Used batteries.
3. Mineral ore waste.
4. Kaolin.

5. Bentonite.
6. Iron ore.
7. Salt.
8. Bauxite.
9. Flinty clay.
10. Feldspar sand.

#### B. Agricultural Products

1. Amber rice.
2. Animal products apart from leather.
3. Fish and poultry.
4. Goats and lambs.
5. Cows, buffaloes and camels.
6. Arabian horses.

*Source: Republic of Iraq - Ministry of Finance / General Customs Authority (November 2015)*

**Table (10.2 A): Reasons for not Exporting (Multiple answers)**

Reason	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
the type of products and services does not permit exporting	894	42.9	810	42.8	68	41.4	16	50
I didn't think about exporting	561	26.9	526	27.8	31	18.9	4	12.4
Product all sold locally (not enough for export)	186	8.9	159	8.4	22	13.4	5	15.6
the local market is enough for my work	182	8.7	160	8.5	29	11.6	3	9.4
Requires financial means	133	6.4	120	6.4	11	6.7	2	6.3
I do not know how	89	4.3	83	4.4	6	3.7	-	0
The government does not support my product	23	1.1	15	0.8	6	3.7	2	6.3
My language skills do not permit me	10	0.5	10	0.5	-	0	-	0
I exported in the past and had bad experience	1	0	1	0.1	-	0	-	0
Other	6	0.3	5	0.3	1	0.6	-	0
<b>Total</b>	<b>2,085</b>	<b>100</b>	<b>1889</b>	<b>100</b>	<b>164</b>	<b>100</b>	<b>32</b>	<b>100</b>

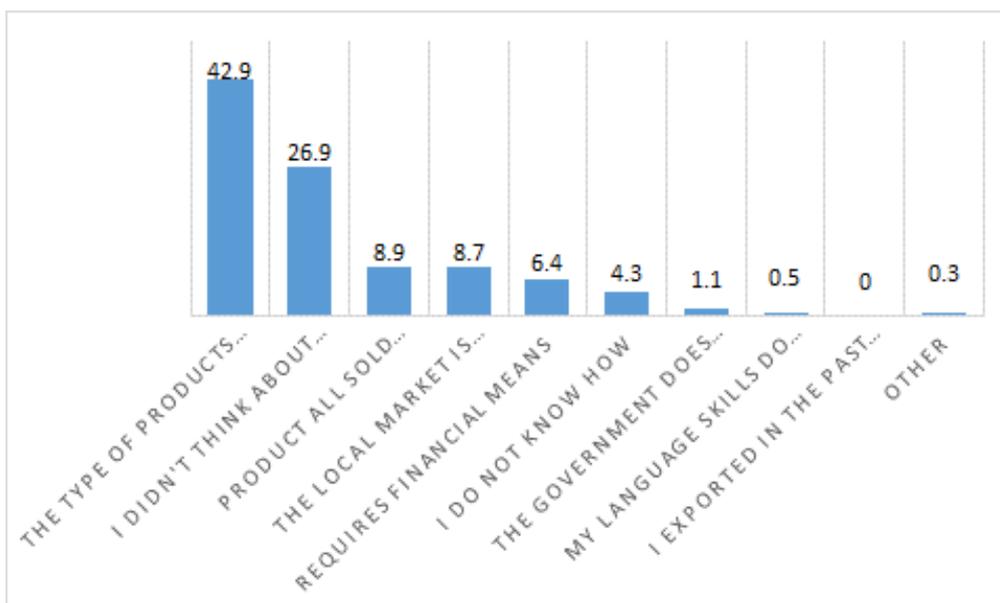


Figure (10.2 A): Reasons for not Exporting

Table (10.2 B): Business Relations with Non-Iraqi Companies

Type of Relation	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
None	1950	96.7	1774	96.9	149	96.8	27	84.4
import of goods/services	36	1.8	30	1.6	3	1.9	3	9.4
Purchase of raw materials	15	0.7	14	0.8	-	0	1	3.1
Software, technology	4	0.2	4	0.2	-	0	-	0
website hosting, emails, and alike	2	0.1	2	0.1	-	0	-	0
Other	10	0.5	7	0.4	2	1.3	1	3.1
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

Overwhelmingly, MSMEs depend highly on business relations within Iraq (97%). Only 57 are engaged in business with non-Iraqi companies.

In 2019 Iraq was ranked as the no. 48 economy in the world in terms of GDP (current US\$), no. 40 in total exports, no. 52 in total imports, and no. 100 economy in terms of GDP per capita (current US\$) and no. 97 most complex economy according to the Economic Complexity Index (ECI). Iraq is one of the least diversified exporters in the world. In 2018, only 4.1% of Iraq's exports consisted of non-oil items.

**Top exports being:** Crude Oil (\$73.8 bn), Refined Petroleum (\$4.29 bn), Gold (2.4\$ bn), Fruits (\$358 mn), and Petroleum Coke (\$357 mn).

**Top imports being:** Refined Petroleum (\$3.86 bn), Broadcasting Equipment (\$3.25 bn), Cars (\$2.52 bn), Jewelry (\$2.51 bn), Rolled tobacco (\$1.28 bn).

## 11. NETWORKING, PARTNERSHIPS AND LOCAL CLUSTERS

This section contains results related to professional networking, partnerships and local clusters that enhance access to market information, business development, technology development and innovation in various industries and services.

Although there is relatively low overall activity in this area, the data has shown some positive foundations that can be built on in future strategic plans.

Specific to these, the data that could be captured found 68 MSMEs have identified themselves as being engaged with 'service providers', 50 MSMEs are engaged with enterprises in the same domain, and 12 MSMEs have cooperation or collaboration with academic or research institutions.

The emergence of these 'clusters / networks' shows that there is a potentially positive business environment that can be strategically established through 'business development services' to benefit MSMEs. This is shown in the value that current MSMEs have identified from being part of these 'clusters / networks';

- a) Benefits towards Marketing/ Promotion.
- b) Gaining of Increased knowledge.
- c) Increased sales contacts.

The sectors identified as benefiting most have been;

- 1) Trade.
- 2) Transportation and storage.
- 3) Agriculture and fisheries.
- 4) Hospitality.
- 5) Artisanal work.

The emergence of Iraqi MSME 'cluster/ network' would benefit from planning a three part scale in future initiatives:

<b>Level</b>	<b>Network</b>	<b>Cluster</b>
<i>Emergence</i>	Exchange of goods / services in a small geographic area	Proximity of enterprise with common business interests
<i>Establishment</i>	Organized cooperation through an official entity	Organized exchange of information for mutual advantages / benefits
<i>Maturity</i>	Cooperation and exchange of knowledge for common needs of network	Collaboration and planning for clusters future requirements

## 11.1 Business Association Networking

MSMEs were asked to identify if their business was part of a cluster; 86% stated that they were not connected to any networks and partnerships, and the remaining percentages were as follows (Table 11.1 A):

- Geographical Cluster: 5% (2.5% Baghdad, 6.7% Basra, and 8.7% Nineveh)
- Industrial district or economic zone: 3.6% (3.5% Baghdad, 2% Basra, and 5% Nineveh)

**Table (11.1 A): Type of Business Networking**

Type of Networking	Total		Micro		Small		Medium	
	No.	100%	No.	100%	No.	100%	No.	100%
None	1759	86.1	1606	86.5	127	82.5	26	78.8
Geographical cluster	99	4.8	89	4.8	8	5.2	2	6.1
Industrial district or economic zone	72	3.5	64	3.4	5	3.2	3	9.1
Local association of your sector of activity	66	3.2	54	2.9	11	7.1	1	3
Networking portal	41	2	38	2	2	1.3	1	3
Other	6	0.3	5	0.3	1	0.6	0	0
<b>Total</b>	<b>2043</b>	<b>100</b>	<b>1856</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>33</b>	<b>100</b>

## 11.2 Incentives for Business Association and Networking

The main business benefits for enterprises in having a membership, has been defined as follows (Table 11.2 A):

- Marketing / Promotion 25%, with Nineveh having the highest percentage, followed by Baghdad and then Basra.
- Increased know-how 15%, with Nineveh having the highest percentage, followed by Baghdad and then Basra.
- None 33%, with Basra the highest percentage, followed by Baghdad and then Nineveh.

**Table (11.2 A): Incentives of Business Association and Networking**

Incentives	Total		Micro		Small		Medium	
	No.	100%	No.	100%	No.	100%	No.	100%
No incentives	104	32.7	92	33.5	12	37.5	-	0
Marketing / Promotion	78	24.5	71	25.8	5	15.6	2	18.2
Increased know-how	48	15.1	37	13.5	7	21.9	4	36.4
Sales contacts	24	7.5	20	7.3	2	6.3	2	18.2
Access to finance	19	6	16	5.8	2	6.3	1	9.1
Elevate the value of the industry	15	4.7	13	4.7	1	3.1	1	9.1
Logistical facilities	9	2.8	7	2.5	1	3.1	1	9.1
Other	21	6.6	19	7	2	6.2	0	0
<b>Total</b>	<b>318</b>	<b>100</b>	<b>275</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>11</b>	<b>100</b>

- The sectors that benefit most from incentives are: Trade, transportation and storage, and Agriculture and fishery. (Table 11-2 B)
- The benefits being in marketing/Promotion, sales, and increased knowledge.

**Table (11.2 B): Incentives benefited from by MSMEs through Business Association and Networking**

Incentives	Total	Technical Professional	Agriculture and Fishery	Artisanal Work	Energy Supply	Construction	Trade	Transportation and Storage	Hospitality	Automotive Repair and Maintenance	Other
Sales contacts	42	1	5	-	-	1	8	4	1	-	22
Elevate the value of the industry	30	-	2	1	1	1	2	2	2	3	16
Increased know-how	88	1	8	3	2	5	12	8	3	1	45
Marketing / Promotion	148	1	10	3	-	5	33	11	6	3	76
Access to finance	36	1	4	2	1	1	7	2	-	-	18
Networking	10	-	-	2	-	1	-	1	1	-	5
Logistical facilities	18	-	-	1	1	-	1	6	-	-	9
<b>Total</b>	<b>372</b>	<b>4</b>	<b>29</b>	<b>12</b>	<b>5</b>	<b>14</b>	<b>63</b>	<b>34</b>	<b>13</b>	<b>7</b>	<b>191</b>

### 11.3 Collaboration

When asking MSMES about their cooperation and collaborations, the main answers were as follows (Table 11.3 A)

- There is no collaboration: 48% (with Basra the highest percentage, followed by Baghdad and then Nineveh.)
- With service providers: 25% (with Nineveh the highest percentage, followed by Baghdad and then Basra.)
- With other entities in the business domain: 18% (with Baghdad the highest percentage, followed by Nineveh and then Basra.)

**Table (11.3 A): MSMES cooperation and collaboration**

Cooperation and Collaboration	Total		Micro		Small		Medium	
	No.	100%	No.	100%	No.	100%	No.	100%
There is no collaboration	131	48.2	122	51.9	8	26.7	1	14.3
Service providers	68	25	54	23.0	10	33.3	4	57.1
Other entities in your business domain	50	18.4	40	17.0	9	30	1	14.3
University	5	1.8	4	1.7	1	3.3	0	0
Technology institution	5	1.8	4	1.7	0	0	1	14.3
Research center	2	0.7	2	0.9	0	0	0	0
Other	11	4	9	3.8	2	6.7	0	0
<b>Total</b>	<b>272</b>	<b>100</b>	<b>235</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>7</b>	<b>100</b>

The table (11-3 B) shows the Cooperation and coordination between institutions and relevant authorities according to commercial activity.

- The most collaboration is found in the following sector: Trade, Transportation and Storage, and Agriculture and fishery.
- The type of collaboration is mostly with service providers and similar enterprises.

**Table (11.3 B): Cooperation and collaboration of MSMEs by sector**

Cooperation and Collaboration	Technical Professional	Agriculture and Fishery	Artisanal Work	Energy Supply	Water Supply and Sanitation	Construction	Trade	Transportation and Storage	Hospitality	Automotive Repair and Maintenance	Other
Other entities in your business domain	50	59	42	33	34	46	27	33	25	50	50
University	-	-	8	-	11	3	4	-	-	-	-
Research center	-	12	-	-	-	-	-	-	-	-	-
Technology institution	50	-	-	-	11	3	-	-	-	-	50
Service providers	-	29	50	67	44	48	69	67	75	50	-
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## 12. WOMEN ENTREPRENEURS & WOMEN OWNED BUSINESSES

The total number of woman in the survey was 102 (out of 2017), distributed as;

- Micro enterprises 98
- Small enterprises 4

Women led enterprises in Iraq have been a minority in MSME's compared to men and work mainly in the informal economy (formal 6, informal 96). This is apparent in the ILO – UNOPS 2011 survey of 4000 MSME's were only 3% where women owned enterprises, and in the ILO – UNOPS 2012 survey of 533 MSME's where only 5.6% were women owned enterprises.

The current 2020 survey shows that women are still a minority in MSME ownership constituting only 5%.

### 12.1 Characteristics of Women Owned Businesses

#### Level of Difficulty in setting up business

60% of the respondents stated that the level of difficulty they face when establishing a new project is higher compared to the projects owned by males (there is no significant variation at the level of the three governorates). The results are shown in Table (12.1 A) below:

**Table (12.1 A): Table Women Entrepreneur Business Set Up**

Level of Difficulty	
More difficult	61
Easier	23
Similar	18
<b>Total</b>	<b>102</b>

### 12.2 Distribution of enterprises in Relation to Business Activities

The results reflect unfavorable business environment for women in general comparing to men (Table 12.2 A).

The majority of respondents are concentrated in the informal enterprises as follows:

- Informal (not registered at all) enterprises 96 respondents (94%)
- Formal (registered at least once) enterprises 6 respondents (6%)

**Table (12.2 A): Table Women Entrepreneur Business Set Up in Relation to Business Activities**

Level of Difficulty	Total	Trade	Artisanal Work	Technical Professional	Hospitality	Others
More difficult	61	28	12	5	5	11
	59.8%	57.1%	80.0%	50.0%	50.0%	61.0%
Easier	32	11	3	3	4	11
	22.5%	22.4%	20.0%	30.0%	40.0%	25.0%
Similar	41	10	-	2	1	28
	17.6%	20.4%	-	20.0%	10.0%	50.0%
Total	134	49	15	10	10	50
	%100	%100	%100	%100	%100	%100

### 12.3 Women Entrepreneurs Preferred Business Function

With regard to business function, the distribution among woman was as such;

**Table (12.3 A): Women Preferred Business Function (Multiple Responses)**

Function	No.	%
Skilled and Unskilled Laborers (For technical/industrial sectors)	37	36.3
Marketing	18	17.6
Sales	13	12.7
Management	12	11.8
Support Staff (Secretary, Driver, Office Boy...)	10	9.8
Specialized Staff (Designers, Machine Operators, Editors...)	9	8.8
Accounting	8	7.8
Other	33	32.30
<b>Total</b>	<b>140</b>	<b>100.0%</b>

The responses in relation to businesses activities were concentrated as follows (table 12.3 B).

- Technical Professional (15 respondents)
- Artisanal Work (20 respondents)
- Trade (70 respondents)
- Hospitality (11 respondents)
- Other (24 respondents)

**Table (12.3 B): Women Preferred Business Function in Relation to Business Activities  
(Multiple Responses)**

Business Function	Total	Technical Professional (hairdresser, technician,..)	Artisanal Work	Trade	Hospitality	Other
Skilled and Unskilled Laborers (For technical/ industrial sectors)	37 26.4%	7	7	17	3	3
Sales	18 12.9%	2	1	12	2	1
Marketing	13 9.2%	1	1	9	-	2
Management	12 8.5%	1	1	5	-	5
Support Staff (Secretary, Driver, Office Boy...)	10 7.1%	2	1	5	1	1
Specialized Staff (Designers, Machine Operators, Editors...)	9 6.4%	1	1	5	-	2
Accounting	8 5.7%	-	3	2	-	3
She would be better taking care of the house	6 4.23%	-	1	5	-	-
Other	27 19.1%	1	4	10	5	7
<b>Total</b>	<b>140</b>	<b>15</b>	<b>20</b>	<b>70</b>	<b>11</b>	<b>24</b>

#### 12.4 Access to Formal Financing (Banks and MFIs)

The majority of surveyed women/ women entrepreneurs stated that access to formal financing (banks and MFIs) is more difficult for them than for men, 51 respondents (50%), and were concentrated in Micro size enterprises.

However, 32 respondents (31.4%) stated access as equal and 19 respondents (18.6%) stated that it is easier than for men (Table 12.4 A).

**Table (12.4A): Women Entrepreneur Access to Formal Financing**

Difficulty level	No.	%
More difficult for women than men	51	50
Equal	32	31.4
Easier for women than for men	19	18.6
<b>Total</b>	<b>102</b>	<b>100</b>

#### 12.5 Ease/ Difficulty of Doing Business for Women over the Last Five Years

With relation to work environment, the majority stated that it is easier than before, 47 respondents (Table 12.5A), concentrated in Micro size enterprises (45 respondents).

However, a significant number of respondents stated it is more difficult, 43 respondents (42.2%), concentrated also in Micro size enterprises, 41 respondents (41.8%).

**Table (12.5A): Ease/ Difficulty of Doing Business for Women over the Last Five Years**

Difficulty of Doing Business	No.	%
Easier	47	46.1
More difficult	43	42.2
Same	12	11.8
<b>Total</b>	<b>102</b>	<b>100</b>

## 12.6 Problems Faced by Woman Business Owners

Women entrepreneurs were asked to identify the problems they are facing. The results are shown in Table 12.6 A below;

**Table (12.6A): Problems Faced by Woman Business Owners**

Problems Faced by Woman	Total	Size Of Enterprises			Governorate			Business Status	
		Micro	Small	Medium	Baghdad	Nineveh	Basra	Registered	Not Registered
Financial	40	39	1	-	23	3	14	2	38
	39.2%	39.8%	25.0%	-	35.9%	23.1%	56%	33.3%	39.6%
Social (cultural / gender)	34	32	2	-	24	2	8	3	31
	33.3%	32.7%	50%	-	37.5%	15.4%	32.0%	50.0%	32.3%
Dealing with customers	16	16	-	-	10	-	6	-	16
	15.7%	16.3%	-	-	15.6%	-	24.0%	-	16.7%
Marketing	6	6	-	-	2	-	4	-	6
	5.9%	6.1%	-	-	3.1%	-	16.0%	-	6.3%
Dealing with Suppliers	6	6	-	-	3	3	-	-	6
	5.9%	6.1%	-	-	4.7%	23.1%	-	-	6.3%
Other	32	30	2	-	21	8	3	2	30
	31.4%	30.5%	50%	-	32.8%	61.6%	12.0%	33.4	31.3%
Total	102	98	4	-	64	13	25	6	96
	%100	%100	%100	%100	%100	%100	%100	%100	%100

## 12.7 Initiatives Suggested by Women Business Owners

Initiatives suggested by women to reduce problems and mitigate challenges (Table 12.7 A), were as follows:

**Table (12.7 A): Women Proposed Initiatives to facilitate doing business for Women (Multiple Responses)**

Suggested Initiatives	
Facilitate loans / provide financing / project financing	30.4%
	31
Community awareness / community education	16.7%
	17
Governmental support / government funding	12.7%
	13
Provide job opportunities	8.8%
	9
Provide protection	6.9%
	7
There are no problems	4.9%
	5
Other	26.5
	27
<b>Total</b>	<b>109</b>

## 13. COVID-19

The Covid-19 pandemic has had a profound impact on the Iraqi economy, with the Iraqi Economic Observatory indicating that Iraq's GDP decreased by about 10% in 2020, with the budget deficit reaching 30% of GDP.

The Corona pandemic also affected the imports of most sectors, and it affected in particular the services of hotels, restaurants and cafes, transportation, tourism, education, wholesale and retail trade (Box 13.A).

This part of the report sheds light on the impact of the Corona pandemic on the MSME sector in Iraq, and deals in particular with the impact of the pandemic on the work force, wages, and elements of flexibility that allow for continuity of work that would facilitate working from home.

### 13.1 Impact of COVID-19 on MSMEs Turnover, Employment and Salaries

The survey shows that the majority of MSMEs faced a critical decrease in the turnover due to the COVID -19 pandemic as shown in the Table (13.1 A).

In total 98% of MSMEs faced a critical decrease in the turnover due to COVID-19 pandemic, and this applies to all elements of the survey, as there is no disparity in this between the governorates, size, gender or the type of registration of MSMEs. (Table 13-1 B)

It was also found that the trade sector and the transport and warehousing sector are the most affected by the Covid-19 pandemic.

**Table (13.1 A): Impact of COVID-19 on Turnover**

Impact on Turnover	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Increased	45	2	41	2	3	2	1	3
Decreased	1972	98	1790	98	151	98	31	97
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (13.1 B): Impact of COVID-19 on Turnover by Governorate and Gender**

Impact on turnover	Governorate						Gender			
	Baghdad		Nineveh		Basra		Male		Female	
	No.	%	No.	%	No.	%	No.	%	No.	%
Increased	26	2.4	5	1.0	14	3.5	43	2.2	2	2.0
Decreased	1073	97.6	512	99.0	387	96.5	1872	97.8	100	98.0
<b>Total</b>	<b>1099</b>	<b>100</b>	<b>517</b>	<b>100</b>	<b>401</b>	<b>100</b>	<b>1915</b>	<b>100</b>	<b>102</b>	<b>100</b>

**Box (13.1 A): Impact of COVID-19 by sector between February- October 2020**

The latest available data about COVID-19 Impact on turnover is referred to FAO/ IOM 2020 study (part 3 December 2020, page 7). Below is an extract in reply to the query:

“The MSMEs in the study faced a dramatic decrease in revenue especially two and four months after the pandemic started in late February. Economic activity was affected by movement restrictions and changes in buying behavior. MSMEs saw their monthly revenue cut in half by end of June. However, revenue began to recover between June and end of August.

The hospitality and medical service sector witnessed a slight recovery in revenues between February and August. However, the other nine sectors saw a decline in revenue during the same period, where services had the highest decrease (41%), followed by other business (38%), and manufacturing and textiles (32%)

Table (15.3) shows the impact of COVID-19 by sector between February- October 2020”.

Source: PANEL study 3: Impact of COVID-19 on MSMEs (September 2020-FAO/IOM)

**Table (13.1C): Impact of COVID-19 by sector between February- October 2020**

Sectors	AVERAGE MONTHLY REVENUE			CHANGE (%)	
	February (Pre-COVID-19)	August	October	February to August	August to October
Food and Agriculture	\$6,633	\$3,540	\$4,096	-1	39
Automotive	\$2,054	\$1,346	\$1,125	-19	26
Carpentry and Construction	\$6,552	\$3,772	\$3,630	-24	28
Chemical and Materials	\$3,945	\$1,986	\$2,394	-10	22
Education and Technology	\$10,450	\$3,557	\$8,071	-28	8
General Trade	\$9,134	\$3,636	\$4,185	-16	33
Hospitality	\$3,019	\$2,117	\$2,414	3	70
Manufacturing and Textile	\$10,024	\$4,749	\$5,650	-32	28
Medical Services	\$1,008	\$1,025	\$1,150	104	38
Services	\$2,954	\$1,099	\$1,279	-41	31
Other	\$3,533	\$2,258	\$2,804	-38	42
<b>Average</b>	<b>\$6,084</b>	<b>\$3,004</b>	<b>\$3,398</b>	<b>-16</b>	<b>32</b>

**Impact of COVID-19 on Employment and Salary Payment**

A large number of respondents reported that they put staff on leave due to this pandemic effect (44%), and there is no disparity in this between the governorates, size, of MSMEs. At the governorate level, Nineveh was the highest with 51%.

The main effects of COVID-19 pandemic on staff or salary payments by Governorate and Gender were as follows (Table 13.1 D and Table 13.1 E):

- Put staff on partial working hours with partial salaries 20%, without noticeable disparity according to their size or gender. Nineveh Governorate was the highest with 27%.
- Staff remained the same as well as salaries 19%. There is a noticeable disparity in this regard between the governorates, as this percentage was 29% in Baghdad, 18% in Basra, and 7% in Nineveh.
- Decreased salaries but kept working hours 11%. There is a noticeable disparity in this regard between the governorates, as this percentage was 9% in Baghdad and Nineveh and 16% in Basra.

**Table (13.1 D): Impact of COVID-19 on Employment and Salary Payment**

Impact on Employment and Salary Payment	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Put staff on unpaid leave	345	44	268	45	64	42	13	41
Put staff on partial working hours with partial salaries	159	20	127	21	26	17	6	19
Staff remained the same as well as salaries	146	19	104	18	36	23	6	19
Decreased salaries but kept working hours	83	11	63	11	15	10	5	15
Staff Decreased	43	6	29	5	12	7	2	6
Staff increased	2	0	1	0	1	1	0	0
<b>Total</b>	<b>778</b>	<b>100</b>	<b>592</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>

**Table (13.1 E): Impact of COVID-19 on Employment and Salary Payment by Governorate and Gender**

Impact on Employment and Salary Payment	Governorate						Gender			
	Baghdad		Basra		Nineveh		Male		Female	
	No.	%	No.	%	No.	%	No.	%	No.	%
Staff increased	1	0.3	1	0.4	0	0	2	0.3	-	-
Staff Decreased	11	3.3	17	6.2	15	8.9	41	5.5	2	6.7
Staff remained the same as well as salaries	98	29.2	18	6.6	30	17.9	142	19	4	13.3
Put staff on leave	141	42.0	139	50.7	65	38.7	333	44.5	12	40
Put staff on partial working hours with partial salaries	54	16.1	74	27.0	31	18.5	150	20.1	9	30
Decreased salaries but kept working hours	31	9.2	25	9.1	27	16.1	80	10.7	3	10
<b>Total</b>	<b>1099</b>	<b>100</b>	<b>517</b>	<b>100</b>	<b>168</b>	<b>100</b>	<b>1915</b>	<b>100</b>	<b>102</b>	<b>100</b>

## 13.2 Government Actions

When asked whether the measures taken by the government were appropriate to reduce the impact of the COVID-19 pandemic, more than half of respondents answered that they were appropriate (Table 13.2A), without any disparity by size or gender. This percentage reached 69% in Nineveh Governorate.

**Table (13.2 A): COVID-19 Government Action Assessment (Multiple answers)**

Government Action Assessment	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Yes	1103	55	526	48	358	69	219	55
No	914	45	573	52	159	31	182	45
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1099</b>	<b>100</b>	<b>517</b>	<b>100</b>	<b>401</b>	<b>100</b>

When asked if the government's actions taken are appropriate for the COVID-19 situation or not, the majority of responses were concentrated as follows (Table 13-2B):

- Preserved public health: 31%, without a noticeable disparity in this regard according to its size or gender. Nineveh Governorate was the highest with 36%.
- It prevented the virus outbreak: 21%, without a noticeable disparity in this regard according to its size or gender. Nineveh Governorate was the highest with 31%.
- Closing of shops and curfews have affected our business / livelihood: 17%, without a noticeable disparity in this regard according to its size or gender. Basra Governorate was the highest with 24%.
- There is no support for citizens (allocating salaries, food aid, ...): 12%, without a noticeable disparity in this regard according to its size or gender. Baghdad Governorate was the highest with 14%.

**Table (13.2 B): Assessment of Actions Taken by the Government (Multiple answers)**

Action taken by the government	Total		Baghdad		Nineveh		Basra	
	No.	%	No.	%	No.	%	No.	%
Preserved public health	654	31.1	310	27.6	196	35.8	148	34.2
It prevented the virus outbreak	437	20.8	186	16.5	170	31	81	18.7
Closing of shops and curfews have affected our business / livelihood	362	17.2	186	16.5	73	13.3	103	23.8
There is no support for citizens (allocating salaries, food aid, ...)	258	12.3	159	14.1	51	9.3	48	11.1
The procedures were not sufficient	154	7.3	102	9.1	27	4.9	25	5.8
Negligence of healthcare / weakness in the health sector	75	3.6	53	4.7	15	2.7	7	1.6
Did not strictly enforce compliance with the regulations of the Ministry of Health or the health guidelines	89	4.2	66	5.9	8	1.5	15	3.5
Provided medical supplies	23	1.1	16	1.4	6	1.1	1	0.2
Other	54	2.6	47	4.2	2	0.4	5	1.2
<b>Total</b>	<b>2106</b>	<b>100</b>	<b>1125</b>	<b>100</b>	<b>548</b>	<b>100</b>	<b>435</b>	<b>100</b>

**N.B:** According to a IOM/ FAO / ITC survey (2020) the following areas of assistance was expressed by MSME to deal with COVID crisis; around half of MSME owners view support to self-employed persons and financial programs as the best public policy to reduce the impact of the COVID-19 pandemic, followed by rent subsidies (41%) and employment programs (34%). Other measures include programs such as reducing lockdowns for some sectors (24%), tax waivers or temporary tax breaks (21%), a reduction of tariffs on imported goods (15%), and cash transfers (7%).

### 13.3 Respondent Suggestions for Maintaining their Businesses during COVID-19 Pandemic

The majority of responses proposed the following governmental measures to help enterprises maintain their businesses during COVID-19 pandemic (Table 13.3A):

- Provide salary compensations / distribute grants or financial aid: 23%, without a noticeable disparity in this regard according to its size or gender. Baghdad Governorate was the highest with 24%.
- Impose prevention standards (masks, social distancing, gloves, sanitizing,...): 12%, without a noticeable disparity in this regard according to its size or gender. Basra Governorate was the highest with 15%.

**Table (13.3 A): Suggestions for Maintaining Businesses during COVID-19 Pandemic**

Suggestions	Total		Baghdad		Nineveh		Basra	
	No.	%	No.	%	No.	%	No.	%
Provide salary compensations / distribute grants or financial aid	815	22.8	443	23.8	239	22.8	133	20.5
Impose prevention standards (masks, social distancing, gloves, sanitizing, ...)	415	12	186	10.0	132	12.6	97	14.9
Provide job opportunities	251	7.0	154	8.3	52	5	45	6.9
Provide treatment and medical supplies (oxygen,...)	238	6.6	106	5.7	88	8.4	44	6.8
Distribute Food aid	174	4.8	73	3.9	80	7.7	21	3.2
Lift the curfew	149	4.2	40	2.1	56	5.3	53	8.2
Partial curfew (exceptions, Distribute face masks, Provide sanitizing material...)	476	13.3	170	9.2	217	20.7	89	13.7
Provide loans	120	3.3	84	4.5	18	1.8	18	2.8
Create projects / construction / infrastructure redevelopment	95	2.7	56	3.0	23	2.1	16	2.5
Awareness programs	80	2.2	44	2.4	15	1.4	21	3.2
Supporting farmers (providing seeds, pesticides, forage, tools..)	75	2.2	67	3.6	6	0.6	2	0.3
Stabilize the dollar exchange rate / lower the dollar FX rate	59	2	25	1.3	22	2	12	1.8
Provide security	55	1.5	37	2.0	2	0.2	6	0.9
National product support/stop import	51	1.4	46	2.5	12	1.1	3	0.5
Price stabilization/reduction	51	1.4	23	1.2	12	1.1	16	2.5
Provide electricity	47	1.3	33	1.8	12	1.1	2	0.3
Establish hospitals	41	1.1	22	1.2	11	1.0	8	1.2
Close cafes / malls / markets / borders/ schools	40	1.1	28	1.5	9	0.9	3	0.5
Rent Exemptions / Rent Reduction	33	1	21	1.1	9	0.9	3	0.5
Providing petroleum products	28	0.7	12	0.6	10	1	6	0.9
Lowering taxes	20	0.5	17	0.9	1	0.1	2	0.3
Imposing fees	17	0.4	12	0.6	1	0.1	4	0.6
Other	233	6.5	165	8.9	22		46	7.1
<b>Total</b>	<b>3563</b>	<b>100</b>	<b>1864</b>	<b>100</b>	<b>1049</b>	<b>100</b>	<b>650</b>	<b>100</b>

#### **13.4 Respondent Suggestions for the Most Important Business Tools, Programs, and Needs that will Facilitate the Completion of Business from Home**

The consultants highlighted in the survey the possible business tools, programs, and needs that will facilitate the completion of the business from home if the COVID-19 situation lasts for a long period. The main responses were as follow (Table 13-4 A):

- It is not possible to work from home (taxi driver, farmer, barber ...): 66% of MSMEs
- Financial Resources: 13% of MSMEs
- Allow conducting business from home (selling): 4% of MSMEs.

In total, 67% of MSMEs based on specific profession such as taxi, driver, farmer, barber... were not able to work from home due to COVID-19 pandemic and only 71 enterprises gave an answer that they worked from home.

**Table (13.4 A): Most Important Business Tools, Programs, and Needs that will Facilitate the Completion of Business from Home**

Business Tools, Programs, and Needs	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
It is not possible to work from home (taxi driver, farmer, barber ...)	1382	66.5	1250	66.2	111	70.7	21	61.8
Financial Resources	271	13	242	12.8	4	2.5	-	
I work mainly from home	82	3.9	79	4.2	2	1.3	1	2.9
Internet	73	3.5	66	3.5	6	3.8	1	2.9
Allow doing business from home (selling)	71	3.4	65	3.4	2	1.3	4	11.8
Telephone and computer	37	1.80	34	1.80	26	16.6	5	14.7
Electricity	21	1	20	1.1	1	0.6	-	-
Other	80	3.8	76	4.0	-	-	1	2.9
I do not know	62	3	56	3.0	5	3.2	1	2.9
<b>Total</b>	<b>2079</b>	<b>100</b>	<b>1888</b>	<b>100</b>	<b>157</b>	<b>100</b>	<b>34</b>	<b>100</b>

The pandemic has had a profound impact on MSMEs workers and wages. The negative impact was concentrated on private sector employees in Iraq more than government and public sector employees, especially low-income workers and workers in informal economic sector. Within this context, the concerned authorities in Iraq are developing plans for the economic recovery based on the following:

1. Supporting the private sector in achieving growth and reducing dependence on oil, while continuing to provide job opportunities for a large number of low-income families by expanding the scope of social assistance programs.
2. Supporting workers at risk through direct cash assistance.
3. Reducing the risks of formal (registered) institutions turning into the informal (unregistered) sector, by providing government-backed loan guarantee programs, switching to e-payment of wages, and providing tax exemptions.

## 14. FUTURE BUSINESS OUTLOOK

This section was addressed to gauge the expectations of the survey respondents in assessing the outlook of MSMEs for the near future via the following tabulations;

- Opinion of MSMEs for the next business year.
- Challenges confronting MSMEs in the coming year.
- Opportunities that may have a positive impact.

### 14.1 Expectations Next Year

Business owners provided their perceptions as to how the economy, the security situation and their business compared to other businesses will change in the next business year- shown in Tables (14.1 A, 14.1 B, 14.1 C).

- Opinion was split on the outlook for the economy and business environment for the year ahead; 55% thought the business environment would get worse, 63% said the economy in general would decline, although 59% expected the security situation to improve.
- However, when asked specifically about their own business outlook compared to others the responses were closer; 27% thought their business would improve, 38% thought it would decline and 35% expected no change.
- A highlight of the gender difference showed that females are more optimistic that the 'economy' and 'business environment' will improve.
- The MSMEs that stated they perceive an improvement were 551 on 'business environment' and 470 on 'the economy'. The correlation that can be referred to is the 'improvement' opinion within the scope of table (14.1) which is based on certain factors being reached. The main success factors stated for improvements to emerge was;

**Table (14.1): Key elements of success for improvement**

No.	Percentile	Factor Necessary for Positive Impact	Economic Category
1.	13.8 %	Financial assistance	Financial Support
2.	10.8 %	Provision of better job opportunities	Job Creation
3.	9.5 %	Improvement in the economy	Economic Development
4.	8.0 %	Permanence of salary payments	Stability
5.	7.4 %	Stabilization of currency	Fiscal Policy
6.	6 %	Stabilization of pandemic and recovery	COVID Policy
7.	5.8 %	Provision of government support	Economic Assistance
8.	5.2 %	Business development or expansion projects	Business Development Policy
9.	4.6 %	Improvement of security / safety	Security Policy
10.	2.2 %	Farm support	Economic Assistance
others	25%	All remaining responses (are below 2%)	multiple

**Table (14.1 A): Perception of MSME Owners on how will the overall Business Environment in their sector will become in the next Year**

Perception	Total No.	%	Micro		Small		Medium		Male		Female	
			No.	%	No.	%	No.	%	No.	%	No.	%
Decline	1,104	54.7	1,009	55.1	81	52.6	14	43.8	1,060	55.4	44	43.1
Stay the same	362	17.9	335	18.3	21	13.6	6	18.8	345	18.0	17	16.7
Improve	551	27.3	487	26.6	52	33.8	12	37.5	510	26.6	41	40.2
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>1915</b>	<b>100</b>	<b>102</b>	<b>100</b>

**Table (14.1 B): Perception of MSME Owners on how the Economy will develop be in the next Year**

Perception	Total No.	%	Micro		Small		Medium		Male		Female	
			No.	%	No.	%	No.	%	No.	%	No.	%
Decline	1,273	63.1	1,157	63.2	98	63.6	18	56.3	1,216	63.5	57	55.9
Stay the same	274	13.6	250	13.7	16	10.4	8	25	264	13.8	10	9.8
Improve	470	23.3	424	23.2	40	26	6	18.8	435	22.7	35	34.3
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>1915</b>	<b>100</b>	<b>102</b>	<b>100</b>

**Table (14.1 C): Perception of MSME Owners on Comparing their Business Relative to other Businesses for the Coming Year**

Perception	Total No.	%	Micro		Small		Medium		Male		Female	
			No.	%	No.	%	No.	%	No.	%	No.	%
Decline	766	38	712	38.9	41	26.6	13	40.6	726	37.9	40	39.2
Stay the same	710	35.2	648	35.4	52	33.8	10	31.3	679	35.5	31	30.4
Improve	541	26.8	471	25.7	61	39.6	9	28.1	510	26.6	31	30.4
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>1915</b>	<b>100</b>	<b>102</b>	<b>100</b>

## 14.2 Challenges and Opportunities

Tables (14.2 A, 14.2 B, 14.2 C) show the views of MSMEs regarding challenges, opportunities, and the type of support required for the development of enterprises. The most important of these factors were as follows;

The following shows the main challenges identified for the coming year:

Most Significant Challenges	Most Important Opportunities	Required Government Support
<ul style="list-style-type: none"> <li>- Covid-19 pandemic.</li> <li>- Economic situation/recession.</li> <li>- The increase in the exchange rate (i.e. a decrease in the price of the dinar).</li> <li>- The increase in commodity prices/cost of living.</li> <li>- Lack of liquidity/public sector wage issues.</li> <li>- Curfew.</li> <li>- A decrease in sales.</li> <li>- The security situation.</li> </ul>	<ul style="list-style-type: none"> <li>- Financial assistance or the provision of loans.</li> <li>- Employment (job creation).</li> <li>- An improvement in the economic situation.</li> <li>- Stability in the salary payment process.</li> <li>- Monetary stability.</li> <li>- The end of the epidemic.</li> <li>- Provision of government support.</li> <li>- Business development services.</li> </ul>	<ul style="list-style-type: none"> <li>- Financial loans.</li> <li>- Upgrading of infrastructure.</li> <li>- Improving the security situation.</li> <li>- Provision of raw materials.</li> </ul>

**Table (14.2 A): Opinion of MSMEs on the Challenges that they will face in the next Year  
(choose one reason or more)**

Challenges	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Health situation / Corona pandemic	315	12.9	296	13.4	17	8.7	2	5
Economic situation / recession / deterioration	205	8.4	183	8.3	16	8.2	6	15
The rise in the Dollar exchange rate	202	8.3	179	8.1	19	9.7	4	10
Financial situation	183	7.5	167	7.6	15	7.7	1	2.6
Increase in commodity prices / high cost of living	164	6.7	140	6.4	22	11.3	2	5
Liquidity shortage / public employee salary crisis	144	5.9	132	6	19	4.6	3	7.6
Curfew / blocking of roads	142	5.8	128	5.8	11	5.6	3	7.6
Decrease in sales volume	136	5.6	132	6	2	1	2	5
Closure of business or leave job	108	4.4	99	4.5	8	4.1	1	2.6
The security situation	102	4.2	88	4	11	5.6	3	7.5
Insufficient governmental support	72	3	62	2.8	9	4.6	2	2.5
Drought	55	2.3	41	1.9	13	6.7	1	2.5
Competition in the job market / large number of competitors	51	2.1	48	2.2	3	1.5	-	0
Electricity cuts	36	1.5	34	1.5	1	0.5	1	2.5
Import from abroad	34	1.4	26	1.2	6	3.2	2	5
Other	271	9.7	217	9.9	14	7.1	6	14.5
There are no challenges or difficulties	251	10.3	230	10.4	19	9.7	2	5
<b>Total</b>	<b>2437</b>	<b>100</b>	<b>2202</b>	<b>100</b>	<b>195</b>	<b>100</b>	<b>40</b>	<b>100</b>

**Table (14.2 B): Opinion of MSMEs on the Opportunities / Factors that may have a positive impact in the next Year if they occur (choose one reason or more)**

Opportunity	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Financial assistance / obtain loan	349	13.9	327	14.4	17	8.4	5	12.5
Provide job opportunities	273	10.9	259	11.4	11	5.4	3	7.5
Stability or improvement in economic situation	239	9.5	211	9.3	23	11.4	5	12.5
Continue payment of salaries / provide cash flow	201	8	187	8.3	13	6.5	1	2.5
Reduce or stabilize the dollar exchange rate	188	7.6	166	7.4	21	10.4	1	2.5
Stability in the health situation/ ending of the Corona pandemic	153	6.1	141	6.3	9	4.5	3	7.5
Provide government support	147	5.9	132	5.8	12	5.9	3	7.5
Business development / project expansion	132	5.3	115	5.2	13	6.5	4	10
Improve the security situation / sense of safety	117	4.7	104	4.6	13	6.5	-	0
Support farmers (provide fertilizers, pesticides, ...)	56	2.2	40	1.8	11	5.5	5	12.5
Reconstruction / infrastructure reconstruction	54	2.1	45	2	8	4	1	2.5
Lifting curfews / opening markets / opening schools	48	1.9	46	2	2	1	-	0
Reduce prices for basic materials	40	1.6	32	1.4	8	4	-	0
Prevention or reduction of imports	34	1.4	29	1.3	5	2.5	-	0
Rainfall / creation of irrigation projects	34	1.4	23	1	10	5	1	2.5
Receive donations	30	1.2	29	1.3	1	0.5	-	0
Provide electricity	28	1.1	25	1.1	2	1	1	2.5
Job appointments in government departments	26	1	25	1.1	1	0.5	-	0
Increase in income	23	0.8	21	0.9	1	0.5	1	2.5
Governmental support / subsidize raw material	22	0.8	18	0.8	3	1.6	1	2.5
Joining investment companies	20	0.8	17	0.7	2	1	1	2.5
Increase in oil prices	17	0.7	16	0.7	1	0.5	-	0
Drop in fuel prices	17	0.7	16	0.7	1	0.5	-	0
Other	264	10.5	246	10.5	14	6.9	4	10
<b>Total</b>	<b>2512</b>	<b>100</b>	<b>2270</b>	<b>100</b>	<b>202</b>	<b>100</b>	<b>40</b>	<b>100</b>

**Table (14.2 C): Opinion of MSMEs on the Type of Government Support Needed to Improve Businesses (Multiple answers)**

Type of Support	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Financial assistance (different types of support i.e. grants, aid etc. banking and non-banking)	1046	37.5	969	38.4	69	30.8	8	18.2
Infrastructure (electricity, water, sewage, paving)	533	19.1	485	19.2	41	18.3	7	15.9
Security	346	12.4	315	12.5	23	10.3	8	18.2
Raw materials for production and services	217	7.8	162	6.4	48	21.4	7	15.9
To ease the official procedures (routine)	149	5.3	139	5.5	7	3.1	3	6.8
Provide salary	130	4.7	125	5.0	4	1.8	1	2.3
Fixed and proper places to practice business	100	3.6	86	3.4	12	5.4	2	4.5
Provide job opportunities / appointments	88	3.2	84	3.3	4	1.8	-	-
Reduce or stabilize the dollar exchange rate	46	1.6	40	1.6	3	1.3	3	6.8
Create new projects / irrigation projects	28	1.0	18	0.7	6	2.7	4	9.1
Import ban	16	0.6	14	0.6	2	0.9	-	-
Improve the economic situation	14	0.5	11	0.4	3	1.3	-	-
Reduce fuel prices	9	0.3	9	0.4	-	-	-	-
Support the ration card	9	0.3	8	0.3	1	0.4	-	-
Lower taxes	6	0.2	5	0.2	1	0.4	-	-
Provide Social Security	5	0.2	5	0.2	-	-	-	-
Other	49	1.8	48	1.9	-	-	1	2.3
<b>Total</b>	<b>2791</b>	<b>100</b>	<b>2523</b>	<b>100</b>	<b>224</b>	<b>100</b>	<b>44</b>	<b>100</b>

## Part C: MSME 2020 Survey Messages

### 15. MSME OPERATING ENVIRONMENT

#### 15.1 National Development Vision

The vision expressed in the National Development Plan 2018-2022 focuses on establishing a robust economic recovery through sustainable development. The NDP emphasizes the role of the private sector as a key contributor to developing a sustainable economic base, and the government plans to develop and implement the needed reforms to do so.

The NDP states that the government will enable the needed transformation of the Iraqi economy to a market economy. The plan states that Iraq will achieve a rate of economic growth up to 7% by raising the GDP from 182.2 trillion ID in 2015 to 292.5 trillion ID in 2022.

The intent is to move towards a diversified economy using the oil resource as an enabler, even if it continues to provide the basis for growth and stability in the medium term.

The Government of Iraq supported by international donors will continue to play an important role in regulatory<sup>(1)</sup>, policy and financing reforms in support of MSMEs to enable this sector to grow and prosper and to become a fundamental contributor to employment and to building Iraq's sustainable economic base.

#### 15.2 Key Considerations

The findings of MSME 2020 Survey provide an evidence base that informs and supports the strategic reform thrusts of the NDP as well as the PSDS in the areas of:

- Improving the legal, regulatory and administrative requirements of starting a business and regional trade and investment.
- Reform of taxation administration.
- Improvements in the functioning of ministries and public agencies that regulate the economy and service provision for the private sector and the citizens-at-large.
- Improving the access to financial and business development services.
- Skills development and other productivity enhancements at the firm level.
- Strengthening representation of the business sector through business membership organizations and networking.
- Improving cross border and international trade to streamline supply chains, reduce costs and facilitate export.
- Quality improvements in products and services by encouraging internal competition in order to attain export-level quality requirements.

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<sup>(1)</sup> see for example USAID – TARABOT and ISRAR. Also NDP 2018-2022.

- Improving investment policies at Federal and Local levels by focusing on the economic sectors that have the highest impact on economic growth and job creation, instead of being focused on commercial real estate (for example Baghdad Investment Commission (BIC) has focused on the development of shopping malls in the last ten years).
- There is a need to move away from a bloated public sector which imposes a huge burden on future generations, towards a lean, efficient framework for service delivery geared at creating public value. The government recognizes that the current system is not sustainable and issued a White Paper in October 2020 stating the vision forward (Box 15.2A). The government has stopped hiring, but there is still a huge performance gap that needs to be bridged. This is to be done in an environment where the perception of government employment is positive and that of private sector employment is negative (Box 15.2B).
- Make public administration responsive to MSME needs. Adapt public policy tools to MSME needs and facilitate MSME participation in public procurement.
- The operating environment remains the key barrier to MSME development (Box 15.2C). MSMEs should be enabled to turn environmental challenges to opportunities.
- Encourage and support MSMEs to benefit from market growth.
- Provide support for the creation and growth of networks and clusters that can introduce MSMEs to new technologies, products and processes, and provide access to advance services and technical laboratories.
- Most MSMEs in Iraq are informal and have refrained from complying with the current legal and regularity environment because it is considered not relevant to them. This included business registration, dealing with government, business performance, access to credit, access to markets, access to technology and innovation, networking and skill levels.

**Box (15.2A): Public Sector Reform**

The government has outlined a vision for a drastic overhaul of Iraq’s economy in a “white paper” presented last week to lawmakers and political factions. But with early elections on the horizon, the prime minister’s advisers fear there is little political will to execute it fully.

The white paper’s calls for cutting public sector payrolls and reforming state finances would undermine the patronage systems that the political elite have used to entrench their power.

“We hope the civil service and bureaucracy will recognize a need for change,” Finance Minister Ali Allawi told The Associated Press in a recent interview.

Iraq relies on oil exports to fund 90% of state revenues. Those revenues have plunged to an average \$3.5 billion a month since oil prices crashed earlier this year.

That’s half the \$7 billion a month needed to pay urgent expenses. Of that, \$5 billion is for public sector salaries and pensions, according to Finance Ministry figures. Iraq also imports nearly all of its food and medicine; with foreign currency reserves at \$53 billion, the World Bank estimates the country can sustain these imports for another nine months. Foreign debts account for another \$316 million.

Poor productivity of public workers is the heart of the issue, Allawi said.

“We’ve ended up with a low productivity, high-cost public sector that doesn’t really earn its keep,” he said. “In one way or another this issue has to be tackled by either reducing numbers, which is politically difficult, reducing salaries ... or increasing productivity.”

The white paper calls for public sector payments to be reduced from 25% of GDP to 12% but doesn’t detail how. Officials said one step may be to restore taxes on civil servants’ benefits that previous administrations had lifted.

Source: Associated Press- 23 October 2020

**Box (15.2B): Perception of Government Employment**

The public perception and expectation are that government employment is safe, provides life-long security, employees work less hours, receive more holidays and ultimately acquire many benefits that include government loans and other privileges.

Source: <http://annabaa.org/arabic/investigations/14577>

### **Box (15.2C): A Businessman's Views**

An Iraqi businessman stated in an interview that the current business environment is "bullying" the private sector. For business transactions where a public organization is the buyer:

- It takes about a year or two to make a decision on a contract.
- Fluctuation of prices and costs works always against the private sector.
- Once a letter of acceptance is signed, it takes a long time to issue a letter of credit. The Trade Bank of Iraq cannot issue the credit directly, but has to go through another intermediate bank outside Iraq. This is a time consuming practice.
- Contracts are one sided, unbalanced and with difficult conditions. Nothing moves without bribery.
- Payments are delayed for months.
- Corruption is rampant
- With the penalties involved, briberies and the cost of time, profits often disappear.

Businesses that need imports go through exasperating experience:

- Clearance of shipments at port: 6 months or more, with accrued storage penalties
- The procedures of the Trade Bank of Iraq requires complex documentation that require authentication from the client, a recourse to J.P. Morgan a process that may take 4-6 weeks to get paid after all payment approval have been issued by the client and TBI.
- The 5% performance bond return often delayed or cancelled, even after concluding the contract.
- The culture and behavior of the public sector employees is the biggest hindrance in the system (negligence, apathy, corruption)
- Public employees work 180 days per year, effective time of work per day 17 minutes according to an international study.
- The tax law is one of the most archaic in the world. Very subjective and tax department employees are some of the most corrupted.

For operating costs of production:

- Corrupt practices in handling electric meters readings.
- Cost of diesel fuel for industries generators jumped from 10 to 60 1000. Any new project must provide its own electric power plant, rendering local products uncompetitive.
- Skill level of the average employee has dropped, with the need for considerable training.

- The MSME survey confirmed the problem of skills deficiencies which required the development of comprehensive action plans for enhancing of technical skills, business skills and entrepreneurial skills of MSMEs.
- There is a need to reduce business informality because it deprives MSMEs from growth and development. Formality is essential for private sector entities to support MSMEs in access to financing, business development, and globalization. Government intervention is needed to increase the rate of formality.

### **15.3 MSME Development Messages**

Sections 16 - 22 present for each research area of the survey a summary of the key findings, the associated challenges and the key messages.

## 16. MSME ACCESS TO FINANCE – CHALLENGES AND MESSAGES

The data collected in the survey showed that there is a low reliance on funding from formal institutions. There was no significant difference between formal and informal enterprises in this regard. The gender distribution was characterized by a predominance of male MSME (1,915 male and 102 female).

Based on the structure of the financial findings the following challenges and constraints are apparent, and were taken into consideration for the messages and future policy or programs toward assisting MSME in this area of entrepreneurship.

### 16.1 Findings

#### a) Banking usage

1% of MSMEs had any type of formal business bank account. The remaining relying on cash transactions and personal financial management (83% of which responded as follows);

- 31% the type of business does not need an account.
- 27% MSME did not have enough money to open a bank account.
- 25% Found too expensive to have an account.

#### b) Credit Financing distribution

22% MSMEs did acquire credit financing, the majority 55% did not plan on getting credit.

Out of the MSMEs that responded to the type of financing acquired, the main sources were distributed as such;

- 46% Personal sources - family and friends 34%, personal savings 12%.
- 39% Financial Institutions - 31% bank loan and 8% Micro loans.
- 15% Other.

Financing after starting a business: The main financing sources were 71% personal sources (distributed as follows, family and friends 57%, personal savings 14%), 10% financial institutions, 11% bank loan and 8% micro-loans.

A majority of MSMEs (77%) did not have any assets when they established their business. Also, 62% did not plan on acquiring financing after starting their business. 30% had attempted to acquire financing but failed. The 9% that did raise finance after starting their business stated the following main reasons;

- 7% introduction of new products.
- 7% to cover expenses.
- 6% to increase inventory.

#### c) Obstacles to financial access

62% of all MSMEs stated it was very difficult to obtain financing, 30% said it was 'somewhat difficult' and 8% said they had 'no difficulty'. The main reasons for these 'difficulties' were given as such;

- Lack of government support 26 %.
- Lack of collateral 24 %.
- High interest rates / required return 19%.

Respondents who submitted applications for credit financing and were rejected stated the following main reasons for their refusal;

- Lack of collateral 44%.
- Financier avoiding risk 11%.
- Weak track record 6%

## 16.2 Challenges and Messages

The survey has captured the main obstacles of financial access to be the following elements. The preceding messages aim at various solutions in order to create a business environment that can lead to a functional financial mechanism;

### Core Challenges

- Difficulties in raising finance.
- Reliance on personal and family funding.
- Weak government financing schemes.
- Overregulated and dysfunctional banking system that favors government banking.
- Collateral lending which MSME cannot provide.
- Lack of business and financial planning capabilities.
- Weak accounting and auditing skills

Access to financing remains a key enabler of MSME development and growth. The current environment makes it the main inhibitor of the development of the sector. The majority of businesses either failed to acquire financing or, knowing the difficulties, did not attempt it. Only 1% of all surveyed businesses had a bank account. A World Bank study stated that “a USAID project team estimated that less than 5% of the SMEs in the formal sector have ever received a bank loan and that fewer than 10% of them have a bank account”. Among recent experience, the Central Bank of Iraq (CBI) had committed a trillion ID for SME loans (USD 800 million), but due to complicated requirements (guarantee, financial history,...) was able to disburse only 1% of the fund.

### Financing Gap

Out of the sample of 2017 the number of MSMEs that have actually received financing was 172 (Table 16.2). On the other hand a much larger subset of 1495 enterprises reported their financing needs if financing was available. The results of the sample were as follows:

**Table (16.2): Estimating the Financing Gap**

Measure	Number of enterprises in subsample	Average amount (ID Million)
Loans Granted	172	11
Reported Financing Needs	1495	22.4

This shows a high indicative financing gap in MSME population

### Key Messages

The lack of accessible and affordable financing and appropriate financial mechanisms remain a major constraint for MSME development. This must be addressed to enable MSMEs to acquire the investment funding or financing necessary for the development, operation, upgrade and expansion of their enterprises. The main immediate messages are ;

- The Iraqi company for financing SMEs (ICEF-SME) and the Iraqi Company Banking Guarantee (ICBG) who were developed by USAID, both work with SMEs and with Banks

to support the capacity of the borrower and the lender. Their efforts and accomplishments should be maintained and strengthened to enable growth of MSMEs.

- Develop, promote and expand alternative financial instruments (sector related loans, revolving small loans, soft loans with incentives for renewal on early payback etc.) to better serve MSMEs' financing requirements. These instruments may include soft loans, grant facilities, preferential interest rates and loan guarantee programs.
- Explore a program for introducing Digital Financial Services (DFS), or the provision and usage of responsible and affordable financial products and services through digital channels (see Part E: Best Practice Section 24 'Enhancement of Digitalized Finance for MSMEs').
- Build capacities of financial institutions and cooperatives to provide business development assistance for MSMEs.
- Provide financial literacy trainings for MSMEs.
- Institute policies and programs for innovative financing.
- Streamline and simplify loan requirements and processes for MSMEs.

Policy initiatives should be approached with a focus to meet certain criteria in enabling a financing system for MSMEs, the credibility and viability of this will depend heavily on the inclusion and commitment of all key stakeholders and actors (in both the public and private sectors). Among which are;

- Ensure a dedicated pool of funding is available for lending to MSMEs.
- Implement appropriate credit guarantee scheme to facilitate access to finance by MSMEs.
- Implement appropriate credit guarantee scheme to facilitate access to finance by MSMEs.
- Encourage the development of the privately-owned microfinance industry that enables the availability of additional funding to MSMEs while ensuring speedy, inexpensive and enforceable recourse mechanisms for both borrowers and creditors.
- Create a suitable institutional and regulatory environment for donors and financial service providers to introduce innovative financial products and services which will lead to greater financial inclusion among 'unbanked' and 'under-banked' MSMEs.
- Provide critical support through training and technical support to prepare MSMEs to access finance.
- Establish clear criteria for suitable applications including an appropriate feedback mechanism for unsuccessful applications.
- Build public awareness of financing options available to MSMEs.
- Publicize interest rates for business loans in order to promote competition and transparency in the financial community.
- Provide a regulatory regime to incentivize MSMEs within a tier system; this can be approached in various ways specific to the category of MSME and/ or its type of activity. Each tier being given specific incentives in the form of grants, exemptions or business service assistance.
- Encourage national, regional and international private sector and NGO partnerships to provide a source of financing to MSMEs.
- Facilitate the creation of a mechanism to offer development financing solutions for MSMEs.

## 17. MSMEs AND GLOBALIZATION – CHALLENGES AND MESSAGES

The country remains a narrow market in terms of demand and business opportunities, and MSMEs are dependent on the local market. MSMEs need to be able to access wider horizons locally and develop international markets. This will allow them to expand output and achieve economies of scale.

More efforts must be devoted to facilitating local market potential and improving the export-readiness of MSMEs. Policy support is essential to operate in foreign markets. Trade development services are vital to build capacity in export operations and strategies. Due to various constraints, MSMEs and particularly start-ups do not have strong internal competencies to devise and implement a market plan. In addition, they cannot engage in wide scale and extended sale actions.

### 17.1 Findings

#### a) Sales/ market structure

99% of MSME sales are transacted in the local market. Showing a massive dependency on local economic conditions, furthermore 95% of MSMEs lack any plans for any form of export undertaking.

#### b) Export

2.5% of MSMEs had attempted to export but were unsuccessful. Another 2% stated they had plans to export.

Specific to exportation; 43% of MSMEs said that their product was not permitted for export, 97% stated they had no direct engagement with non-Iraqi enterprises.

### 17.2 Challenges and Messages

The survey has highlighted an insular market that limits the potential reach and exposure of MSMEs (although the time of the survey must take into account the impact of the Covid pandemic). However, below are summarized the main challenges captured, together with the messages in specific areas that need to be incorporated into a versatile plan that will enhance market access, regional and global reach of MSMEs.

#### Core Challenges

- Limited to domestic market.
- Poor marketing capabilities.
- Weak export-oriented base.
- No exposure to international enterprises.
- Lack of awareness of any relevant trade opportunities.

#### Key Messages

MSMEs always start at a low investment level due to this limitation they do not possess enough of a budget for their marketing efforts, because these efforts can be costly, although there are low cost tools in the current world i.e. internet, smart phones and social media. These tools need a certain knowledge that need to be converged with market profiles and logistics.

Due to the limited marketing awareness and exposure, MSMEs companies cannot gain awareness or attention of target markets. Additionally, Research and Development is another absent factor that is needed to identify new customers, new products and change in products in accordance with target market needs.

The over dependency on the local market combined with the void in regional engagement and global exposure places a knowledge and skills gap which creates many problems in growth and expansion for MSME.

Some of the main initiatives that need to be examined are;

### **Digital Portal**

- A central information database and online portal to be developed for MSMEs, where all data can be accessed in a 'user friendly' program (especially on mobile technology). With website and e-commerce arrangements to enable MSMEs to link with exporters and buyers and strengthen their marketing network.
- Market information and opportunities for domestic, regional and global access for each sector.
- Provision of relevant commodity information on the MSME information portal.
- A research and information center to facilitate the collation of all MSME information requirements.
- Availability of overseas market information for MSMEs to access international markets.

### **Trade Fairs**

- Annual Trade Expo to be conducted in major towns and market centers.
- Support to MSMEs to participate in trade fairs and exhibitions. Including, technical support for exporters through subsidization of their participation in exhibitions and trade fairs.
- Government facilitation of promotional missions to give exposure to MSMEs to market their products and seek new business ideas and secure business partnerships.
- Government led international investment program aimed at most attractive sectors for global companies to invest in. This initiative can be a specific FDI action that matches sector actors with opportunities in Iraq for investment, or the potential facilitation for new or emerging sectors to be explored through creation of incentives and favorable international programs.

### **Marketing Locations**

- Marketing outlets in high population locations to help MSMEs to market their products.
- Open markets with relevant infrastructure to facilitate products to market and consumer access.

### **Incentives**

- Support product development, quality improvement, packaging, branding and market networking of MSMEs to compete locally and internationally.
- Linking of wholesale or bulk buying facilities were viable for MSMEs to ensure markets.
- Explore and create MSME incentives to encourage and promote exports for MSMEs who are able to engage in regional or international trade. For example, by creating linkages with local and international firms in the same sectors that may benefit from synergy with MSMEs in their supply chains (this could start locally and evolve to regional levels).

## 18. EMPLOYMENT AND HUMAN RESOURCES – CHALLENGES AND MESSAGES

MSMEs are considered the engine of growth, especially in a developing country like Iraq, due to their contribution to income generation, job creation, and contribution to GDP. The employment and human resources part of the survey aims to identify:

- MSME's job size and labor force
- MSME's employment and HR practices

The data collected in the survey showed that informal enterprises dominate the sector, a huge imbalance between men and women entrepreneurs and number of employees, weak recruitment process, poor or absence of human resources management system (HRM), and limited training plans. Based on the structure of the employment and human resources findings the following challenges and constraints are identified, and should be taken into consideration for any messages and future policy or programs.

### 18.1 Findings

The findings covered the following elements:

- Enterprises classification and staffing
- Employees Gender
- MSMEs' Staff Education
- Employees Age
- Type of Positions in Enterprises
- Sources of Employment
- Staff training

#### a) Enterprises Classification and Staffing

- The total number of employees in the surveyed MSMEs were 3886 employees, Males were 3738 employees (96.2%) and females were 148 employees (3.8%).
- Informal enterprises (not registered at any entity) form the majority of the sample with 1678 enterprises 83.1%, whereas formal enterprises (registered in at least one entity) form 338 enterprises 16.8%.

#### b) MSMEs' Staff Education

- (23%) of the respondents (281 respondents) stated that their employees have no formal education.
- 396 respondents (32%) stated that their staff have secondary/ intermediate education; whereas, 303 respondents (25%) stated that their staff have elementary education.

#### c) Employees Age

The age profile of **respondents** and employees' given various age groups are considered relatively young:

- 1025 Respondents (50.8%) are from 25 to 44 years old
- 575 Respondents (28.5%) are from 45 to 64 years old
- 327 Respondents (16.2%) are from 15 to 24 years old

#### **d) Type of Positions in Enterprises**

Human Resources (HR) staff were the least available positions in the surveyed sample only 7 respondents (1%); whereas, Skilled and unskilled laborers prevailed with 363 Responses (36.7%).

#### **e) Sources of Employment**

The survey revealed that the majority, 625 responses (77%) preferred personal acquaintances and referrals as a source of employment recruitment.

Personal acquaintances and referral is an informal method of hiring, and does not have any cost on enterprises. It is a channel to get local people from the same industry who are ready to work for extended hours if required and useful in multitasking. Formal methods of hiring involve cost and time; which is an important constraint mainly for micro and small enterprises.

#### **f) Staff training**

- The majority of responses stated that there is a need for practical professional skills: 450 respondents (49.3%).
- 17 Respondents stated that the enterprise does not provide any training.

Micro informal enterprises dominate the MSMEs; thus, practical professional skills training related to the industry/ sector of the micro enterprises is very important for their existence, continuity and sustainability.

Despite identifying and understanding the need for training to develop and improve the enterprises staff's knowledge and skills, the majority of enterprises in the sample did not provide any training programs; maybe, because they are not able to afford the cost of training.

### **18.2 Challenges and Messages**

The survey has captured the main challenges facing the employment and human resources component to be the following elements. The preceding messages aim at various solutions in order to create a business environment that can lead to jobs creation.

#### **Core Challenges**

##### **Informal Workforce Market**

- MSME owners tend to resort to freelance contracts, under-reporting of employees, or other means to lower their fixed costs. The lack of MSMEs-specific incentives for formal job creation has led to a sustained informal labor market.

##### **Poor Human Resources Management (HRM) System**

- The majority of MSMEs have no budget for a fully dedicated HR position or HRM support; so, that recruitment and selection are mostly done by the owner or manager.
- MSMEs pay less attention to human resource management (HRM) focusing more on daily business operations.

### **Scarcity of Highly Skilled Labor at Affordable Cost**

- One of MSMEs biggest challenges comes with identifying the right candidate for the right job with the right skill. The core problems are:
  - Highly skilled labor add cash crunch on MSMEs. Obtaining financial support from banks, financial institutions or governments is difficult. Micro and small enterprises tend to lose quality candidates due to good salary packages coming from bigger firms as a result of limited capital and the absence of adequate and timely banking finance.
  - MSMEs function with no or poor hiring process that includes rushed interview processes, low-quality job descriptions, and the inability of using modern methods of recruitment.

### **Capacity Building (Training and Skill Development)**

- MSMEs often do not have adequate funds for training their employees successfully; thus, failing to maximize the potential of their employees which eventually leads to failed cases of retention.

### **Key Messages**

The lack of government incentives offered for MSMEs, absence or poor human resources management system (HRM), and capacity building, remain major constraints for MSMEs business operation. These must be addressed to enable MSMEs sustainability and growth. The main immediate messages are:

### **Create the appropriate environment for MSMEs to Formalize**

The Iraqi Government has to reduce the cost of MSMEs to become formal and to facilitate their transition from the informal to the formal economy; through:

- Develop a Conducive Business and National Environment, focusing on developing MSMEs-friendly employment, legal, regulatory and taxation incentives frameworks, as well as infrastructure development efforts into coherent and comprehensive sector-focused zones.
- Offer a reduction in the costs and increase the benefits of being formal.
- Offer simplified tax schemes and social security provision.
- Develop strong effective coordination mechanisms among public and private sector stakeholders in order to ensure coherence and streamlining of MSMEs support efforts.
- Role of organizations/ NGOs/ Associations: Associations and chambers of commerce of MSMEs can play an important role in facilitating transition of informal sector enterprises into formal world of business. They can provide services like information on registration, support services like tax filing and in facilitating the fulfillment of regulatory requirements.
- Introduce Government E-Services (MSMSEs Portal), to include simplified e-government services, administrative procedures (taxes, registration, etc.), and reduce duplication between different authorities.

## **Employment and Recruitment**

Ministry of Labor and Social Affairs, need to attract and facilitate access to skilled labor, and facilitate the recruitment of highly skilled labor.

- Enhance skills standards to improve competitiveness of the Iraqi labor force.
- Launch a job matching program, expand upon new entrants programs and setup a 'match-maker' between education institutions and MSMEs to better adapt supply-demand of anticipated labor force and provide matching services for job seekers and MSMEs.

## **Capacity Building**

- Relevant government authorities need to expand vocational and training programs to meet market needs (TVET), adapt vocational and formal training programs to new capabilities' requirements and encourage chambers of commerce, incubators, universities and training providers to increase capacity, and provide accreditation to high impact programs.
- Assist MSMEs in upgrading their human capital capabilities and skills by providing incentives (e.g., tax credits, vouchers, etc.) for targeted training, and ensure quality of training providers.
- Assist MSMEs in conducting in-house sessions based on different skills, focused on creating a more detailed employee-training plans.

## **MSMEs HR Perception Needs to be Changed**

- MSMEs need to turn to HR outsourcing firms to get help in managing payrolls, legal compliance, recruiting, staffing, and other services. As they grow in size investing in the formation of HR becomes crucial as non-elaborate practices and processes can't support them in the long run.

## 19. INNOVATION AND TECHNOLOGY - CHALLENGES AND MESSAGES

Innovation and technological competitiveness of MSMEs aims to transform and create new business models and enterprises through access to innovative technologies which are affordable, cost-effective, and accessible to all MSMEs. In Iraq the present 'utilization rate' across technologies varies significantly. The channels investigated in the survey were all 'under-utilized'. The heaviest reliance for business was on mobile telephony (40%).

Only 77 MSMEs engaged in E-commerce at some level and 533 MSMEs responded to the advanced innovation questions.

### 19.1 Findings

#### a) Digital channel usage

- 40% of MSME's depended on mobile phone use for their 'daily' business.
- Approximately 94% of MSMEs did not use 'E-Commerce' or a 'Website'.
- 76% of the total MSMEs surveyed did not use the 'internet' for their business needs.
- 72% did not use 'social media' for their business needs.

The main reasons given for the low frequency of usage of digital channels outside of mobile telephones was;

- 63.2% Did not need digital channels for marketing or promoting their business.
- 10.6% Did not know how to use these channels.
- 7% Regarded these channels too expensive.

#### b) E-commerce

77 MSMEs used E-commerce for their business, 40 had a dedicated portal, whereas 37 used an alternative system.

#### c) Innovation

533 MSMEs responded to advanced questions on the level of digital technology and innovation, and degree of dependence on new technology. The main findings indicated;

- 133 MSMEs depended on new innovation within their industry sector.
- 100 Depended on new technologies.
- 167 Depended on advances in R&D.

### 19.2 Challenges and Messages

#### Core Challenges

The weak utilization in innovation and technology indicates that this component needs a determined focus to enable MSMEs in connecting with potential clients and markets. The challenges are numerous, among which are;

- Low utilization of websites and e-commerce via the web.
- Low dependency on multiple technologies.
- Poor innovative capacities.
- Poor level of exposure to 'knowledge' transfer at any level of MSME growth cycle.
- No innovation facilities.

**Key Messages**

- Establish facilities that MSMEs can share (computer centers, business development centers, and municipal MSME bureaus).
- Provide financing programs for equipment, machinery, hardware and software.
- Promote commercialization of technology and build capabilities to foster digital exposure.
- Enhance e-commerce infrastructure in Iraq.

## 20. NETWORKING, PARTNERSHIPS AND LOCAL CLUSTERS – CHALLENGES AND MESSAGES

### 20.1 Key Findings

#### Business Association Networking

MSMEs have weak networking structures and business clustering. The majority of respondents (86%) reporting having none. Only 3% were part of industrial district or economic zone.

#### Incentives for Business Association and Networking

The main business benefits for enterprises for having a membership, has been perceived by respondents as one of the following:

- Marketing / Promotion: 25%
- Increased know-how: 15%
- Other: 27%
- None: 33%

#### Collaboration

When asking MSMEs about their collaboration, the main answers were as follows:

- There is no collaboration: 48%
- Collaboration with service providers: 25%
- Other: 27%

### 20.2 Challenges and Messages

#### Core Challenges

- Lack of connectivity channels, perhaps due to lack of awareness of the benefits of networking and partnerships.
- No collective programs for exposure to other areas or sectors.
- Reliance on local area market only.
- Limited knowledge of other areas and markets.

#### Key Messages

The main messages are:

- Foster wider MSME clustering to achieve economies of scale via networks such as co-ops, hubs, incubator centers and other MSME collective mechanisms.
- Promote programs for market exposure and awareness that are sector based to foster industry clustering locally and connecting clusters regionally (and internationally where applicable).
- Promote, where applicable, opportunities for multiple MSMEs to tap the opportunities in local economic development programs, infrastructure development, trade deals, etc.
- Implement international platforms that promote collaboration between MSMEs from different countries.
- Bridge MSMEs to large enterprises and multinationals
- Strengthen relationships with new top trading partners

## 21. WOMEN ENTREPRENEURS & WOMEN OWNED BUSINESS – CHALLENGES AND MESSAGES

Women owned business and entrepreneurs play a significant role in expanding the human resources pool and reducing poverty making a valuable contribution to the Iraqi economy. Women entrepreneurs' as part of the survey helps to identify and bridge the gender gap, and assess their needs for development. The data collected in the survey showed that women are facing more problems than men in setting up their business and in accessing formal financing (banks, MFIs). Based on the profile of women entrepreneurs and women owned business findings the following challenges and constraints were identified, and should be considered for future policy/ programs to empower women in business.

### 21.1 Findings

The findings covered the following elements:

- Ease of Setting Up Women Owned Businesses
- Access to Formal Financing (Banks and MFIs)
- Change in Ease of Doing Business for Women Over the Last Five Years
- Problems Faced by Woman Business Owners
- Initiatives Suggested by Women Business Owners

#### a) Ease of Setting Up Women Owned Businesses

- **60% of the sample stated that opening a new business is more difficult than men.**

#### b) Access to Formal Financing (Banks and MFIs)

- The majority of surveyed women/ women entrepreneurs stated that access to formal financing (banks and MFIs) is more difficult for them than for men, (50%).

#### c) Change in Ease of Doing Business for Women over the Last Five Years

- With relation to work environment, (46%) stated that it is easier than before. However, (42%) stated that it is more difficult.

#### d) Problems Faced by Woman Business Owners

- The majority of respondents (39%) stated that the main issues are financial; a further (16 %) stated Dealing with customers is the main problem.

#### e) Initiatives Suggested by Women Business Owners

- **30%** stated that, **financing projects/ facilitating loans** would be reliable initiatives and solutions to mitigate challenges.

## 21.2 Challenges and Messages

### Core Challenges

#### Unfavorable Business Environment for Women in General

- Most women entrepreneurs find themselves in a male-dominated industry or workplace that does not want to acknowledge their leadership role.
- Community, culture and social norms are based on stereotyping the roles of women and men. It is critical to ensure that systemic gender bias does not hinder the economic development of women-led MSMEs. Men and women each account for about half of the potential workforce, so any such bias would limit the contributions of a substantial portion of the population.
- Discriminatory practices that hinder women's business and employment.

#### Women Access to Formal Financing

- Lack of collateral
- Lack of financial literacy
- Most of the respondents were from the micro and small size enterprises, and from women who may not have the necessary financial exposure to make the best finance discussions.
- Lack of trust by traditional banks
- Bank and traditional financial service providers often feel hesitant to provide women entrepreneurs (MSMEs) with the financial support they demand. They view MSMEs as less attractive customers due to small loan disbursement amounts.
- Lack of customer banking product and modernized financing regulations especially for women entrepreneurs.

### Key Messages

The weak government laws and incentives offered for women entrepreneurs, access to financing and the stereotype community, social and culture norms against women remain major constraints for women entrepreneurs. The main immediate messages are:

#### Create a Conducive Business Environment for Women

- Provide incentives to growth-potential women-owned enterprises to move their business to the formal economy, such as tax exemptions, access to export markets, and access to public procurement.
- Collaborate with women entrepreneurs, industry associations, and micro finance institution (MFIs) to disseminate information, identify initiatives and programs to support Women businesses.
- Promote the introduction of quotas for women in enterprises.

## **Gender-Sensitive Legal and Regulatory System that Advances Women's Economic Empowerment**

- Develop and implement a series of seminars to raise awareness of women MSMEs in Iraq Governorates.
  - Collect and analyze gender- disaggregated data.
  - Provide gender sensitive training.

## **Access to Finance**

- Provide support to banks and financial intuition to provide women-tailored financing products and services (including credit, saving, leasing, insurance).
- Regulate minimum and maximum interest charges by MFIs to MSMEs; aim at women owned businesses.

## **Capacity Building**

- Develop and disseminate a specialized training curriculum to provide financial, managerial and technical support to women entrepreneurs.
- Specify business programs aimed at sectors women are more likely to engage than men.

## 22. COVID-19 – CHALLENGES AND MESSAGES

The survey obtained information on the impact of COVID -19 pandemic and lockdown measures on entrepreneurs and their decision making. That majority of the MSMEs have faced a decrease in turnover, which in turn has effected employee pay and job security. The survey also investigated what MSMEs opinions were of the governments handling of the crisis, and what measures they deemed important for the sector to be able to get through the sporadic lockdowns and pandemics negative influence on operating a business.

### 22.1 Key Findings

#### Impact of COVID-19 on MSMEs Turnover, Employment and Salaries

- 98% of MSMEs faced a critical decrease in the turnover due to CODID-19 pandemic.
- 44% of MSMEs have reported to put staff on leave due to this pandemic effect
- 20% of MSMEs have reported to put staff on partial working hours with partial salaries:
- 19% of MSMEs have reported to kept their staff at the same salary

#### Respondents Suggestions for Maintaining their Businesses during COVID-19 Pandemic

- 23% of MSMEs suggested that the government should provide salary compensations/ distribute grants or financial aid.
- 12% of MSMEs suggested enforcement of prevention standards (masks, social distancing, gloves, sanitizing, ...).

#### Respondent Suggestions for the Most Important Business Tools, Programs, and Needs that will facilitate the Completion of Business from Home

- It is not possible to work from home (taxi driver, farmer, barber ...): 66% of MSMEs
- Financial Resources: 13% of MSMEs
- Allow conducting business from home (selling): 4% of MSMEs.
- Other 17%.

### 22.2 Challenges and Messages

#### Core Challenges

- Decrease of business activities
- Decrease in the market demand
- Loss of income
- Difficulty in employment and in paying staff wages
- Limited support from Government
- Severe restrictions on foreigners and nationals entering the country
- Prohibitions on domestic travel

## Key Messages

The main messages are:

- Provide financial assistance: Provide small loans, grants or other forms of financial assistance would help MSMEs become more stable.
- Tax relief: Businesses noted that, although many did not have an income during the pandemic COVID-19, they were still required to pay taxes. Freezing this requirement during these uncertain times would remove this financial strain.
- Provide assistance/ aid for business service: such as, utilities, wage and logistic support.
- Establish platform for training around transforming business models, digitalization, online marketing and e-commerce.

## Part D: The Way Forward: Iraq MSME Accelerated Development Programme

### 23. IRAQ MSME ACCELERATED DEVELOPMENT PROGRAMME

#### 23.1 Urgent Need for Change

Iraq is at a stage of urgent need for comprehensive transformation and reform to meet a number of challenges caused, inter alia, by the dual crisis of oil price shock and the Covid-19 pandemic, resulting in the lowest annual GDP growth in 2020 over the last two decades.

The challenges revealed or confirmed by the MSME 2020 Survey include:

- Lack of strategy and clear vision for MSME development.
- Weak MSME sector in terms of capacity, contribution to the economy, minimal networking, limited use of technology and minimal export share.
- There is no focal point nor a champion in government to support and develop MSMEs. Likewise there is no focal point to represent and advocate for MSMEs.
- Scarcity of planning data to support the development of MSMEs.
- Very low participation of women in the ownership of MSMEs and their workforce. The very low participation of women in business entrepreneurship leaves a high proportion of the Iraqi population away from contribution to the national economy.
- High level of informality with little appetite to transition to formality due to unclear, lengthy and costly registration process.
- Low skill level and low quality jobs in enterprises, reflecting low level of participation in quality jobs country-wide.
- Low access to: finance, business development, technology and innovation.
- Levels of MSMEs income, resemble a low-income ranking country, although Iraq's wealth classifies the country in the upper middle income tier.
- Sub-par infrastructure and service delivery country-wide.
- Heavy government regulation and performance resulting in stifling, uncertain and costly business environment
- Weak public administration and accountability, and weak long-term reforms
- Weak Judicial Framework and Practice
- Weak export linkages of MSME production which is restricted to local markets.
- Poor marketing capabilities
- No networking with large domestic enterprises, and no international partnerships
- Having Poor or no HR Systems, MSMEs are unable financially to attract appropriately skilled workers and unable to compete with bigger firms on this aspect.
- Low utilization of innovation and technology depriving MSMEs of critical enablers that can be leveraged to support their activities and projects.

- Absence of financial digital channels for use by MSMEs.
- The high degree of informality and closed nature of MSMEs resulted in the lack of network connections and clustering that would allow them to grow and expand their markets.
- R&D expenditure in Iraq is 0.04% of GDP in 2017 (Rank 132 out 141).

## 23.2 Key Strategic Directions

The following recommended initiatives are organized by strategic theme. They represent a coherent and coordinated road map for accelerated development of MSMEs, in successive iterations. Each planning cycle would be monitored and its results evaluated for lessons learned in order to incorporate them in the following planning cycle.

Figure (23.1) shows the proposed MSME accelerated development strategy map, and Figure (23.2) shows the framework for MSME development contextualized with the Private Sector Development Plan Objectives.

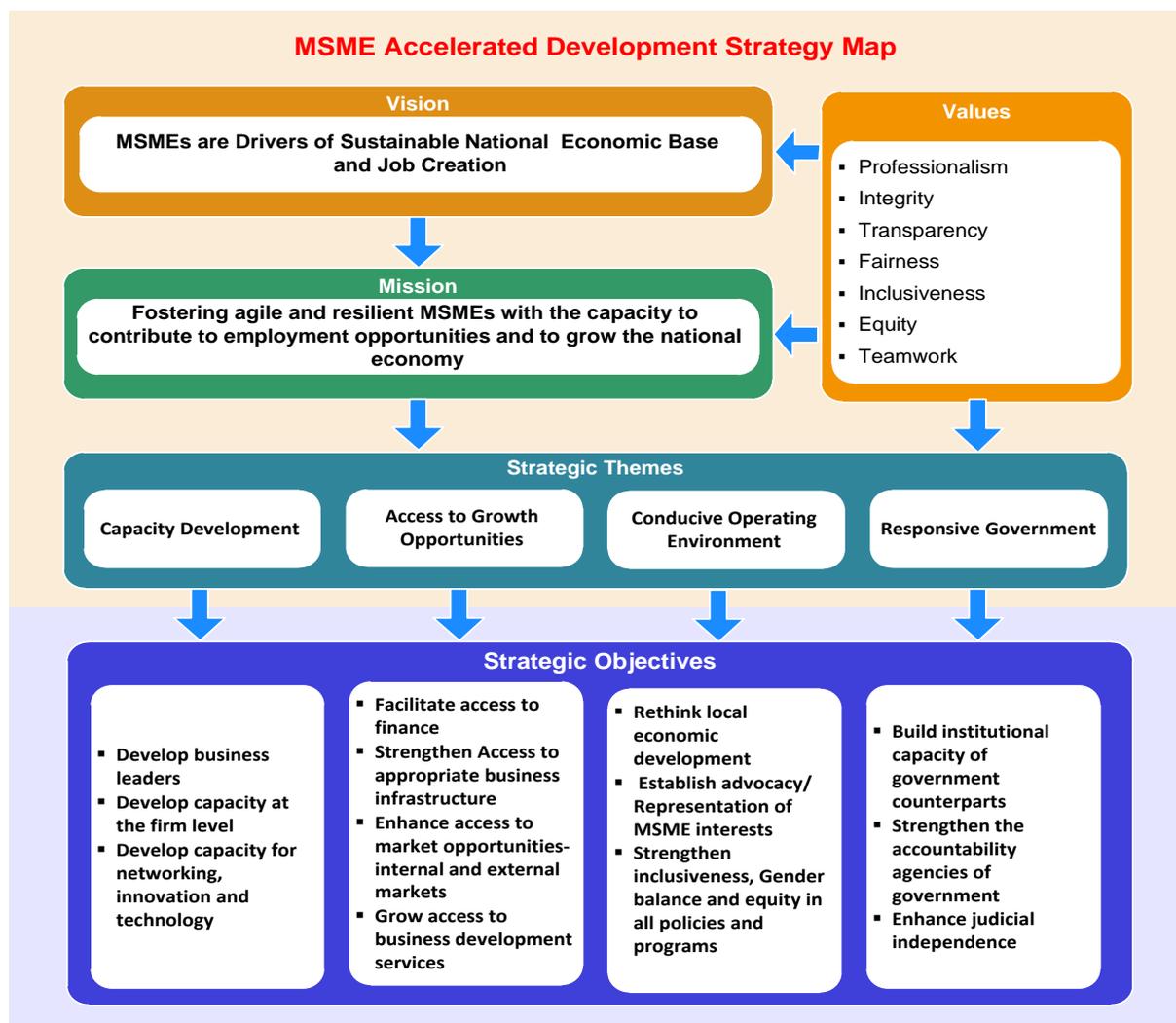
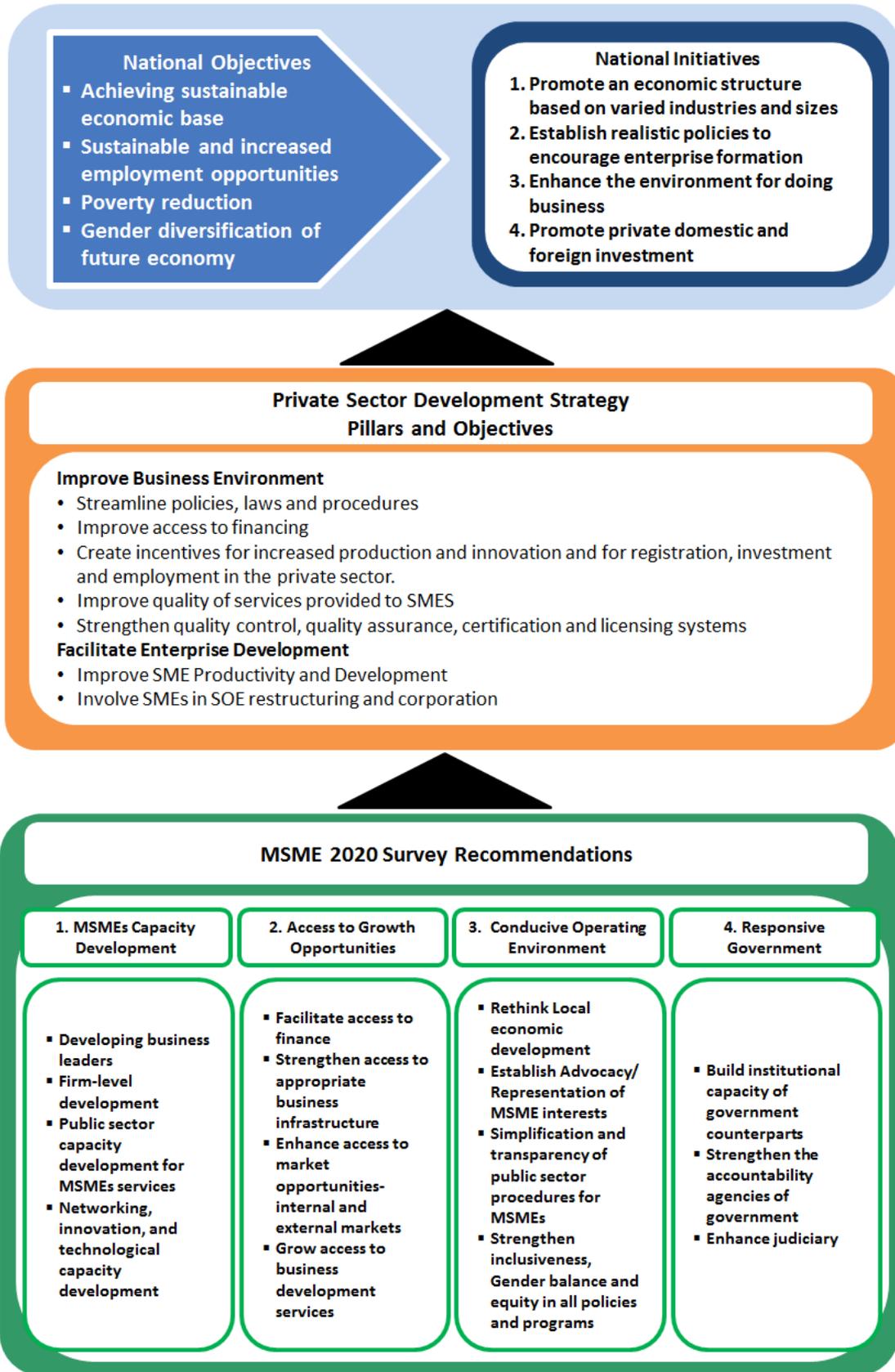


Figure (23.1): Proposed MSME Accelerated Development Strategy Map



**Figure (23.2): Framework for MSME Development**

The following sections outline the needed actions under the strategic themes.

### **23.2.1 MSME Capacity Development**

#### **(1) Develop Business Leaders**

- Develop a training and mentorship scheme for business leaders, men and women in entrepreneurship and leadership skills, business strategy and business development.
- Establish a national recognition scheme for MSME role models to give high visibility to MSMEs and entrepreneurship.

#### **(2) Develop MSMEs Capacity at the level of the Firm**

- Develop mentorship and training programs and TOT to professionalize management in MSMEs, including organization development, business management, marketing, HR development, performance management, bookkeeping, financial management and other best practices relevant to Iraq. Develop specific programs for women-led MSMEs and MEMEs in rural areas.
- Establish one or more special MSME support unit(s) in an appropriate institution. Candidate institutions may be the Private Sector Development Council, MoP, Universities, etc. Target specific support to women-led MSMEs and those in high growth sectors.
- Develop capacity building programs on intellectual property rights awareness.
- Establish apprenticeship programs ending with certification that would improve the supply of skills that match market needs.
- Enhance the relevance of the TVET system to market needs by encouraging universities and TVET centers to match their programs and outputs with market needs, as well as encouraging them to evolve their curricula to serve knowledge economy.
- Promote HR training and development to assist MSMEs to upgrade their staff skills by providing incentives to targeted training programs. Develop an electronic platform for knowledge transfer and continuous education for MSMEs.
- Establish a job matching program between institutions of higher education/ TVET centers and MSMEs to facilitate hiring of graduates.
- Develop capacity building programs for women entrepreneurship.
- Establish entrepreneurship and family business studies in major universities.

#### **(3) Develop MSME Capacity for networking, innovation and technology**

- Enhance industry clusters among MSMEs and between MSMEs and large companies through sharing regional and international best practices in cluster development.
- Develop/transfer/reconceive existing and new special economic zones, ensuring linkages with universities, TVET centers and R & D centers, and where MSMEs can forge partnerships.
- Promote technology upgrade and its application to business innovation through incentives and awards for innovation and knowledge-based creative industries. This may be achieved by, inter alia: availing knowledge on production technology for industries on various levels of innovation (product innovation, process innovation), encouraging cooperation on research for knowledge-based and creative products and promoting and incentivizing green initiatives and technology.

- Develop an electronic platform for sharing ideas and information on technology and innovation for MSMEs, as well as for knowledge transfer and continuous education.
- Set up a network for enhancing collaboration among MSMEs, large enterprises and universities.
- Assist MSMEs in attaining environmental goals, including clean production and resource efficiency.
- Promote, incentivize and optimize R & D to develop MSME capabilities in priority growth sectors to create a competitive advantage for Iraq.
- Establish MSME malls and trade shows.

### **23.2.2 MSME Access to Growth Opportunities**

#### **(1) Facilitate Access to Finance**

- Organize focus group(s) between MSMEs, CBI, ICEF-SME, ICBG, Other FIs and other stakeholders to assess current issues on access to finance including credit criteria, credit costs, credit risks and risk mitigation, collateral, MSME-focused lending; identifying points of strengths and weakness and discussing progressive win-win strategies.
- Implement capacity building programs for MSMEs, regulatory and financial institutions on credit screening of MSMEs, development of a business case, credit assessment, alternative non-traditional financing, etc.
- Reduce collateral requirements by improving financial reporting and transparency, and facilitate new alternative financing instruments including cash-flow based financing.
- Strengthening export financing facilities through facilitation of trade finance, such as trade credit and, export oriented loan insurance.
- Promote financial inclusion and literacy to increase access to traditional and alternative financing by adopting best practices for implementation of accounting rules and guidelines for MSMEs.
- Develop micro financing programs for micro enterprises with simplified procedures and no collateral, at a reasonable rate of lending. The incentive to pay back would be considered eligibility for repeat lending.
- Prepare and implement a plan for financial technology infrastructure and digital financing.

#### **(2) Strengthen Access to Infrastructure**

- Enhance access to basic infrastructure, including stable electricity supply, road networks, ports and airports, water supply and ICT.
- Provide simplified e-government / e-commerce and simplified procedures (for registration, financial transactions, taxes,...).

#### **(3) Enhance Access to Market Opportunities**

- Support schemes for enhancing market access and integration through the provision of relevant information on regional and global markets.
- Facilitate networking and linkages between MSMEs and large enterprises and multinationals to enhance entry into the global supply chain

- Encourage adoption of international standards through capacity building.
- Leverage Iraqi economic and diplomatic network to help MSMEs access international markets.
- Promote export capacity through appropriate mechanisms that improve cross border and international trade.

#### **(4) Grow Access to Business Development Services**

- Improve business development and support services, including business incubators and support hubs at the local level.
- Provide support to MSMEs to benefit from domestic and external market growth by targeting technical and financial support to priority non-oil sectors such as agrifood, manufacturing, building and construction, ICT, transport and tourism.

### **23.2.3 Conducive Operating Environment**

#### **(1) Improve Regulatory Environment**

- Improve the legal, regulatory and administrative requirements for MSMEs, including Rule of Law, contract enforcement, bankruptcy rules, and procurement system.
- Reform taxation administration as it relates to MSME development.
- Enhance business environment by streamlining permit registration, enabling less costly and faster business formation, using one stop shops, and availability of information to informal business owners.
- Create an MSME observatory to enhance MSME data collection and M & E system in support of evidence-based policy making.

#### **(2) Establish Advocacy / Representation of MSME Interest**

- Strengthen representation of MSMEs through business membership organizations and networking.
- Strengthen coordination mechanisms between public and private sectors in order to ensure relevance and coherence of MSME support efforts and to allow MSMEs to have 'voice' in new policies.

#### **(3) Strengthen Inclusiveness, Gender Balance and Equity in all policies and programs**

- Promote women entrepreneurship through dedicated-policy level support
- Provide incentives to growth-potential women-owned enterprises to move their businesses to the formal economy, such as tax exemptions, access to export markets, and access to public procurement.
- Collaborate with women entrepreneurs, industry associations, and micro finance institution (MFIs) to disseminate information, identify initiatives and programs to support Women businesses.
- Promote the introduction of quotas for women in enterprises.

#### **(4) Rethink Local Economic Development**

Mandatory local economic development planning practices should be established at the governorate / district / municipal levels. The federal Government should provide the

guidelines, incentives and financing and the local entities shall develop and implement the plans accordingly.

Plans shall be developed in accordance with an integrated participative/ strategic approach involving current state assessment of local assets (human capital / physical capital , social capital, natural capital) prevailing deficiencies and development issues; performing SWOT analysis involving comparative advantage, economic potential and development constraints; developing vision and mission statements; formulating objectives and priorities; developing initiatives (programs and projects) pertaining to the economy, infrastructure, resource development,...; developing project charters/outlines, and developing an implementation plan that specify theme sequencing, Institutional responsibilities, coordination mechanisms, budgets and financing, PPP schemes and performance measurement.

The planning practice should emphasize evidence base, wide participation by stakeholders, citizens and local businesses, with a focus on MSME development and participation. This requires formulation of strategies to align MSME development with regional strategies that are facilitated by intergovernmental coordination in regional plans.

This practice will enable leveraging public expenditure to enhance economic and social development, will enable development- based financial planning and budgeting as well as sound allocation of public funds. In this manner public expenditure would be based on clear and predictable outcomes that generate public value and growth.

#### **23.2.4 Responsive Government**

##### **(1) Build Institutional Capacity of MSME Government Counterparts**

Develop a thorough targeted institutional capacity building program with the aim to transform public sector counterparts to become more effective to provide support and create value for MSMEs through modern management practices. The program shall include:

- Build capacity for adoption of good governance and accountability practices
- Adopt sound management approaches including management by objectives and results, strategic management, performance measurement, M&E. This includes:
  - o Strengthening the capacity of counterparts agencies to manage policies, business relationships, projects and contracts and developing more sophisticated business models that build in a public value element responding adeptly to MSME development requirements and performance.
  - o Improving the functioning and transparency of counterparts in order to make them more responsive to MSME needs.
  - o Enhancing coordination between government counterparts and developing MSME policy and implementation guidelines for inter-governmental coordination.
  - o Enhancing the websites of all government counterparts to be of higher utility to MSMEs in terms of contents, updates, relevant links, E-services, and languages.

## **(2) Strengthen the Accountability Agencies of Government**

- Strengthen existing platforms for MSME and citizen feedback on public policies and programs
- Strengthen control agencies responsible for oversight of government performance
- Carry out financial and management audit of government agencies and programs

## **(3) Enhance Judicial Independence**

- Strengthen the ongoing efforts to ensure the independence and integrity of the judicial system
- Build capacity and provide adequate training to judges.
- Enhance the curriculum of the Iraqi Judicial Institute, and modernize its law in order to conform to internationally applied standards. In assessing and selecting judges for various regional courts.

### **23.3 Next Steps**

The Iraq MSME Accelerated Development Programme requires further development, budgeting, resourcing, and program implementation including a detailed design of the proposed initiatives.

This entails carrying out the necessary consultations, stakeholders' engagement, and outreach to discuss the MSME accelerated development strategy with national and international organizations, put it on the national agenda and rally the needed concerted efforts to realize its vision.

Program implementation can benefit from a wealth of international experience in MSME development, financed, sponsored or managed by UNDP, USAID, World Bank, ILO, EU, OECD and others. Part E and its appendix (9) provide highlights of this experience.

In this context, and in view of the importance of the Private Sector Development Strategy (PSDS) as an overarching national document for revitalizing and enabling the private sector, including MSMEs, it is recommended that this document be updated as a ten-year strategy 2021-2030, informed by various development activities since 2014, including the findings and messages of this study.

## Part E: International Best Practice

### 24. INTERNATIONAL BEST PRACTICE IN CHANNELING MSME MESSAGES

This section summarizes five examples of International Best Practices in MSME frameworks for policy development (see appendix (9) – International Best Practices - for full details). The chosen cases are a result of research to discover the best in class that can be adapted towards the Iraqi enterprise environment. The aim is to find an approach that can realistically serve the strategic planning of the MSME initiative built upon the survey outcomes, as well as serving the PSDS Action Framework (2014-2030) for Pillars 1 to 3 respectively.

The government of Iraq with the UNDP has affirmed in the PSDS that it will achieve the objectives of its strategy using a three-pronged approach:

- Pillar I: Understanding the Private Sector.
- Pillar II: Improving the Business Environment.
- Pillar III: The SME Development Programme.

#### 24.1 Private Sector Development: MSMEs Context

Governments, development agencies and research organizations assume different orientations to Private Sector Development (PSD) depending on their vantage point.

The departure point for formulating PSD strategies at the country level include assessments that provide a clear understanding of the operating environment for the conduct of businesses, and of where local policies and conditions hamper sound growth and development of financial markets and private enterprises (OECD 1995). Subsequently, donors will take up the challenge of developing frameworks and strategies to guide their respective PSD efforts in recipient countries, as well as devising instruments to assess the PSD environment at local level.

References to the investment climate and the business environment are paramount in discussions of private sector understanding for reform (as necessary for pillar 1 to 3 of the Iraq PSDS). The investment climate is defined as the set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs and expand the business environment. A subset of this is the consistency of policy, legal and regulatory conditions that govern business activities.

PSD has a close link with the development of MSMEs and entrepreneurship. World Bank studies find a positive and significant correlation between new business entry rates, the size of the private sector and GDP per capita, and a clear correlation between MSMEs density and income levels of countries.

According to the OECD the transformation caused by radical shifts towards economic liberalization, privatization of public enterprises and growth-led exports (reflecting changes

in the investment climate and business environment) opens up new opportunities for the creation of MSMEs and expands the number of entrepreneurs. The MENA region needs more MSMEs to create jobs and reduce unemployment, improve growth and productivity rates and fight poverty, but points to inadequate regulatory environments and support infrastructures and to deficiencies in the research knowledge base on MSMEs and their prospects.

The ultimate aim of PSD is to facilitate a growing private sector in order to produce enhanced economic and social development and performance of a country. These outcomes are measured by gains in employment, trade, foreign direct investment (FDI), productivity and GDP, and reductions in poverty and inequality. The major components of PSD are captured in a continuum (fully expounded in appendix (9)).

The first set of the framework relate to creating market space for the private sector, which has a lot to do with deregulation and improving the investment climate. Increases in the scale and scope of private sector contribution to economic growth outcomes will occur if the government reduces its role in the economy and/or if the private sector increases its role.

In the context of developing and transition countries, where the government often assumes a more active role in economic activity, actions are needed to create a larger market space for private activity. This can be achieved through the privatization of SOEs, encouragement of public-private partnerships (PPPs), reduction of restrictions for private sector entry into key sectors of the economy previously controlled by the state.

The supply side of PSD considers the stock of existing enterprises (both foreign and domestic-owned), MSMEs, informal enterprises and new and potential entrepreneurs. Different countries use differing policies and strategies to stimulate development of each of these groups. In the intervening space between demand and supply factors, policies and interventions will be needed to create a 'business enabling and investment environment' and to 'facilitate enterprise development'. It also includes creating the physical infrastructure and industrial lands and free zones; education and training systems that will produce a supply of appropriately skilled labor.

A comprehensive PSD strategy would address the variables of this framework, as they are interrelated and interdependent. Weaknesses in one area of the framework will create bottlenecks or adverse reactions in another area.

Included in appendix (9) are the detailed text and illustrations of five-implemented world class models for MSME development. Each example facilitates the understanding of MSME reform via different approaches.

In the table below we explain each approach chosen in each one of these countries by the institutions that partnered with them in their PDS and the MSMEs strategic plan and initiatives for enablement of the sector.

**Approaches to Private Sector Development Strategies and MSMEs**

	<b>Content</b>	<b>Partner Institution</b>
<b>a</b>	MENA-OECD Egypt Initiative (partnered by the EU). BUSINESS CLIMATE DEVELOPMENT STRATEGY (BCDS) - MSME Policy and Promotion.	OECD / EU
<b>b</b>	ASEAN - The Association of Southeast Asian Nations; Strategic Action Plan Structure for MSME Development 2016-2025.	ASEAN (JAIF –Japan)
<b>c</b>	Ministry of MSME in partnership with SIDBI (Small Industries Development Bank) through the MSME Umbrella Programme (MSME-UP) - Best Practice Mechanisms and Recommendations for MSME Development	Ministry of MSME - India
<b>d</b>	EU and ILO best practice technical advisory for MSME policy development. Ministry of Commerce, Trade and Finance - Republic of Zambia.	ILO / EU
<b>e</b>	USAID / WB: MSME Growth and Jobs Creation in Lebanon.	USAID / World Bank

**a) MENA-OECD Egypt Initiative (partnered by the EU). BUSINESS CLIMATE DEVELOPMENT STRATEGY (BCDS) - MSME Policy and Promotion.**

The model utilized in Egypt allows for a framework that is divided between an ‘institutional framework’ and ‘policy tools’. This approach allows for the management of the institutional environment under defined main elements, while allowing the focus of MSME policy to be detached and focused on the linkages, enhancement, innovation and operational support for MSMEs.

Ultimately both these critical elements are linked by the ‘MSMEs policy and promotion’ dimension. This approach allows for the easier management of sub-dimensions, yet allows them to be linked as a whole framework. This approach is best used in large locations such as Egypt, whereby different and numerous locations will have differing emphasis on MSMEs development services and their needs. Additionally, the distance and efficiency of services to aid MSMEs over a wide area makes this approach more practical for service delivery and customization of requirements.

**b) ASEAN - The Association of Southeast Asian Nations; Strategic Action Plan Structure for MSMEs Development 2016-2025**

The ASEAN approach is based on a development structure for South-East Asian nations to focus on Strategic Action Plans (SAP), which connect to the desired outcomes of a structured implementation roadmap.

The purpose is to align action lines (i.e. projects) to the strategic path of the implementation roadmap. This is intended to keep action plans balanced and engage PPP in project design.

The importance of post implementation is also emphasized by setting KPIs and allowing for robust Monitoring & Evaluation.

**c) Ministry of MSME in partnership with SIDBI (Small Industries Development Bank) through the MSME Umbrella Programme (MSME-UP) - Best Practice Mechanisms and Recommendations for MSME Development**

The Ministry of MSME approach is based on their wide global experience. The approach chosen for India is based on 5 themes, and their functionalities;

- i. Planning mechanism.
- ii. Implementation.
- iii. Central coordinating agency.
- iv. Technologies.
- v. One-stop service points.

Their role and outcome are summarized briefly, as such;

**i. Planning Mechanism**

Allocation of resources to clearly defined strategic plans and goals, outputs and outcome indicators. MSME planning mechanisms covers a wide spectrum of approaches, programs necessary for success.

**ii. Implementation**

Implementation is measured against outputs and outcomes contained in the strategic plans, not just against inputs or procedures.

**iii. Central Coordinating Agency**

This agency has the power to coordinate services by multiple ministries, agencies and departments.

**iv. Technologies**

The Use of ICT to ease access to services for MSMEs to government services.

**v. One-Stop Service Points**

A physical network of service points continuously supported with infrastructure and personnel. Building on these themes are best practices messages for a coordinated and comprehensive institutional framework to maximize results of government or agency initiatives. These framework messages are split into three levels:

- 1) Overall promotional framework.
- 2) Cross-cutting messages.
- 3) Service-specific messages with actual examples in finance credit delivery, market and skill development gathered as best practice examples from various nations (see appendix 8- MSME Financial Systems in Asia).

**d) EU and ILO best practice technical advisory for MSME policy development. Ministry of Commerce, Trade and Finance - Republic of Zambia**

Zambia's MSMEs policy development endeavor is an extensive approach with detailed description of the policy methodology, split into two sections.

- **Section One: Policy Development Framework.**
- **Section Two: Mechanism for Policy Framework Implementation.**

**Section One:** The Zambia policy development framework has been created along four attributes:

- a) Rationale.
- b) Policy goals.
- c) Guiding principles.
- d) Policy objectives.

**Section Two:** Defining Pillars of the Mechanism categorized into three development pillars of;

**Pillar one - Capacity**

- Entrepreneurship development capacity.
- Innovation and technological capacity of MSMEs.

**Pillar two - Access**

- MSMEs access to market opportunities.
- MSMEs access to business development services.
- MSMEs access to appropriate business finance.
- Access to appropriate operating premises and business Infrastructure.

**Pillar three - Operating environment**

- Local Economic Development.
- Representation of MSMEs interests.
- Gender.

Each pillar's sub-topic is then broken up into the practical application relevant to the subject under four headings:

- 1) Context.
- 2) Policy Statement.
- 3) Objective.
- 4) Policy Strategies.

This creates a practical and harmonized guide for each pillar to be understood and implemented upon the same action lines. It also allows for easier calculation and measurement of KPI's and facilitates swift Monitoring & Evaluation efforts.

#### **e) USAID / WB: MSME Growth and Jobs Creation in Lebanon**

Recognizing the potential of Lebanon's MSMEs to become critical drivers of job creation and economic development, the Ministry of Economy and Trade (MoET) developed a series of strategic thrusts and proposed initiatives to address the constraints to MSMEs growth. The six thrusts are:

1. Evolving Business Leaders.
2. Facilitating the "Right" Funding.
3. Improving Access to Markets.
4. Enhancing Capabilities and Innovation Capacity.
5. Developing a Conducive Business Environment.
6. Ensuring Coherence and Effective Coordination.

Recognizing the opportunity to support and build new MSME strategy, the MoET with the help of USAID conducted an assessment of the prospects for enterprise growth and job creation in Lebanon. The assessment examined enterprise development needs across five technical areas with messages. The five areas are;

- 1) Advocacy for an improved business enabling environment.
- 2) Demand-driven business development services (BDS).
- 3) Increased trade and export linkages.
- 4) Enhanced workforce development.
- 5) Opportunities for growth in special economic zones.

## 25. FINANCIAL TECHNOLOGY

Currently the fintech industry in Iraq covers a limited range of sub-sectors, such as mobile and electronic payments and telecommunications; these are reportedly the only two competitive tech sectors in Iraq. Other promising tech areas that remain underdeveloped include online shopping, trading and electronic services, and smartphone applications. Iraq is adopting fintech at a slow pace, and overall investment in fintech and the enactment of related regulations have been low, compared to other countries in the region. This is due to many factors, including:

- a) The large unbanked population – according to an analytical note entitled "Bringing Back Business in Iraq" published on 1 January 2019 by the World Bank Group, only 23% of Iraqi households have access to an account with a financial institution.
- b) The cost of internet and mobile services, relative to income, which limits demand for digital financial services.
- c) The fact that Iraqis prefer cash on delivery in e-commerce transactions, due to concerns about security of online payments.

### 25.1 What products and services are offered?

While mobile and electronic payment services are increasing, they are not as widely used as in other countries in the region. The most common payment methods remain cash on delivery and bank transfer, with limited credit card use. E-commerce (food, real estate, shipping, transportation and travel services), e-banking and digital payments are reported as major underdeveloped sectors in Iraq.

Electronic payment services authorized in Iraq include managing deposits and cash withdrawals through automated teller machines and executing electronic debit and credit payments. Such electronic payments are made through any means of digital communication and information technology, or network operator acting as an intermediary between the user and the supplier of services, or any other recipient, through mobile phone transfers.

Electronic payment service providers licensed in Iraq may also facilitate access to loans from banks, disbursed directly to the user's credit card.

### 25.2 How are fintech players generally structured?

Electronic transactions are regulated in Iraq under the E-signature and E-transactions Law. However, online and technology businesses are not regulated as such in Iraq. This means that e-commerce sites and mobile applications are not legally considered as businesses, unless they have a physical office address in Iraq. Therefore, tech start-ups generally elect to register their businesses as 'bricks and mortar' companies for legal recognition.

Fintech services are also provided by banks that operate based on a license from the Central Bank of Iraq (CBI).

### **25.3 How are they generally financed?**

Financing options for fintech companies operating in Iraq are very limited.

Many start-ups in Iraq self-finance their fintech businesses or seek funding from family and friends. Other financing options may include donations, seed funds and grants from incubators. A less accessible option for fintech start-ups in Iraq is investment by angel investors; the terms of such investments are often unfavorable to fintech entrepreneurs, as angel investors often seek a majority stake in the start-up.

### **25.4 How are they positioned within the broader financial services landscape?**

The lack of electronic payments makes the expansion of fintech companies challenging. Fintechs in Iraq do not yet constitute a competitive threat to institutions offering traditional financial services. Authorised electronic payment service providers rely on banks to facilitate client access to certain products, such as loans, which are credited by banks directly to customers' credit cards.

### **Do start-ups generally outsource back office functions and is there a developed market for them to access? What are the legal implications of outsourcing?**

We believe that the most relevant outsourcing by fintechs in Iraq currently concerns cloud computing. Banks, financial institutions, payment service providers, exchange counters and other licensed institutions must comply with Central Bank of Iraq Decision 14/611 of 2019 when outsourcing to cloud computing service providers. Upon engaging in such activities, these institutions must take into account operational risks and factors such as confidentiality, integrity, cyber security, regulatory compliance and data transfer. The measures to be implemented by banks, financial institutions and other licensed institutions to ensure the safety of operations include:

- User identity management systems.
- Identification and protection of personal data.
- Security and protection systems that prevent hacks and attacks.

### **25.5 Trends and Predictions**

The Iraqi digital financial sector offers substantial growth potential, fintech services, online lending and e-commerce services have a high potential of growth and success in Iraq given the demographics of the Iraqi market of which 60% are under the age of 25.

Technology and mobile banking are highly attractive, especially given the numerous out-of-date banking practices. The Iraqi population is largely unbanked, but despite the challenges, fintechs are contributing to the empowerment of this population and are attempting to move the economy from a cash-based economy to a digital economy.

However, fintechs face many challenges, including the following:

- The lack of specific legislation and regulation governing fintechns.
- The need to register their business as an incorporated company, with all of the related financial and time constraints, including the need for a physical address.
- Difficulties in attracting the right skills and talent.
- Difficulties in attracting foreign investment.

Security surveillance systems, e-governance, telecommunications, database management, internet services and electronic and mobile financing are reportedly government priority areas for investment.

\*At the time of writing (2020), draft laws on cybercrime and telecommunications and information technology have been prepared, but have not yet been enacted.

(Source: Lama Abou Ali and Malek Takieddine April 2020 - Aljad Law)

## 26. ENHANCEMENT OF DIGITALIZED FINANCE FOR MSMEs

New technologies are rapidly transforming the financial services sector and addressing several challenges that can help close the financing gap for MSMEs. Digital Financial Services (DFS) or the provision and usage of responsible and affordable financial products and services through digital channels, have the potential to be a game changer for MSMEs financing globally. The delivery of DFS can be done a number of actors;

- i) Financial technology (FinTech) firms, which generally focus on a particular financial product or service, and utilize new technologies and ways to do business to serve customers in a more efficient and transparent manner.
- ii) Banks and financial institutions that adopt DFS products or may partner with FinTechs to deliver these products.
- iii) BigTech firms that dominate the market for digital services, which are offering digital financial products and services.
- iv) Mobile network operators (MNOs).

These players are transforming the traditional lending process by automating the underwriting and loan servicing tasks making it significantly cheaper, faster, and easier to provide financing to MSMEs.

DFS can also play an important role in encouraging informal enterprises to join the formal economy. Informal firms are restricted from accessing formal financing instruments, and workers in the informal sector lack social protections, such as insurance and pension benefits. However, the widespread adoption of mobile phones is making the use of digital financial services available to more people and firms, including informal businesses. Digital financial products such as digital payments can help informal businesses establish a credit history, potentially opening the door to formal financing.

DFS are also enabling women-owned SMEs to improve their ability to make business investments and obtain access to finance to run their businesses. Many studies have shown that DFS can increase women's financial autonomy, support women's participation in the labor force, and improve the performance of their business by increasing access to financing.

### 26.1 Technology Foundation for FDS

The main technology innovations that are having the biggest impact on the financial services sector and ultimately helping MSMEs are:

#### a) Infrastructure

The foundations that new business models and financial products can be built and/or developed on. The following technology innovations fall in this category:

- Cloud computing.
- Block chain / Distributed ledger technology (DLT).
- Internet of Things (IoT).

## **b) Tools and Channels**

The tools/ distribution channels enabling the use of DFS in the development of new business models and financial products:

- Mobile phone/Internet connectivity.
- Algorithms for Big Data analytics.
- Artificial Intelligence (AI)/Machine Learning (ML.)
- Application Programming Interface (API) .
- Quick Response (QR) code.

In many instances, these innovations overlap and making them mutually reinforcing i.e. a digital lending application that is distributed through the mobile phone can be developed using cloud computing technology. The application can leverage AI/ML and Big Data analytics for the evaluation of the borrower's credit risk by using a wide variety of alternative data sources such as mobile records, digital payments, social media etc. The strong complementarities between these various innovations fortifies their potential.

## **26.2 Digitalization Trends and Developments**

### **1. Digital payments**

Referring to transfers of value that are made using digital or electronic devices and channels to transmit data. Digital payments include payments initiated by debit or credit card, mobile phone, computer, tablet, or wearable digital device. The opportunity to digitize MSME payments is significant; the World Bank Group estimated that out of the \$38 trillion worth of payments that MSMEs accept from customers each year, \$19 trillion are made in cash.

### **2. Credit Scoring**

Most FinTechs and BigTech firms that offer digital lending products to MSMEs have developed their own proprietary credit scoring models with an extensive amount of data points. Banks are realizing the benefits of the alternative credit scoring models and are actively partnering with FinTechs that offer data analytics and credit risk assessments or that are developing their own models internally.

### **3. Digital Lending**

Advances in technology make it possible to digitalize different types of credit products and be able to offer them to MSMEs in a faster, more convenient, and sometimes cheaper way than through traditional methods. Using new credit risk models, alternative data sources, and digitized transaction data enables better data collection and credit assessments through the following ways:

- Providing more data points to evaluate credit risk.
- Using online transaction and ordering data that can act as proxies for cash flow.
- Having online information of customer behavior.
- Providing controls on how lending will be used by the MSMEs.

#### **4. Digital Lending Market**

The digital lending market volume for the G20 countries was estimated at \$408 billion as of year-end 2017 and has been growing at a CAGR of 125 percent since 2014.

Out of the total digital lending volume, approximately 31% was for MSME borrowers, while the rest were digital loans to consumers. Digital lending for MSMEs has been mainly concentrated in three countries, generating 98% of the total volume: China (88%), United Kingdom (3%), and the United States (7%). Approximately 88% of the total lending volume for MSMEs in 2017 was from P2P/Marketplace platforms and the rest from online balance sheet.

#### **5. Uncollateralized Loans**

Uncollateralized, or unsecured, digital loans refer to credit facilities that are supported by the owner's creditworthiness, rather than by any form of collateral. Advances in AI, ML, and Big Data analytics are making it possible to offer digital versions of uncollateralized loans to MSMEs that may have had no access to these debt instruments in the past due to a lack of financial data on their businesses and to offer the loans at relatively low financing rates.

#### **6. Payment Card Receivables**

Credit card receivables financing, also known as merchant cash advances (MCAs) or cash advance loans, emerged as a solution for small businesses that needed cash on a short-term basis but were not able to get a loan from a bank.

The payment card receivables provider advances an upfront sum of cash to the MSME in exchange for a percentage of the company's future credit and debit card sales. When an MSME gets a payment card receivables financing, it negotiates with the provider the fixed percentage that they will take from the business' credit and debit card sales every day.

Payment card receivables financing provides many benefits for MSMEs looking to quickly access financing:

- Scalable and flexible form of financing. Due to the variable payment mechanism, during busier periods of time when a business is making more money, more of the credit card receivables financing will be automatically paid back, while in leaner times it will not pay much.
- High approval rates within as little as 24 hours. Since payments are tied to a portion of sales, it is fairly straightforward and certain to obtain payments. Therefore, even businesses with low credit ratings may get approved.
- No hidden charges, easy and highly transparent process. MSMEs do not need to provide security or a business plan in order to obtain an MCA.

## **7. Trade Finance**

Trade financing refers to financial institutions providing credit facilities in order to guarantee the exchange of goods from one country to another. Trade finance is a highly complex business process involving many intermediaries between buyers and sellers of goods. These parties coordinate transactions across several currencies, custom regimes, laws and regulations.

It is estimated that there is a global trade finance gap of \$1.5 billion, with MSMEs being the hardest hit, representing 74% of total rejections for trade financing requests. Notably, women-owned MSMEs were 2.5 times more likely to have 100 percent of their proposals rejected by banks than were male-owned MSMEs.

Study findings reveal that one of the main reasons that financial institutions are reluctant to provide trade finance to MSMEs is due to the high cost and complexity of undertaking anti-money laundering due diligence. The archaic and paper-based documentation in trade finance also leads to high costs, making it harder for MSMEs to obtain access to this type of financing.

FinTechs and digitalization can be a solution to the lack of trade financing for MSMEs, since it can help automate processes, reduce complexities, and reduce costs. In particular, transforming paper-based documentation into electronic formats can reduce processing times and the cost of cross-border movements of goods.

## **8. Block chain /DLT**

Block chain/ DLT allows real-time review of financial documents and bills of lading, helping to reduce counterparty risk. Contract terms could be executed via smart contracts, eliminating the need for correspondent banks and additional transaction fees. Another benefit of blockchain/ DLT is that it could give every party in a trade finance deal access to a single record of the transaction, providing transparency to all parties on what exactly is happening at every step of the transaction.

Using a common digital platform to track trade finance deals creates a data pool about potential clients and their transaction histories, which could make it easier for FinTechs to offer financing options.

## **9. Equity Crowd funding**

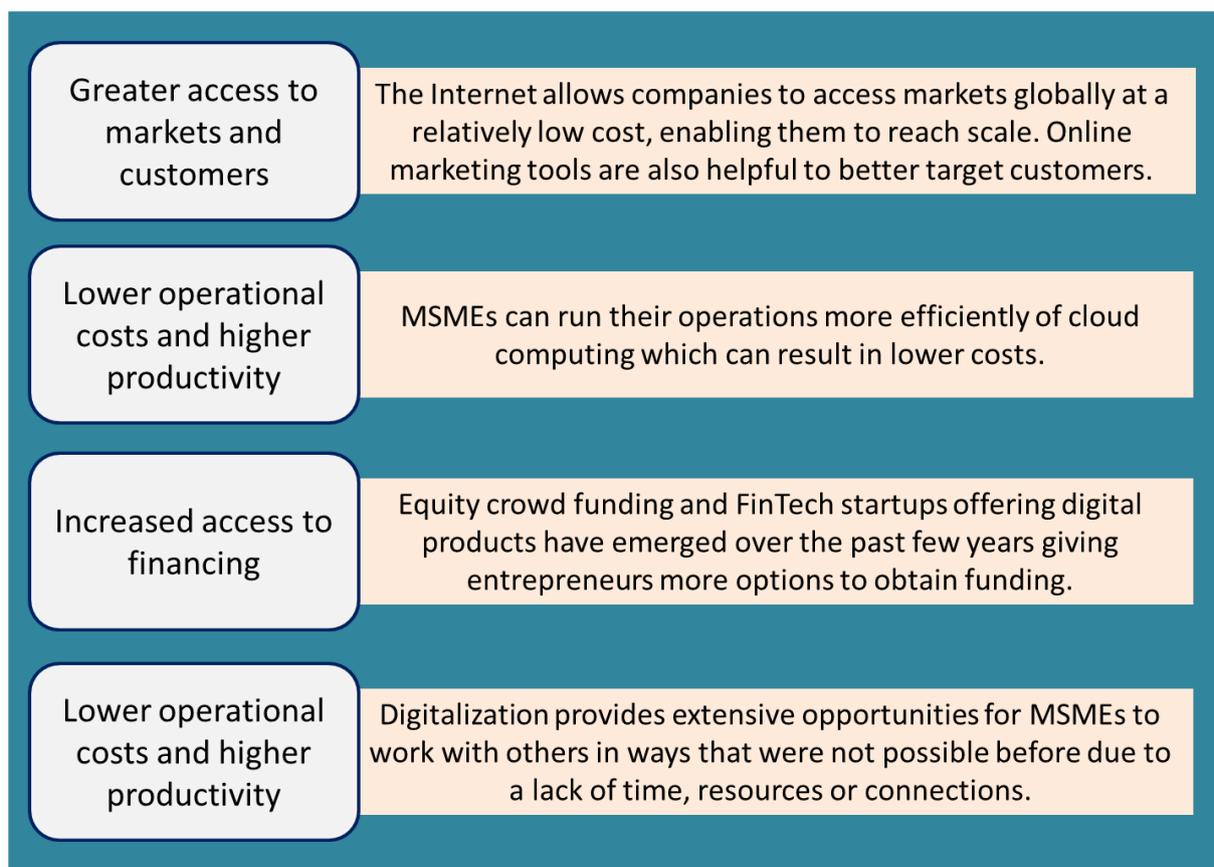
Equity crowd funding refers to raising capital for an MSME or startup by using an online platform and asking investors to each invest a relatively small amount in it. The benefit of equity-based crowd funding for SMEs is the ability to raise capital through an alternative channel, which may be easier and cheaper than using venture capital and private equity firms.

The equity crowd funding market has demonstrated strong growth over the last 5 years, but the total capital raised represents a small fraction of the total digital lending volume. In 2017, the total equity crowd funding volume in the G20 was approximately \$1 billion, whereas the total digital lending volume was \$409 billion. The top three countries with the highest volume of equity crowd funding are the United Kingdom, the United States, and China.

### 26.3 Digitalization and MSMEs

The digital transformation, or digitalization, of MSMEs refers to the adoption of new business models, such as e-commerce, and of digital products, such as software solutions, electronic communication tools, and other advanced systems that are used to run aspects of an enterprises operations. In most cases, the use of technology requires significant changes in business processes such as how an enterprise manufactures its product or distributes its service, as well as how it interacts with customers and suppliers. The rapid advances in technology are making it possible for MSMEs to easily adopt these digital tools that can lead to increased productivity, and profitability, and a more level playing field when competing against larger companies.

#### Benefits for MSMEs in Adopting Digital Technology



## APPENDICES

- **Appendix (1): (A)** MSMEs Related Statistical Reports  
**(B)** MSMEs Related Studies, Laws and Regulations
- **Appendix (2):** Micro, Small and Medium-sized Enterprises in Iraq; A Survey Analysis (ILO 2012)
- **Appendix (3):** Relevant Previous Studies
- **Appendix (4):** MSME Stakeholders Review
- **Appendix (5):** MSME 2020 Survey Methodology
- **Appendix (6):** Comparison between ILO-UNOPS 2012 and UNDP 2020 Survey
- **Appendix (7) :** Estimation of Total Number of MSMEs and Total Employment in MSMEs in Iraq
- **Appendix (8) :** MSME Financing in Asian Countries (Source: 2017 UKAid)
- **Appendix (9) :** International Best Practices
- **Appendix (10) :** 2019 MSME Climate Index Best-in-Class

**APPENDIX (1)**

**(A) MSMEs Related Statistical Reports**

**(B) MSMEs Related Studies, Laws and Regulations**

## Appendix (1)

### A. MSMEs Related Statistical Reports Reviewed

Name of Document	Source	Date	Description
Preliminary annual estimates of GDP for 2020	CSO	2020	The report covers the annual estimate of GDP and national income for first quarter of 2020 and the first and fourth quarters of 2019
Preliminary GDP estimates for the three quarters For the year 2019	CSO	2019	The report covers the annual estimate of GDP and national income for 2019
Preliminary annual estimates of GDP and national income for 2018	CSO	2018	The report covers the annual estimate of GDP and national income for 2018
إحصاء المنشآت الصناعية الصغيرة لسنة 2018 Small Industry Statistics	CSO	2018	يساهم هذا التقرير في توفير بيانات إحصائية عن المنشآت الصناعية الصغيرة لسنة 2018
مسح منشآت التحويل المالي والصرافة في العراق لسنة 2018 Money Transfer and Foreign Exchange Establishments	CSO	2018	يشمل هذا التقرير منهجية مسح منشآت التحويل المالي والصرافة في العراق لسنة 2018 بالإضافة إلى الجداول الإحصائية الخاصة بنتائج هذا المسح
تقديرات سكان العراق 2015-2018 Iraq population estimates	CSO	2015-2018	يضم هذا التقرير إسقاطات سكان العراق حسب الفئات الخمسية والأحادية للسنوات 2015-2018 والذي تم إنجازه استنادا لإسقاطات السكان لسنة 2009
Small industrial establishments in private sector statistics for the year 2017	CSO	2017	The report provides statistical data on small industrial establishments for the year 2017 that are accurate and reliable according to international standards.
البيانات الوصفية لمسح الباعة المتجولين Metadata on Mobile Vendors Survey	CSO	2015	تشمل هذه الدراسة تحديد منهجية مسح الوحدات المتنقلة ضمن خطة تهدف إلى توفير بيانات إحصائية عن أنشطة الباعة المتجولين لأغراض الحسابات القومية واحتساب الأرقام القياسية حسب دليل النشاط الاقتصادي التعديل الرابع ويشمل المسح النشاطات التجارية، نشاطات المطاعم، نشاطات التعامل في الأوراق المالية أنشطة النقل البري، نشاطات التصوير الفوتوغرافي، ونشاطات الخدمات الشخصية الأخرى.
البيانات الوصفية للمنشآت الصناعية الصغيرة Descriptive data of small industries	CSO	2015	يشمل هذا التقرير المنهجية المتبعة في مسح للمنشآت الصناعية الصغيرة بالإضافة إلى التصنيف الخاصة بها
البيانات الوصفية لمسح منشآت الغذاء والمشروبات في العراق لسنة 2013 Food and beverage Companies	CSO	2013	تشمل هذه الدراسة تحديد منهجية مسح المطاعم والمقاهي والكاзиноهات ضمن خطة تهدف إلى توفير بيانات إحصائية عن أنشطة خدمات الأتمة والمشروبات لأغراض الحسابات القومية واحتساب الأرقام القياسية حسب دليل النشاط الاقتصادي التعديل الرابع (ISIC- Rve.4) ويشمل المسح نشاطات المطاعم، المقاهي، الكازينوهات، محال الأكل والشرب، الكافيتريا، محلات بيع المتلجات والعصائر، توريد الأغذية للمناسبات وتوصيل الطعام للمنازل.
مسح التجارة الداخلية 2012-2013 Internal Trade Survey	CSO	2012-2013	تشمل هذه الدراسة تحديد منهجية مسح التجارة الداخلية ضمن خطة تهدف إلى توفير بيانات إحصائية عن الوحدات الاقتصادية التي يتركز نشاطها الأساسي في تجارة الجملة والمفرد وبيع وإصلاح المركبات.
مسح الصناعات البيئية Survey of Cottage Industries	CSO	2012	تساهم هذه الدراسة في توفير قاعدة بيانات شاملة وحديثة عن النشاطات الصناعية والمتمثلة بالصناعات البيئية وفق توصيات الأمم المتحدة في مجال الإحصاءات الصناعية.

## B. MSMEs Related Studies, Laws and Regulations Reviewed

Name of Document	Source	Date	Description
Micro-, Small and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals	UN/DESA	2020	This report demonstrates the relevance, role and contributions of MSMEs to the seventeen SDGs. The report examines the role of MSMEs to each SDG. Specifying the role of MSMEs in economic activity, in creating employment and incomes, particularly for the poor and marginalized groups, as service providers (i.e. education, health, water and sanitation) and as energy users/polluters with environmental footprints.
The Voluntary National Reviews	MoP	2019	The Voluntary National Reviews 2019 (VNRs) constitute a key tool to monitor the progress of the National Development Plan (NDP). The VNR is based on the national vision for the 2030 Agenda for Sustainable Development. It aims to provide quantified tracking of Iraq's progress toward sustainable development and identify the challenges facing its goals and targets based on the national priorities, while taking into consideration the development efforts provided in the NDP and sector strategies which will help to achieve NDP objectives in line with Iraq Vision 2030.
National Development Plan	Ministry of Planning	2018 – 2022	The report contains the General framework of the National Development Plan 2018 – 2022 including challenges and Strategic Objectives.
Japan International Corporation Agency (JICA) In Iraq	JICA annual Report	2018	JICA supports socioeconomic development in developing countries through a flexible combination of various types of assistance methods, such as Technical Cooperation, Finance and Investment Cooperation, and Grants. JICA's support to Iraq is primarily focused on: <ol style="list-style-type: none"> <li>1) The promotion and diversification of industry for economic growth.</li> <li>2) Strengthening the basic economic infrastructure.</li> <li>3) Building a foundation for peoples livelihoods</li> </ol>
Enhancing Investments to Iraq through Industrial Zone Development	UNIDO	2015	The report focused on the development of Industrial Zones (IZ) with the overall objective to enhance investments, create employment opportunities, generate income, alleviate poverty and contribute to accelerated economic development.
Business Planning and PPP's	World Bank	2015	The document is based on lessons from experience by the World Bank Group incorporates; PPP definitions, rationale, resources deployment, strategic frameworks as well as experiences of other international development banks.
Private Sector Development Strategy, 2014-2030	UNDP	2014-2030	PSDS aim is to strengthen the private sector and to engage the national non-oil economy. The strategy is a roadmap to lead a private sector development change process that will make a significant contribution to economic growth and improve the environment for doing business in Iraq 2014-2030. The PSDP serves the additional purposes of: <ul style="list-style-type: none"> <li>– Repositioning Iraq among the leading regional economies.</li> <li>– Bring about better integration of the national economy with regional and global economies.</li> <li>– Contribute to improve market ratings of Iraq as a country providing a favorable environment in which to do business.</li> <li>– Provide national and international organizations with a concise and compelling framework for coordinating their agendas on economic and social development.</li> </ul>
Corporatization Of SOEs, Iraq Investment Climate Assessment	World Bank	2014	Providing a framework for the corporate governance of state-owned enterprises (SOEs), along with information for making practical improvements. Drawing on global good

Name of Document	Source	Date	Description
			practices, reform experiences; it is designed to assist practitioners in creating, implementing, and monitoring SOE corporate governance reforms and in building the capacity to carry them out. The primary audience is government officials and SOE managers responsible for preparing and implementing SOE governance reforms. It is also a reference point for stakeholders, including SOE employees, other regulatory bodies and institutions, the private sector, consumers, and citizens.
Micro, Small and Medium-sized Enterprises in Iraq; A Survey Analysis	ILO	2012	The ILO survey analysis of 2012 incorporates a number of previous surveys spanning the years 2007-2012. These projects collected a significant amount of data on the condition and needs of MSME covering all regions of Iraq. The data in the document is a compilation of these surveys and the key issues that were identified and subsequent recommendations that were made.
Socio-Economic Infrastructure Needs Assessment for Kurdistan Region (SEINA)	KRG, MoP, UNDP	2012	The objectives of the Study were: (i) to carry out a rapid and broad-based Socio-Economic Infrastructure Needs Assessment (SEINA) of specific sectors and (ii) to recommend the priority investments and policy changes that are needed to address present gaps and constraints and to meet future requirements in line with the KRG Vision 2020 to support economic expansion, social development, and sustainable delivery of services that meet the highest quality standards.
Country Programmed Action Plan (CPAP)	UNDO	2011-2014	The Country Programme Action Plan (CPAP) for the period 2011 to 2014 was developed by UNDP and GOI. It contributed to the development priorities of the National Development Plan for the years 2010-2014 (NDP) and the United Nations Development Assistance Framework 2011-2014 UNDAF- Based on the Millennium Development Goals (MDGs) and supports the broad human development principles, including the empowerment of the poorest and most vulnerable in Iraq by promoting and protecting their rights and creating an enabling environment for them to realize full participation.
تعليمات تنظيم عمل شركات تمويل المشاريع الصغيرة والمتوسطة	القوانين والتشريعات العراقية	2010	تم مراجعة القوانين الخاصة بتفعيل دور المصارف في تمويل المشاريع الصغيرة والمتوسطة
Tijara Provincial Economic Growth Program	USAID	2008-2013	The USAID-Tijara Provincial Economic Growth Program represented a comprehensive five-year initiative to promote private sector growth and employment in Iraq by increasing access to finance and business development services as well as helping to improve an environment for increased trade and investment for MSMEs.

**APPENDIX (2)**  
**MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN IRAQ;**  
**A SURVEY ANALYSIS (ILO 2012)**

## **Appendix (2)**

Summarized Survey Data on ILO Analysis Study 2012

Desk Research on former study:

### **Micro, Small and Medium-sized Enterprises in Iraq; A Survey Analysis**

Dr. Simon White  
Private Sector Development Consultant to  
the ILO Regional Office for Arab States  
October 2012

## List of Headings

	Title No.	Slide No.
1	Previous Surveys and their Analysis – CIPE 2007	3-4
2	Previous Surveys and their Analysis – UNOPS/ILO 2008	5
3	Previous Surveys and their Analysis – USAID-TIJARA 2009	6-8
4	2012 ILO 2 Surveys - Background	9
5	2012 ILO Surveys - Definition	10
6	2012 ILO Combined Surveys – Data Outcomes (Locations)	11
7	2012 ILO Combined Surveys – Data Outcomes (Sectors)	12

### 1. Previous Surveys and their Analysis – CIPE 2007

In 2007, the CIPE (Centre for International Private Enterprise) surveyed over 1,630 businesses throughout Iraq. The sample was randomly selected from the registers of various Iraqi chambers of commerce and the Iraqi Businessmen Union.

Apart from security, the most commonly perceived obstacle to economic growth was Iraq's **lack of legal and regulatory enforcement**.

- 50% of respondents said the business environment was better than the year before (2006).
- 84% indicated that security was better than the previous year.
- 39% of respondents wanted to see more laws and regulations for business.

This is understood as a call for a legal and regulatory framework: one that is rule-based, transparent and easy to comply with, while at the same time protecting enterprises and their workers from anti-competitive behaviors and corruption.

In 2008 the CIPE carried in-depth focus group consultations with more than 120 Iraqi business leaders in an effort to provide an understanding of the issues in conducting business in Iraq\*.

Much of the focus group discussions centered on **the need for regulatory reform** as a means of jump-starting the Iraqi economy and **attracting investment**.

The discussions illustrated the importance of balancing the need for new legislation with refining and ensuring enforcement and implementation of existing legislation. Three regulatory reform priorities were identified in the CIPE study:

- 1) Updating existing laws pertaining to the business community and ensure their consistent and fair enforcement.
- 2) Reducing red tape as it relates to conducting business operations.
- 3) Enacting the **Investment Law of 2006** to promote inclusion of international firms in the Iraqi economy.

## 2. Previous Surveys and their Analysis – UNOPS/ILO 2008

Also in **2008**, **UNOPS and the ILO surveyed 950 MSMEs** in the **northern, central and southern areas** of Iraq to better understand the characteristics of the MSME sector and their operating environment (i.e., legislative, administrative, institutional) so as to identify their needs and challenges.

Survey Findings	Report Recommendations
<ol style="list-style-type: none"> <li>1) MSMEs operate informally with limited access to finance.</li> <li>2) Access to credit and to business development services (BDS) was almost exclusively based on informal, interpersonal relationships.</li> <li>3) Most BDS provided were donor or government-funded and did not appear sustainable.</li> <li>4) The majority of respondents were unaware of micro-finance institutions (MFIs).</li> <li>5) There seemed to be a decline of woman in business and employment (due to political / security / conservatism reasons)*.</li> </ol>	<ul style="list-style-type: none"> <li>➤ Existing credit agencies expand their scope and make MSMEs aware of their services.</li> <li>➤ Development of private BDS markets.</li> <li>➤ Programs should be established to expand coverage of existing MFIs and the creation of new MFIs.</li> <li>➤ A clear regulatory framework within which MFIs can operate and expand should be established.</li> <li>➤ women-specific business development interventions be provided in the short to medium term to ensure that women benefit from MSME support.</li> <li>➤ Regulatory reform both at governorate and national levels to make registering a business or a business premises less bureaucratic and costly.</li> <li>➤ Creation of “one-stop shops” with access to BDS, regulatory information and credit in one place (managed by either/ or Government, Employers’ Organizations, Workers’ Organizations and CSO’s).</li> </ul>

\*This corresponds with the CIPE survey finding that showed a dramatic drop in the number of Iraqi firms that employ women.

## 3. Previous Surveys and their Analysis – USAID-TIJARA 2009

In **2009**, the **USAID-TIJARA program** conducted a series of assessments of SMEs in Iraq. The **12 survey reports** presented a profile of the SMEs environment and requirements to create better opportunities to grow.

Profile of SME Sector environment across 12 Survey Reports	
<ul style="list-style-type: none"> <li>▪ Political instability and lack of security.</li> <li>▪ High levels of crime and theft (96% of respondents in Baghdad considered this a major concern).</li> <li>▪ The majority of SMEs surveyed were found to be labor-intensive and did not invest much in technology or training.</li> <li>▪ Female ownership and employment in SMEs was low.</li> <li>▪ Informality among SMEs is extremely high (in the Diwaniyah survey report only 29% were formal).</li> <li>▪ Difficulty in obtaining the required imports, many imports were hard to get, expensive and of a poor quality (i.e., in Kirkuk 94% of respondents were concerned with customs delays).</li> <li>▪ Official corruption was cited in a number of reports as endemic and affecting all aspects of business life (i.e. Baghdad).</li> </ul>	<ul style="list-style-type: none"> <li>• Many SMEs lack access to finance and where finance was obtained, it was often expensive—in Diyala, for example, 93% of SMEs obtained finance from family and friends rather than commercial banks.</li> <li>• The lack of good governance and safeguards against unfair competition.</li> <li>• Poor levels of participation in business membership organizations—the Diwaniyah survey report suggests this region has the highest level of membership 40%).</li> <li>• In some areas electricity is hard for SMEs to get, inconsistent and expensive.</li> <li>• In Kirkuk, the slow payment by government and SOEs is cited as a major problem for SMEs in the area.</li> </ul>

### 3. Previous Surveys and their Analysis – USAID-TIJARA 2009

In 2009, the USAID-TIJARA program – Key Issues;

Key Issues	
<ul style="list-style-type: none"><li>▪ Security is clearly a major concern for many businesses. In some cases security refers to the disruptions that are a result of military activity, while in other to high levels of crime, including theft.</li><li>▪ Many MSMEs appear to operate with low levels of investment in technology or skilled labour.</li><li>▪ Some parts of the country are poorly serviced in terms of utilities and infrastructure, which reduces the productivity of MSMEs in these areas.</li><li>▪ Access to markets appears to be a major obstacle.</li><li>▪ MSMEs appear to experience significant difficulties in obtaining the inputs they require, due to price or quality.</li><li>▪ Access to financial and business development services is a problem for many MSMEs.</li><li>▪ There appears to be a generally low awareness of the kinds of services on offer and poor access to these.</li></ul>	<ul style="list-style-type: none"><li>• Demand for financial and BDS also appears to outstrip supply.</li><li>• Within the micro-enterprise sector there appears to be a high demand for micro-finance, which is reported to be insufficiently regulated.</li><li>• Female participation in the MSME sector is low, reflecting the broader employment profile of women in Iraq.</li><li>• MSME participation in business membership organizations is reportedly low, although this appears to vary across the country.</li><li>• Informality is a dominant feature of many of these assessments. MSMEs in Iraq are informal and have chosen not to comply with the legal and regulatory framework because it is poorly enforced or irrelevant. It is likely, too, that these high levels of informality reflect high levels of unemployment and the efforts of Iraqis who need to find some form of employment in difficult times. Many MSMEs appear to be concerned with official corruption.</li></ul>

These issues set the scene for the two MSME surveys that were conducted in 2011/12. These surveys sought to better understand the experiences of informal enterprises and to inform the process of identifying strategic starting points for reform and for the formulation of an MSME policy and strategy.

### 4. 2012 ILO 2 Surveys - Background

In 2011, ILO-UNOPS commissioned a local survey team (*Combined Company for Legal and Economic Investment Consultation, CCC*), to undertake **two surveys** of the MSME sector in Iraq. These surveys were to focus primarily on **informal MSMEs**;

- **The first survey**, described as a “baseline survey”, was conducted in 2011 and was intended to collect data that would give an overall profile of **informal MSMEs across Iraq**.
- **The second survey**, conducted in 2012, was designed to provide an opportunity for the “refinement” of the first, by digging deeper into some of the **key issues identified in the first survey**.

**“The major goal of the informal MSME sector survey series was to collect representative statistical data to better understand the situation faced by informal MSMEs in Iraq.”**

\*These surveys are referenced in the following manner:

- CCC (2011) *First MSME Survey Results*, ILO-UNOPS PSD-I, Bagdad
- CCC (2012) *Second MSME Survey Results*, ILO-UNOPS PSD-I, Bagdad

## 5. 2012 ILO Surveys - Definitions

### Terms and Classifications:

The surveys were conducted covered all governorates of Iraq. The following classification for MSMEs was used:

Category of Enterprise	No. of Employees
Micro	3 or less
Small	4 - 10
Medium	11 - 50

- **Informal MSMEs are defined** as MSMEs that were not registered with the relevant agencies.
- **An 'Enterprise' refers** to any entity involved in the production of goods or services for sale or barter, including those that are owned and operated by one person and run from home, in special premises or without a fixed location.

Survey data by governorate, number of enterprises and gender (95% of respondents where located in urban locations):

## 6. 2012 ILO Combined Surveys – Data Outcomes (Locations)

Governorate	Micro		Small		Medium		Totals
	M	F	M	F	M	F	
<b>FIRST SURVEY (CCC (2011) First MSME Survey Results, ILO UNOPS PSD-I)</b>							
Nineveh	395	1	42	0	2	0	440
Kirkuk	190	8	19	0	3	3	220
Erbil	276	0	53	0	15	0	344
Anbar	236	6	63	2	1	0	308
Baghdad	1008	65	203	3	11	0	1209
Babylon	265	8	43	0	0	0	316
Wasit	185	8	17	0	0	0	210
Salah Al Din	205	3	55	0	1	0	264
Qadisiya	181	6	29	0	0	0	216
Basrah	348	11	29	2	2	0	392
<b>Totals</b>	<b>3289</b>	<b>116</b>	<b>553</b>	<b>7</b>	<b>35</b>	<b>0</b>	<b>4000</b>
<b>SECOND SURVEY (CCC (2012) First MSME Survey Results, ILO UNOPS PSD-I)</b>							
Nineveh	97	1	11	0	2	0	111
Baghdad	251	16	51	1	4	0	323
Basrah	86	3	7	1	2	0	99
<b>Totals</b>	<b>434</b>	<b>20</b>	<b>69</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>533</b>

Source: ILO study, pr.14. Micro, Small and Medium-sized Enterprises in Iraq; A Survey Analysis

## 7. 2012 ILO Combined Surveys – Data Outcomes (Sectors)

Survey data outcomes by sector:

Sector	First Survey		Second Survey		Combined Surveys	
	Number	%	Number	%	Number	%
Agriculture	184	4.6	30	5.6	214	4.7
Manufacturing	388	9.7	46	8.6	434	9.6
Construction	720	18.0	102	19.2	822	18.7
Trade and Retail	2240	56.0	291	54.6	2531	55.8
Other Services	468	11.7	64	12.0	532	11.2
<b>Totals</b>	<b>4000</b>	<b>100.0</b>	<b>533</b>	<b>100.00</b>	<b>4533</b>	<b>100.0</b>

Source: ILO study, pr.15. Micro, Small and Medium-sized Enterprises in Iraq: A Survey Analysis

**APPENDIX (3)**  
**RELEVANT PREVIOUS STUDIES**

## **APPENDIX (3)**

### **RELEVANT PREVIOUS STUDIES**

**This appendix provides brief statements on the key previous studies related to Private Sector Development including MSMEs Development in Iraq.**

**These statements cover the main aspects of the studies including objectives, approaches, strategies, principles, findings and/or recommendations.**

**The studies covered in this review are:**

- 1. Private Sector Development Strategy, UNDP, 2014-2030**
- 2. Formulation of the Governance Action Plan for the GoI, in cooperation with UNDP, 2011-2014**
- 3. Socio-Economic Infrastructure Needs Assessment for Kurdistan Region (SEINA), a Joint Report by the Ministry of Planning and UNDP, 2012**
- 4. Tijara Provincial Economic Growth Programme, USAID, 2008-2013**
- 5. Enhancing Investments to Iraq through Industrial Zone Development, UNIDO, 2015**
- 6. Corporatization of SOES, Iraq Investment Climate Assessment, World Bank, 2012**
- 7. Business Planning and PPP's, World bank group support to public- private partnerships, world Bank, 2015**
- 8. Japan International Corporation Agency (JICA) in Iraq, JICA annual report, 2018**

## **1. PRIVATE SECTOR DEVELOPMENT STRATEGY, UNDP, 2014-2030**

### **1.1 Development Objective of PSDS**

The over-arching development objective of the PSDS is to strengthen the private sector and to diversify and revitalize the national non-oil economy, by providing the Government with a roadmap to lead a private sector development change process that, from 2014-2030, will make a significant contribution to economic growth and improve the environment for doing business in Iraq. Progress will be made on realizing the aspirations summarized in the Vision Statement and on advancing its specific objectives.

A permanent forum shall be established for public-private sector dialogue, to contribute ideas and information valuable to the fine-tuning of the Government's private sector development policies and programmes, keeping them on course to achieve much-needed economic growth as well as to increase significantly the number of available employment opportunities for the national workforce. The PSDP serves the additional purposes of:

- a) Repositioning Iraq among the leading regional economies.
- b) Bring about better integration of the national economy with regional and global economies.
- c) Contribute to improve market ratings of Iraq as a country providing a favorable environment in which to do business.
- d) Provide national and international organizations with a concise and compelling framework for coordinating their agendas on economic and social development.

### **1.2 Findings 2010-2012 Studies**

- a) The nation achieved rapid economic growth averaging slightly less than 10% p.a. over the period 2010-2012 (however, the rate of growth slowed to 3.7% and 6.3% in 2013 and 2014 respectively).
- b) Foreign investment is confined to the following five sectors: (i) oil and gas, (ii) manufacturing and industry, (iii) housing and construction, (iv) telecommunications (v) electricity generation and distribution. These five sectors attracted 90% of foreign commercial activity in 2010. They are dominated by SOEs, which are the main recipients of public investment and subsidies.
- c) However, there remains other industries offering potential investment opportunities in Iraq (e.g. chemical, metallurgical, pharmaceutical, tourism and recreation, ICT (Information and Communications Technology), and Hi-tech industries).
- d) Investment opportunities are present in the oil and gas service areas and downstream industries (e.g. refining, petrochemicals, oil products distribution).
- e) Increased public expenditure, foreign investment and development had caused a boom in the demand for construction materials.
- f) Abundant native sulfur and phosphate rock reserves, together with plentiful natural gas could allow Iraq to attract sizable domestic and foreign investment in the fertilizer industry.
- g) Given the national agricultural potential and demand for locally produced food products, there are promising prospects for the expansion of the livestock, poultry, fruit and date production, fisheries, as well as dairy and food processing industries.

An assessment of the competitiveness of selected sectors of the economy and the investment opportunities was conducted showing that nearly all sectors (except for textile) offer investment opportunities.

Since 2003, the non-oil economy has been dominated by trade and service sectors while manufacturing and other production sectors fell into decline. This is a consequence of several factors, including an open import policy, adopted by the previous regime in 1998, which is still in place, which facilitated the entry of cheaper imported items to national marketplaces, making it difficult for local products with higher production costs to compete.

With non-oil trade constituting the largest economic sector in terms of number of jobs provided, there is pressing need to adopt and enforce an appropriate legal and regulatory framework to improve controls on cheaper imports, particularly with custom clearance, quality control inspection and certification procedures.

In parallel, a new trade regime shall be adopted aiming at contributing to increasing the local content of imported items as a key element in the PSDS to support national employment and growth. For this purpose, the PSDS will intervene in the manufacturing sector to improve the quality of goods manufactured locally while decreasing their production costs.

### **1.3 Criteria for Priority Sectors**

While in principle, all sectors of the economy should be considered in a private sector development strategy, the PSDS concentrates on SME development, given the shortage of finalized national macroeconomic and sector strategies. Accordingly, the PSDS focuses on sectors that:

1. Offer an opportunity to utilize the Nation's abundant natural resources, particularly its oil and mineral resources.
2. Offer immediate opportunities for public-private partnerships.
3. Are labor intensive and can generate gender inclusive employment opportunities.
4. Where sector strategies and feasibility studies have been finalized or are in advanced stages of preparation.
5. Plan the introduction of new technologies, alternative or renewable energy sources or new production methods that are environmentally friendly.

According to the analysis conducted to date by national and international organizations, all key driving economic sectors have, from these perspectives, tremendous market development and employment generation potential. Among these, the revitalization of the industrial sector represents a top priority for fostering economic growth through private sector development, especially, if SMEs engage more robustly with SOE restructuring.

## **2. FORMULATION OF THE GOVERNANCE ACTION PLAN FOR THE GOI, IN COOPERATION WITH UNDP, 2011-2014**

### **2.1 Background of UNDP Cooperation**

Since 1976, UNDP has supported the Government of Iraq and civil society in the implementation of a variety of projects. From 2004-2007 cooperation with the Government of Iraq and the civil society included:

- Support to the formulation of the Constitution with provisions for respect for human rights, gender equity and freedom of expression.
- Promotion of a national dialogue for reconciliation that contributed to democratic elections.
- Development of key public institutions and civil society organizations.
- Financing the first reconstruction and short-term employment programme which created five million jobs nationwide.
- Restoration of multiple power generation plants and the development of software systems and capacity to monitor the national electricity grid.
- Dredging of Umm Qasr Port, central to the improvement of the national transportation system.
- 15 District Plans in five Governorates.
- Leadership and participation in ten joint programmes, including two large multi-sectoral initiatives on private sector empowerment and public sector reform and modernization.

### **2.2 Country Programme Action Plan approach**

The UNDP Iraq CPAP (Country Programme Action Plan) for 2011-2014 is based on a set of priorities and strategies agreed by the UN and the GoI (Government of Iraq). Interventions were designed to support the transition towards national reconciliation, peace and stability. This is intended to be seen as a partnership, with some components based on fostering participation and ownership by members of Iraqi society.

In an effort to address the unique challenges and development opportunities in Iraq, the UNDP focused its strategy towards capacity development and technical assistance programmes and initiatives that promote and consolidate Democratic Governance, improve pro-poor growth, reduce human poverty and support conflict prevention, resolution and recovery.

UNDP Iraq has designed the CPAP to ensure that it fully reflects this shift in programming. The three core programme areas for Iraq are:

1. Democratic Governance.
2. Poverty Reduction and the Achievement of the Millennium Development Goals.
3. Crisis Prevention and Recovery, including Economic Recovery and Environment.

### **2.3 UNDP Governance Action Plan Priorities**

- UNDP continues to assist the GoI and civil society to ensure strengthened participatory mechanisms are in place for long-term electoral processes, national dialogue and reconciliation. The outcome and related outputs are designed to support the efforts of the Government to enhance the participation of all citizens in policy dialogues and legislative decision-making processes which take into account national and sub-national diversity.
- UNDP supports the GoI to develop the capacity of the Independent High Electoral Commission. The continued conduct of fair and transparent elections will form one of the flagship activities in pursuit of this outcome. National public awareness campaigns explaining the electoral process, support for the promotion of an independent media and the empowering of civil society organizations to participate in the democratic process form a key component of the CPAP.
- The Council of Representatives (CoR) will continue to receive support from UNDP to strengthen its oversight, administrative and research capabilities. This is intended to improve its representation and law-making skills and its role in national dialogue and reconciliation efforts. Special efforts will also be made to empower the voice of women parliamentarians.
- Initiatives aimed at strengthening mechanisms to support inter-governmental dialogue on planning and financing at the national and sub-national levels will be undertaken so that local councils and governors' offices can more effectively respond to local needs and in particular, the most vulnerable groups.
- UNDP provided capacity development support across the Rule of Law sector to enhance the legal and operational Rule of Law framework for administration and access to justice, utilising a human-rights based approach emphasising the responsibilities of duty bearers and rights holders and covering both victims and offenders. UNDP will continue to work with Government counterparts to develop a holistic approach that supports the legislative and social commitment to combat violence against women and children in Iraq.
- Efforts continue to promote an increasingly effective, efficient and affordable security sector; UNDP will provide technical assistance for a national security sector review.
- UNDP undertakes to focus initiatives on supporting women, youth, persons with disabilities, internally displaced persons and other vulnerable groups to work towards their inclusion and meaningful participation in the Iraqi society.
- UNDP's efforts will continue to focus on strengthening local governance capacities to ensure the delivery of high quality basic services, while at the same time enhancing institutional capabilities for a more efficient, responsive, transparent and accountable public administration at the national and subnational levels.
- UNDP supports the implementation of Iraq's National Anti-Corruption Strategy. In line with the Government's National Development Plan and the 2005 Paris Declaration on Aid Effectiveness, UNDP will support the Government to plan, coordinate and monitor the outcomes of international aid and domestic investments.
- UNDP and WHO are key partners with the Global Fund to fight Aids, Tuberculosis and Malaria. During the CPAP period, the UNDP supports the Government's efforts to address tuberculosis through improved financial accountability, timely procurement of medical and other supplies and efficient monitoring and oversight of grants.

### **3. SOCIO-ECONOMIC INFRASTRUCTURE NEEDS ASSESSMENT FOR KURDISTAN REGION (SEINA), A JOINT REPORT BY THE MINISTRY OF PLANNING AND UNDP, 2012**

### **3.1 Objective**

The objectives of this study was:

- To carry out a rapid and broad-based Socio- Economic Infrastructure Needs Assessment (SEINA) of specific sectors.
- To recommend priority investments and policy changes that are needed to address gaps and constraints, and to meet future requirements in line with the KRG Vision 2020 to support economic expansion, social development, and sustainable delivery of services that meet the highest quality standards.
- Further, the Study also identified opportunities for attracting private, foreign, and domestic capital to the leading productive sectors of Agriculture, Industry, and Tourism.

### **3.2 Scope**

The scope of SEINA covered Electricity, Water and Sanitation, Transportation, Housing, Urban Development, Agriculture, Industry, Environment, Health, and Education. Quick assessments of the Tourism and Vocational and Technical Education sectors were also conducted. The Study also covered institutional aspects of infrastructure provision and service delivery, including issues relating to laws, regulations, and policies. Further cross-cutting issues related to both financial and Environmental sustainability were studied. The Study, while focusing on a five-year horizon 2013-17, also gave some indication of needs until 2020.

### **3.3 Methodology**

In the Kurdistan Region, as in other area in Iraq, economic and social infrastructure require major rehabilitation and renewal. However, as a result of economic growth, the Kurdistan Region did enjoy development in various areas, although, additional infrastructure is needed to meet demand and support continued growth.

This study was also meant to support efforts to maximize the impact of public investment and to attract private, foreign, and domestic capital to leading productive sectors i.e. Agriculture, Industry, and Tourism, as well as appropriate areas of infrastructure.

Under the overall guidance of the Ministry of Planning (MoP), the study included desk reviews as well as field visits and consultations. The UNDP undertook initial consultations with MoP and conducted scouting missions, which determined the nature of expertise required for the study. Subsequently, a team of international experts fielded by UNDP and UN-Habitat and supported by several local specialists toured the Region and conducted extensive meetings with relevant officials of concerned authorities. Periodic meetings were also held with the MoP officials to ensure that the study was responding to the stated objectives.

## **4. TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAMME, USAID, 2008-2013**

**The USAID-Tijara Provincial Economic Growth Program (2008-2013)** was a comprehensive five-year initiative to promote private sector growth and employment in Iraq by increasing access to finance and business development services, as well as, helping to create an improved enabling environment for increased trade and investment and MSME enterprise development.

#### **4.1 Tijara Strategy**

In early 2005, USAID laid out a vision for “A Sovereign, Stable and Self-Reliant Iraq” integrated into the global economy. Its initial implementing partner was USAID-Izdiyar Private Sector Growth and Employment Generation Program. For three years, USAID-Izdiyar laid the foundation on which USAID-Tijara would leverage and build for the next five years, from February 2008.

USAID-Tijara was designed to support USAID/Iraq’s Strategic Objective for “Private Sector Economic Opportunities Expanded” by creating domestic and international business linkages in potentially competitive industries and building capacity, with increases in employment and income being the outcome.

The program aimed at the growth of the Iraqi economy by developing local institutions which would then offer services that stimulate business activities and promote greater access to financial services.

#### **4.2 Recommendations that help and MSME Ecosystem**

USAID-Tijara made significant contributions towards improving the economic well-being of Iraq, but considerable work remains. USAID and other donors need to consider using the platforms provided by both USAID-Izdiyar and USAID-Tijara for future initiatives.

Among the recommendations for the future:

- The Trade/WTO (World Trade Organization) and the B&IEE (Business & Investment Enabling Environment) Components, which made great strides in moving trade, customs and regulatory reform down a path toward an improved enabling private sector environment. However, due to the lack of local champions and capacity within the ministries, much more is required for these efforts to result in actual laws, regulations and Iraq’s accession to the WTO.
- WTO accession included: preparation for a Third Working Party Meeting; responses to questions about trade, intellectual property rights, agricultural issues and customs, SOE and Trade Barrier tariffs concerns that arise prior to and during the accession process; guidance and response to questions during Iraq’s bilateral negotiations with other WTO members and trading blocs; and appointment and training of an Iraq Trade Negotiations Delegation.

- Legislative and regulatory reforms were also necessary to be compliant with WTO agreements as well as administrative reforms to ensure that Iraq properly delivers services that meet WTO requirements.
- MSME lending needs regulatory reform and improvements in the business environment. Continued consultation and advocacy are required to overcome the barrier of NGO MFIs (Microfinance Institutions) becoming commercial NBFIs (Non-Bank Financial Institutions). Failure to do so could seriously damage future prospects for growth and sustainability. Should this obstacle be overcome, a next step would be to explore allowing NBFIs to mobilize voluntary deposits. In addition, both of these areas would benefit from support for a credit bureau, collateral registry, etc.
- The creation of a developmental finance policy framework as part of a national strategy would also provide a framework for initiatives related to further regulatory reform, oversight and support for the enterprise sector. While the GoI (Government of Iraq) should become more engaged at this level, it should cease the direct provision of small loans through the Ministry of Labor and Social Affairs (MOLSA) and Ministry of Industry and Minerals (MIM). Instead, it should work with MFIs to responsibly disburse these funds.
- Mobile banking would help address issues related to security and mobility and make the provision of financial access more viable in rural areas. Both MSME lending banks and MFIs will require continued capacity building. This could be provided via networks or, in the case of the banks, through a banking institute of the two NBFIs. Within a banking institute, a school or chairperson could be designated for microfinance to meet the specific training needs of this sector. Not only would this provide a permanent training resource for MFIs, but it would also change the misperception that working in a MFI is simply a job, rather than a profession with a career.
- In order to increase female participation, programs should actively recruit women as trainers.
- Finally, linkages with other donors should also be further explored. For example, the International Finance Corporation (IFC) has expressed interest in supporting capacity building at private banks. Banks and MFIs could also benefit from continued support for developing and piloting new products and services. It is also recommended that where significant funds have been donated to an institution a mechanism be found through a regulatory agency to oversee these funds.

These recommendations were formulated to encourage transparency, efficiency and sustainability of future development assistance in Iraq.

## **5. ENHANCING INVESTMENTS TO IRAQ THROUGH INDUSTRIAL ZONE DEVELOPMENT, UNIDO, 2015**

This project funded through a €3,000,000 grant provided by the Government of Italy was implemented by UNIDO in partnership with the Government of Iraq (GOI), particularly the Ministry of Planning (MOP).

The project worked within the Government and United Nations frameworks for assistance to Iraq. The project focused on the development of Industrial Zones (IZ) with the overall objective to enhance investments, create employment opportunities, generate income, alleviate poverty and contribute to accelerated economic development.

The project operated at the upstream policy level to improve the policy, institutional and regulatory framework for IZ development and at the downstream level to strengthen the basis for economic recovery in two Governorates. The GOI (Government of Iraq) selected Basra from the outset as part of their national development strategies and priorities. The Project Steering Committee (PSC) later selected Najaf as the second priority zone for the project.

### **5.1 Conclusion of the Study**

The project built on work undertaken in Iraq by other organizations such as the WB and UNIDO's own extensive experience in Iraq. There is a disconnect between the projects overall development objective to actually enhance investments and create opportunities for employment and the actual work undertaken. However, the potential to meet the projects objective had been created. The capacity of the GOI had been enhanced, receiving training, knowledge and tools to better prepare them to implement IZ with key ministries reaching consensus on the way forward. There remains work to be done by the Government through the application of methodologies to the development of specific IZ, but the Governorate of Najaf, the KRG and the Ministries remained optimistic that IZ would be implemented under the Government's own national development priorities and within the frameworks suggested by the joint GOI/UNIDO recommendations.

Despite the independently evaluated success of the project, there were some difficulties in planning and implementation. While the role of women was articulated in the project document as being fully inclusive during planning and implementation only a small number of women attended the study tours due primarily to project beneficiaries being selected by the GOI. Due to the fragmented nature of the private sector in Iraq difficulties were also faced by the project to identify appropriate nationally representative counterparts.

Multiple ministries had a vested and sometimes divergent set of interests in the development of IZ and one of the key successes of the project was in aligning a disparate set of political interests into a common focus and framework. It was the involvement of the Ministries that both provided the primary opportunities and ultimate constraints for the project. By involving the ministries at every stage of the project planning and implementation, effectiveness, impact and the potential for eventual sustainability were improved.

Ultimately, the project has created a process and the framework for implementation but the responsibility and decision to implement lies solely with the GOI. Without further

involvement of UNIDO and the practical application of downstream components at least at the pilot level, the achievements and momentum created by the project remain at risk.

## **5.2 Recommendations**

The following recommendations were directed to UNIDO;

### **Project Identification and Formulation**

- When UNIDO has significant in-country experience UNIDO should use this knowledge to help identify appropriate private sector counterparts during the project design stage.
- Objectives, outcomes and outputs in the preparation of LFs and project documents should be clear and must fully consider risks and potential constraints to the timeliness of delivery.
- Overall outcomes and project outputs must be clearly linked to the development objective.
- UNIDO should adopt a more systematic approach to gender equity and envisage assigning a gender focal point for project design. This could incorporate the Ministry of Women's Affairs into early programme design, to address gender strategy and opportunities that are consistent with Government's priorities.

### **Coordination and Management**

- Identification of counterpart private sector associations at the outset of implementation are necessary.

### **Efficiency**

- It is recommended that UNIDO consider a permanent ground presence in Iraq. This would both facilitate local relationships with Ministries and facilitate quality control of local project outputs.

### **Effectiveness**

- When projects work at the policy level, UNIDO needs to consider the possibility that legislative development may be required.

### **Impact and Sustainability**

- It is recommended that UNIDO and the GoI actively pursue further funding for follow up activities. A further phase of the project should focus on the pilot implementation of an IZ based on the road map and best practice implementation methodologies such as the prefeasibility studies already submitted to the government. Having broadly established the national upstream components and the downstream methodologies UNIDO could work at a more decentralized level at the technical level directly with a selected governorate.
- The GoI in partnership with UNIDO should clearly articulate a work plan with a definitive timeline (where possible) for the necessary follow up to the IZ project. This would assist in the allocation of human resources from associated UNIDO projects following the termination of the IZ project.
- UNIDO has amassed a significant wealth of data on conditions of IZ in the GoI. UNIDO should compile a final report, which incorporates key project activities, implementation findings, lessons learned, gaps identified and recommendations for follow up.

## **6. CORPORATIZATION OF SOES, IRAQ INVESTMENT CLIMATE ASSESSMENT, WORLD BANK, 2012**

Since the 1968 Ba'athist revolution, Iraq's economy has been heavily centralized and dominated by SOEs. Substantial income from the oil boom of the 1970s, the prohibition of non-Arab foreign direct investments, and very few "assistance" efforts contributed to a large state role in controlling and directing production and distributive activities, diminishing the private sector and increasing the importance of SOEs in the economy.

A short-lived wave of privatization took place in the late 1980s and early 1990s under the auspices of restructuring and streamlining enterprises as well as trying to control bloated SOE employment. About 40 SOEs were privatized in the cement, construction materials, food canning, and distribution sectors, among others. However, in 1992 the state reversed its decision, bringing most of them back under state control. Iraq became essentially a closed economy and suffered further breakdown and isolation during the years of the United Nations embargo (1991–2003) in which SOEs were denied raw and intermediate materials, leading to significant production decreases as well as the spread of a large informal economy.

In 2003, the Coalition Provisional Authority (CPA) pursued a privatization effort and began to shut down some SOEs. This effort caused significant problems, including job losses for well over half a million Iraqis in less than six weeks. The U.S. Department of Defense later acknowledged the importance of SOEs to Iraq's economy and created the Task Force on Business Stabilization Operations, whose objective was to restart many of the SOEs that the CPA had closed. According to estimates, Iraq's SOEs number is about 170 (down from 192 in 2003–2004 and 176 in 2010–2011). They are distributed among various ministries. The Ministry of Industry and Minerals holds the largest share (71), followed by the Ministry of Oil (16), Finance (13), and Construction and Housing (11). SOEs are organized in various holdings, regional branches, and factories.

### **6.1 Key Messages to Government**

Reform of Iraq's SOEs is urgently needed in order to level the playing field for the private sector, thereby bolstering economic diversification and growth. High priority actions for immediate and full implementation thus include:

- Implement the Government of Iraq Road Map for SOE Reform.
- Establish a Public Private Partnership (PPP) unit within the Ministry of Finance.
- Enact a best-practice PPP law as well as a complete set of sector-specific modern commercial laws and regulations.
- Conduct a complete review of government assets, including their viability and potential.
- Develop support measures for excess employment, including mechanisms for absorption into the private sector.

## 6.2 The Principles of Good Governance of SOEs

SOE reforms could have a major positive impact by reducing fiscal risks, decreasing hidden subsidies, direct transfers, overstaffing and strengthening competition and developing capital markets.

There were four main principles selected to present governance-related issues linked to SOEs:

1. Transforming the state's role from management to ownership.
2. Increasing SOE autonomy vis-à-vis the state in the areas of staffing, public controls, and procurement.
1. Increasing corporatization and strengthening the role of boards of directors.
2. Increasing transparency with financial reporting/disclosure.

## 6.3 Summary of World Bank Reform Assessment Roadmap

The Government of Iraq's new policy to reform SOEs was based on a detailed "road map," created in 2010. Its focus is on the restructuring, corporatization and commercialization of SOEs (whereby they take on the organizational and managerial form of a modern commercial enterprise) rather than their privatization, though the former may facilitate the latter.

To achieve these goals, the GoI created, with assistance from the World Bank, the Task Force for Economic Reforms (TFER), whose aim is to work with line ministries to develop Restructuring Support Teams (RSTs) in each ministry. Restructuring being gradual, with a three phase transformation process;

1. Stabilized operations – strategically, organizationally, and operationally. Line ministries create Business Development Units to work with a Restructuring Committee.
2. Market-driven operations – driven by demand and guided by the companies' customers, and covering costs. In this transitional phase, SOE Management Boards will be established to ensure governance and corporatization of SOEs.
3. Competitive performance – optimized market positions, commercially financed, and strategically partnered. The Restructuring Committee will become the Agency for Corporatization, and will manage continuing social, business, labor, and legislative reforms.

Restructuring should be a holistic overhaul of present and future operations of the SOE in order to optimize strategy, design, and implementation of its business. Throughout the process, the Government should seek to:

- Support a climate conducive to innovation and knowledge based activity necessary for sustainable growth.
- Formulate and implement sector development strategies and policies to enhance overall competitiveness, taking into account links and integration with other sectors.

- Ensure a smooth and effective implementation of the planned institutional process and in particular ensure rapid formulation and adoption of the necessary legislative and regulatory frameworks.
- Implement all other support measures for the creation of a business environment conducive to the integration of the SOEs into the private sector, and of the conditions for development of sustainable markets.
- Introduce other measures aimed at promoting Iraqi-made products and brands in a context also of sound economic diversification and import substitution strategies.

The World Bank expects the GoI to take the lead to achieve this through the following steps:

a) Basic Priority Legislation:

- The Economic Reform Law covering the establishment and management of the Agency for Corporatization, including bylaws and associated Governmental Acts for transfer of assets and establishing criteria, procedures and modalities for transparent asset management.
- Investment and Company Laws.
- Financial services and banking.
- Support measures for excess employment, including mechanisms and tools for their absorption in the private sector.
- Fiscal regime.
- Performance management contracts for tasking SOEs' managers in implementing restructuring measures aimed at enhancing competitiveness and self-reliance of SOEs.
- Public Private Partnership schemes.

b) Other Support Priority Legislation:

- Public procurement.
- Liquidation and other forms of transformation of non-viable SOEs.
- Competition and antitrust.
- Bankruptcy Law.
- Standards.
- Customs.
- Accounting and auditing.
- Insurances.

c) Social mitigation package and public education programs to ensure public understanding and acceptance of the restructuring process and to support redundant employees.

d) Establishment of an SME Development Directorate (SMEDD) under the Ministry of Labor and Social Affairs, which will assist SMEs in gaining access to financing needed for start-up businesses and/or expansion of existing enterprises. The GoI will ensure that financial sector regulations effectively address SME constraints and that appropriate legal and regulatory instruments are introduced to allow assets commonly held by SMEs to be used as collateral. The GoI will undertake necessary

steps to make public procurement and public-private partnerships open to the SME sector.

The GOI will need to assess SOEs for reform on a case-by-case basis by the following actions:

- e) Preparation of a Short Term Action Plan, including:
  - A Diagnostic Analysis under the responsibility of the Restructuring Units of the line ministries.
  - A potential Short Term Action Plan to achieve immediate viable objectives for improving short-term performances.
  
- f) Formulation of a Preliminary Business Appraisal and SOEs classification: Initial evaluation and classification of the viability of individual SOEs, to be classified as follows:
  - Viable, self-operating, immediately attractive and ready for investments.
  - Non-self-operating, but potentially viable, needing restructuring.
  - Hybrid (viable/nonviable through segmentation), needing substantial restructuring.
  - Low priority for investment/continue normal operation or liquidate company/ assets.
  
- g) In-depth diagnosis and assessments of specific SOEs by the following criteria:
  - Operations.
  - Finances.
  - Strategy.
  - Organization and governance areas.
  - Social issues.

While these actions will contribute to Iraq's transition to a market economy, the immediate goal of restructuring and corporatization will be to ensure the achievement of competitiveness and self-reliance objectives, properly supported by necessary social mitigation measures. As in other transition economies, restructuring of state enterprises is a long term and often-ongoing process, requiring proper planning and progressive implementation.

## **7. BUSINESS PLANNING AND PPP'S, WORLD BANK GROUP SUPPORT TO PUBLIC- PRIVATE PARTNERSHIPS, WORLD BANK, 2015**

### **7.1 Recommendations**

The following recommendations were intended to strengthen the implementation of the PPP-relevant aspects of the latest World Bank Group strategy. Ultimately, PPP interventions should deliver the maximum value to client countries and private sector partners, which requires that the PPP agenda of the Bank Group build on better country diagnostics, be pursued in a more strategic manner, and leverage the comparative advantages of all Bank Group institutions and trust funds involved in the PPP response. The recommendations are clustered into two groups: strategic & organizational recommendations and operational recommendations.

#### **a) A Strategic & Organizational Recommendations**

**Recommendation 1:** IFC (International Finance Corporation) Investment Services identify avenues that would allow IFC to invest increasingly in PPPs located in countries and markets that do not yet have a well-developed enabling environment, while keeping its mandate of achieving high development outcomes and remaining financially self-sustaining.

**Recommendation 2:** IFC PPP Advisory Services can rethink its client engagement management with a view to ensuring broad stakeholder consultation up front and maintaining or improving government commitment to PPP transactions.

#### **b) Operational Recommendations**

**Recommendation 1:** Once the new PPP Cross-Cutting Solution Area has been established, the World Bank Group's strategy should be translated into an operational framework, covering aspects of organization and processes, resources, knowledge management, and monitoring and evaluation.

This framework should:

- Define the role of the PPP Cross-cutting Solution Area and its interactions with other relevant Bank Group stakeholders.
- Facilitate the identification of country-tailored solutions based on country diagnostics.
- Envision a PPP knowledge management platform.

**Recommendation 2:** The World Bank Group could systematically integrate efforts to assist government in:

- Making strategic decisions with regard to the level and nature of private sector participation in infrastructure and social service provision.
- Assessing fiscal implications, including any fiscal liabilities associated with PPPs.

**Recommendation 3:** The World Bank Group would define principles for the monitoring of PPPs over the long run to capture all vital performance aspects of PPPs, including—where relevant—user aspects.

## 7.2 PPP Highlights

- Public-private partnerships (PPPs) can help overcome inadequate infrastructure that constrains economic growth, particularly in developing countries.
- PPPs have seen a rise in the last two decades and are now used in more than 134 developing countries, contributing about 15–20% of total infrastructure investment.
- PPPs are an instrument to respond to market failures while minimizing the risk of government failure.
- The World Bank Group has deployed a wide range of instruments and services targeting PPPs during FY02–12—and in increasing numbers. In its support, International Finance Corporation Investment Services and the Multilateral Investment Guarantee Agency focused on middle-income countries, whereas the World Bank and IFC Advisory Services tend to support lower-income countries.

## 8. JAPAN INTERNATIONAL CORPORATION AGENCY (JICA) IN IRAQ, JICA ANNUAL REPORT, 2018

Since the Iran-Iraq war of 1980, the socioeconomic infrastructure of Iraq has been devastated because of repeated conflicts and economic sanctions, leaving the country in ruins. Many Iraqis continue to live in a poor environment with inadequate supplies of power and water, thus developing the socio-economic infrastructure is a critical issue.

JICA's support to Iraq is primarily focused on:

- 1) The promotion and diversification of industry for economic growth.
- 2) Strengthening the basic economic infrastructure.
- 3) Building a foundation for peoples livelihoods.

### 8.1 JICA Main Actions

The key principles behind JICA's interventions are:

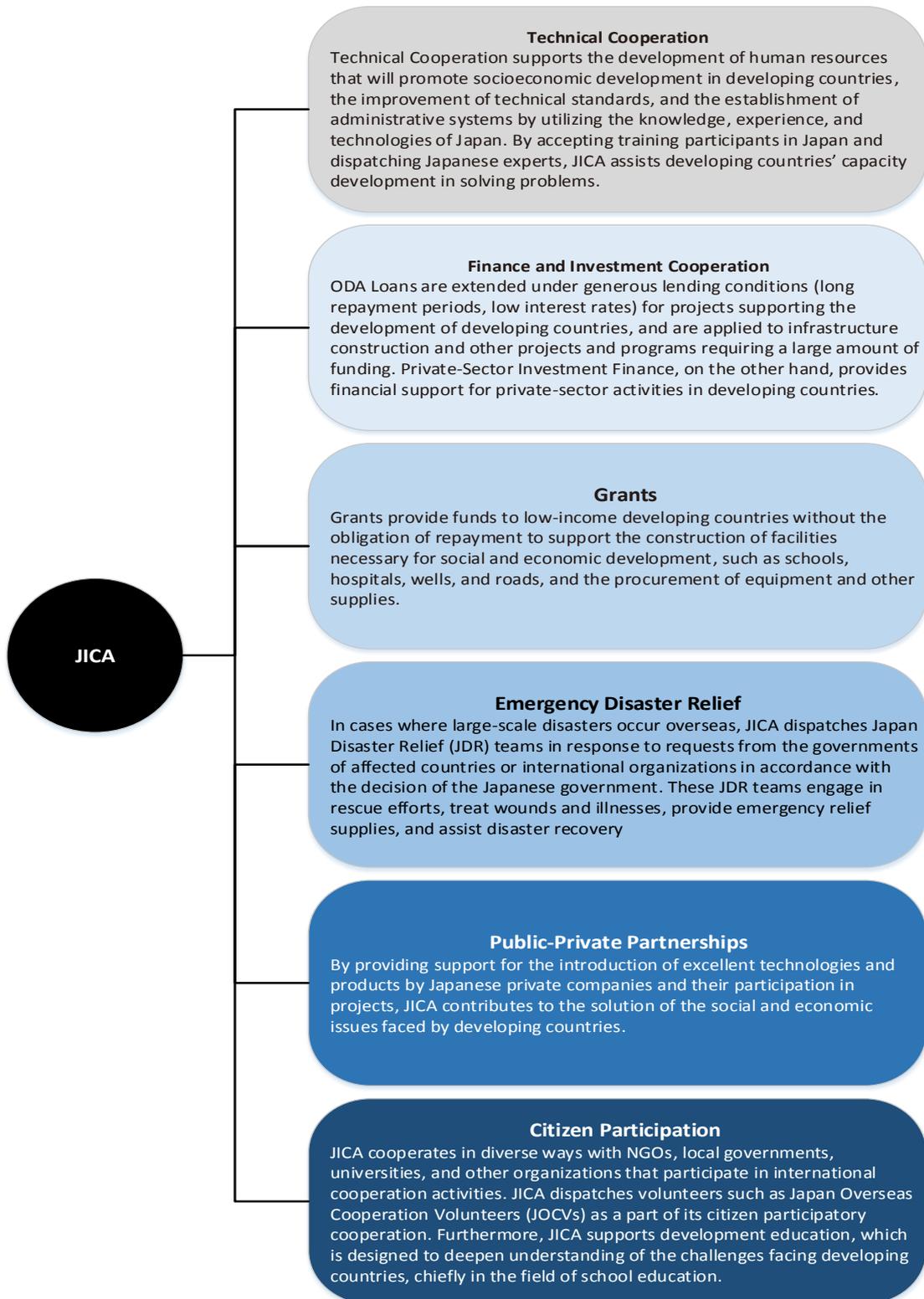
- **Commitment:** Commit with pride and passion to achieving our mission and vision.
- **Gemba:** Dive into the field ("gemba") and work together with the people.
- **Strategy:** Think and act strategically with broad and long-term perspectives
- **Co-creation:** Bring together diverse wisdom and resources.
- **Innovation:** Innovate to bring about unprecedented impacts.

### 8.2 JICA Development Approach and Methodology

JICA supports socioeconomic development in developing countries through a flexible combination of various types of assistance methods, such as Technical Cooperation, Finance and Investment Cooperation, and Grants.

The below illustration shows JICA main functional areas:

## JICA Main Functional Areas



**APPENDIX (4)**  
**STAKEHOLDERS REVIEW**

# APPENDIX (4)

## STAKEHOLDERS REVIEW

### 1. MSMEs' Introduction

Iraq is working on developing a vibrant entrepreneurial landscape and a strong base of MSMEs' capable to contribute significantly to an open economy, starting by developing an ecosystem for MSMEs' and entrepreneurs.

Analyzing this ecosystem and understanding MSMEs' stakeholders will enable the strengthening of an enterprise enabling environment spearheaded by government agencies, and funding programs focusing on startups and early stage entrepreneurs.

In the first part of this section the consultant identifies the Iraq MSMEs' ecosystem and its components. In the second part the consultant elaborates on the stakeholders and their roles in this environment.

### 2. MSMEs' Ecosystem/ Stakeholders

Micro, small and medium size enterprises (MSME) differ in size, management structure, ownership, the sectors they are active in, the regulatory requirements they face, and many further characteristics.

They operate in a complex ecosystem of interrelated elements spread across four levels, each level on the other (illustrated in Figure 1).

These impact the ease and speed at which entrepreneurs and MSMEs' can establish new ventures and scale them into sustainable and competitive businesses. The following elements constitute the MSMEs' ecosystem:

- Entrepreneur level
- Enterprise level
- Industry/ sector level
- National Level



**MSMEs' Ecosystem Elements**

#### At the Entrepreneur level

- Culture and society are of primary importance. The characteristics of entrepreneurs and readiness for risk taking are identified. In addition to the institutionalization culture of business owners and the availability of support mechanisms.

### At the Enterprise level

- Capital, employees and Capabilities are the key elements. In terms of employees and Capabilities, the availability and adequacy (quality/quantity) of human capital (including formal education levels, managerial, technical skills, etc.), as well as the level of productive knowledge in the economy.

As for Capital, the access and depth of equity and debt capital and financial support (grants, government subsidized preferential loans, etc.). In addition to the adequacy of funding instruments available to MSMEs and entrepreneurs.

### At the Industry/Sector level

- Four main elements emerge: Market Structure, Technology & Innovation, the Legal & Regulatory Framework including tax regime, and investors. In terms of Market Structure, the MSMEs access to local and regional/global markets, its size and competitive landscape, and level of development of the supply chain for input factors. As for Technology & innovation, the adequacy of innovation, support and quality improvement the technology can provide.

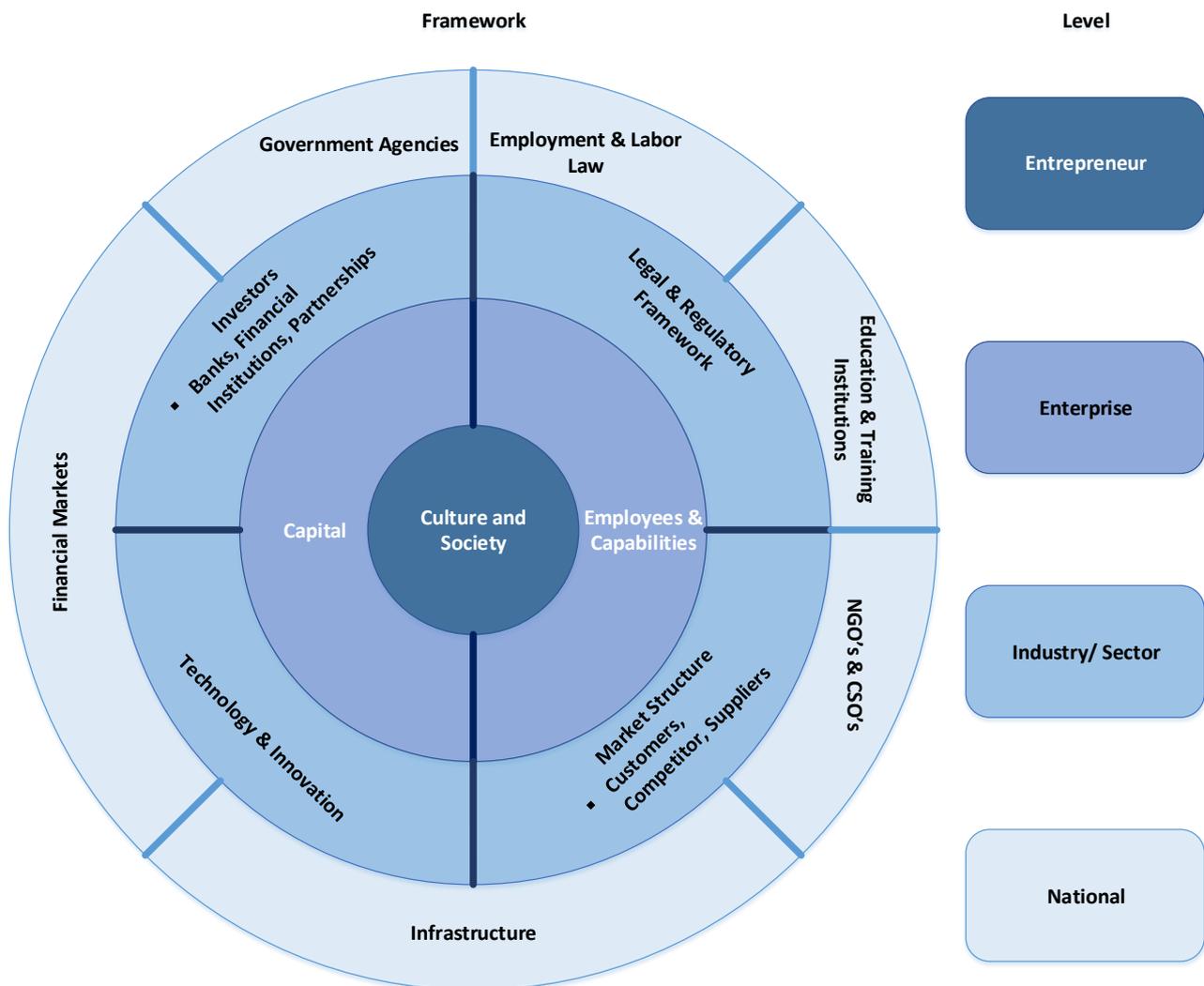
For Legal and Regulatory Framework, the availability of sector and industry specific regulations (anti-trust, protectionism, etc.), the adequacy of legal framework (commercial laws, etc.), judicial procedures and contract enforcement, as well as licensing, permitting and taxation regimes. For investors (banks, financial institutions, partnerships, etc.) access to financial support.

### Finally, at the National level

- Government agencies, Employment and Labor law, Financial Markets, NGO's and CSO's, Education and training institutions, and the national Infrastructure. For government agencies, to create an environment conducive to MSMEs' development, including policy development and advocacy (remove barriers), endorse legislative and regulatory framework, training & capability development (sector productivity & competitiveness), incubation, access to finance and market access. For Employment and Labor law, the ease of hiring and firing employees, and the access to skilled foreign workforces.

For the Financial Markets, the range and depth of equity and debt capital markets. For NGO's and CSO's, the level of support they can offer to MSMEs' in their community. For education and training institutions, their primary role in providing educated, skilled and trained workforce.

Finally, for Infrastructure and related enablers, the availability and quality of the country's infrastructure necessary to support the operations of MSMEs (including public utilities, transportation networks and ICT).



**Figure (1): MSME Stakeholders Ecosystem**

Source, adopted from:

- Jones, OW (2018) *SME productivity stakeholders: Getting in the right orbit*. In: *British Academy of Management Conference, 04 September 2018 - 06 September 2018, Bristol*.
- *Ministry of Economy and Trade, Lebanon SME Strategy, A Road Map to 2020, USAID*

### 3. Stakeholders Analysis

All MSMEs' are influenced by a large number of various stakeholders. They are very beneficial in helping MSMEs' achieving their vision, mission and goals. However, they can also pose a threat because they potentially wield great power over them. The identification and prioritization of stakeholders (stakeholder analysis) is considered an important element in their management, it is a new managerial tool to address the current instability in the economic environment facing MSME's.

The identification and prioritization of stakeholders (stakeholder analysis) is considered an important element in their management, it is an appropriate managerial tool to address the current instability in the economic environment facing MSME's.

### **3.1. Best Practice in Stakeholders Analysis**

Stakeholder analysis (data collection, mapping and profiling) allow MSMEs' to gain insights into the interests, requirements and needs of stakeholders, as well as enables them to identify opportunities for influencing stakeholders that serve decision making processes in particular contexts.

The Stakeholder Circle Methodology, developed by Linda Bourne (2008); Bourne defines the following factors for the definition of stakeholder profiles:

- Stakeholders' influence and direction of influence (downwards, upwards, outwards, side wards, internal, external)
- stakeholders' interest
- power – power of stakeholder to influence MSME's
- proximity – closeness of the stakeholder to MSME's
- vested stake – how much a stakeholder group could gain or lose based on the MSMEs' outcome
- importance to (stakeholder action) – level of importance of the MSMEs' and its outcomes on the stakeholder group

The approaches of Linda Bourne (Bourne 2008; Walker, Bourne and Rowlinson 2008) address mapping of stakeholders. Two characteristics are evaluated - power and interest - to create a power interest matrix. The stakeholders were subsequently divided into four basic levels (Olander and Landin 2005; Ackermann and Eden 2011):

- context setters – stakeholder group with high potential
- key players – stakeholder group with a high level of interest and power
- crowd - stakeholder group with low level of interest and power
- Subjects - stakeholder group with a high level of interest and low level of power.

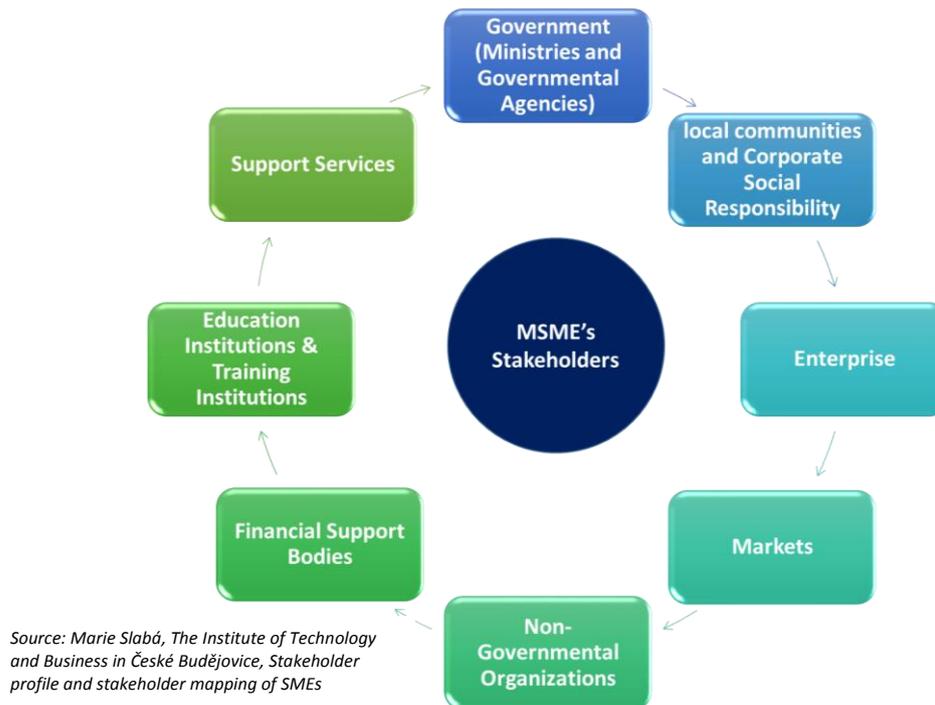
All these groups can be divided into the following levels:

- Internal and external
- Primary and secondary

## **4. MSMEs' Stakeholders Groups in Iraq**

The following stakeholder groups were identified in the republic of Iraq (Figure 2):

- Government (ministries and governmental agencies), Financial Support Bodies, Local communities and Corporate Social Responsibility, Non-Governmental Organizations/ Civil Society Organization, Enterprise, Markets, Education Institutions & Training Institutions and Support Services



**Figure (2): MSMEs' Stakeholders Groups**

- MSMEs' stakeholders in Iraq include the following individuals, groups and organizations, and their researched relevant roles, mandated, objectives, initiatives, legislatives texts, and aspirations

#### 4.1. Government (Ministries and Governmental Agencies)

- **The Ministry of Planning/ Central Statistical Organization (CSO)**
  - Developing policies, plans and programs for all sectors, economic, businesses and social activities, in a manner that secures optimal investment of human capital and resources and strengthening partnership with the public and private sectors.
  - Conducting statistical studies on various economic and social activities for the use of planning, national development and scientific research; such as, industry, agriculture, trade, social and community activities with the possibility of introducing the geographic maps and transfer via the information network
- **Ministry of Commerce**
  - Pushing forward favorable legislation for MSMEs' that achieves efficiency, establishing partnerships with other institutions and organizations for MSMEs' support programs. Strengthening the role of the private sector in the national economy in addition to organizing the means of developing internal trade, supervising and protecting internal markets from exploitation, monopoly, and controlling prices, providing expertise and sponsor relevant events, and collecting and publishing information on this sector. Supporting lending to trade infrastructure & to the private sector.

- **Ministry of Finance**
  - Achieving the optimal use of the available cash liquidity related to the investment. Provide financial products and services to meet the MSMEs' needs. Adopting new tax measures as part of initiatives to support MSME's.
- **Ministry of Industry and Minerals**
  - Achieving the development of the industrial sector in Iraq and supporting the national economy to be economically and environmentally diversified. Supporting MSMEs' Growth, Competitiveness and Access markets (national, regional and international) and to Finance.
- **The Ministry of Labor and Social Affairs**
  - Developing the country-wide labor market and training needs assessment, assuring decent work opportunities, and healthy work environment. Improving the quality of vocational education and training reflecting the needs of the labor market. Contributing positively and effectively to the regulation of the labor market through the development of legislation, laws and organizational procedures in line with labor market changes.
- **Ministry of Communication**
  - Providing high quality communications, internet and postal services using the latest technology, to facilitate businesses' operations.
- **The Ministry of Electricity**
  - Assuring electricity security (access to reliable electricity supply - Voltage stability and power - associated with acceptable tariffs) to support businesses' operations
  - Achieving and promoting energy efficiency and maintaining its sustainability (promoting gas instead of electricity especially in production and manufacturing)
  - Promoting ecofriendly energy, in order to help secure a healthy environment.
- **Ministry of Construction, Housing, Municipalities and Public Works**
  - Implementing strategic projects within the sectors of building and construction, urban development, transport and transportation, and infrastructure. Providing technical (organizing sponsoring MSMEs' fairs (national and international level), connecting MSMSE's with international markets, organizing vocational training, etc.) and financial (Providing Support funds and exemptions MSMEs'; in order, to create job opportunities in the geographical area of municipalities and governorates) levels.
- **Ministry of Transportation**
  - Developing the transportation system and achieving integration among all transportation sectors, land, sea and air, to satisfy the needs of Iraq, by

focusing on safety, rationalizing energy, and enhancing operating efficiency and performance to provide effective services to businesses' operations and beneficiaries.

- **Ministry of Agriculture**
  - Promoting innovative ways for the optimal utilization of the available resources in the agricultural sectors to ensure to achieve food security for Iraq.
  - Supporting agricultural MSMEs' and facilitating access to credit for agriculture sector actors to promote rural employment. Adapting measures to climate change in the management of water and soil.
- **Ministry of Environment**
  - Protecting natural resources, and promoting the advantages of cleaner production in terms of reduced costs of resources, and environmental compliance.
  - Promoting environmentally sustainable economic and businesses' (Reducing MSMEs' environmental impact) activities.
  - Improving the environmental performance of MSMEs' and redirecting entrepreneurial energies in more environmentally benign directions.
- **Ministry of Water Resources**
  - Ensuring equitable access to safe water and safe sanitation, educating people and MSMEs' about the importance of water efficiency, prohibiting the use of chemicals and materials that can be particularly detrimental to water quality if improperly disposed. Adapting measures to climate and geopolitical changes in the management of water.
- **Ministry of Oil**
  - Securing the needs of the local market for petroleum and gas derivatives and proposing their pricing policies.
- **Ministry of Health**
  - Promoting public health by improving health indicators, ensuring disease prevention, and achieving equity in the distribution of health services in coordination with other sectors and agencies.
  - Providing the right measures to help slow down & prevent pandemics spread.
- **Minister of State for Women's Affairs**
  - Formulating policies and programs (health, cultural, political, economic and social conditions) to empower Iraqi women. Promoting the active roles of women to enhance their participation in achieving the goals of sustainable development and achieving gender equality and justice. Supporting women's MSMEs' and facilitating access to credit.

- **Ministry of Higher Education and Scientific Research**
  - Focusing on creating skilled, knowledgeable and trained work force. Promoting education programs associated with vocational training and practical applications.
  
- **Ministry of Interior**
  - Maintaining internal security and secure a favorable environment for businesses and investments. Organizing residency permits for international workforce.
  
- **Municipalities**
  - Issuing building permits, and demolition, restoration, professional and commercial licenses, and civil works contracts. Monitoring building permits, civil works contracts, and commercial advertisements and street vendors for violations. Licensing handicrafts, related professions and public store openings, and monitoring standards of public health.
  - Prepare and monitor the execution of organizational plans. Controlling food and consumers' items (storage, Prices and weight). Establishing and organizing slaughterhouses. Establishing public markets and identifying sales centers, slaughterhouses and landfills. Establishing regulations related to road works and field inspection. Determining and collecting municipality fees and returns, and fines imposed on violators of regulations. Regulating advertisements, commercial and public stores signs, and proposing related fees. Supervising the implementation of public health regulations entrusted to the municipality. Developing regulation systems for public and commercial stores, hotels, restaurants, cafes, and industrial enterprises.
  
- **Tax Authorities**
  - Ensuring accurate, timely Compliance with tax rules. Maintaining effective control procedures over all aspects of the tax process. Collecting taxation information on clients and companies/ businesses, including: Reviewing financial books and balances; analyzing financial records, systems, and budgets; performing audits and interviews with clients and companies to collect additional data; and analyzing collected data to find possible tax deductions or exemptions and for issues or discrepancies.
  
- **Customs Authorities**
  - Securing and facilitating legitimate global trade and travel. Regulating and monitoring the import/ export flow of goods and products.
  - Controlling the safety and quality of products that enter the Iraqi markets.
  - Improving service quality to facilitate foreign trade and protecting intellectual property rights.
  - Supporting MSMEs' through trade facilitation reforms.
  - Protecting food supply and agricultural industry from pests and disease.

- **Business Registration and Licensing**
  - Ensuring the health, safety, and economic welfare of Iraqi citizens through licensing, inspection, compliance, and enforcement programs.
  - Issuing permits that allow individuals or companies to conduct business within local government jurisdictions.
  - Providing the right licenses and registrations to comply with the law and registering the companies' business and trademark.
  
- **Federation of Iraqi Chambers of Commerce**
  - Safeguarding business interests and sharing business experiences and business interests, coordinating with governments, civil society, local media and the press and organizing trade shows and events.
  
- **Iraqi Contractors' Union**
  - Registering contracting companies names and classifying them into categories by type, size and capital
  - Organizing and developing contractor's activities of and enhancing their role in the national development process.
  - Introducing modern contracting methods and technology to contractors.
  - Representing Iraqi contractors inside Iraq and in Arab and foreign countries.
  - Seek with the concerned authorities to guarantee the material and moral rights of contractors.

## 5. Financial Support Bodies

- **Investors**
  - Assisting MSMEs' in establishing, expanding, innovating and/ or improving their businesses.
  
- **Banks and Financial Institutions**
  - Providing tailored financial solutions to MSMEs' through loans with acceptable interest rate and collateral-free loans for specific amounts value.
  - Providing Special non-lending program that gives MSMEs' access to an array of benefits that fit their business needs.
  - Facilitating businesses operations; through the provision of credit facilities and bank guarantees, Payroll Services, Fraud Protection.

## 6. Local communities and Corporate Social Responsibility

- **Local Communities**
  - Reflecting each community unique identity and character on businesses operations. The nature of emerging MSMEs' will ultimately be based upon four essential characteristics; (1) location demographics, (2) type of

enterprises, (3) skills and level of education, (4) culture and history of region.

- **Corporate Social Responsibility (CSR)**
  - Making business more competitive and resilient; through, developing a corporate social responsibility plan for all sectors to, Drive sustainability, Attract and retain talent, Foster social cohesion and protect the environment.

## 7. Non-Governmental Organizations/ Civil Society Organization

- **NGO's**
  - Providing loans and grants and targeted training and capacity building programs to support MSMEs' operations
  - Support businesses to foster internationalization by establishing fair trade cooperatives to facilitate the export of goods to international markets directly from the producers.
  - Encouraging international network, and international entrepreneurship to invest in local MSME's.
  - Supporting women entrepreneurs to develop businesses.
- **Private Sector Development Center in Iraq (PSDC)**
  - Promoting and building a trusted public-private dialogue. Supporting economic reform and market-orientated activities.
  - Effectively voices Iraqi private sector concerns to governmental agencies.
  - Promoting inclusion of women in economic development.
  - Providing capacity building activities for Iraqi private businesses and associations.
- **Iraqi Federation of Industries**
  - Safeguarding businesses interests and sharing businesses experiences and interests, with government agencies, civil society, local media and the press.
  - Organizing trade shows and events.

## 8. Enterprises

- **Owners/ shareholders**
  - Developing the business, internally by introducing new and innovative technology, creating job opportunities, and growing the organization's operations. Externally by developing external networks to support the business's growth.

- **Management**
  - Enhancing employee tools (technological/ networking) for a better and more efficient work. Developing a healthy and positive work environment for maximum performance by staff members.
- **Employees**
  - Achieving sustainable and developmental goals, in order to develop the business, while also creating a large amount of job opportunities and vacancies.

## 9. Markets

- **Customers**
  - Improving competitiveness levels among MSMEs' as the demand for a better product/ service quality emerges based on the market share. The Increase In competition will push MSMEs' to improve and develop their business.
- **Suppliers**
  - Ensure supply chain stability and consistency starting by Sourcing needed raw materials and supplies to helping ramp up production, and to finding better options for raw materials as the market starts becoming saturated.
  - Assisting MSMEs' in innovating and improving their business.
- **Competitors**
  - Pushing businesses to grow internally and externally by competing for market share. Driving businesses to continuously innovate and improve the quality of products and services provided.
- **International Markets**
  - Importing needed raw material and products for businesses operations.
  - Exporting local goods to help market growth and expand market share.
  - Enhancing the opportunities for to access international funding and investments.

## 10. Education Institutions & Training Institutions

- **Universities and Training Centers**
  - Connecting universities to the labor market by bridging educational programs in the context of employability.
  - Modernizing curricula and improving teaching methods to respond to businesses and market needs.
  - Upgrading the technical and vocational education and training system, to increase youth employment and boosting the labor market and wider national economy.

## 11. Support Services

- **Cargo and Shipping Agencies (Land, Sea And Air)**
  - Developing a reliable and safe transportation services (land, sea and air), for individuals, goods and products to allow businesses operate more effectively and efficiently and have a stable and sustainable transportation plan.
- **Technology Developers**
  - Enhancing the competitiveness of MSMEs' through innovation by introducing new products and adapting existing products to the needs of customers.
  - Improving MSMEs' competitiveness in global markets by introducing applications and adopting new technologies that effectively serve to reduce costs.
  - Enhancing businesses operations and the flexibility of services delivery.
- **Consultancy Firms**
  - Helping businesses to operate efficiently and effectively.
  - Providing a full on auditing services and due diligence for companies.
  - Providing needed accreditation and certification for businesses.
- **Media**
  - Promoting local businesses through TV ads and through offline ads, such as
  - Providing cost efficient marketing services, through Digital media (social media marketing and website ads).
- **Telecommunication & Internet Provider Companies**
  - Developing a strong, fast and reliable telecommunication and internet services to assist businesses function and operate effectively and efficiently.
- **Insurance Companies**
  - Protecting and safeguards the interest of SMEs from loss.

## **LIST OF STAKEHOLDERS**

## CONTENTS

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	<u>Page</u>
1 Ministry of Planning.....	3
2 Central Statistical Organization (CSO).....	4
3 Ministry of Trade.....	4
4 Ministry of Finance.....	5
5 Ministry of Industry and Minerals.....	5
6 Ministry of Labor and Social Affairs.....	6
7 Ministry of Communication.....	7
8 Ministry of Electricity.....	7
9 Ministry of Construction, Housing, Municipalities and Public Works.....	8
10 Ministry of Transportation.....	9
11 Ministry of Agriculture.....	9
12 Ministry of Environment.....	9
13 Ministry of Water resources.....	9
14 Ministry of Health.....	9
15 Ministry of Education.....	9
16 Ministry of Interior.....	9
17 Mayoralty of Baghdad.....	10
18 Customs Authorities.....	10
19 General Commission of Taxes.....	11
20 Federation of Iraqi Chambers Commerce.....	11
21 Iraqi Federation of Industries.....	12
22 Iraqi Contractors Union.....	13
23 Iraqi Business Association.....	13
24 Iraqi Institute of Economic Reform.....	13
25 Directorate General of Industrial Development.....	14
26 Iraqi Engineers Syndicate.....	14
27 Iraqi Private Banks League.....	14
28 Market Research and Consumer Protection center.....	15
29 Baghdad University.....	15
30 The Modern Agriculture Development Center.....	16
31 Private Sector Development Center in Iraq.....	16
32 UN global compact.....	17
33 Iraqi industrialists and trade unions.....	17
34 Union of Iraqi Importers and Exporters.....	17
35 Women without Borders.....	17
36 Iraqi Industrial Gathering.....	17
37 Website Assessment.....	18

## **1. Ministry of Planning**

**Vision:** Excellent planning for sustainable development.

**Mission:** Activating and coordinating efforts and the development of policies, plans and programs for the development of all the sectors and economic and social activities, so as to ensure optimal investment energies and capabilities human and material resources, and upgrading the quality of government performance and strengthen partnership in the public and private sectors, and the recruitment of efforts to reach a comprehensive development sustainable.

### **The objectives of the strategic functions of the chambers of the ministry:**

1. The conduct of research studies and plans and concepts that have achieved the goal of economic and human development in Iraq in cooperation with the official and private.
2. The preparation of the annual strategy perspective plans for the overall development of the implementation and follow-up.
3. The provision of indicators and statistical data and the necessary information needed by the organs of the State and the establishment of a national information and comprehensive.
4. Oversee and follow-up to the file of international cooperation with regard to grants and technical assistance.
5. Work on providing the requirements for the information society in Iraq and to make the best use of the information revolution and the dissemination of culture and the strengthening of its practices in state departments and the whole of society in order to reach the goal of e-government.
6. Care of the Iraqi private sector and support for the study of the reality of this sector and in overcoming the difficulties and constraints faced by.
7. The detailed framework and propose strategic projects that need huge capital and the duration of a longer period of time for implementation in cooperation with the rest of the organs of the State.
8. The assessment of the activity of the governmental contracts and its follow-up in the area of investment and development.
9. The Set Measurement and upgrading the quality of domestic goods imported and strengthening intellectual creativity and to strengthen the national economy.
10. The study the needs of human development to contribute to the provision of work and employment opportunities and social services to the population.
11. The preparation of a strategy for the alleviation of poverty and unemployment and implementation.
12. Prepare and propose action plans and programs that contribute to the building of institutional capacities and the development of the human element, which is an instrument of the focus of development.
13. The promotion of the concept of partnership and good governance and the adoption of the standards of quality international and local.
14. The follow-up to the evaluation of the performance of the implementation of investment projects and raising the efficiency of implementation.
15. The development of economic and social policies.
16. The calendar of relevant legislation the process of overall development.

17. The conversion of the increase, the current population expected of the burden on the development process to a productive force represents a positive and active role in the development process, including achieve higher rates of economic growth and the well-being of the population.
18. The preparation of sector strategy location and rural and urban areas, local and achieve economic efficiency and the exploitation of the comparative advantages of the achievement of social justice.

## 2. Central Statistical Organization (CSO)

في ثلاثينات القرن الماضي كان الإحصاء شعبة صغيرة في مديرية التجارة العامة في وزارة المالية ثم ارتبطت بوزارة الاقتصاد والمواصلات، وبعد ان تم تقسيمها الى وزارتين في سنة 1939 الحقت هذه الشعبة بوزارة الاقتصاد باسم (الدائرة الرئيسية للإحصاء)، وصدر قانون الإحصاء رقم (42) لسنة 1939 وتم بموجبه تحديد مهام الدائرة بـ (جمع وإعداد وتنسيق وتلخيص ثم نشر كافة المعلومات الإحصائية المتعلقة بأعمال الأهالي التجارية والصناعية والاجتماعية والاقتصادية وكذا أحوالهم العمومية) ونظم هذا القانون اسس التعامل بين المكلفين بالإدلاء بالبيانات الإحصائية وبين القائمين على ادارة العمل الإحصائي في مفاصل الدولة المختلفة. في عام 1956 أدمجت الدوائر والأقسام الإحصائية الموجودة في بعض دوائر الدولة الرئيسية للإحصاء ومنشأتها وعلى اثر ذلك سميت بـ ( دائرة الإحصاء المركزية). وفي سنة 1959 صدر قانون السلطة التنفيذية الذي استحدثت بموجبه وزارة التخطيط والحقت بها دائرة الإحصاء المركزية ورفعت درجتها الى مديرية عامة بتاريخ 1/7/1959. وفي سنة 1962 صدر قانون الإحصاء رقم (57) والذي تم بموجبه إلغاء قانون الإحصاء رقم (42) لسنة 1939 وتم تحديد مهام وواجبات دائرة الإحصاء المركزية. في عام 1968 صدر نظام وزارة التخطيط، وتم تسميته بالجهاز المركزي للإحصاء. وفي سنة 1972 صدر قانون الإحصاء رقم (21) النافذ لغاية تأريخه.

مارس الجهاز عمله الإحصائي من خلال فروع على مستوى المحافظات وبعض الأفضية لغاية التسعينات وبسبب الأحداث التي مرت بالعراق انفصلت محافظات إقليم كردستان (دهوك، اربيل وسليمانية) وأصبحت بمعزل عن الجهاز في الوقت الذي تركز العمل على خمسة عشر محافظة وأصبح الجهاز مجزئ إلى منطمتين منفصلتين إحصائيتين تعملان بمنهجية مختلفة لغاية عام 2004 حيث بدأت المفاوضات مع إقليم كردستان للمساهمة في العمل الإحصائي المتمثلة بخطط العمل السنوية والمسوح. وفي نفس العام أعيد النظر في الهيكل التنظيمي والفني للوزارة التي اصبحت تسميتها (وزارة التخطيط والتعاون الإنمائي) لتتنجم مع طبيعة المهام والأنشطة التي تمارسها الوزارة على ارض الواقع واصبح اسم الجهاز (الجهاز المركزي للإحصاء وتكنولوجيا المعلومات) بعد ان استحدثت فيه مديرية عامة باسم ( دائرة تكنولوجيا المعلومات).

## 3. Ministry of Trade

وزارة التجارة العراقية من اهم الوزارات العريقة في تاريخها وكانت قبل ثورة ١٤ تموز تسمى وزارة الاقتصاد ومقرها في بغداد شارع الرشيد الجزء القريب من منطقة باب الشرقي ومن اهم اهدافها توجيه التجارة الداخلية والخارجية من خلال اللجان الموجودة فيها وفي عام ١٩٦٣ وبعد انقلاب ٨ شباط انتقلت من مكانها الى بناية وزارة التخطيط الحالية في جانب الكرخ ثم تحولت بعد عام ١٩٦٣ الى جانب الرصافة في بناية شركة اعادة التأمين الوطنية في ساحة الخلاني باسم وزارة الاقتصاد واصبحت

وزارتين الاولى وزارة التجارة الخارجية والثانية وزارة التجارة الداخلية ولم تستمر هذه التسمية سوى ستة اشهر ثم اندمجت الوزارتين وأصبحت وزارة واحدة باسم وزارة التجارة وتأسست لها شركات وتبنت الدولة سياسة النظام الاشتراكي وندرج المؤسسات والشركات التابعة لها.

#### **4. Ministry of Finance**

The Ministry of Finance aims to lay the foundations for financial planning and directions of the state and determine the general framework and outline the elements of a financial plan within the framework of its general policy and development plans and create a means of preparing the plan and oversee their implementation.

The Ministry seeks to achieve its objectives, including the following: -

1. Management and organization of state funds and monitor the safety of disposal including the achievement of optimal use of available cash liquidity as they relate to or identify investment and use of its components.
2. Management of the public treasury and promote sources of nutrition.
3. Management and organization of banking and insurance and linking credit and insurance plans and objectives of the state's financial plan and the development plan.
4. The management and development of tax system Alkmarki.
5. Develop civil service legislation and retirement within the framework of the general policy of the State in the field of civil and function of public service and social security.
6. Offering advice to government departments and the public sector in matters of fiscal and monetary, credit and banking, insurance, laws, rules and regulations of Civil Service and training cadres calculations and to ensure the application of financial accounting systems accurately and efficiently.

#### **5. Ministry of Industry and Minerals**

After July 14, 1958's revolution, the Ministry of Construction was cancelled and replaced by the Ministry of Industry, following Law number 74 issued in 1959, authorizing the new ministry to take the responsibility of the national industrialization process, overseeing private and public industrial issues. The organizational structure of new ministry included a number of directorates that were transferred from the cancelled Ministry of Construction and a number of other ministries.

With the issuance of the Nationalization order, 1964, and the establishment of the Economic Institution, and the State Institute of Industry, and after connecting the latter administratively to the Ministry of Industry (Law number 166 issued in 1965), and the extension of responsibilities, the law of Ministry of Industry's State Owned Institutions was issued (Law number 90 issued 1970). This law cancelled the State Institute of Industry and established a number of State institutes inside the ministry.

The name of the ministry was changed to the Ministry of Industry and Minerals by the former Revolutionary Council order number 1320 issued in December 8, 1974.

Following the former Revolutionary Council order number 837 issued in June 28, 1982, the Ministry of Light Industries was established, followed by order number 855 issued in June 30, 1982 that included the administrative structure of the Ministry of Industry and Minerals and the Ministry of Light Industries.

The former Revolutionary Council issued law number 117 issued in February 23, 1987, by which all State institutes that belonged to the two ministries were canceled and their authorities and obligations were transferred to the beneficiary institutes.

Order number 118 issued in February 23, 1987 froze all former laws and regulations regarding the responsibilities of the two ministries, and gave extensive authority to the two Ministers and the Director Generals. This order was cancelled by the issuance of Order number 149 issued in October 12 1997.

Order number 122 issued in March 3, 1987 changed the name of the Ministry of Light Industries and the Ministry of Industry and Minerals to the Ministry of Industry and the Ministry of Heavy Industries, respectively.

Following Order number 222 issued in March 6, 1988, amended by Order number 479 issued in July 25, 1988, the two ministries were joined together under the name of the Ministry of Industry and Minerals. The Organizational structure was established.

Before the two ministries were joined, the Ministry of Light Industries announced the sale of a number of its factories to the Private sector. This process continued even after the two ministries were joined and until 1990. 82 factories were sold.

Following Order number 643 issued in July 13, 1988, the Military Industries Commission joined the Ministry of Industry and Minerals. The ministry name thus became, "Ministry of Industry and Military Industries". Then this order was cancelled by Order number 204 issued in June 24, 1991. The Ministry name became, once again, "The Ministry of Industry and Minerals".

Commission of Electricity was established by Order number 95 issued in June 21, 1999, and it was administratively connected to the Cabinet of Ministers. Authority of all State Owned Enterprises that dealt with the Production and Distribution of Electric power was transferred accordingly from the Ministry of Industry and Minerals to the new Commission.

## 6. Ministry of Labor and Social Affairs

تعتبر وزارة العمل والشؤون الاجتماعية من الوزارات القديمة حيث استحدثت بموجب المرسوم المرقم (٥٩) لسنة ١٩٣٩ الذي حدد التقسيمات الادارية للوزارة . ثم صدرت انظمة عديدة تم تعديل تقسيمات الوزارة بموجبها مثل النظام رقم ٤٨ لسنة ١٩٤١ ونظام الوزارة رقم (٧٩) لسنة ١٩٤٦ والنظام رقم (٣٨) لسنة ١٩٥٢ ونظام الوزارة رقم (٤٨) لسنة ١٩٥٩ وفي هذه الانظمة كانت تستحدث مديريات يتم ضمها للوزارة التي كانت تتوسع باستمرار في التقسيمات الادارية والاختصاصات.

- بعد صدور قانون العمل رقم (١) لسنة (١٩٥٨) اصبح العمل جزءا اساسيا في اختصاصات الوزارة

- بموجب النظام رقم ( ٣٩ ) لسنة ١٩٦٧ استحدثت عددا من التشكيلات منها مؤسسة الضمان الاجتماعي والمؤسسة الثقافية العمالية وقد أصبح اسم الاولى في عام ١٩٦٧ المؤسسة العامة للتقاعد والضمان الاجتماعي للعمال
- وبموجب قانون العمل رقم ١٥١ لسنة ١٩٧٠ استحدثت المؤسسة العمالية للتشغيل والتدريب والتأهيل التي أصبح اسمها في عام ١٩٧٨ المؤسسة العامة للعمل والتدريب المهني
- بموجب نظام الوزارة رقم (٣) لسنة ١٩٧٢ تم استحداث المركز القومي للبحوث الاجتماعية والجنائية
- في عام ١٩٧٨ صدر قانون وزارة العمل والشؤون الاجتماعية رقم ( ١٩٥ ) الذي استحدثت المؤسسة العامة للرعاية الاجتماعية والمؤسسة العامة للإصلاح الاجتماعي
- عام ١٩٨٤ ارتبطت مؤسسة الثقافة العمالية بالاتحاد العام لنقابات العمال
- عام ١٩٨٧ صدر قانون وزارة العمل والشؤون الاجتماعية رقم (٢٩)
- عام ٢٠٠٦ صدر قانون وزارة العمل والشؤون الاجتماعية رقم (٦) و افتتح المركز الكوري التابع لدائرة العمل والتدريب المهني
- عام ٢٠٠٨ صدرت تعليمات دوائر مركز الوزارة برقم (١) و افتتح دار المسنين ودار الايتام في الصليخ
- عام ٢٠٠٩ افتتح مجمع دوائر الوزارة في النجف.

## 7- Ministry of Communication

رؤيتنا ان يكون العراق المركز الرائد اقليمياً في قطاع الاتصالات وتكنولوجيا المعلومات بربط الشرق بالغرب

رؤيتنا ان يكون العراق المركز الرائد اقليمياً في قطاع الاتصالات وتكنولوجيا المعلومات بربط الشرق بالغرب رسالتنا وزارة الاتصالات الراسم لسياسة قطاع الاتصالات وتكنولوجيا المعلومات تقديم خدمات تكنولوجيا المعلومات والاتصالات والخدمات البريدية لتحقيق التنمية الاقتصادية والاجتماعية المستدامة باستخدام احدث المعايير والتقنيات والمنظومات الامنة . الاهداف الاستراتيجية: - تحديث الخطة الاستراتيجية وادارة المخاطر . - تطوير التنظيم الاداري. - تدريب وتطوير الموارد البشرية. - اكمال التشريعات والقوانين لقطاع الاتصالات. - تطوير البنى التحتية. - تنظيم وتطوير القطاع الخاص. - تعظيم الموارد المالية. - تنوع وتحسين جودة الخدمات. - تفعيل دور العلاقات والاعلام وتسويق الخدمات.

## 8- Ministry of Electricity

The Iraqi ministry of electricity was established in 2003 after being a body since 1999. It witnessed different work stages which led to the development of its divisions both in number and level, and to the enhancement of power production. The ministry has worked in a challenging circumstances and faced innumerable obstacles during the past years, which hindered the implementation of its strategic plans, such as terrorism and the ceaseless acts of sabotaging the infrastructure and facilities of the ministry. The sabotaging acts started in the second half of 2014 in the following provinces:

Nineveh, Salah AL-Deen, Anbar, Diala, Kirkuk and also the suburban of Babylon and Baghdad.

The damage in the three sectors of the ministry (production, transmission and distribution) in these governorates reached 90% with a cost of 9.5 billion dollars. The ministry has specialized programs and systems to follow up the percentage of achievement and development. Furthermore, the ministry also implement the standers and the requirements of safety and healthy environment. The development of power sector in Iraq has witnessed countless stumbling blocks such as: security and economic instability, fuel type, financial shortage, over loads and the excessive power consumption

## 9. Ministry of construction, housing, municipalities and public works

**وزارة الاعمار والاسكان والبلديات والاشغال العامة**

**رؤيا , رسالة , قيم**

**الرؤية:**

- سكن وبيئة سكنية لائقة لأكبر نسبة من الاسر والافراد وتوسيع خيارات العراقيين بالنسبة لنوع السكن وموقعه
- شبكة طرق ذات هرمية متوازية تتكامل مع انظمة النقل الاخرى تؤمن زمن وكلفة رحلة اقل وامانا اكبر واثرأ بيئيا سلبيا اقل
- توفير الماء العالح للشرب بمواصفات قياسية وبكميات كافية في المحافظات الخمسة عشر بضمنها اطراف بغداد وفقا للولويات
- شمول كافة المناطق بخدمات الصرف الصحي وزيادة نسبة المخدومين وتأمين السيطرة النوعية على المياه المطروحة بحيث تكون مطابقة للمواصفات العالمية
- الحصول على الخدمات والبنى الاساسية في عموم محافظات العراق وتقليل الفجوة التنموية بين الحضر والريف والاستثمار الافضل للموارد الطبيعية

**الرسالة:**

تنفيذ المشاريع الاستراتيجية والمشاريع الاخرى ضمن قطاعي البناء والتشييد والتطوير العمراني والنقل والمواصلات والبنى التحتية ومواكبة التكنولوجيا ومعالجة النفايات بما يؤمن خدمة عالية وبيئة سليمة للمواطن العراقي تتماشى مع احدث التقنيات التقليدية والحديثة الموجودة عالمياً

**القيم الجوهرية للوزارة:**

- العمل الجماعي سر نجاحنا
- خدمة المواطن شرف لنا
- كسب ثقة المواطن غايتنا
- تقنيات واساليب متطورة في العمل

**القيم الجوهرية للوزارة**

## 10- Ministry of Transportation

Website is ranked not secure.

## 11. Ministry of Agriculture

No info about the ministry

## 12- Ministry of Environment

No info about the ministry

## 13- Ministry of Water resources

No info about the ministry

## 14. Ministry of Health

No info about the ministry

## 15. Ministry of Education

No info about the ministry

## 16. Ministry of Interior

على الرغم من التطور الكبير الذي شهدته المؤسسة الأمنية في العراق حيث شمل هذا التطور كل مفاصل العمل في دوائر الوزارة وإدخال علوم التكنولوجيا الحديثة عليها إلا إن التحدي لهذه المؤسسة بات أكبر بسبب تفشي السلوك الإجرامي. وهذا بدوره يتطلب من وزارة الداخلية مضاعفة الجهود ورسم خطط واستراتيجيات أمنية متطورة تتناسب وحجم تطور السلوك الإجرامي في العالم عامة وفي العراق خاصة.

ومن خلال ما تقدم فإن وزارة الداخلية ومن خلال رؤية واستراتيجية القائمين على العمل الأمني في العراق واكبت التطور العلمي والاستعانة بالتطور التكنولوجي واعتماد التخطيط القائم على أسس منهجية في وضع البرامج التي تنهض بعمل الوزارة وتحديد الغايات التي نسعى إليها. وان وزارة الداخلية تنظر إلى الأمن بمفهومه الشامل ومن منظور ديمقراطي يأخذ بعين الاعتبار سيادة القانون وبناء دولة المؤسسات لأننا نؤمن أيماناً قاطعاً إن تطور الأمن في العراق يبني عليه تطور كل المرافق الأخرى.

وإن الواجبات المحددة لوزارة الداخلية من خلال قوانينها تهدف بشكل عام إلى تنفيذ السياسة العامة للدولة في حفظ الأمن الداخلي لجمهورية العراق وتوطيد النظام العام وحماية الحقوق الدستورية وبشكل خاص إلى حماية أرواح الناس وحررياتهم والأموال العامة والخاصة وضمان سلامتها من أي خطر يهددها ومنع ارتكاب الجرائم واتخاذ الإجراءات القانونية بحق مرتكبيها والسعي لإنجاز التشريعات من أجل تأطير الأداء بالنص القانوني.

## 17. Mayoralty of Baghdad

أمانة بغداد هي الجهة الحكومية المسؤولة عن عاصمة الجمهورية العراقية بغداد وهذه الأمانة بالإضافة إلى البلديات الموجودة في العاصمة مسؤولة عن نظافة المدينة وجماليتها.

## 18. Customs Authorities

**الرؤية:** الإدارة الجمركية الرائدة في العالم الداعمة للتجارة المشروعة. - إدماج البعد الاقتصادي والاجتماعي والبيئي في عملياتنا التجارية والتفاعل مع شركائنا المعنيين على أساس طوعي من أجل الوصول لما يتوقعه منا المجتمع فيما يخص القضايا الأخلاقية والقانونية والتجارية

**الرسالة:** الإدارة العامة للجمارك جهة حكومية تهدف إلى ضبط دخول البضائع إلى الدولة وخروجها منها ، مع بذل أقصى الجهود لحماية المجتمع العراقي ودعم الاقتصاد الوطني من خلال الالتزام بتطبيق أحكام قانون الجمارك ولأئحته التنفيذية والقوانين والاتفاقيات الأخرى ذات العلاقة على البضائع والمسافرين ووسائل النقل في المنافذ الجمركية للدولة برية وبحرية وجوية ، مع الحرص على توفير خدمات متميزة للمستوردين والمصدرين وتسهيل التبادل التجاري وتشجيع الاستثمار في دولة العراق.

### الأهداف الاستراتيجية:

- المساهمة بدور رئيسي في حركة التنمية الاقتصادية والاجتماعية في العراق.
- اعتماد وتبادل أفضل الممارسات فيما يتعلق بإجراءات ونظم العمل.
- توفير أفضل الموارد البشرية والتقنية إذ تسعى الجمارك العراقية لتقديم خدمات جمركية متكاملة لتحقيق متطلبات التنمية للعراق ومسايرة التطورات على المستوى المحلي والدولي، من خلال تحقيق المعادلة الصعبة التي تعتبر رسالة وشعار الجمارك المتمثلة في (الإسراع في فسح المسموح ومنع دخول الممنوع ) وهذا يتطلب إيجاد التوازن بين تسهيل حركة التجارة للمستوردين والمصدرين وفقاً للالتزامات المملكة الدولية من جهة وبين القيام بمهام التفتيش الدقيق للإرساليات لضمان منع دخول المواد الممنوعة والمخالفة ومنها المعشوش والمقلد باعتبار الجمارك خط الدفاع الأول عن البلد . هدف اقتصادي واجتماعي:
- ١. منع دخول البضاعة المواد المغشوشة والمقلدة والمنتهكة لحقوق الملكية الفكرية أو المخالفة للمواصفات القياسية لضمان حماية المستهلك ودعم الاقتصاد الوطني.
- ٢. استيفاء الرسوم الجمركية على البضائع المستوردة طبقاً للفئات المقررة في التعريفات الجمركية.
- ٣. تسهيل إجراءات التصدير وفتح الأسواق أمام المنتجات الوطنية .
- ٤. حماية الاقتصاد الوطني من التهديدات المتعلقة بالإغراق.
- ٥. حماية الصناعات الوطنية من المنافسة وتشجيعها عن طريق فرض رسم عال نسبياً على المستوردات التي لها مثل في الصناعات الوطنية، إضافة إلى إعفاء الأجهزة والأدوات وقطع الغيار والمواد الخام (التي تساهم في رفع كفاءة الصناعات الوطنية ) من الرسوم الجمركية.
- ٦. تقديم إحصاءات دقيقة للتجارة باعتبارها المصدر الوحيد لهذه الإحصاءات التي يبني عليها العديد من القرارات الاقتصادية والسياسية.
- ٧. ضمان المكاسب للاقتصاد الوطني من خلال ما يعقد من اتفاقيات ثنائية وإقليمية ودولية بين العراق والدول الأخرى.
- ٨. رفع الرسوم الجمركية على المواد المضرّة بالصحة كالتبغ ومشتقاته.
- ٩. المحافظة على صحة أفراد المجتمع من خلال منع دخول الأصناف المحظورة من الدول الموبوءة.

## 19. General Commission of Taxes

### نبذة مختصرة عن نشوء الهيئة العامة للضرائب

يمكن القول ان مؤسسة الضريبة العراقية واحدة من أقدم المؤسسات الضريبية في العالم العربي، وربما في كل المنطقة، فقد شرع العراق أول قانون لضريبة الدخل بعد تأسيس الحكومة الوطنية اذ صدر قانون ضريبة الدخل رقم ٥٢ في عام ١٩٢٧.

أما قوانين الضرائب في بقية الدول العربية فقد صدرت في تواريخ لاحقة. وقبل ذلك ظل تشريع الضريبة العثمانية سائداً في العراق لعدة قرون، الأمر الذي يدعونا للقول بأن العراق يتمتع بتاريخ تشريعي في ميدان الضرائب يمتد لقرون.

### قانون نشوء الهيئة العامة للضرائب

استحدثت الهيئة العامة للضرائب بتاريخ ٢٧ / ٢ / ١٩٨٢ استناداً إلى قانون وزارة المالية المرقم ٩٢ لسنة ١٩٨١ وبقيت الهيئة هي احدي تشكيلات وزارة المالية والتي انشأت نتيجة دمج مديرية الدخل العامة والتي كانت تطبق قانون ضريبة الدخل مع مديرية الواردات العامة والتي كانت تطبق قانون ضريبة العقار وقانون ضريبة العرصات وسميت الهيئة العامة للضرائب حيث حلت محل المديريتين اعلاه.

### أهداف الهيئة العامة للضرائب الرئيسية التي تسعى لتحقيقها

هو تحقيق الإيرادات التي تساهم في تمويل ميزانية الدولة، والالتزام بالتطبيق الأفضل للقوانين الضريبية في جباية المبالغ المتحققة، وإيجاد مصادر دخل جديدة، وتوسيع قاعدة الوعاء الضريبي للحد من التهرب الضريبي، وتحقيق التوازن الاقتصادي في ضوء تطبيق مبدأ عدالة ضريبة لكافة المكلفين وتحقيق المساواة في التكاليف الضريبي، وتعميق ثقافة الالتزام الطوعي للمكلفين، ووضع كافة الإمكانيات وأساليب العمل المتطورة لخدمة المواطنين.

## 20. Federation of Iraqi Chambers of Commerce

The Federation of Iraqi Chambers of Commerce is an economical and professional organization aiming to care and organize the private commercial and economical activity and to reinforce its role in the process of development. It is considered as the biggest economical organization in Iraq since it is supervising of (18) chambers of commerce all over of Iraq that each province has a chamber including the three chambers of Kurdistan Region Irbil, Sulaimaniyah and Duhok.

### Goals of the Federation of Iraqi Chambers of Commerce

The Federation of Iraqi Chambers of Commerce is involving of:

- Cooperation with industrial and commercial chambers and their economical and professional organizations. It is aiming to reinforce and develop bilateral trade relationships and to consolidate of foundations of Arabian Economical Unity.
- Holding of relationships with Arabian and foreign chambers, organizations and its counterparts also to contribute in them.
- To hold and participate in the exhibitions inside and outside of Iraq in coincidence with the relevant bodies.

- Participating in the meetings, conferences and forums in connection of promoting and implementing of trade.

## 21. Iraqi Federation of Industries

اتحاد الصناعات العراقي منظمة مهنية تنموية اقتصادية مستقلة تأسست عام 1956 مما يجعله من اعرق المنظمات تمثيلاً للقطاع الصناعي الخاص خضع الاتحاد لأحكام قانون رقم 35 لسنة 56 ، وجرت عدة تعديلات عليه كان اخرها صدور القانون رقم 34 لسنة 2002 النافذ المفعول ويسعى الاتحاد الى تنمية وتنظيم النشاط الصناعي في القطاعات الخاص والمختلط والتعاوني.

المقر الرئيسي للاتحاد في بغداد وله مكاتب وفروع في كافة محافظات العراق ، يدير الاتحاد مجلس ادارة يتولى الاشراف على جميع نشاطاته الفنية والادارية والمالية ويكون مسؤول عن وضع وتنفيذ السياسة العامة للاتحاد لتحقيق اهدافه المنصوص عليها في القانون اعلاه.

### رسالة الاتحاد

تفعيل دور القطاع الصناعي الخاص والمختلط والتعاوني ليأخذ دوره في دعم الاقتصاد الوطني وزيادة الاستثمار والقضاء على البطالة.

### أهداف الاتحاد

يهدف الاتحاد الى العناية بتنظيم وتنمية النشاط الصناعي في القطاعات الخاص والمختلط والتعاوني وتعزيز دور هذا النشاط في عملية التنمية.

يتولى الاتحاد تحقيقاً لأهدافه المهام ادناه:

١. اعداد دراسات الجدوى الاقتصادية والفنية للمشاريع الصناعية عندما يطلب اليه ذلك وله اعداد دراسات فنية واقتصادية من اجل تنمية القطاع الصناعي ومعالجة مشاكله
٢. اعداد المسوحات الميدانية والدراسات النوعية المتخصصة في مجال النشاط الصناعي وتقديم الخبرة والمشورة للأجهزة المختصة بما يحقق تطور الصناعة.
٣. اعداد الدراسات والمقترحات المتعلقة بحماية الصناعة والايوضاع التصديرية والتسويقية لمنتجاتها
٤. تأسيس شركات صناعية مساهمة بما ينسجم وخطط الدولة في ارساء القاعدة الصناعية.
٥. رعاية المناطق الصناعية في العراق والتنسيق مع الجهات المختصة لإيصال الخدمات اللازمة لهذه المناطق.
٦. رعاية الصناعات الحرفية.
٧. الإسهام في وضع المواصفات الفنية للمنتجات الوطنية والتعاون في تنفيذها.
٨. عقد المؤتمرات والندوات الصناعية المحلية والعربية والدولية والمشاركة فيها.
٩. التعاون مع الاتحادات والتنظيمات الاقتصادية والمهنية والغرف التجارية والصناعية العربية والدولية المماثلة بغية العمل على تنمية الانتاج الصناعي العربي والإسهام في إرساء قواعد الوحدة الاقتصادية العربية.
١٠. اصدار شهادات المنشأ للمنتجات الصناعية العراقية واصدار البيانات المتعلقة بها وتأييدها بما يساعد على تصدير تلك المنتجات.

١١. تقديم الخدمات الاستشارية والفنية وخدمات تخص المنتجات والمواد للصناعيين والتنسيق مع مختبرات الفحص والسيطرة النوعية الاهلية والجهات الاخرى في مجال خدمات السيطرة النوعية لمشاريع القطاع الخاص.
١٢. تنمية الممارسات والوعي الصناعي بين الاعضاء والعمل على رفع المستوى المهني لهم واصدار المطبوعات التي تعني بنشر المعرفة الصناعية والاقتصادية.
١٣. اقامة المعارض للصناعات الوطنية او المشاركة فيها داخل العراق وخارجه بالتنسيق مع الجهات المختصة.
١٤. المشاركة في نشاطات الهيئات والمجالس واللجان التي تعنى بنشر المعرفة الصناعية والاقتصادية.
١٥. تحديد العرف والعادة في الشؤون الصناعية والعمل على جمعها وتبويبها.
١٦. حسم المنازعات التي تقع بين مالكي المشاريع الصناعية او مع الغير بصفته حكماً او مشاركاً في التحكيم بناء على الطلب الوارد اليه وله تأليف اللجان المقترضاة لذلك وتسمية الخبراء او الممثلين لهذا الغرض وابداء الرأي في كل من له صلة بالموضوع.
١٧. تحديد الكفاءة المالية للأعضاء وتنظيم الكفالات لهم.
١٨. دراسة سبل استثمار رؤوس الاموال والمشاركة مع الجهات المختصة في وضع الخطط والبرامج الاستثمارية للنشاط الصناعي.

## 22. Iraqi Contractors Union

- Empty Website

## 23. Iraqi Business Association

**Iraqi Businessmen Association** is the first Association that was founded in Iraq in 2001, and includes excellent toast of the Iraqi businessmen of industrial and commercial, old and known families of local, and international levels.

The association is the only official representative in the Federation of Arab Businessmen which is related to the Council of Arab Economic Unity, of the League of Arab states, and we have two memberships in the mentioned Federation.

## 24. Iraqi Institute of Economic Reform

منظمة عراقية غير حكومية مستقلة (NGO) Non-government organization تهدف الى اجراء البحوث والدراسات الاقتصادية والمشاركة في وضع الخطط والرؤية الاقتصادية للعراق ورصد ومتابعة وتقويم مسارات تنفيذها، تتميز بالجرأة والموضوعية والمهنية، تعمل من اجل الصالح العام .

المعهد العراقي للإصلاح الاقتصادي تأسس المعهد في عام 2004 من قبل مجموعة من الخبراء الاقتصاديين ويضم الهيكل التنظيمي لها مجلس امناء وخبراء متميزين في مجال اختصاصهم. حصل المعهد على الاجازة من دائرة المنظمات غير الحكومية تحت الرقم ID 9319 للمعهد دور بارز في تطوير واقع القطاع الخاص لأهمية دوره في تطوير الاقتصاد العراقي وتخفيف الاعباء عن الخزانة العامة.

يعمل المعهد بشكل وثيق مع مؤسسات القطاع الخاص ومنظمات المجتمع المدني الأخرى ذات العلاقة لتعزيز الإصلاحات التنظيمية وتشجيع ودعم وحماية الاستثمار الخاص وفق رؤية وخطط وإجراءات مهنية مع رصد المتحققات.

للمعهد علاقة علمية وثيقة بالمؤسسات الحكومية فقد نفذ المعهد على سبيل المثال ورش عمل بكل الوزارات العراقية في مجال الاصلاح الاداري والاقتصادي، كما يقوم الان بتنظيم ورش عمل في كافة الجامعات العراقية بهدف خلق ثقافة الاصلاح التي يتطلع لها المواطنون.

## 25. Directorate General of Industrial Development

The aim of the General Directorate Industrial Development is to build developed industrial basis in Iraq depending in that upon the environment safety and presenting the best and faster services to the investors as well as producing consultation and support in order to success their projects and assurance their continuous through applying the rules of industry investment law No. 20 of the year 1998.

## 26. Iraqi Engineers Syndicate

تأسست نقابة المهندسين العراقية بموجب القانون 62 لعام 1959 وعلى ضوء ذلك اجتمعت الهيئة العامة والبالغ عددها 990 مهندساً وانتخبت أول مجلس نقابة وذلك في 25 ايار من نفس العام والمكون من النقيب ونائبه وخمسة اعضاء اضافة لرؤساء الاقسام المدنية والميكانيكية والكهربائية والمعمارية والكيميائية.

تم تعديل قانون النقابة في العام 1967 ثم في العام 1979 حيث أضيفت اليه العديد من الفقرات والاهداف ولينسجم ومتطلبات العمل المهني والهندسي.

تمارس النقابة نشاطها ضمن أهدافها الواردة بالقانون وأهمها:

١. تنظيم ممارسة المهنة بهدف الارتقاء بمستواها العلمي والمهني والعلمي.
٢. الدفاع عن مصالح الاعضاء وكرامتهم وحقوقهم والحفاظ على تقاليد المهنة وشرفها.
٣. الارتقاء بالمستوى العلمي والمهني للمهندسين وتنشيط ودعم البحث العلمي.
٤. ضمان مستقبل الاعضاء في حالات المرض والشيخوخة والبطالة والتعويض عن الحوادث الناجمة عن مزاولة.
٥. العناية بالتراث الهندسي العربي وإبراز دور المهندس في صنع الحضارة والتنمية والتطور.
٦. إقامة الندوات العلمية والحلقات الدراسية وورش العمل والندوات والمؤتمرات الهندسية والثقافية.
٧. تقوية الروابط مع الهيئات الهندسية العربية والصديقة وتبادل المعلومات معها والمشاركة في فعاليتها.
٨. دعم اتحاد المهندسين العرب والمشاركة في نشاطاته وفعالياته ولجانه.
٩. دعم صندوق تقاعد المهندسين وتقديم المساعدات المادية والعينية للمهندسين عند الحاجة والضرورة.
١٠. تنظيم اوقات فراغ المهندسين من خلال اقامة النوادي الاجتماعية والثقافية والرياضية والسفرات الترفيهية.
١١. إصدار مجلة المهندسون التي تُعنى بالأمور النقابية والمهنية والاجتماعية العامة.

## 27. Iraqi Private Banks League

أسست الرابطة بتاريخ 5/5/2004 بمشاركة ممثلي المصارف الخاصة التسعة عشر التي كانت عاملة حينذاك. وباشرت نشاطها في متابعة المستجدات التي تؤثر في العمل المصرفي العراقي بشكل عام والتأثيرات على المصارف الخاصة بالذات. من خلال تطور العلاقة مع السلطة النقدية المتمثلة بالبنك

المركزي العراقي بمد جسور التفاهم من خلال تبادل الآراء في الاجتماعات واللقاءات المتواصلة مع السيد المحافظ والمسؤولين في البنك على مختلف المستويات والتي ادت الى بناء آلية للتفاهم والثقة.

### أهداف الرابطة

١. توثيق أواصر التعاون بين أعضائها والمحافظة على حقوقهم ومصالحهم المشتركة.
٢. تمثيل المصارف الخاصة في العراق وخارجه امام كافة الجهات المعنية وابرار كيانها وتنميتها وتحقيق انتشارها في محافظات وأقضية العراق لتمويل مشاريع اعادة اعمار العراق وخدمة التنمية الاقتصادية.
٣. نشر الوعي والثقافة المصرفية بين موظفي المصارف من خلال الندوات والاجتماعات وورش العمل للارتقاء بعملهم بهدف تقديم الخدمات المصرفية للمواطنين بأيسر السبل، إضافة لزيادة نشر الوعي لدى المواطنين لتشجيع التعامل مع المصارف باعتبارها ظاهرة حضارية لتوظيف مدخرات المواطنين للمساهمة بالتنمية الاقتصادية لرفاهية المجتمع العراقي.
٤. ابداء الرأي والمشورة بشأن التشريعات والقوانين ذات الصلة لتطوير الاعمال المصرفية في العراق.
٥. توثيق التعاون بين ممثلي المصارف العراقية (الاهلية والحكومية) وكذلك مع المصارف العربية والاجنبية.
٦. تطوير وتأهيل الكوادر البشرية في المصارف من خلال اشراكهم بالدورات التدريبية لتحديث العمل المصرفي وذلك باستخدام التقنيات والبرمجيات المصرفية واجهزة الاتصالات.
٧. تبادل المعلومات والخبرات المصرفية مع المصارف العربية والاجنبية وتأسيس مكتبة في مقر الرابطة لخدمة الباحثين.
٨. العمل على بناء قاعدة للتفاهم بين ادارات المصارف العراقية حفاظاً على المصلحة المشتركة وبما يحقق الانسجام في قواعد العمل المصرفي وتطوره.
٩. التعاون مع المنظمات والهيئات العربية والاجنبية ذات الاهداف المشتركة وتبادل المعلومات والخبرات بهدف التعرف على المستجدات في الصناعة المصرفية وتطوير اساليبها.
١٠. التعاون مع منظمات المجتمع المدني في كافة المجالات لخدمة قضايا الشعب العراقي.

## 28. Market Research and Consumer Protection center

- No Website

## 29. Baghdad University

University of Baghdad is an integral system that consists of (24) scientific and humanitarian colleges, (3) institutes and (9) firmly established research centers. Besides, it contains 171 fields of specializations. It believes that building Man and developing the society are the basis of having generations who can build the country. The essential purposes of the university are learning, teaching, doing researches and serving the society through providing a stimulating environment of the potentials, qualified university teachers together with curricula that enable the students how to deal with the requirements of the business markets and information technology, which support all fields of specializations. In addition, the university undertakes to prepare productive and self-reliable graduates. It is also characterized by developing the minds, the scientists and the innovators. It must be open to the society in order to find the scientific solutions and develop the business practices.

Furthermore, it emphasizes the integration of the theoretical and practical knowledge and the rehabilitation to accomplish the academic accreditation.

### **Strategic objectives of the University of Baghdad**

The university is working to achieve its mission through the following objectives:

1. Providing the qualified manpower to work in various fields that corresponds to the evolving needs of the labor market.
2. Improving the educational and the administrative processes to contribute in the achievement of the university vision and mission.
3. Development of faculty members.
4. Improvement of our scientific achievements in a way that corresponds with the international accreditation standards.
5. Development of the educational programs adopted to benefit from the international experiences in diverse specializations in a way that corresponds with the requirements of the labor market.
6. Improving the capacity of personnel and creating new capabilities in line with quality requirements.
7. Re-engineering of procedures in a way that facilitates processes, facilitating processes and adoption of modern techniques for mastering them.
8. Reviewing the organizational structures of the university, colleges, institutes and centers that correspond with the new orientation of the university.
9. Completion of job descriptions for all formations of the university.
10. Development of methods of performance evaluation adopted in the university depending on quality, not quantity as our philosophy.
11. Support for cultural and scientific ties and documenting them between the university and the scientific institutions and Arab and international universities.
12. Automation of university work.

### **30. The Modern Agriculture Development Center**

- No Website

### **31. Private Sector Development Center in Iraq**

Welcome to the website of the Private Sector Development Center in Iraq developed to serve as a source of information on the opportunities and constraints of doing business in Iraq. Iraq is a country full of potential and promise; here at the PSDC we believe that unlocking the potential of the private sector is fundamental to Iraq's prosperity and development.

Without a more diversified and growing private sector Iraq's economy will continue to struggle to provide its people with a decent living and will compel the nation to continue relying on its oil reserves and at the mercy of volatile international oil prices.

The Private Sector Development Center in Iraq's (PSDC) is a local registered civil society organization whose mission is promoting an inclusive and competitive Iraqi private sector through trust building, public-private dialogue, advocacy for economic reform and market-orientated activities.

## **Mission & Objectives**

The **Private Sector Development Center in Iraq (PSDC)** is a registered local and independent civil society organization (CSO) established in 2012. As a joint private sector body, the PSDC is focused on economic reform in Iraq, its mission is:

"Promoting an inclusive and competitive Iraqi private sector through trust building, public-private dialogue, advocacy for economic reform and market-orientated activities"

### **The aim of the mission has three different dimensions:**

- i. The need to establish trust in a country that is just emerging from conflict.
- ii. The necessity to have a structured engagement with the government and obtain its commitment to work with the private sector.
- iii. A differentiated mission as compared to other business member organizations in focusing on economic reforms while leaving space for the PSDC to develop market-orientated activities that will help Iraqi businesses become more competitive.

### **The PSDC aims to achieve 5 key objectives by 2015:**

- i. Build the PSDC as a sustainable and recognized organization which effectively voices Iraqi private sector concerns.
- ii. Becoming an influential partner in a public-private dialogue process aimed at accelerating growth.
- iii. Contribute to tangible economic reforms leading to quantifiable impact for the Iraqi economy.
- iv. Promote inclusion of women and the disenfranchised in economic development.
- v. Provide capacity-building activities for Iraqi private businesses and associations.

## **32. UN global compact**

List of companies: 5 construction and materials, 1 oil, 1 industrial transportation, 1 support services, 1 general industrials.

## **33. Iraqi industrialists and trade unions**

- No Website

## **34. Union of Iraqi Importers and Exporters**

- No Website

## **35. Women without Borders**

Women without Borders (WwB), focuses on Female Leadership, Capacity Building, Gender Based Violence, Intercultural Dialogue, and Preventing Violent Extremism.

## **36. Iraqi Industrial Gathering**

- No Website

37. Websites Assessment								
#	Relevant Stakeholders	Contents	Updates	Relevant Links	E- services	Languages	Relevant PDF	Website
1	Ministry of Planning	A	A	A	A	Ar/ Eg	A	<a href="http://www.iraqifi.org">www.iraqifi.org</a> Needs major Improvements with the interface
2	Central Statistical Organization	A	A	A	A	Ar/ Eg	A	<a href="http://cosit.gov.iq/ar/">http://cosit.gov.iq/ar/</a> Needs major Improvements with the interface
3	Ministry of Trade	A	A	A	A	Ar	A	<a href="http://mot.gov.iq/index.php">http://mot.gov.iq/index.php</a> Needs major Improvements with the interface
4	Ministry of Finance	A	A	A	NA	Ar/ Eg	A	<a href="http://www.mof.gov.iq/">http://www.mof.gov.iq/</a> Needs to activate the e-services
5	Ministry of Industry and Minerals	A	A	A	NA	Ar/ Eg	A	<a href="http://industry.gov.iq/">http://industry.gov.iq/</a> Needs major Improvements with the interface
6	Ministry of Labor and Social Affairs	A	A	A	NA	Ar	NA	<a href="http://molsa.gov.iq/index.php">http://molsa.gov.iq/index.php</a> Needs major Improvements with the interface
7	Ministry of Communication	A	NA	A	A	Ar	A	<a href="https://moc.gov.iq/Home">https://moc.gov.iq/Home</a> need Updated news
8	Ministry of Electricity	A	NA	NA	NA	Ar/ Eg	NA	<a href="https://www.moelc.gov.iq/">https://www.moelc.gov.iq/</a> Needs to activate the e-services
9	Ministry of construction, housing, municipalities and public works	A	A	NA	A (partially)	Ar	NA	<a href="http://moch.gov.iq/home">http://moch.gov.iq/home</a> Needs to activate the e-services English version (no content)
10	Ministry of Transportation	NA	NA	NA	NA	NA	NA	Website ranked not secure
11	Ministry of Agriculture	A (Partially)	A	A	NA	Ar	NA	<a href="http://zeraa.gov.iq/index.php">http://zeraa.gov.iq/index.php</a> Needs major Improvements with the interface
12	Ministry of Environment	A (Partially)	NA	A	NA	Ar	A	<a href="http://moen.gov.iq/">http://moen.gov.iq/</a> Needs Minor Improvements
13	Ministry of Water Resources	A (Partially)	A	A	A	Ar/ Eg	NA	<a href="https://mowr.gov.iq/en/">https://mowr.gov.iq/en/</a> Needs major Improvements with the interface
14	Ministry of Health	A (Partially)	A	A	A	Ar	A	<a href="https://moh.gov.iq/index.php">https://moh.gov.iq/index.php</a> Needs major Improvements with the interface and information

15	Ministry of Education	A (Partially)	A	A	A	Ar	NA	<a href="http://epedu.gov.iq/">http://epedu.gov.iq/</a> Needs major Improvements with the interface and information
16	Ministry of Interior	A	A	A	A	Ar/ Eg	A	<a href="https://moi.gov.iq/">https://moi.gov.iq/</a> Needs Minor Improvements
17	Mayoralty Of Baghdad	A	A	A	A	Ar/ Eg	A	<a href="https://amanatbaghdad.gov.iq/">https://amanatbaghdad.gov.iq/</a> Needs Minor Improvements
18	Customs Authorities	A	A	NA	NA	Ar	NA	<a href="http://www.customs.mof.gov.iq/">http://www.customs.mof.gov.iq/</a> Needs major Improvements with the interface and information
19	General commission of taxes	A	A	NA	NA	Ar	NA	<a href="https://tax.mof.gov.iq/">https://tax.mof.gov.iq/</a> Needs Minor Improvements
20	Federation of Iraqi Chambers of Commerce	NA	NA	NA	NA	Ar	A	<a href="http://www.ficc.org.iq">www.ficc.org.iq</a> Needs Major Improvements
21	Iraqi Federation of Industries	A	A	NA	NA	Ar	NA	<a href="http://www.iraqifi.org">www.iraqifi.org</a> Needs Minor Improvements
22	Iraqi Contractors Union	Empty	NA	NA	NA	Ar/ Eg	NA	<a href="http://www.icf.org.iq">www.icf.org.iq</a> Needs Major Improvements
23	Iraqi Business Association	A	NA	NA	NA	Ar/ Eg	NA	<a href="http://www.ibairaq.com">www.ibairaq.com</a> Needs Minor Improvements
24	Iraqi Institute of Economic Reform	A	A	A	NA	Ar	A	<a href="http://www.iier.org">www.iier.org</a> Needs Minor Improvements
25	Directorate General of Industrial Development	A	NA	NA	NA	Ar/ Eg	NA	<a href="http://www.gdid.gov.iq">www.gdid.gov.iq</a> Needs Major Improvements
26	Iraqi Engineers Syndicate	A	A	A	A	Ar	A	<a href="http://www.ieu-ig.org">www.ieu-ig.org</a> Needs Minor Improvements
27	Iraqi Private Banks League	A	A	NA	NA	Ar	A	<a href="http://www.ipbl-iraq.org">www.ipbl-iraq.org</a> Needs Minor Improvements
28	Market Research and Consumer Protection center	-	-	-	-	-	-	No website
29	Baghdad University	A	Most of links are not working	No	A	Ar/ Eg	No	<a href="http://www.en.uobaghdad.edu.iq">www.en.uobaghdad.edu.iq</a> Needs Major Improvements
30	The Modern Agriculture Development Center	-	-	-	-	-	-	No website
31	Private Sector Development Center in Iraq	Set up as a CSO	NA	Various Links in Resource Tab (lead	NA	Ar/ Eg	A (last edition 2013)	<a href="http://www.psdic-iraq.org/">www.psdic-iraq.org/</a> Needs Minor Improvements

				to pdfs, not sites				
32	UN global compact	List of 9 companies – various sectors	A	-	-	Eg	-	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a> Needs Minor Improvements
33	Iraqi industrialists and trade unions	-	-	-	-	-	-	No website
34	Union of Iraqi Importers and Exporters	-	-	-	-	-	-	No website
35	Women without Borders	Global	NA	NA	Donations, publications – various social issues	Eg	A	<a href="https://wwb.org/">https://wwb.org/</a> Needs Minor Improvements
36	Iraqi Industrial Gathering	-	-	-	-	-	-	No website

<b>A= Available</b>	<b>NA= Not Available</b>
<b>Ar= Arabic</b>	<b>Eg= English</b>

**SURVEY INFORMATION SYSTEM-HARDWARE AND SOFTWARE**

## **SURVEY INFORMATION SYSTEM- HARDWARE AND SOFTWARE**

The data was collected using the CAPI module of Askiaface, a specialized software solution that has been designed to collect data during face-to-face mobile interviews in the most effective way. It works online and/or offline on different operating systems such as iOS and Android smartphones and/or tablets. In that sense, Askiaface functions independently of the type of connection that the interviewer uses, the only requirement is for interviewers to establish a connection that utilizes TCP/IP. This connection can be either "always on" or established only when the user wishes to transfer data to the askiafield CCA. It synchronizes the data easily using manual, automatic or scheduled connections. This automatically checks the latest version of survey, quotas and resources.

The software provides Simplicity: with the same intuitive interface across the range of data collection devices and automatic updates.

Questionnaire design in askiafield gives total flexibility in the look and feel of the survey while still retaining all the logic of question routing and data integrity. Askia also provides the advantage of internal electronic control to monitor the time of the interview, the elapse time, the time spent between one entry and another, the GPS location of the interview, along with many other features that provide additional control tools for the field controllers.

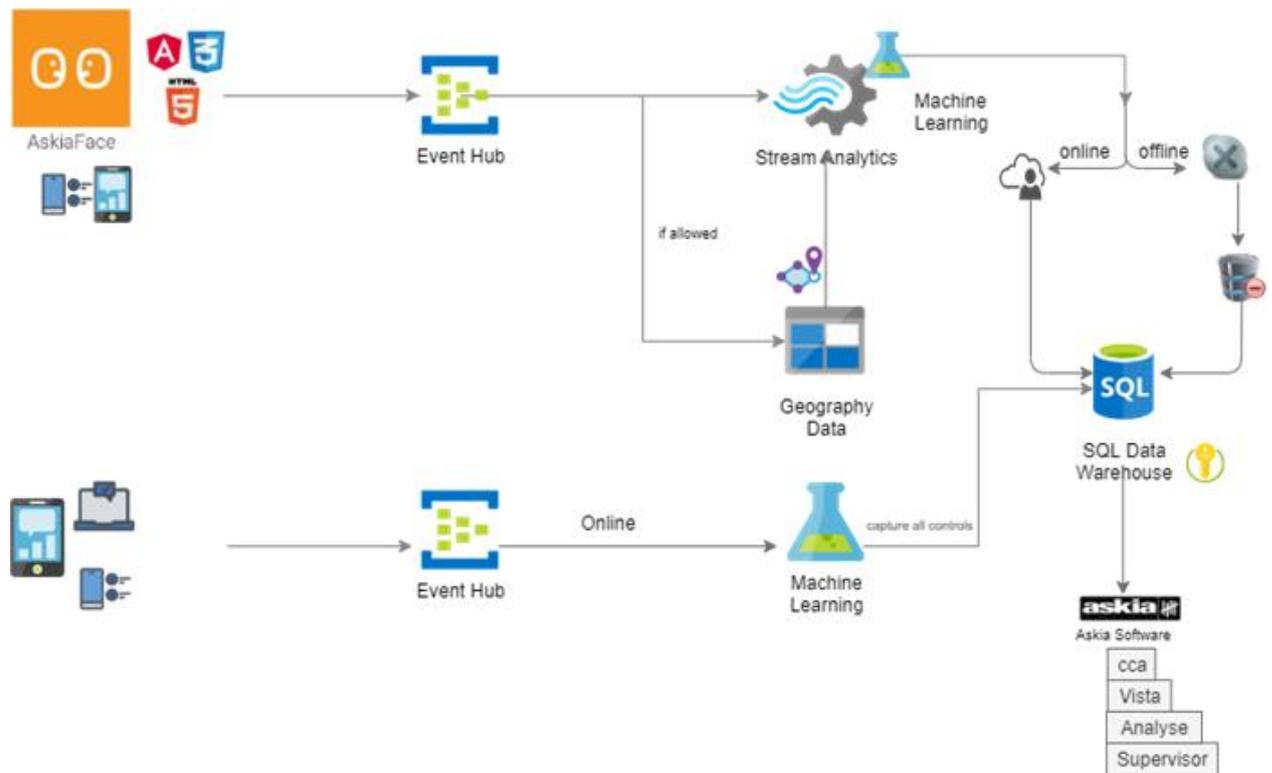
The platform is adaptive, so it stores incomplete interviews on the askiaface device so that they can be accessed and resumed at a later time; when interviewing is complete, all data can be merged and ready for analysis within askia analyze.

To prevent sensitive data from leaking by users with access to SQL Server, Askia have implemented stringent the Data Encryption.

In order to be the most efficient and completely independent from existing SQL encryption system that could require specific SQL versions, Askia created its own encryption system (Refer to diagram on the following page).

This encryption works as follows:

- Encryption algorithm: 256-bit AES, with a symmetric key, CBC block cipher mode and PKCS 5 padding mode
- The encryption is randomized, so encrypting the same thing twice will generate different outputs. This randomization is done using a random 'initialization vector' for each encryption. This 16-byte initialization vector is prefixed to the encrypted value.



- A different key will be used for anonymized data and non-anonymized data
- Each survey will use different encryption keys
- The encryption keys will be generated on CCA and stored in the CCA database with the survey. These encryption keys will be encrypted again using a 1024-bit RSA key stored on the CCA machine. This way the encrypted data cannot be read with only access to the SQL Server.
- Responses marked as 'anonymized' will always be encrypted.
- Text will be converted to UTF-8 before being encrypted. This way it is always sure what format the data will be upon decryption.
- Responses with no data (open data = empty or closed data = -1) will not be encrypted. This makes it possible to find unanswered questions without decrypting all the data.

**APPENDIX (5)**  
**MSME 2020 SURVEY METHODOLOGY**

# Appendix (5)

## MSME 2020 Survey Methodology

### 1. SURVEY DESIGN

The survey design was closely coordinated with UNDP and MOP/CSO teams as to various elements that ensure validity and reliability of the survey results. These elements included:

- Survey target population
- Sampling frame
- Sampling unit
- Sample size
- Sample distribution

Figure (1) shows the overall methodology used for this survey.

CSO, therefore has been considered a key partner for this survey and will be the custodian of the data generated, so that this data remains vital and useful through periodic updating, and will thus add value to various stakeholders in developing evidence-based planning initiatives.

### 2. Target Population

There is no universal definition of the breakdown MSMEs between micro, small, and medium and each nation or international organization uses its own definition. However most countries use the number of workers to distinguish between micro, small and medium size enterprises.

The ILO study of 2012 adopted the following classification of MSMEs: micro businesses (with 1 to 2 employees), small businesses (3 to 9 excluding the owner) and medium-size businesses (10 to 49 employees excluding the owner). We note here, that the medium size bracket as adopted by CSO has limited the size of medium enterprises to 29, excluding the owner.

MSMEs are defined by ILO as:

***“Business activities producing an added value in goods or services for sale or barter regardless of the form of their legal form, and thus include both formal and informal businesses”.***

Thus, the means of production, as defined by the number of workers, is what determines whether an establishment is considered within the population of MSMEs.

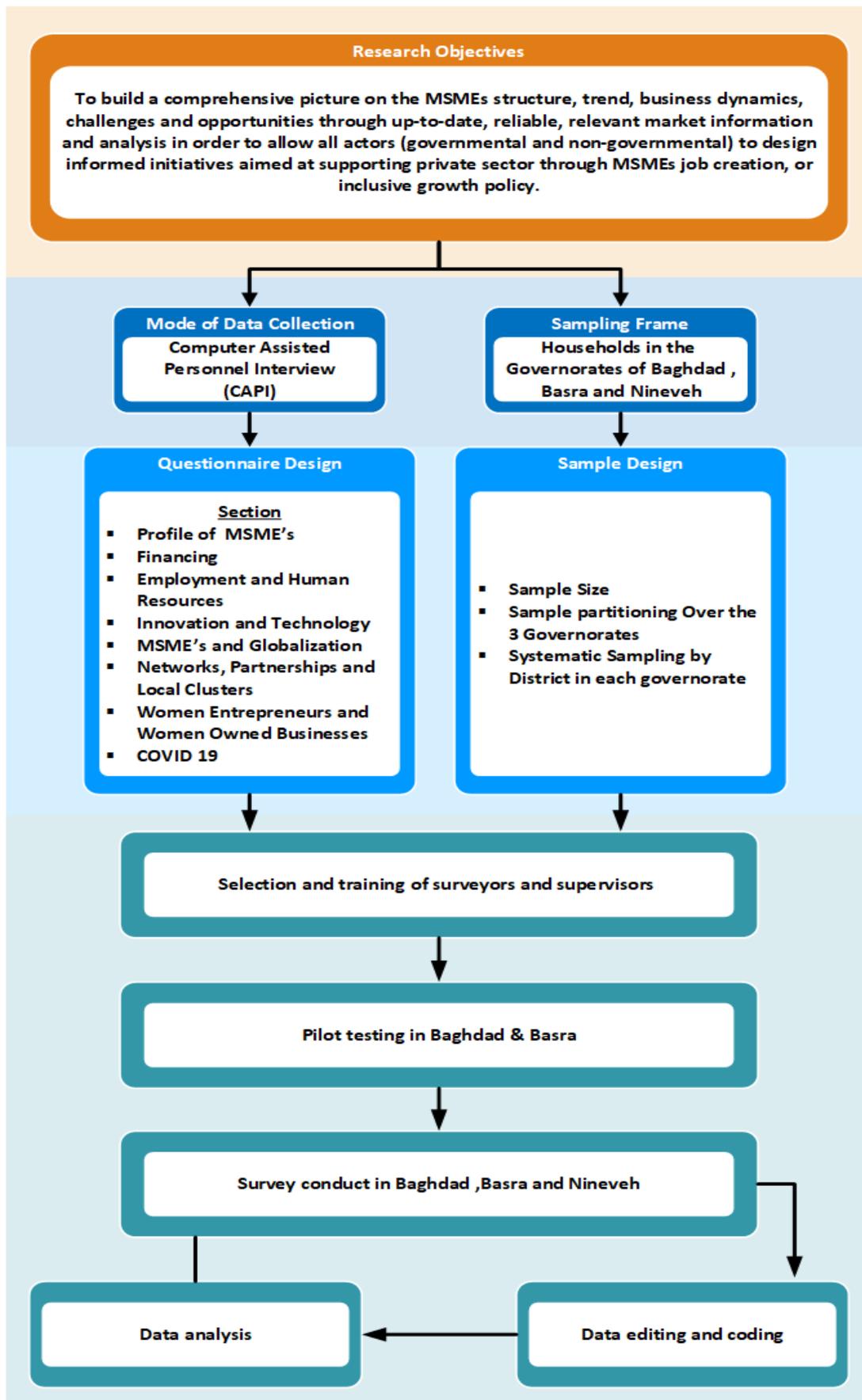


Figure (1): Iraq MSME 2020 Survey Methodology

**As such, all establishments from 1 to 30 workers (including the owner) are included in the survey population irrespective of the type of production or legal entity.**

### **3. Sampling Frame**

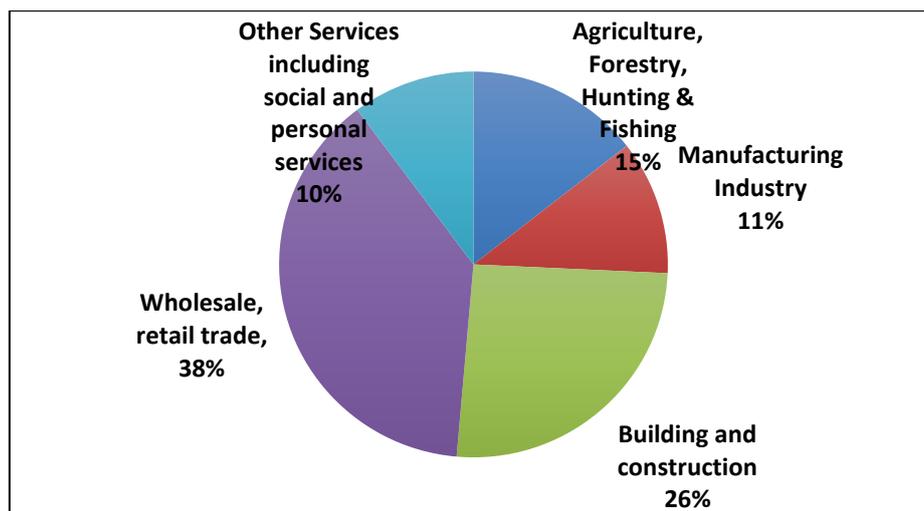
In order to estimate the size of urban versus rural in the sampling framework, the economic activities were taken as the base, after excluding those sectors that do not belong to MSMEs production types, such as public sector, electricity production, etc., the sectors that are included in the study scope are defined as follows:

- Technical, Professional
- Agriculture and fisheries
- Artisanal work
- Energy supply (small entities)
- Water supply and sanitation
- Construction
- Trade
- Transportation and storage
- Hospitality
- Automotive repair and maintenance
- Laborer
- Other

For the sake of calculating the urban to rural size, the excluded economic activities are listed below. For clarity, the survey covered any private business with less than 30 employees. The below sectors measured in the GDP are excluded for the sake of determining the urbans vs rural size:

1. Mining and Quarrying
2. Electricity and Water supply
3. Hotels and Restaurants
4. Transport, Storage and Communications
5. Financial intermediation
6. Real estate, renting and business activities
7. Public administration and defense; compulsory social security
8. Education
9. Health and social Work
10. Private households with employed persons
11. Extra-territorial organizations and bodies

Thus, the targeted economic activities constitute about 17% of the economy with roughly the following distribution after excluding the other sectors:



Source: Primary estimates for GDP for the year 2018 – CSO.

It is possible from this preliminary distribution to define the shares of the urban: rural to be 80:20 given that the size of *Agriculture, Forestry, Hunting & Fishing* account for some other productive economic activities.

The key consideration in selecting the sampling frame is to have an accurate listing of population that is amenable to random sampling and to the ability to expand results to the total population. Our review indicated that:

- The MSME sector attributes are largely unknown. There is no listing of firms across various industries that could be taken as a sampling frame from which to draw the sample. One of the objectives of the survey was to generate an estimate of the number of MSMEs, their total employment and their total contribution to the economy of Iraq.
- The CSO has compiled sampling frames for certain subsectors/ industries and have used those frames to collect data through systematic sampling from those frames. Those sampling frames are, however only subsets of the total population of MSMEs and cover mostly formal enterprises and are limited subsectors/ industries/ trades, and therefore could not be used as an MSME sampling frame, considering the objectives and scope of the MSME 2020 survey.
- Existing knowledge of the informal sector is extremely foggy and there are huge variations in existing estimates or characterizations: size, manpower, activities and characteristics.

Given these constraints, we have, in consultation with UNDP and MOP/CSO teams opted to use the number of households as the sampling frame. MOP/CSO keeps accurate data of the population of Iraq by governorate and district. So the sample results could be reliably expanded to the total population of Iraq by knowing the percentage of households with members belonging to MSMEs.

#### **4. Sampling Unit**

Since the definition of MSMEs includes any type of economically active units that may be operating from a premise or not, the challenge of defining the sampling unit is magnified. Some economic activities do not operate from a specific business address (e.g. plumber, small contractor,...) or include home-based activities (such as computer programming).

Hence, we have taken the household to be the sampling unit. This is in line with similar studies conducted in other countries comparable to Iraq. Therefore, the survey was conducted with adults who own and run their own businesses or work in MSMEs within the sampled households. To note, the sample is made out of individuals a not household as a whole, yet these individuals are selected from the household.

#### **5. Sample Size**

Setting the sample size depends on a number of factors. These include the purpose of the study (what types of tables to be produced and their granularity), the population size, and the allowed sampling error (risk factor). In another term, it requires deciding on the precision level (+ or - 5% for example), and the confidence level (number of observations that will fall around the mean taking into consideration the degree of precision and the variation, that are measured with standards deviations). And the third perhaps most challenging factor is the variability within the sample; in another word, how heterogeneous is the targeted population.

Looking at the various economic activities and previous surveys made on MSMEs, their size and degree of sophistication tend to show a rather homogeneous population in MSMEs when it comes to the objectives of this study, which is to define the profile of the MSMEs. Since population is most common and easily measured attribute in this study, we recommend to take the average number of working persons per MSMEs as the attribute to measure the sample size as will be shown below.

We have also considered previous research conducted for similar objectives, and the sample size was close to the proposed 2000 successful interviews. The different methods led to assuring results.

The sample size is determined within the following framework:

- The population of MSMEs is not defined in Iraq (total number of MSMEs and their distribution). An estimate is used in this section based on the enterprise density.
- There are no figures on the main attributes about MSMEs, such as average number of working persons per MSME, that can be used ahead to define the optimum sample size.

The key issue was to ensure that the sample size is large enough to extract significant results by:

1. Urban / Rural
2. Three governorates
3. Provide indicative information on the main economic activities

Our proposed sample of 2000 interviews in the governorates meets the requirement of the calculations methods shown below, and is in line with the ILO original survey (below). Depending on the average employment size within each reporting levels, different levels of reporting details could be made. In the absence of variability of attributes, the level of reporting will be determined based on the outcome of the different attributes.

Below, we show the methods for sample calculations:

**1. Using Formulas to determine sample size without Population estimate:**

Taking the confidence level of 95% with a Normal distribution for number of employees, the below table show the different sample sizes that are required depending on the average size of MSMEs by employment.

$$n = \frac{Z^2 (c.v)^2}{e^2}$$

Z= 1.96

E= 0.025

CV= Coefficient of Variation: standard deviation divided by the average number of employees per MSME.

Zsquare	Std	avg empl	CV (Std/Avg empl)	CV Square	CVsquare X Zsquare	Error square	Sample Size
3.8416	0.64	1.3	0.4848	0.235078	0.903076	0.000625	1445
3.8416	0.64	1.5	0.4267	0.182044	0.699342	0.000625	1119
3.8416	0.64	2.0	0.3200	0.1024	0.39338	0.000625	629
3.8416	0.64	2.5	0.2560	0.065536	0.251763	0.000625	403
3.8416	0.64	3.0	0.2133	0.045511	0.174835	0.000625	280
3.8416	0.64	3.5	0.1829	0.033437	0.128451	0.000625	206
3.8416	0.64	4.0	0.1600	0.0256	0.098345	0.000625	157
3.8416	0.64	4.5	0.1422	0.020227	0.077705	0.000625	124
3.8416	0.64	5.0	0.1280	0.016384	0.062941	0.000625	101
3.8416	0.64	5.5	0.1164	0.01354	0.052017	0.000625	83

For instance, if the average size of MSMEs is 3.5 employees, than the sample should be 206 by reporting criterion. For example, even if we ought to report the smallest economic segment which is Social services (10% of the targeted GDP), our study will include about 200 observations.

*To note, the above formula is in line with the Home Made study conducted in Iraq with household.*

**2. Using Formulas to determine the Sample while estimating the population size:**

Another method calculating the sample size is based on the assumption of large population size, as is the case of the number of MSMEs in Iraq.

In this case, and given that the population size is large enough, we can apply the infinite population formula as shown below:

$$n = \frac{z^2 \times \hat{p}(1-\hat{p})}{\varepsilon^2}$$

$$n = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2} = 384.16$$

Where:

z is the z score at 95% confidence interval

ε is the margin of error

̂p is the population proportion which we set at 50% being the most stringent.

Hence our reporting breakdown by the different layers is possible.

### 3. Using previous studies:

The ILO first survey had distributed the total sample of 4000 as shown in the table below. Baghdad was 1209, Nineveh 440, and Basra 392, thus a total of 2041.

Governorate	Micro		Small		Medium		Totals
	M	F	M	F	M	F	
<b>FIRST SURVEY</b>							
Nineveh	395	1	42	0	2	0	440
Kirkuk	190	8	19	0	3	3	220
Erbil	276	0	53	0	15	0	344
Anbar	236	6	63	2	1	0	308
Baghdad	1008	65	203	3	11	0	1209
Babylon	265	8	43	0	0	0	316
Wasit	185	8	17	0	0	0	210
Salah Al□ Din	205	3	55	0	1	0	264
Qadisiya	181	6	29	0	0	0	216
Basrah	348	11	29	2	2	0	392
<b>Totals</b>	<b>3289</b>	<b>116</b>	<b>553</b>	<b>7</b>	<b>35</b>	<b>0</b>	<b>4000</b>

**First and Second MSME Survey Respondents by Governorate, Size and Sex**

The second ILO study that was conducted in three governorates of Baghdad, Basra and Nineveh included 533 observations, however the objectives of the first survey was closer to the current study.

<b>SECOND SURVEY</b>							
Nineveh	97	1	11	0	2	0	111
Baghdad	251	16	51	1	4	0	323
Basrah	86	3	7	1	2	0	99
<b>Totals</b>	<b>434</b>	<b>20</b>	<b>69</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>533</b>

SOURCE: CCC (2011, 2012)

## 6. Planned Sample Distribution

The planned sample was distributed in accordance with the concept of multi-stage random sampling methodology, in cluster distribution of households in the three governorates. The smallest geographical area with available information on population or households (district level) was used.

We have used 2 levels of distributions:

### First Level:

- 3 governorates, as shown in table (5.1).

### Second Level:

- Urban / Rural, as shown in table (5.2).

**Table (1): Planned Distribution of Sample by Governorate**

Governorate	Population السكان	%	Sample العينة	محافظة
Baghdad	8,126,755	55%	1100	بغداد
Basra	2,908,491	20%	394	بصرة
Nineveh	3,729,998	25%	506	نينوى
<b>Total</b>	<b>14,765,244</b>	<b>100%</b>	<b>2000</b>	<b>الإجمالي</b>

**Table (2): Planned Distribution of Sample by Urban and Rural Segments**

Governorate	Urban حضري	Rural ريفي	محافظة
Baghdad	880	220	بغداد
Basra	315	79	بصرة
Nineveh	405	101	نينوى
<b>Total</b>	<b>1600</b>	<b>400</b>	<b>الإجمالي</b>

## 7. Sampling Pathways

The operation pathway taken by the surveyors for sampling on the ground started by taking a geographic point on the ground, using GPS and taking a path along an arithmetic progression using systematic sampling. The details of the pathway were discussed with the supervisors, and ample training was given to the surveyors and supervisors, taking into consideration the needed procedures for protection against COVID-19.

The survey pathway calculation was aided with GPS and online tracking of surveyor location and was adapted to the nature of various areas in cases of variations of the number of floors between areas. Figures (2), (3), (4) show the locations of the clusters of individual CAPI interviews conducted in Baghdad, Basra and Nineveh respectively.

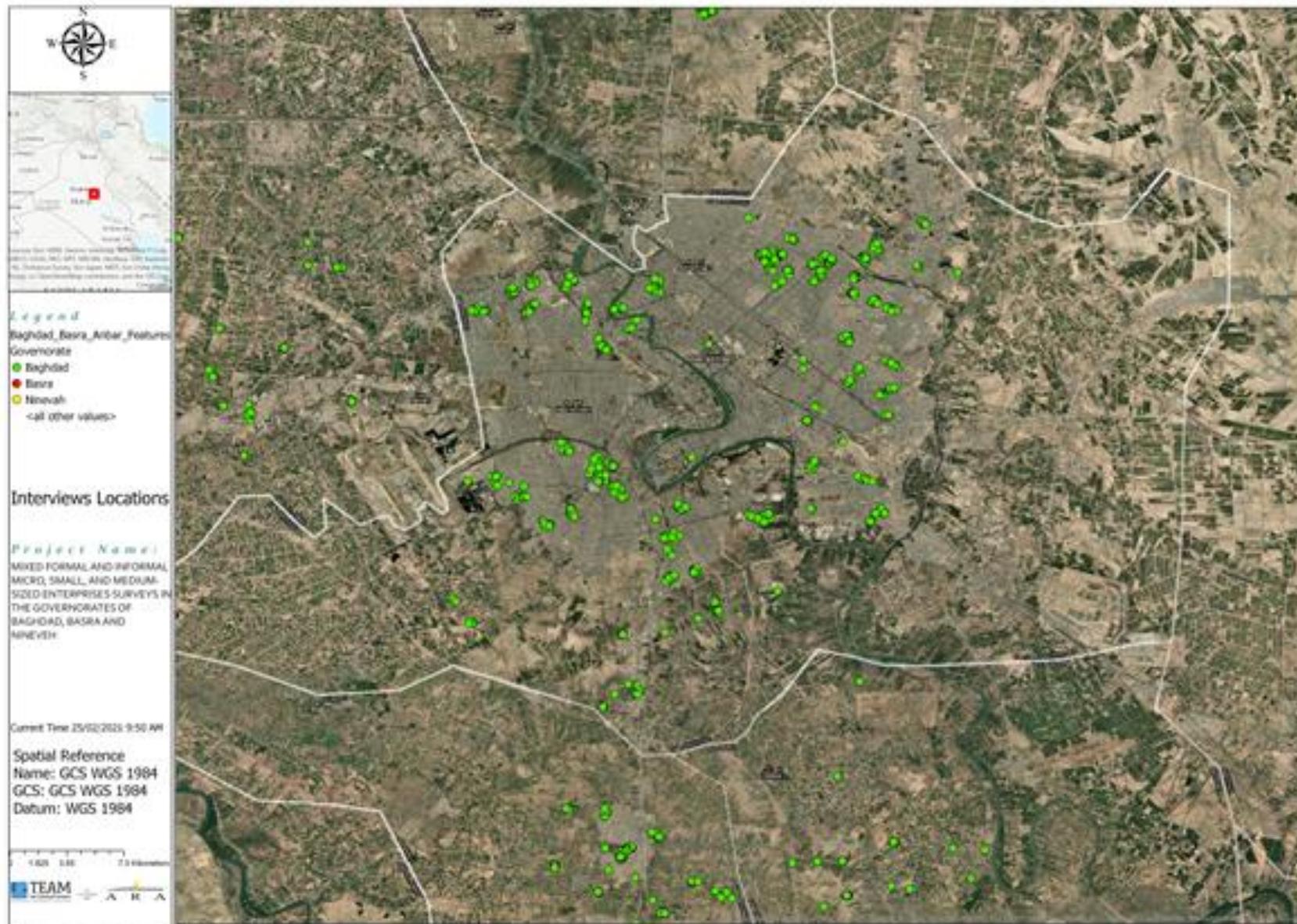


Figure (2): Geographical Clustering of Sampled Households in Baghdad

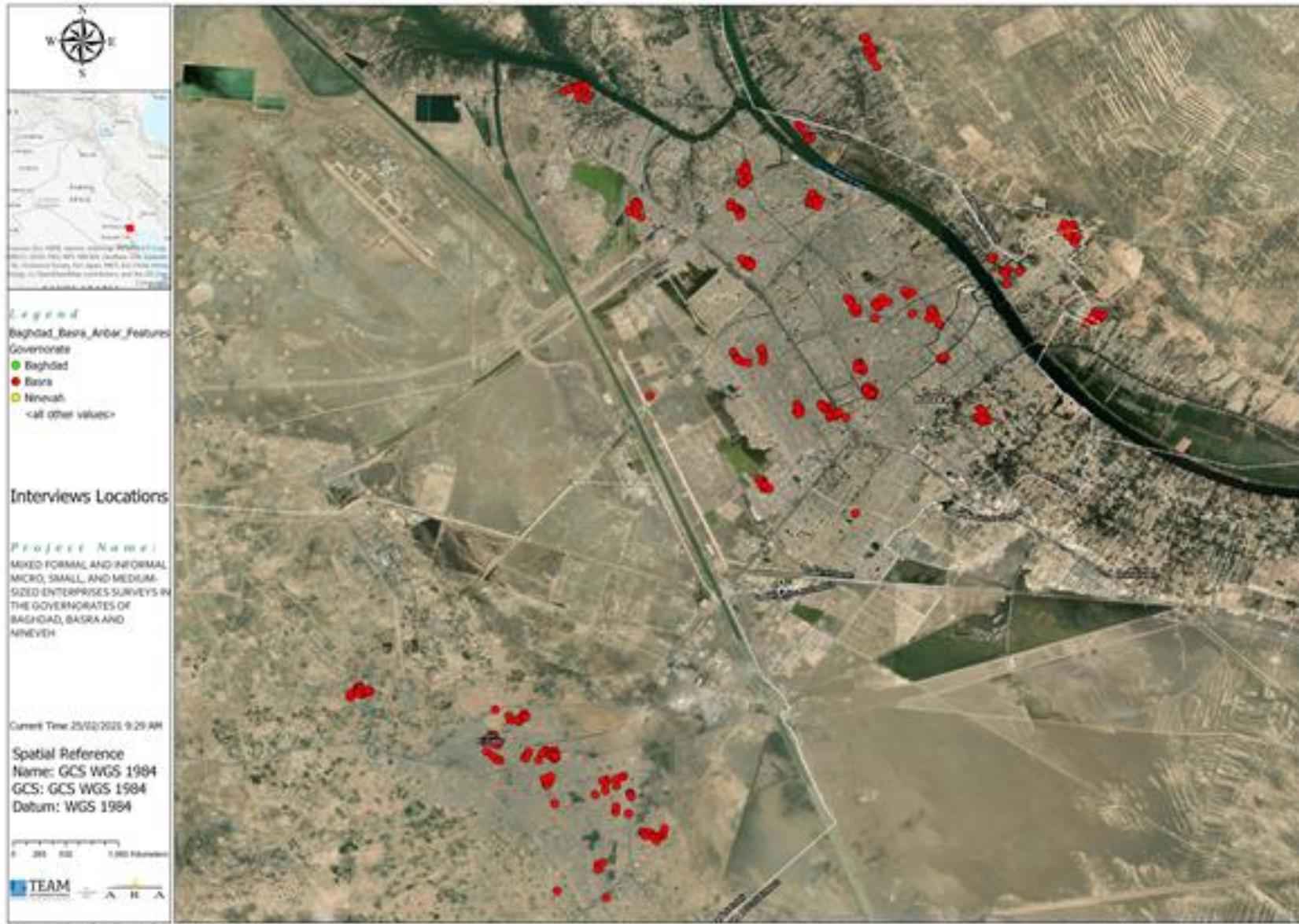


Figure (3): Geographical Clustering of Sampled Households in Basra

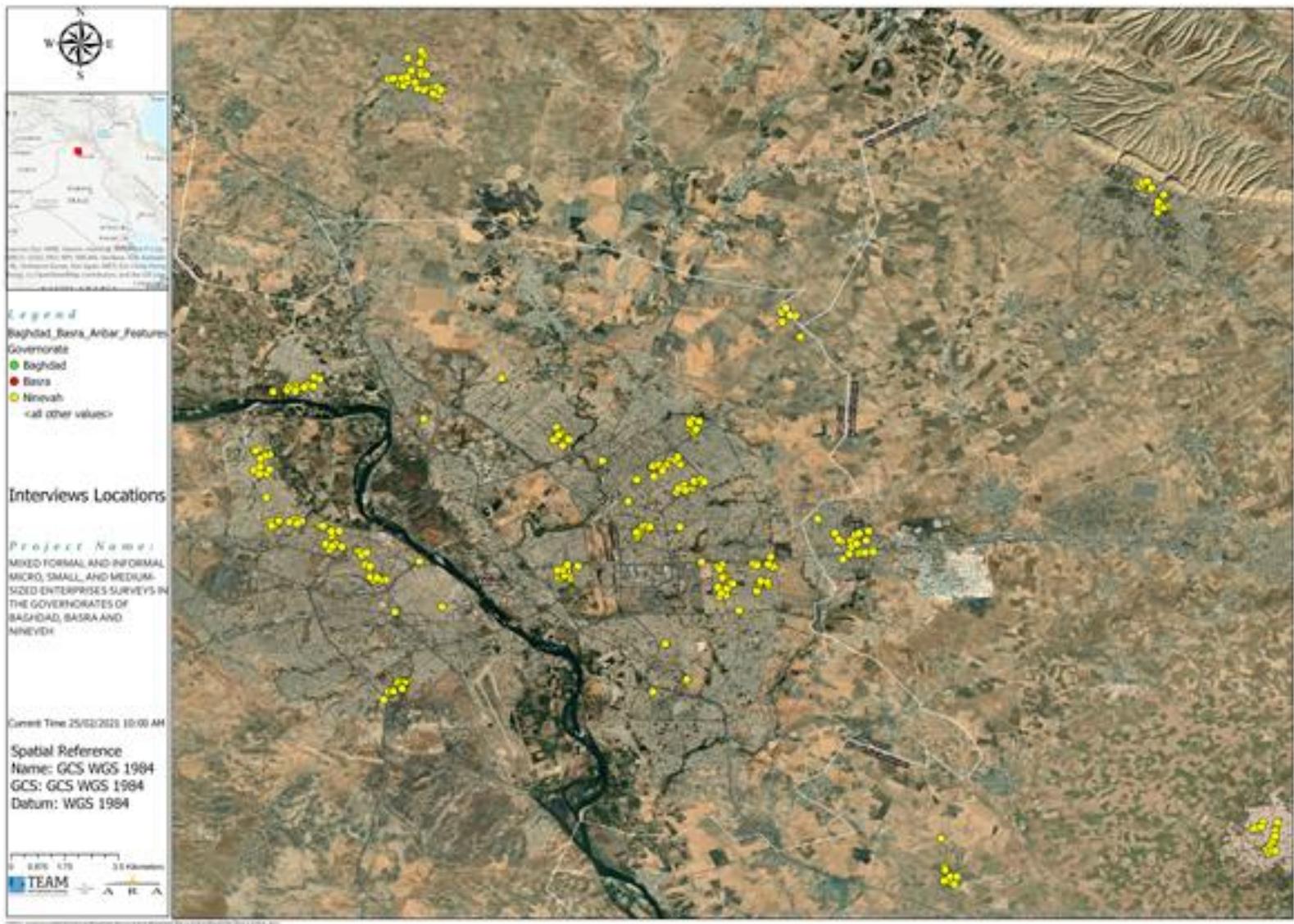


Figure (4): Geographical Clustering of Sampled Households in Nineveh

## **8. DESIGN OF THE MSME QUESTIONNAIRE**

The questionnaire was designed for a sample of MSMEs using CAPI. It was structured into eight sections reflecting the research topics subject of the data needed to adequately characterize MSMEs, including:

1. Profile of MSMEs: data and statistics
2. Financing
3. Employment and human resources
4. Innovation and technology
5. MSMEs and globalization
6. Networks, partnerships and local clusters
7. Women entrepreneurs and women owned businesses
8. Covid-19 impact
9. Future Business Outlook

Table (6.1) shows the details of the research topics and the number of questions for each in the questionnaire.

### **8.1 Design Process**

The questionnaire design process consisted of the following activities:

1. Review of previous surveys, relevant reports and available databases and statistics.
2. Design tailored questions for each of the research areas required for the survey.
3. Conduct gap and needs analysis for data and information needed.
4. Design the questions into two sets of questionnaires, one for the formal sector, the other for informal.
5. Discuss the two questionnaires with UNDP/MOP/CSO teams to ensure coverage of all key data and information that need to be generated by the survey, including questions related to the credit guarantees (case of getting loans, collateral, conditions,...) and questions related to the impact of Covid-19 on businesses.
6. Consolidate of the two questionnaires into one comprehensive questionnaire that covered both the formal and the informal sectors, such that the application would automatically skips the questions that are not relevant.
7. Download the questionnaire on smart phones using Askiaface CAPI module and check its logic using mock interviews.
8. Design a training manual covering all the sections of the questionnaire.
9. Conduct online and in-person training programs for surveyors and supervisors.
10. Conduct pilot tests and review the formulation of some questions.

**Table (1): Data and Information generated through the CAPI Survey**

Research Questions	Data Generated by the Survey
<b>Financing</b>	
<ul style="list-style-type: none"> <li>▪ Assessing the MSME’s financial environment Access to financial services and access to financial resources.</li> <li>▪ Collecting needed data to bridge MSME’s access to financial resources.</li> <li>▪ MSMSE’s Access to financial resources for long term credit and risk capital, necessary for starting up, expanding or upgrading a business.</li> <li>▪ MSMSE’s financing problems (high interest rates and credit rationing due to shortage of collateral)</li> <li>▪ MSME Finance Gap: Assessment of the Shortfalls and Opportunities in MSMSE’s.</li> <li>▪ MSMSE’s access for venture capital and equity markets.</li> <li>▪ Effect of poor developed capital markets and inadequate regulatory system (Regulatory burdens) on financing MSME’s growth.</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of enterprises (by size and type) which use bank services in their businesses.</li> <li>▪ % of enterprises (by size and type) who benefited from credit financing.</li> <li>▪ Main Source of Capital/ finance for the Business in % (Family, own funds, Friends, Loan, money Lender; External: Bank, Non-Bank credit; Internal: Government loan, NGO's, etc.).</li> <li>▪ Purpose of funding needed, and additional loans (%). (To, expand the business, increase inventory, recruit and hire new employees, improve your business’s cash flow, move business to a new location, introduce new products/ service, go digital ecommerce, technological development, do / improve marketing, overcome unpaid invoices/ expenses, update and upgrade equipment).</li> <li>▪ Amount of acquired/ needed finance.</li> <li>▪ Availability of collateral by type</li> <li>▪ Difficulty to access financing by enterprise (size and type).</li> <li>▪ Reasons for not having loan by enterprise type and size (type of collateral needed), in %. (lack of/ or too much collateral, no sponsor/ or property to guarantee the loan, avoiding risk by financier, weak track record/ no or weak credit history, high interest rates/ required return, only large companies are privileged, lack of government support, other specify).</li> <li>▪ % of sources for loans by enterprise size and type.</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions G-1 to G-23	<ul style="list-style-type: none"> <li>▪ Amount of enterprises (by size) revenues for the last 3 years.</li> <li>▪ Share of expenditure from the total cost (telecom, energy – electricity (national electricity company or alternative source/ own or rented), transportation, raw material, rent, salaries, etc.</li> <li>▪ % of enterprises (by size and type) benefiting from banks financial resources.</li> </ul>
<b>Employment and Human Resources</b>	
<ul style="list-style-type: none"> <li>▪ MSME’s Employment and Job creation.</li> <li>▪ Labor age, skills, management level, etc.</li> <li>▪ MSME’s job turnover.</li> <li>▪ MSME’s Sources of employment.</li> <li>▪ Issues related to management training.</li> </ul>	<ul style="list-style-type: none"> <li>▪ % turnover of employees by enterprise size for the last 3 years</li> <li>▪ Number of recruited staff by enterprise size and type for the year 2019.</li> <li>▪ % distribution of employees by gender and employment condition.</li> <li>▪ %distribution of employees by gender, position and enterprise size and type.</li> <li>▪ % distribution of employees by highest education qualification acquired.</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions B-1 to B-15	<ul style="list-style-type: none"> <li>▪ % of Present number of vacant positions by enterprise size and type.</li> <li>▪ % of skilled vs. unskilled workers by enterprise size and type.</li> <li>▪ % and type of vacant positions that are difficult to find.</li> <li>▪ % of enterprises by size and type that provide training</li> <li>▪ % of needed channel/ sources to recruit employees.</li> <li>▪ % of training areas needed for employees.</li> <li>▪ %of TVET familiarity by enterprise size and type.</li> <li>▪ % of organized enterprises by size and type (that have organization chart and job descriptions).</li> </ul>
<b>Innovation and Technology</b>	

Research Questions	Data Generated by the Survey
<ul style="list-style-type: none"> <li>▪ MSMSE's involvement in innovation and technology diffusion</li> <li>▪ MSMSE's product/ service/ processes development, refinement and adaptation</li> <li>▪ Access to information and communication technologies (ICT) and use of electronic commerce</li> <li>▪ MSMSE's innovation financing</li> <li>▪ Innovation network (co-operation among MSME's or with larger firms or public research centers at national and international level)</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of enterprises using digital channels for business activities by frequency of use.</li> <li>▪ % of enterprises that are currently engaged or plan to engage in digital activities.</li> <li>▪ Obstacles for not using digital channels in the enterprises (by size and type) business activities in %.</li> <li>▪ % share of enterprises (by size and type) in which digitization is a top priority for the management.</li> <li>▪ % of revenues generated from e-commerce by enterprise (size and type).</li> <li>▪ % dependence of enterprise (by size and type) on structured tools (new technology, R&amp;D, competitors' analysis, and new development) in their business activities.</li> <li>▪ % impact of digitization on enterprises (by size and type).</li> <li>▪ Sources of access to know how.</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions D-1 to D-5	
<b>MSME's and Globalization</b>	
<ul style="list-style-type: none"> <li>▪ MSMSE's globalization strategies (cross boarder enterprise activities, which include international investment, trade and strategic alliances for product development, production sourcing and marketing)</li> <li>▪ Needed activities to enter new markets, to exploit their technological and organizational advantages and to reduce business costs and risks</li> <li>▪ MSME's and electronic commerce (opportunities for outward expansion and growth and new competitive challenges)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enterprises sales market (local, neighboring and foreign countries) %.</li> <li>▪ % of enterprises tried or willing or working on reaching new markets.</li> <li>▪ % of Barriers that prevent enterprises (by type and size) from exporting.</li> <li>▪ Type of marketing channels used by enterprise (by size and type).</li> <li>▪ Type of enterprise (by size and type) business relations with non-Iraqi companies and suppliers.</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions E-1 to E-6	
<b>Networks, Partnerships and Local Clusters</b>	
<ul style="list-style-type: none"> <li>▪ MSMSE's cooperation on joint development projects – networking at national and international levels</li> <li>▪ MSME's Partnership with large firms fostering collective learning and local development</li> <li>▪ Local clusters</li> <li>▪ Value chain for MSMSE's cluster and integration into global value chain</li> <li>▪ Internationalization of industrial districts (networking for export promotion, FDI, subcontracting)</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of membership of enterprise in business network.</li> <li>▪ % of enterprises benefiting or having privileges from being a member of business network.</li> <li>▪ Types of partner enterprises are collaborating with.</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions F-1 to F-3	
<b>Profile of MSMEs: Data and Statistics</b>	

Research Questions	Data Generated by the Survey
<ul style="list-style-type: none"> <li>▪ Collect reliable, relevant and internationally comparable data on MSME's <ul style="list-style-type: none"> <li>○ Collection of data by size classes related to different variables (employment, output, exports, investment, by gender, etc.)</li> <li>○ Distribution of MSMEs by Sex of Owners</li> <li>○ Design specific surveys to women entrepreneurship</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ % Distribution of MSMEs by Sex of Owners.</li> <li>▪ % of enterprises by business sector.</li> <li>▪ % of registered and non-registered enterprises.</li> <li>▪ % level of Challenge Faced by MSMEs (by size and type) to setup the business</li> <li>▪ % of enterprises (by size and type) benefitting from insurance services</li> <li>▪ % of Type of owner ship enterprises (by size and type).</li> <li>▪ % of enterprises (by size and type) owned by share.</li> <li>▪ Previous work experience type, (owners).</li> <li>▪ Reasons for previous work closure, (owners).</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions Z-1 to Z-11 A1-A8	
<b>Women Entrepreneurs and Women Owned Businesses</b>	
<ul style="list-style-type: none"> <li>▪ Economic potential of women entrepreneurs (job creation, and innovation)</li> <li>▪ Characteristics of, and barrier to, women-owned businesses</li> <li>▪ Women Entrepreneurs needs</li> <li>▪ Women entrepreneurs access to financial resources</li> <li>▪ Management training</li> </ul>	<ul style="list-style-type: none"> <li>▪ % level of difficulty to open a business for women entrepreneurs.</li> <li>▪ % of targeted industry or business sectors by women entrepreneurs.</li> <li>▪ Difficulty to access financing for women entrepreneurs vs. men entrepreneurs.</li> <li>▪ Ease for women entrepreneurs to open a business in today's working environment.</li> <li>▪ Problems type women entrepreneurs face.</li> <li>▪ Proposed initiative to reduce faced problems by women entrepreneurs.</li> <li>▪ % of enterprises (by type and size) that have equal employment opportunity.</li> <li>▪ % of enterprises (by type and size) that adopt initiatives on gender diversity and equality to promote women in work.</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions C-1 to C- 8	
<b>Impact of "Covid 19" Virus on the Business Sector</b>	
<ul style="list-style-type: none"> <li>▪ Impact of "Covid 19" Virus of the MSMEs (by the enterprises size and type)</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of the "Covid 19" pandemic's impact on the MSME's turnover (by size and type).</li> <li>▪ % of the "Covid 19" pandemic's impact on the MSME's staff and salary payments (by size and type).</li> <li>▪ % of the MSMEs evaluation for the "Covid 19" pandemic's measures taken by the Iraqi Government (by size and type).</li> <li>▪ MSMEs suggestions to mitigate "Covid 19" pandemic are impact on the business sector and staff (by size and type).</li> </ul>
<b>Relevant Section In The Questionnaire</b>	
Questions I-1 to I-5	

## 9. SELECTION AND TRAINING OF SURVEYORS AND SUPERVISORS

The survey planning and preparation were thoroughly coordinated with MOP/CSO team. A number of online meetings were held between the consultant, UNDP and MOP/CSO teams to discuss in detail every aspect of the survey design and operationalization. This covered the questionnaire, the sample size, the sampling population, the electronic system and software to be used, as well as how the enumerators will select the sampling unit on the ground. The field survey team was selected by MOP/CSO in accordance with the following criteria:

- Be a university degree holder
- Has 7 years of experience in relevant field
- Working knowledge in socio-economic / industrial surveys
- Be a resident and knowledgeable of the city being surveyed.
- Good communication skills

All the members of the field survey team had ample previous experience in conducting face-to-face interviews using paper or tablet questionnaires.

A new fully automated system was used in this survey: CAPI module of Askiaface which is designed to collect data via face-to-face mobile telephone interviews with the ability to control the survey online. The system enables the supervisor to know the location of the enumerator and to provide assistance to the enumerator while the interview is still active. The system also allows to have a complete voice record of the entire interview to be used when needed during editing and coding of answers to open questions. The Askiaface s/w is further explained in Appendix (5).

It was, thus, necessary to adequately train the field teams for Baghdad, Basra and Nineveh governorates on this system. Four training programs were delivered.

The first training program was conducted online on November 10, 2020 from 7:30-13:00 addressed to staff and supervisors of MOP/CSO and covered all sections of the questionnaire, the interviewing process, and using the system application on smart phones. Another training session was given on November 11, 2020 focusing on the IT aspects of the survey and how can the supervisor control it on-line.

The second was conducted in person in Baghdad on December 7, 2020 for field teams of Baghdad and Basra at MOP, followed by a field trial to illustrate the starting point for systematic sampling, how to introduce the survey to the sampled households, and who to interview in the household. The households were checked as to whether or not having at least member working. Those households which had a member or more working as an owner or employee of an MSME were fully interviewed. Otherwise, the household was noted and skipped. This procedure was necessary to ascertain the penetration of MSMEs in households, and thus to be able to expand the results of the sample to the total population of households.

The third and fourth programs we delivered on December 20, 2020 for Basra field team and on December 27, 2020 for Nineveh field team.

**APPENDIX (6)**  
**COMPARISON BETWEEN**  
**ILO – UNOPS 2012 SURVEY AND UNDP 2020 SURVEY**

## **Appendix (6)**

### **Comparison between ILO – UNOPS 2012 Survey and UNDP 2020 Survey**

#### **Comparison with Previous Studies : ILO-UNOPS 2012 Survey and UNDP 2020 Survey**

MSME: A Survey Analysis 2012 ILO UNOPS with UNDP MSME Survey 2020

#### **Introduction**

The following section compares the MSME specific surveys implemented by ILO-UNOPS 2011/12 with the current UNDP 2020 Survey. These are among the most thorough initiatives in the understanding of the characteristics of MSMEs carried out on this area of the business sector in Iraq (2011-2020).

The structure of the section compares the following MSME features that are found in both surveys;

1. Survey Characteristics.
2. MSMEs by Governorate, Type and Gender.
3. Business Sector.
4. MSME Owners Age Range.
5. Business Structure.
6. Finance.
7. ICT.
8. Business Registration.
9. Import / Export Data.
10. Constraints.

Although the UNDP 2020 survey covers a much wider scope in its questionnaire and data presentation, the above ten features cover all the complete data tabulated in the ILO-UNOPS survey. The layout of the analysis below places the ILO-UNOPS tables first followed by the corresponding tabulation from the UNDP 2020 survey, for comparison.

## 1. Survey Characteristics

The **ILO-UNOPS 2011/12** survey was broken into two surveys:

Survey One (2011) covered 4,000 MSMEs in 10 Governorates in urban and rural areas. Described as a “baseline survey” conducted in 2011 collecting data that gave an overall profile of informal MSMEs across Iraq.

Survey Two (2012) covered 533 MSMEs in 3 Governorates (Baghdad, Basra, Nineveh), was aimed to provide an opportunity for the “refinement” of the first, by digging deeper into some of the key issues identified in the first survey.

Both surveys focused on Four Sectors:

- Agriculture.
- Construction.
- Trade & Retail
- Other Services.

The finding of the surveys covered the following areas:

- Profile of MSME Owners.
- Profile of MSME.
- Levels of formality.
- Entering new markets.
- Business performance.

In contrast the **UNDP 2020** entailed one survey, however the Governorates covered (Baghdad, Basra, Nineveh) were the same as the ILO-UNOPS second survey. The UNDP survey covered 2,017 MSMEs, although the sectors were not specified before the survey, the sectors that the survey respondents were identified as part of were the following:

- Agriculture and Fishery.
- Artisanal Work.
- Automotive Repair and Maintenance.
- Construction.
- Energy Supply.
- Hospitality.
- Technical Professional (hairdresser, technician).
- Trade.
- Transportation and Storage.
- Water Supply and Sanitation.

The findings of the survey covered the following research areas of MSMEs:

- MSME Profile – Data and Statistics
- MSME Finance
- Employment and Human Resources
- Innovation and Technology
- MSME's and Globalization
- Networks, Partnerships and Local Clusters
- Women Entrepreneurs and Women Owned Businesses
- COVID-19 Impact
- Future Business Outlook

## 2. MSME by Governorate, Type and Gender

The following tables illustrate the number of MSMEs in both surveys and their distribution and gender. Both surveys showed that the respondents were concentrated in Baghdad, and that males dominate females in the three governorate.

### ILO-UNOPS First & Second Survey (Governorate, Type and Gender)

Governorate	Micro		Small		Medium		Totals
	M	F	M	F	M	F	
<b>FIRST SURVEY</b>							
Nineveh	395	1	42	0	2	0	440
Kirkuk	190	8	19	0	3	3	220
Erbil	276	0	53	0	15	0	344
Anbar	236	6	63	2	1	0	308
Baghdad	1008	65	203	3	11	0	1209
Babylon	265	8	43	0	0	0	316
Wasit	185	8	17	0	0	0	210
Salah Al Din	205	3	55	0	1	0	264
Qadisiya	181	6	29	0	0	0	216
Basrah	348	11	29	2	2	0	392
<b>Totals</b>	<b>3289</b>	<b>116</b>	<b>553</b>	<b>7</b>	<b>35</b>	<b>0</b>	<b>4000</b>
<b>SECOND SURVEY</b>							
Nineveh	97	1	11	0	2	0	111
Baghdad	251	16	51	1	4	0	323
Basrah	86	3	7	1	2	0	99
<b>Totals</b>	<b>434</b>	<b>20</b>	<b>69</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>533</b>

### UNDP 2020 Survey (Governorate, Type and Gender)

Governorate	Micro		Small		Medium		Total
	M	F	M	F	M	F	
Baghdad	951	63	72	1	12	0	1099
Basra	343	25	25	0	8	0	401
Nineveh	439	10	62	3	3	0	517
<b>Total</b>	<b>1733</b>	<b>98</b>	<b>159</b>	<b>4</b>	<b>23</b>	<b>0</b>	<b>2,017</b>

### 3. Business Sectors

The UNDP 2020 survey encapsulated more business activities since it did not preselect the sectors, allowing the data results to dictate the sectorial profile. The ILO-UNOPS specified the sectors it was focusing on (which were agriculture, manufacturing, construction, trade & retail and services).

As a result, the tables below from both surveys indicated the following; In the ILO-UNOPS survey showed the highest concentration of MSME are in; Construction, Trade & Retail sectors (making up 3,348 respondents out of 4,000 in the first survey, and 393 respondents out of 533 in the second survey – both resulting in 74% of the sample size).

Whereas in UNDP 2020 Survey, the business sectors that had the highest concentration were; Trade, Transportation & Storage, Construction, Agriculture & Fishery and Artisanal (making up 1,577 respondents out of 2,017 is the survey – approximately 78% of the sample).

If we calculate only the survey results for the three governorates in corresponding sectors i.e. the second ILO-UNOPS survey and the UNDP 2020 survey for Baghdad, Basra and Nineveh (in Trade, Construction and Agriculture only). They constitute 79% and 50% of the MSMEs profiled respectively. Although this assumption is debatable given the pre-selection of the ILO-UNOPS sectors, it shows that these sectors still hold the majority total of MSMEs in both time frames.

**Trend:** In a general analysis over half of MSMEs in both sets of data are found in the Agriculture, Construction and Trade sectors. In the ILO-UNOPS surveys 78.6% (first survey) and 79.4% (second survey). In UNDP 2020 - 50.1%, however when we add the transport sector to the UNDP survey we get 72.5%. Therefore, the dominant sectors are apparent in both surveys.

#### ILO-UNOPS First & Second Survey (Business Sector)

Sector	First Survey		Second Survey	
	Number	%	Number	%
Agriculture	184	4.6	30	5.6
Manufacturing	388	9.7	46	8.6
Construction	720	18.0	102	19.2
Trade and Retail	2240	56.0	291	54.6
Other Services	468	11.7	64	12.0
<b>Total</b>	<b>4000</b>	<b>100%</b>	<b>533</b>	<b>100%</b>

### UNDP 2020 (Business Sector)

Sector	Total	%	Governorate		
			Baghdad	Basra	Nineveh
Specialized Professional (doctor, lawyer, engineer)	10	0.5%	3	3	4
Technical Professional (hairstylist, technician,..)	90	4.5%	47	23	20
Agriculture and Fishery	187	9.3%	117	12	58
Artisanal Work	115	5.7%	49	29	37
Energy Supply	52	2.6%	27	-5	20
Water Supply and Sanitation	31	1.5%	19	3	9
Construction	257	12.7%	135	54	68
Trade	567	28.1%	299	143	125
Transportation and Storage	451	22.4%	280	80	91
Hospitality	99	4.9%	51	19	29
ICT	6	0.3%	1	3	2
Real Estate	12	0.6%	10	2	-
Administration and Support Services	14	0.7%	9	2	3
Educational Services	5	0.2%	3	-	2
Healthcare and Social Services	10	0.5%	5	-	5
Arts, Entertainment and Recreation	3	0.1%	3	-	-
Automotive Repair and Maintenance	60	3.0%	-	15	31
Laborer	45	2.2%	26	6	13
Other	3	0.1%	1	2	-
<b>Total</b>	<b>2,017</b>	<b>100%</b>	<b>1,099</b>	<b>401</b>	<b>517</b>

#### 4. MSME Owners Age

In the ILO-UNOPS survey more than half of respondents were between the age of 25-46 (70.7% in the first survey and 68.5% in the second). Whereas in the UNDP 2020 survey nearly 69.5% of respondents were between the age of 25-54.

**Trend:** Both surveys show a majority of owners aged between 25-46 and 24-44 respectively. Although the UNDP 2020 survey shows an increase in MSME owners below 24 years of age.

##### ILO-UNOPS First & Second Survey (MSME Age Range)

Age	Micro	Small	Medium	Total	%
<b>FIRST SURVEY</b>					
≤24	309	14	0	323	8.1%
25-46	2452	357	18	2827	70.7%
>46	644	189	17	850	21.2%
<b>Total</b>	<b>3405</b>	<b>560</b>	<b>35</b>	<b>4000</b>	<b>100%</b>
<b>SECOND SURVEY</b>					
≤24	19	0	0	19	3.6%
25-46	280	30	2	312	58.5%
>46	155	41	6	202	37.9%
<b>Total</b>	<b>454</b>	<b>71</b>	<b>8</b>	<b>533</b>	<b>100%</b>

##### UNDP 2020 (MSME Age Range)

Age	Total		Micro		Small		Medium	
	No	%	No	%	No	%	No	%
≤24	327	16.2%	305	16.7%	19	11.6%	3	13%
25-44	1025	50.8%	931	50.8%	81	49.7%	13	56.5%
>44	665	33%	595	32.5%	63	38.7%	7	30.5%
<b>Total</b>	<b>2017</b>	<b>100</b>	<b>1831</b>	<b>100</b>	<b>163</b>	<b>100</b>	<b>23</b>	<b>100%</b>

## 5. Business Structure

Most businesses included in the ILO-UNOPS first survey (2011) were run by an individual (84%), while 12% were partnerships and only 3% are family businesses. Similarly, most businesses included in the UNDP 2020 Survey were run by an individual (Sole ownership 88.9%, while 9.15% were partnerships and only 2% being shareholders).

**ILO-UNOPS First Survey (Business Structure)**

<b>Business Structure</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Total</b>	<b>%</b>
Individual	2948	411	21	3380	84.5
Partnership	337	131	14	482	12.1
Family Business	111	17	0	128	3.2
Other	9	1	0	10	0.2
<b>Total</b>	<b>3405</b>	<b>560</b>	<b>35</b>	<b>4000</b>	<b>100</b>

**UNDP 2020 (MSME Business Structure)**

<b>Business Structure</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Total</b>	<b>%</b>
Sole Ownership	1643	133	18	1794	88.9
Partnership	151	28	4	183	9.1
Shareholders	37	2	1	40	2.0
<b>Total</b>	<b>1831</b>	<b>163</b>	<b>23</b>	<b>2017</b>	<b>100</b>

## 6. Banking

In ILO-UNOPS survey the vast majority of responding enterprises (93%) did not operate a business bank account. While almost one-third of medium-sized enterprises managed a bank account, less than 1% of micro enterprises did. Similarly, in The UNDP Survey 2020 survey shows that 99% of respondents do not have bank accounts.

**Trend:** No significant improvement in banking services.

### ILO-UNOPS First Survey (Banking)

Have Iraqi Bank Account?	Micro	Small	Medium	Total	%
Yes	202	82	11	295	7.4
No	3202	478	24	3704	92.6
% Yes	0.6 %	6.8%	31.4 %	7.4 %	

### UNDP Survey 2020 (Banking)

Have Iraqi Bank Account	Micro	Small	Medium	Total	%
Yes	16	4	5	25	1.2
No	1815	159	18	1992	98.8
% Yes	0.9%	2.5%	21.7%	1.3%	

## 7. ICT

The ILO-UNOPS first survey, the use of the Internet for business purpose is almost non-existent among micro-enterprises. However, Internet use increases to 26% in the medium-sized enterprises. This trend is repeated when the use of mobile telephones for business purposes is investigated. Overall, the majority of respondent enterprises use a mobile telephone for business purposes and the rate of use increases with the size of the enterprise.

In the UNDP Survey 2020 survey, 76% of the total MSMEs surveyed did not use the 'internet' for their business needs and 40% of MSME's depended on mobile phone use for their 'daily' business functions.

**Trend:** Usage of the Internet remains at a low level (below 10% across all surveys). However, mobile usage predominates in ICT, if we add the daily users to 'time to time' users in the UNDP survey we get 68.2% penetration rate, which is relative with the ILO-UNOPS rate of 71.6% penetration rate.

### ILO-UNOPS First Survey (Internet Usage)

	Micro	Small	Medium	Total	%
<b>INTERNET USE IN BUSINESS</b>					
Use Internet	112	59	9	180	4.5
Do Not	3293	501	26	3820	95.5
Yes %	0.03 %	10.5 %	25.7 %	4.5 %	
<b>MOBILE PHONE IN BUSINESS</b>					
Use Mobile	2346	485	32	2863	71.6
Do Not	1059	75	3	1137	28.4
Yes %	68.9 %	86.6 %	91.4 %	71.6%	

### UNDP Survey 2020 (Internet Usage)

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	190	9.4%	163	8.90%	20	12.27%	7	30.43%
from time to time	190	9.4%	173	9.45%	16	9.82%	1	4.35%
rarely	110	5.5%	97	5.30%	10	6.13%	3	13.04%
not at all	1527	75.7%	1398	76.35%	117	71.78%	12	52.17%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>163</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

### UNDP Survey 2020 (Mobile Phone Usage)

Frequency	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
on daily basis	807	40.01%	717	39.16%	72	44.17%	18	78.26%
from time to time	568	28.16%	511	27.91%	55	33.74%	2	8.70%
rarely	159	7.88%	151	8.25%	8	4.91%	-	0.00%
not at all	483	23.95%	452	24.69%	28	17.18%	3	13.04%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>163</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

## 8. Business Registration

When examining the topic of business registration in the ILO-UNOPS first survey, the answers showed that most respondents were not registered 90.7%. The UNDP 2020 survey showed that the informal enterprises (not registered at any entity) was 83.2%.

**Trend:** Slight improvement in percentage of registration rate compared to size of samples.

### ILO-UNOPS First Survey (Registered MSMEs)

Entity	Micro	Small	Medium	Total	%
Yes	255	110	7	372	9.3
No	3150	450	28	3628	90.7
Yes %	7.5	19.6	20	9.3	

### UNDP 2020 (Registered MSMEs)

Entity	Micro	Small	Medium	Total	%
Yes	277	50	12	339	16.8
No	1554	113	11	1678	83.2
Yes %	15.1	30.7	52.1	16.8	

## 9. Import / Export Data

The ILO-UNOPS first survey shows the limited extent to which respondents to the first survey are participating in import and export markets. The involvement of respondents in these markets was not statistically significant. While the involvement appeared to increase with enterprise size, this cannot be reported with any degree of confidence. Accordingly, in the UNDP 2020 survey, 99% of MSMEs sales was transacted in the local market.

**Trend:** In both surveys the number of enterprises engaged in exportation was below 2%; 8 MSMEs in ILO-UNOPS, 31 MSMEs in UNDP 2020. In terms of importation the level of activity was low also, with 29 MSMEs involved in importing in the ILO-UNOPS survey, and 67 MSMEs in the UNDP 2020 survey engaging in exchange with non-Iraqi companies.

### ILO-UNOPS First Survey (Sales Market)

	Micro	Small	Medium	Total	%
<b>INVOLVED IN EXPORT</b>					
Yes	3	4	1	8	0.2
No	3402	556	34	3992	99.8
Yes %	0.08	0.07	2.8	0.02	
<b>INVOLVED IN IMPORT</b>					
Yes	13	13	3	29	0.73
No	3392	547	32	3971	99.27
Yes %	0.38	2.3	8.6	0.73	

### Export A- Percentage of your sales made with bordering/ neighboring countries

Percentage	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Yes	16	1%	16	0.88%	0	0%	0	0%
No	1998	99%	1812	99.12%	163	100%	23	100%
<b>Total</b>	<b>2014</b>	<b>100%</b>	<b>1828</b>	<b>100%</b>	<b>163</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

### Export B- Percentage of sales made with foreign (no bordering) countries

Percentage	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Yes	15	0.74%	15	1%	0	0%	0	0%
No	2000	99.26%	1814	99%	163	100%	23	100%
<b>Total</b>	<b>2015</b>	<b>100%</b>	<b>1829</b>	<b>100%</b>	<b>163</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

### Business Relations with Non-Iraqi Companies

Type of Relation	Total No.	%	Micro		Small		Medium	
			No.	%	No.	%	No.	%
Yes	67	3.4%	57	3.2%	5	3.1%	5	21.8%
No	1950	96.6%	1774	96.8%	158	96.9%	18	78.2%
<b>Total</b>	<b>2017</b>	<b>100%</b>	<b>1831</b>	<b>100%</b>	<b>163</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

## 10. Constraint

The ILO-UNOPS first survey inquired to the possible difficulties for setting up companies. The main responses were as follows:

- **Absence of government support:** 19.3% (2065 Micro, 351 Small and 19 of Medium).
- **Shortage of Electricity:** 18.3% (1959 Micro, 339 Small and 22 of Medium).
- **Shortage of basic services:** 15.7% (1678 Micro, 291 Small and 12 of Medium).

The UNDP, 2020 survey inquired to the possible difficulties for setting up companies. The main responses were as follows:

- **Insufficient Financial Resources:** 50% (675 Micro, 42 Small and 6 Medium).
- **Type of work is hard/ tiring:** 30.8% (393 Micro, 49 Small and 3 Medium).
- **Debt:** 8.1% (113 Micro, 4 Small and 0 Medium).
- **Lack of Expertise:** 4.6% (62 Micro, 5 Small and 0 Medium).
- **Absence of government support:** 2% (23 Micro, 2 Small and 0 Medium).

**Trend:** Different constraints take prevalence between both surveys. The ILO-UNOPS findings places a high percentage of MSMEs focusing on the lack of government assistance and the plight of infrastructure (which are external factors). Whereas the UNDP 2020 survey shows a focus to financial requirements and hardship of effort dedicated to MSME surviving (which are internal factors). This may be seen as a shift of awareness in recognizing the internal factors first.

**ILO-UNOPS First Survey – Choose a max of three (Constraints)**

Entity	Micro	Small	Medium	Total	%
Short of manpower	78	39	8	125	1.0
Shortage of Electricity	1959	339	22	2320	18.3
Security Situation	1441	270	11	1722	13.6
Competition with import	930	168	13	1111	8.8
Provision of raw materials	551	130	12	693	5.5
Transportation charges	1165	246	17	1428	11.3
Absence of govt. support	2065	351	19	2435	19.3
Adverse environment	347	69	6	422	3.3
Shortage of basic services	1678	291	12	1981	15.7
Other	345	60	3	408	3.2

### UNDP 2020 (Constraints)

Business Constraints	Total		Micro		Small		Medium	
	No.	%	No.	%	No.	%	No.	%
Insufficient Financial Resources	723	50%	675	51%	42	38%	6	50%
Lack of Governmental Support	25	2%	23	2%	2	2%	0	0%
Type of work is hard/tiring	445	31%	393	30%	49	45%	3	25%
Debt	117	8%	113	9%	4	4%	0	0%
Security Situation	28	2%	26	2%	2	2%	0	0%
Lack of Expertise	67	5%	62	5%	5	5%	0	0%
Crowding	30	2%	30	2%	0	0%	0	0%
Low payoff	64	4%	61	5%	3	3%	0	0%
Complicated Governmental Procedures	18	1%	8	1%	9	8%	1	8%
Business Location	16	1%	12	1%	2	2%	2	17%
I don't know	8	1%	7	1%	1	1%	0	0%
Other	35	2%	31	2%	4	4%	0	0%
<b>Total</b>	<b>1446</b>	<b>100%</b>	<b>1324</b>	<b>100%</b>	<b>110</b>	<b>100%</b>	<b>12</b>	<b>100%</b>

**APPENDIX (7)**  
**ESTIMATION OF TOTAL NUMBER OF MSMEs AND**  
**TOTAL EMPLOYMENT IN MSMEs IN THE 3 GOVERNORATES**

## APPENDIX (7)

### ESTIMATION OF TOTAL NUMBER OF MSMEs AND TOTAL EMPLOYMENT IN MSMEs IN THE 3 GOVERNORATES

Average Family Size						
Survey Base: 2,803		Variable	Total	Governorate		
				Baghdad	Basra	Nineveh
Total			2803	1566	558	679
S11 – Family Size	Total	A	2803	1566	558	679
	Mean	B	7.30	7.14	7.47	7.53
	Standard deviation		4.02	4.39	3.44	3.53
Sampled Individuals within HH in comparison to Population						
sample individuals with the HH population multiplier		C = A × B D E = D ÷ C	Total 20,462 14,765,244 722	Baghdad 11,181 8,126,755 727	Basra 4,168 2,908,491 698	Nineveh 5,113 3,729,998 730
Working in MSME						
Survey Base: 2,483			Total	Governorate		
				Baghdad	Basra	Nineveh
Total			2483	1387	496	600
S13 – Families with at least one member working in a MSME	Total	P	2483	1387	496	600
	Mean	Q	1.26	1.25	1.13	1.39
	Standard deviation		1.09	1.18	0.78	1.10
Working in MSMEs						
Members within the sample working in MSMEs		R = P × Q	2830	1734	496	600
Ratio of Employment in MSMEs		S = R ÷ C	14%	15.5%	13.4%	16.3%
Population working in MSMEs		T = S × D	2,259,641	1,260,125	391,087	608,429
Ratio of Workers in MSME		U = T ÷ J	0.80	0.80	0.72	0.86
Survey Base: 2017 Full CAPI conducted						
Survey Base: 2017 Full CAPI conducted			Total	Governorate		
				Baghdad	Basra	Nineveh
Total sample			2017	1099	401	517
B1 Number of persons working in MSMEs	Mean	V	1.93	1.75	2.03	2.22
	Standard deviation		2.08	1.86	2.75	1.90

MSME in 3 Governorates			Total	Governorate		
				Baghdad	Basra	Nineveh
Number of MSME in 3 Governorates		W = T ÷ V	1,186,790	720,072	192,650	274,067

**APPENDIX (8)**  
**MSME FINANCING IN ASIAN COUNTRIES**  
**(SOURCE: 2017 UKAID)**

## APPENDIX (8)

### MSME FINANCING IN ASIAN COUNTRIES (SOURCE: 2017 UKAID)

India	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>Coverage varies per micro and small borrower ranges between 50-85%, depending on the kind of borrower and amount requested. Higher coverage granted for microenterprises and women owned businesses and loans in the north-east region of India.</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>All start-ups, micro and small enterprises in manufacturing and service sectors are eligible.</li> <li>New as well as existing micro and small enterprises</li> <li>Eligible PFIs include</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>Individual - Guarantee initiated after loan has been disbursed by PFIs.</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>collateral free loans up to INR 10 million (\$140,000)</li> <li>working capital extended up to 5 years</li> <li>Average loan size 4.41 Lakh (INR 441,000 = \$6,000)</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>PFIs get charged a one-time up-front guarantee fee of 1 – 1.5%% (depending on loan size requested).</li> <li>Annual service fee paid up to 0.5% for facilities &lt; INR 500,000 and 0.75% for loans &gt; INR 500,000.</li> </ul>
<b>Claims and Recovery</b>	<ul style="list-style-type: none"> <li>Lock in period of 18 months from date of guarantee where PFI cannot submit claims.</li> <li>PFI invokes guarantee within a max. of 1 year from date of account becoming NPA (non performing asset)..</li> <li>Trust pays 75% (principle and interest) within 30 days. Balance paid on finalization of recovery proceedings. Amounts recovered should first be credited in full to the Trust before it can claim remaining 25% of guaranteed amount.</li> <li>Requirement to have lawsuits (against defaulters) be initiated before submitting a claim</li> <li>Online claim to be lodged within 1 year of NPA date or expiry of lock-in period (whichever is later).</li> <li>After submission, claim is checked and processed.</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>Ministry of Micro, Small and Medium Enterprises.</li> </ul>

<b>Pakistan</b>	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>• 40-60% on principal amounts only. 60% coverage on loans extended to start-up businesses, women, and small and rural enterprises operating in under-served areas of the country. For all other borrowers, coverage varies depending on collateral – 40% collateral up to 100%; 20% collateral exceeding 100%.</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• Micro and small enterprises and farmers with landholding (preferably new customers).</li> <li>• Businesses with regular and positive cash flows, borrowers should be in conformance to regulations or have “clean” record.</li> <li>• Eligibility requirements for lending to farmers recently increased from subsistence to economic landholding.</li> <li>• 50% of portfolio reserved for targeted areas of the country with priority given to small farmers.</li> <li>• <b>PFIs</b> - Partner Financial Institutions (banks/MFIs) selected by Central Bank.</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>• Duration for both working capital and medium-term capital needs increased to 5 years in 2013.</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Participating Banks are selected on the basis of pre-determined criteria and allocated a limit.</li> <li>• PFIs submits regular reports and compliance reports to the CGS Office in the Central Bank.</li> <li>• CGS Office performs post disbursement audits of select cases and submits reports to the Technical Committee of the CGS on a quarterly basis.</li> </ul>
<b>Claims and Recovery</b>	<ul style="list-style-type: none"> <li>• Guarantor commits to processing guarantee claims of PFIs in 15 working days after receipt of complete information.</li> <li>• Scheme pays 50% when loan is categorized as doubtful and 50% at time of loss.</li> <li>• PFI continues with recovery of defaulted amount .</li> <li>• If recovered, PFI returns proportionate share of CGS to the fund. Recovery is considered – recovery of principal. Costs to recovery are not passed on to the scheme.</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>• Central Bank</li> </ul>

<b>Korea</b>	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>• Coverage Ratios 70-85% (start-ups up to 100%).</li> <li>• Coverage is differentiated by credit rating and duration of guarantee usage. For borrowers with low to no credit rating, coverage can extend to 90% while borrowers with good credit rating get a minimum of 50%.</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• All profit seeking businesses are eligible except real estate, financial services or hospitality.</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Individual; Only 3 % of guaranteed are issued directly through portfolio guarantees (FSD, 2010)</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>• Ceiling amount of USD 2.6 mln.</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Borrower applies directly to KODIT for a guarantee in person or online. If successful, borrower goes to bank with letter of guarantee and gets loan. Once Letter of Guarantee is issued, borrower is responsible to pay the fee which is tied to its credit rating.</li> </ul>
<b>Claims and Recovery</b>	<ul style="list-style-type: none"> <li>• When default occurs due to loans in arrears, PFIs call on KODIT to provide guarantee obligation within 3 months after date of occurrence.</li> <li>• KODIT reviews the case and proceeds to honour the guarantee obligation (limited to principal, agreed interest and costs and costs incurred to collect the loan).</li> <li>• Debt collection is performed by KODIT branches.</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>• As government sponsored organization, KODIT is monitored and assessed by Financial Services Commission (FSC), SME Business Administration, and Ministry of Strategy and Finance.</li> </ul>

<b>Malaysia</b>	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>• Coverage varies from 30-100% depending on the type of guarantee requested.</li> <li>• Individual loans (not reviewed by financial intermediary) can be covered up to 100%</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• CGC (Credit Guarantee Corporation) initially focused on providing working capital and asset investment finance to small businesses in agriculture, commercial and industrial sectors, but recently expanded its target market to include medium sized companies.</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Varies depending on CGS - CGC's Direct Access Guarantee Scheme, for example, allows borrowers to apply directly to the fund without first approaching a bank. 80% of guarantees are provided based on portfolio approach where SME is first evaluated by PFI.</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>• Maximum length is 42 months</li> <li>• Loan amount between RM 10,000-RM 10 million.</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Under an i-guarantee system, the borrower applies online for a guarantee; the CGC reviews the application, after which lenders are invited to bid online for the application.</li> <li>• The scheme also provides a portal accessible to SMEs to compare available guarantee options.</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Risk adjusted pricing structure whereby fees are linked to risk profile of borrowers. Lower rating – better price.</li> <li>• Average fee is 3.65%</li> </ul>
<b>Claims and Recovery</b>	<ul style="list-style-type: none"> <li>• Varies</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>• Central Bank of Malaysia</li> </ul>

<b>Sri Lanka</b>	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>• Coverage varies with loan size</li> <li>• 60-90% depending on size of loan</li> <li>• Guarantee covers principle only</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• Small and medium sized enterprises, agriculture sector and the plantation sector</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Varies</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>• Maximum Loan Size LKR 10 mln.</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• PFIs are responsible for screening and appraisal.</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Premium- 1% of amount guaranteed</li> </ul>
<b>Claims and Recovery</b>	<ul style="list-style-type: none"> <li>• If loan installments remains unpaid &gt; 3 months, PFI sends notification to CBSL. PFI claims are reviewed by CBSL only after PFIs initiate legal action against the borrower to recover the loan.</li> <li>• Only after settlement of the claim, money recovered is divided equally between CBSL and PFI.</li> </ul>

Kyrgyz Republic	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>• Guarantee of up to 40% of loan amount and up to 10% of fund capital.</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• Focuses on small local projects (due to limited capital); targets difference sectors in the regions of operation</li> <li>• Focuses on agricultural and non-agricultural processing companies, textile and tourism.</li> <li>• Guarantees provided mainly to SMEs in trade sector (62%) but also services, manufacturing and agriculture.</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Individual (ex-poste) - Evaluation done by bank only and submitted to guarantor after approved.</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>• Maximum amounts of guarantees is no more than 5% of the total fund capital, and no more than 30% of the loan amount</li> <li>• Banks provide loans for 2-3 years; while guarantees are issued for up to 1 year.</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Screening of applications is done by PFI.</li> <li>• Lenders also assist CGS staff in evaluation of creditworthiness (A2FSME- Central Asia)</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• 1.5% of loan amount to lender</li> <li>• Interest charged to borrowers are set at market rates but are lower than other non-guaranteed credit products</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>• Government ministry</li> </ul>

Kazakhstan	
<b>Guarantee Coverage</b>	<ul style="list-style-type: none"> <li>• 50-85% depending on borrower type and loan requested</li> <li>• Up to 85 % on small loans; 50% for larger loans (&gt;\$135,000)</li> </ul>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• Start-ups and other established SMEs in priority sectors as defined in the Business Roadmap 2020 program: manufacturing, healthcare, education and tourism.</li> <li>• Priority given to projects that modernize or expand production</li> <li>• No sectorial restrictions for star-ups</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Individual – A regional council made up of mayors, banks associations, etc. screen applications only after bank approvals have been obtained.</li> </ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"> <li>• Guarantees up to 10 years<sup>8</sup></li> <li>• Purpose varies per scheme but covers investments, acquisition of fixed assets, financing of current assets.</li> <li>• Maximum amount as high as 3 billion KZT</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• SME applies to bank for loan, following approval, bank submits to DAMU, DAMU makes decision on the guarantee.</li> <li>• Business/Bank/DAMU sign guarantee agreement, and business receives financing.</li> <li>• The process also entails review by Regional Government (Coordinator) in coordination with MEDT (Ministry of Economy and Trade).</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• No fees for borrowers or lenders</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>• Ultimately controlled by GOK and reports to the Ministry of National Economy</li> </ul>

**APPENDIX (9)**  
**INTERNATIONAL BEST PRACTICE**

# APPENDIX (9)

## INTERNATIONAL BEST PRACTICE

### Contents

MENA-OECD Egypt Initiative (partnered by the EU). BUSINESS CLIMATE DEVELOPMENT STRATEGY (BCDS) - MSME Policy and Promotion.....	3
1. Background to Policy Assessment and Framework .....	3
2. Policy Framework MSME policy and promotion assessment framework.....	5
2.1 Institutional Framework .....	5
2.2 Targeted Policy Tools .....	10
2.3 MSME-FDI Linkages.....	10
2.4 Enhancing MSME Innovation .....	11
3. Case Analysis – Egypt –Workshop outcomes:.....	14
 ASEAN - The Association of Southeast Asian Nations; Strategic Action Plan Structure for MSME Development 2016-2025.....	16
1. ASEAN and MSMEs.....	16
2. Strategic Action Planning .....	16
3. KPIs (Key Policy Indicators).....	20
4. Strategic Action Plan and SME Development; Areas of support and Key Contributions .....	20
 Ministry of MSME in partnership with SIDBI (Small Industries Development Bank) through the MSME Umbrella Programme (MSME-UP) - Best Practice Mechanisms and Recommendations for MSME Development	
1. Institutional Mechanisms for SME Development Promotion .....	22
2. Recommendations .....	23
2.1 Overall promotional framework .....	23
2.2 Cross-cutting Recommendations.....	23
2.3 Service-specific Recommendations .....	24
 EU and ILO best practice technical advisory for MSME policy development. Ministry of Commerce, Trade and Finance - Republic of Zambia.....	27
1. Policy Development Framework .....	27
2. Mechanism for Policy Framework Implementation .....	28
Defining Pillars of the Mechanism .....	28
2.1 Pillar One - Capacity.....	29
2.2 Pillar Two - Access.....	31
2.3 Pillar Three - Operating Environment.....	34
 USAID / WB: MSME Growth and Jobs Creation in Lebanon .....	37
1. Background.....	37
2. New MSME’s Strategy .....	37
3. Essential Variables for the Growth and Employment Generation .....	38
3.1 Firm-Level Technical Assistance to Enterprises.....	39
3.2 Export Promotion Assistance .....	39
3.3 Workforce Development and Job Placement.....	40
4. Key Findings and Recommendations.....	41

## **MENA-OECD Egypt Initiative (partnered by the EU). BUSINESS CLIMATE DEVELOPMENT STRATEGY (BCDS) - MSME Policy and Promotion.**

### **1. Background to Policy Assessment and Framework**

MSMEs are the backbone of both OECD and emerging market economies. They make a significant contribution to job creation and are behind the expansion of a number of sectors which drive economic growth and development. OECD research over recent decades has reinforced this by emphasizing the importance of promoting and developing the private sector through an improved environment for MSMEs.

In the global economy MSMEs account for approximately 50% of local and national gross domestic product (GDP), 30% of export and 10% of foreign direct investment (FDI).

Empirical studies show that MSMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries. MSMEs and informal enterprises account for over 60% of GDP and over 70% of total employment in low-income countries and contribute over 95% of total employment and about 70% of GDP in middle-income countries.

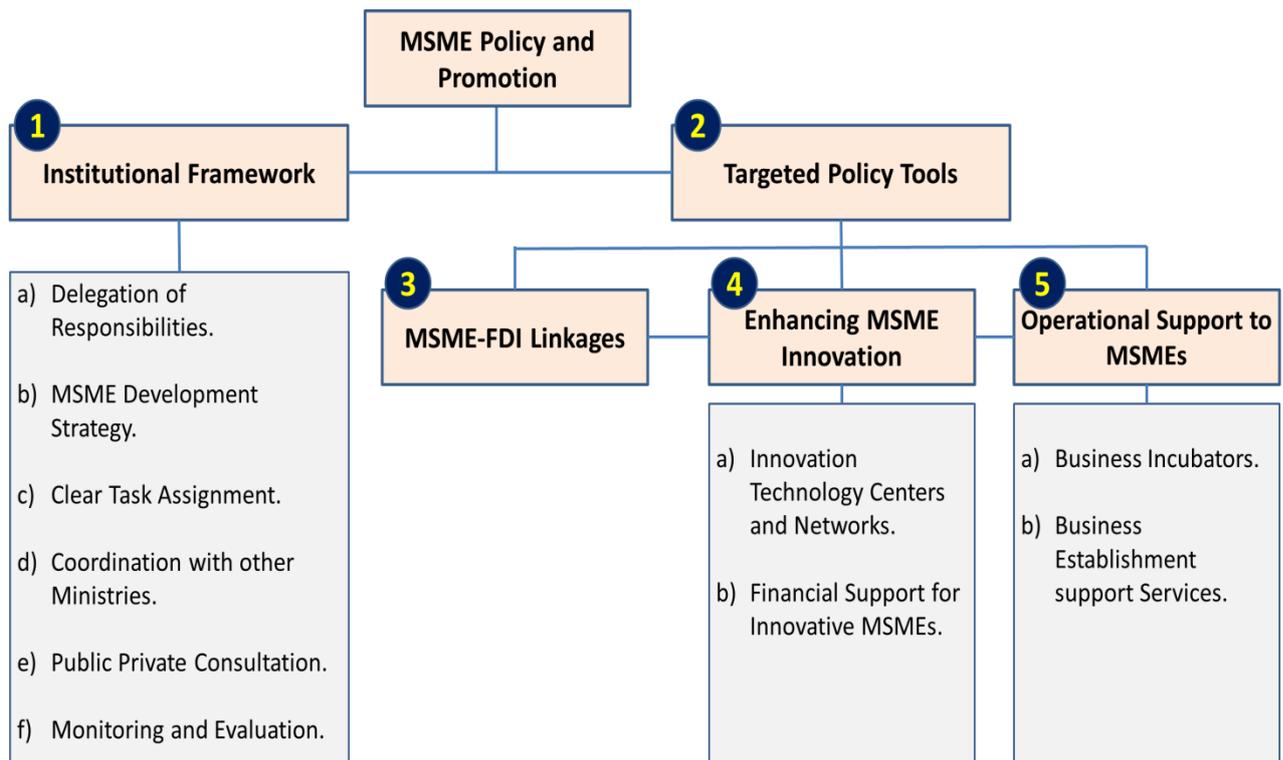
Despite their economic importance, MSMEs are at a disadvantage compared to larger enterprises. The reasons are:

- The lack of economies of scale, which limits MSMEs' ability to invest in fixed capital and technological development.
- Proportionally higher compliance costs, which increase the impact of the legislative and regulatory framework.
- Information irregularities, which limit access to external financing.
- Limited resources for internal training and human capital development.

Against this backdrop, policy makers have giving increasing attention to policies which favor the growth and development of all enterprises, through such broad horizontal policy reforms as the streamlining of regulations and the easing of administrative burdens. Also by introducing selective, targeted government policies to actively promote MSMEs development in cases of market failure.

The figure below shows the assessment framework for "MSME Policy and Promotion". Its two sub-dimensions are the 'institutional framework' that support policy and the 'targeted tools' that implement it.

## MSME policy and promotion assessment framework



1. **The Institutional Framework** sub-dimension encompasses all the institutions that steer government policy in the MSME sector. It examines their roles in policy making, implementation and monitoring, while reviewing how policy is co-ordinated between agencies and through public-private consultation.
2. **The Targeted Policy Tools** sub-dimension addresses measures taken to correct market failures in the areas of technology absorption, access to market information, innovation, access to finance, and training for MSME growth and development.
3. **MSME-FDI Linkages** addresses to what extent MSMEs have developed business connections with larger foreign enterprises through active government support. The policy objective is to enhance MSME access to international markets, skills development, finance, and technology.
4. **Enhancing MSME Innovation** addresses government action to foster innovation networks, linking firms to technology and research centers, and promoting inter-firm cooperation. It also examines financial support for innovative MSMEs.
5. **Operational Support for MSMEs** addresses whether there is support for day-to-day operations such as business incubation for start-ups and business establishment support services for expansion and growth.

## **2. Policy Framework MSME policy and promotion assessment framework**

### **2.1 Institutional Framework**

MSME policy involves almost all government ministries from finance to industry. As such, clearly assigned mandates, missions, and tasks and an advanced level of inter-ministerial coordination are essential for high standards of policy drafting and implementation and the right policy mix.

Monitoring and evaluation measure the impact of policy and gauge the effectiveness of support programmes. Finally, well-developed consultation mechanisms with civil society and stakeholders are critical to policies' success.

#### **a) Delegation of Responsibility**

In countries where the transition to policies for MSMEs has just started or is not yet complete, delegation of responsibility and the assignment of tasks and mandates can lack definition. This can lead to overlaps in competencies and policy inconsistencies. It is therefore important to develop a sound framework for MSME policy.

According to OECD good practice the following criteria are important in assessing the delegation of responsibilities for MSME policy:

- Mechanisms in place that prevent overlap and duplication of policy measures.
- Clearly mapped responsibilities to ensure that institutions take action consistently and in accordance with the agreed structure (which can be found in official planning documents such as the country's MSME strategy).
- Mechanism in place that facilitates ICT and policy coordination between the institutions involved in MSME policy making.
- Detailed consultation with stakeholders to ensure consistency and effectiveness.

In Egypt, a number of ministries and specialized agencies handle MSME policy. The main bodies are the Social Fund for Development (SFD), the Ministry of Trade and Industry (MOTI), the Ministry of Investment (MOI), the Ministry of Finance (MOF), and the Ministry of Higher Education and Research (MOHER).

#### **b) MSME Development Strategy**

A strategic document that defines medium-term targets for private sector development and includes a MSME-specific policy strategy will help ensure consistency in government policy, secure consensus on government action, and send clear signals to private enterprises on the direction of policy. It should be endorsed by the government and be consistent with and complement other strategic government papers, such as industrial and innovation policy strategies.

The following criteria are important for assessing an **MSME development strategy**:

- a) It should have an implementation timeline that spans the medium-term. It should also be official, comprehensive and practical, taking into account any past or expired strategies; and it should be sector-specific.
- b) It should be approved by the government after a consultation process with all stakeholders.
- c) A good strategy should demonstrate impact by meeting its time-bound qualitative and quantitative targets.
- d) An adequate annual budget should be earmarked to the implementation of the strategy.
- e) An MSME strategy should generate impact and strengthen the MSME sector. (A strategy can also be assessed by examining whether it has met development goals such as alleviation of poverty, social exclusion, and whether it has served to generate employment and foster growth.)

The strategy should be drafted in consultation with the private sector, particularly entrepreneurs, to ensure government policy responds appropriately to market failures. The strategy's implementation should be monitored by an inter-ministerial steering group and, ideally, be chaired by the Prime Minister to ensure a sound implementation platform and co-ordination mechanism at the highest level.

### **c) Clear Task assignment**

Ideally, a single institution should lead policy implementation with an effective mechanism for co-coordinating the work of key ministries, agencies, and local government offices (where relevant). Some countries create bodies that implement and co-ordinate base programmes for policy like MSME promotion agencies. But regardless of the institutional set-up, an implementation body specifically tasked with implementing an MSME policy should fulfill certain requirements:

- 1) It should operate with an official mandate prescribed by law.
- 2) It should be assigned enough staff and a high enough budget to fulfill its mandate.
- 3) It should be able to show a track record of efficient implementation of MSME policies.

The lack of a harmonized approach to MSMEs across government institutions leads to ambiguous task assignment, which in turn causes policy inconsistencies and overlaps in implementation. The lack of a clear common definition of MSMEs can create distortions in policy, as shown in the informal sectors apathy to register.

### **Example of Distortions – Informality**

Informality is defined as lack of compliance with laws and regulations. Its main drivers are high social-security and/or labor levies, tax compliance practices, and regulations.

Informality can produce such short-term benefits as higher profits and greater flexibility, but it has long-term drawbacks – *e.g.* limited access to credit, low retention of qualified staff, and lack of protection from the law. Companies decide their degree of informality on the basis of risks and rewards. High tax rates with limited controls foster informality. An additional factor is how many informal competitors are in the same market.

Informal companies do not respond as expected to standard policy measures, like tax incentives or support programmes. A backlog of unpaid taxes or possible fines will act as an obstacle against moves towards greater formality. High concentrations of informality in specific sectors distort competition and long term growth, as they force companies to compete on tax and labor charge avoidance instead of on innovation, management, and marketing tools.

There should be a system in which companies can grow by competing fairly and legally. To bring such a system about, greater compliance should be encouraged among MSMEs. There needs to be a concerted action from the government and the private sector to design paths for companies to move towards greater formality. Private-sector support is essential for identifying non-compliant companies and ensuring that compliance measures are properly targeted and designed. The institutional framework for a successful MSME policy may be a factor that further encourages informality, as there is ambiguity as to which institutions cater to which segments of enterprises. Overlapping policies and inconsistencies may lead to higher business transaction costs for firms when they comply with regulatory requirements, thus encouraging informality.

#### **d) Co-ordination with Other Ministries, Stakeholders and Civil Society**

Inter-governmental co-ordination is essential to transparent, harmonized policy-making. Enterprise policy should be drawn up in close consultation with representatives of the key stakeholder groups. Well-developed public-private sector consultation mechanisms are vital for the quality of the overall policy. The following requirements should be met by any co-ordination body:

- It should be chaired by a high-level government entity;
- It should be supported by a secretariat which ensures co-ordination, policy exchange, and consultation with stakeholders through agreed mechanisms.
- Mechanisms are regularly assessed to ensure their effectiveness.

An inter-ministerial coordinating body should be put in place under the authority of a high-level government office. It could function like an economic committee chaired by the Prime Minister, but would focus on the MSME sector. Topical sub-committees should tackle problematic areas of MSME policy, like the need for a harmonized definition of “MSME” and how to formalize the informal sector.

#### **e) Public-Private Consultation**

Effective private-public consultation mechanisms are essential to improving the quality of government policy towards MSMEs. They are critical to filling the information gap between government and MSMEs, to building consensus on key policy objectives, and to understanding the effect of government measures.

To be effective, public-private consultations should meet a set of assessment criteria.

- They should build on an agreed, well-structured framework.
- They should take place at different levels on a regular basis and not only in response to major policy measures or critical situations.
- They should be held at multiple levels of decision-making, with private sector experts in technical working groups conducting high-level dialogue with senior members of the government.
- They should include representatives from MSMEs and business associations.
- They should be well-prepared – e.g. the government should present its proposals to business associations well in advance, allowing them enough time to study proposals and consult their members.
- The government should be ready to review its policy proposals and to study alternative measures proposed by MSMEs.
- The results of consultations should be made public and the government should regularly report on the implementation of measures agreed at the consultation table.

#### **f) Monitoring and Evaluation**

In order to gauge the effectiveness of MSME policy tools, especially publicly funded programmes and services, they should be regularly monitored and evaluated. Yet there is often no systematic monitoring or evaluation, despite the very sizeable resources channeled into MSME support and development programmes (like enterprise upgrades and business services).

Innovative monitoring to obtain companies' feedback on programmes should be assessed according to whether:

- It takes place on a regular basis and is comprehensive, e.g. how many firms, of what types, and in which localities obtain different forms of support;
- It is complemented by a post evaluation of the impacts of programmes (to determine whether they have helped to produce a better outcome and/or whether one type of publicly funded programme works better than another);
- Its cost is built into the budget of an MSME support programme.

Proper monitoring and evaluation is, in fact, a relatively sophisticated undertaking, and monitoring and evaluation databases and tools may need to be established in co-operation with donor institutions (see box below).

Finally, it is important that public and private sector representatives agree on mechanisms to evaluate the costs and benefits of government policies and their impact on private sector development. Results should be used to inform and improve the national enterprise policy. The prompt availability of statistical data, company surveys conducted by independent and qualified institutions, and policy reviews and programme evaluation exercises are very important tools for advanced dialogue on policy.

### **Good practice in Monitoring and Evaluation**

Apply the **C.O.T.E.** framework to MSME policy:

- ✓ **Clarity** and coherence of MSME policies require a clear rationale for policy intervention and statement of purpose. The various parts of government interacting with MSMEs to facilitate their development should ensure that their efforts are consistent and co-ordinated.
- ✓ **Objectives** of MSME policies should be clearly specified. Examples would include the creation of new firms, the growth of existing firms, or promoting enterprise among target groups in the population.
- ✓ **Targets** should be specified in measurable ways to facilitate evaluation of the extent to which objectives should have been achieved.
- ✓ **Evaluation** of policy, which must be based on clear policy targets, should be the most important test of its effectiveness.

Which should enable the following initiatives:

- Develop an “evaluation culture” by making evaluation of programmes central to the policy process. Evaluation should not be simply undertaken as a historical accounting exercise but should be used to inform current policy, the objectives and targets of which may be modified in the light of the results of evaluation.
- Integrate the methodology of, and budget for, evaluation of programmes as part of the legislative process. These should not be delayed until after the programme has been implemented.
- Ensure that all, rather than merely some, selected programmes are subject to evaluation.
- Evaluate all programmes using the most sophisticated techniques that are feasible and taking into account the need to be cost-effective. In practice, more approximate approaches will be necessary in assessing smaller programmes.

Major evaluations should be undertaken with independent but informed assessors. Nevertheless, the involvement of the programme teams, both policy makers and deliverers, is vital.

## 2.2 Targeted Policy Tools

Governments have responded to market failures by introducing selective, targeted policies to correct the failures and actively support the most vulnerable segments of the MSME population, *e.g.* micro-enterprises, enterprises operating in deprived areas, and young and female entrepreneurs. The Targeted Policy Tools indicators address measures taken to correct market failures in the areas of technology absorption, access to market information, innovation, access to finance, and training for MSME growth and development.

## 2.3 MSME-FDI Linkages

Linkage programmes between MSMEs and multinational enterprises (MNEs) can help local firms enhance their competitiveness through improved access to international markets, finance, technology, management skills and other specialized knowledge. In return for their collaboration – which may be government-backed – foreign investors can gain better access to skills, manufacturing distribution capacity, and local markets.

Effective linkage programmes may facilitate economic growth, technology spillovers, human capital formation, and contribute to a more competitive business environment. They can take different forms depending on the objectives that governments want to meet. The OECD identifies five distinct forms:

- 1) Backward linkages with suppliers.
- 2) Forward linkages with customers.
- 3) Linkages with competitors.
- 4) Linkages with technology partners.
- 5) Other spillover effects.

### Summary of Linkages Types and Examples;

Type	Examples
Backward linkage with suppliers	Local MSME becomes supplier to MNE.
Forward linkage with customers	MSMEs act as buyers or purchasers of outputs from MNEs, such as in the form of franchises.
Linkage with competitor	New, large entrant into a national market puts incumbent enterprises under pressure to enhance production, distribution, and marketing.
Linkage with technology partner	MSMEs and MNEs initiate common projects in the form of joint-ventures, licensing and strategic alliances.
Other spill-over effects	Trained personnel leaves MNE and works for local firm or sets up their own MSME.

Linkage promotion activities and networks can help match the right domestic suppliers with the right foreign firms. In-depth consultation with MNEs and local suppliers should be conducted to identify their linkage needs and opportunities. Furthermore, as linkage programmes are sophisticated tools which require significant resources and target a limited number of domestic MSMEs, there should be an adequate budget and proper planning. The programmes should be monitored and evaluated.

Improving the business performance of MSMEs is an important part of broad economic development. Commercial relationships or business linkages between MSMEs and FDI can be a powerful conduit for diffusing knowledge, skills and management practices.

The MSME-FDI Linkage indicator assesses to what extent an investment promotion agency (IPA) or MSMEs incorporate MSME-FDI linkage programmes into their activities. The criteria used to determine its rating is:

- Whether there is a defined linkage strategy (e.g. have specific sectors been prioritized and are there potential foreign and local participants).
- If there a basic operating structure (e.g. a unit within the IPA or MSME agency to run the programme).
- A monitoring and evaluation mechanism (to measure the programme's success).
- An expansion phase (where new sectors and participants are included).

## **2.4 Enhancing MSME Innovation**

In OECD economies, policy makers concerned with accelerating innovation focus their attention on a wide range of institutional and policy settings. This breadth of focus reflects the fact that innovation is an outcome of multiple economic and institutional conditions. These conditions range from the quality of physical and virtual infrastructure to the level of available skills, degree of competition in markets, tax treatment of R&D, sophistication of markets providing services to business (including specialized forms of finance), and the broader environment enabling business growth. There is no configuration of policy settings that guarantees an optimal level of innovation. Progress must be aimed for across the board, with governments and other stakeholders finding the mix of policy measures most apt for each circumstance.

However, policy must recognize that innovation takes many forms and varies across companies of different sizes and across sectors. For instance, research shows that innovation in MSMEs is project rather than portfolio-based and tends to generate innovations of lower value than in larger firms. And radical innovation in MSMEs usually arises in only a few sectors, while incremental innovation is important in MSMEs in all sectors.

Innovation in MSMEs also depends crucially on external linkages and skills, capital and knowledge. In addition, particularly in emerging markets, absorption capacity and adaptation of existing technologies play a crucial role. This external dependence reflects the limited internal division of labor present in most small firms. Indeed, a lack of partners is often cited by MSMEs as the most significant barrier to innovation, with finance and skills also being important. Hence the appropriateness of the emphasis on establishing innovation and technology centers and networks and securing financial support for MSMEs.

## **Woman and Innovation in Entrepreneurship**

Women's entrepreneurship is growing in OECD member countries and around the world. In some countries, women-owned businesses are increasing at a very rapid pace in terms of both numbers and turnover. Women entrepreneurs constitute a growing share of MSME owners, with start-up rates outpacing the national average in several OECD member and non-member countries. For example, women are beginning new innovative businesses at a faster rate than men and expanding their share of business ownership in Brazil, Ireland, Spain and the United States, among others. Women business owners are creating new niches for entrepreneurial activity and have the potential to become key players in the new, knowledge-based economy. However, while women's entrepreneurship is very dynamic in some countries, it is much less significant in others and remains constrained by various barriers.

### **a) Innovation and Technology Centers and Networks**

International experience demonstrates that technology and innovation centers must be demand-oriented and closely linked with the productive system. Such centers also need to be proactive in their outreach to the MSME sector because entrepreneurs in many small firms are not fully aware of all their assistance needs, and are often unable to dedicate significant time to the search for reliable partners and sources of advice.

This focuses on government actions to foster innovation networks, linking firms to technology and research centers, and promoting inter-firm cooperation. Innovation and technology centers and networks can be assessed as follows:

- Innovation promotion schemes implemented.
- Regulatory framework for public-private projects in place.
- Strong public-private partnerships among research institutions and private sector (can be on international, national, regional, and local levels).
- A network of high-level innovation and technology centers present.

### **b) Financial Support for Innovative MSMEs**

Funds may come from a variety of sources including financial engineering to generate venture capital. Support for innovative MSMEs can be assessed as follows:

- Legal and regulatory framework for innovation support schemes adopted after consultation with stakeholders.
- An implementing institution is in place to deliver support schemes.
- A complete range of funding schemes is available (grants, loans, and private equity schemes like seed funding and venture capital).
- Information on funding is available and a significant number of projects are funded.

## **2.5 Operational Support to MSMEs**

## **a) Business Incubators**

International experience suggests that business development should take precedence over job creation in the design and evaluation of incubation programmes. Job creation is best attained through successful business outcomes.

OECD experience also indicates that the development of professional incubator associations should be encouraged in order to disseminate best practices, create benchmarks, and implement training – indeed, the success of incubation programmes often turns on the quality of management. Associations can also create accreditation programmes. Business incubation can be assessed as follows:

- There are several incubators, or a network of them, throughout the country.
- Incubators provide high-quality services for a fee.
- Exit strategies exist for firms enrolled in incubation programmes.
- Evidence that incubators have fostered innovation in MSMEs.
- Monitoring and evaluation to ensure the effectiveness of incubation programmes.

## **b) Business Establishment Support Services**

Business establishment support centers (usually industrial parks or zones) are location-specific and target established MSMEs. The aim is to upgrade MSMEs which perform at low levels of growth but have high-growth potential. Programmes may also target high-growth enterprises with innovation potential.

Their service provision may be geared to function and support schemes (industrial modernization programmes), location (industrial parks), or a combination of the two (business incubators that provide start-ups with a location and support services).

Services should be comprehensive and address the needs of enterprises with innovation or high-growth potential. The location of enterprises serves a number of purposes; it not only facilitates the development of networks and information sharing among firms in areas of common concern, it can also lower the unit costs of providing services and basic infrastructure. Industrial parks or zones are associated with incentives for entrepreneurs to grow. The aim is to support the growth of enterprises with innovation potential. They are assessed as follows:

- Well-structured, budgeted establishment support programmes are available throughout the country (MSME zones, industrial parks, etc.).
- A wide range of services is offered to MSMEs, including technical services required for innovative MSMEs.
- Programme designs are based on public-private partnership.
- Programmes are regularly monitored and evaluated.

Business services range from assistance in the start-up phase and drafting business plans, to accessing finance, developing human resources and, finally, for the most advanced enterprises, assistance in delivering innovative projects.

### **3. Case Analysis – Egypt –Workshop outcomes:**

#### **Key recommendations**

- Co-ordination and co-operation could be tightened with a legislative framework to make operations more efficient, policy planning and formulation more inclusive, and monitoring more effective.
- Institutional operating efficiency would gain from establishing single-window contact points. They would be MSMEs' sole ports of call when seeking assistance and information about government support programmes. The contact points would identify an MSME's needs, direct it to the right institution or organisation, and help entrepreneurs in completing forms.
- A single on-line portal site should also be created to offer MSMEs a customised information service. They could browse it for the information they need and check out links to the websites of other organisations for further information.
- Establish an inter-ministerial committee on MSME policy that would reports to the Prime Minister's office. It should bring together key economic ministries (Finance, Trade and Industry, Investment, Labour) and the 'development funds'. Its job would be to formulate a coherent policy towards MSMEs and review all legislation that affect them. It would secure the cooperation of other institutions, co-ordinate communication between them, and monitor how they implement policy. In this way the inter-ministerial committee could overcome the obstacles caused by the segmentation of MSME policy.
- One of the first tasks of the committee would be to draft a document setting out the perspectives for MSME policy. It would define a coherent common policy framework to support programmes and actions across the full spectrum of the MSME population.
- The committee would meet periodically, but its permanent secretariat in Prime Minister's office would keep operations running between meetings. It would coordinate the flow of information between ministries, conduct technical consultations, and follow up inter-ministerial meetings.
- Reinforcement to the institutional setting would be an advisory body with members drawn from ministries and agencies, MSME organizations, the Chamber of Commerce, expert bodies and academia. Such a cross-section would enhance dialogue and policy making and help to improve the monitoring of policy implementation and its impacts on MSME programmes. This MSME advisory unit

would supply input to the MSME Inter-ministerial Committee and to individual ministries and government agencies.

- The high number of MSMEs that operate informally has major implications for the medium-term growth of this vital segment of the enterprise population. Informality affects the quality and sustainability of development, distributes its benefits unequally, and impairs the effectiveness of every component of government policy towards MSMEs (taxation, regulations, innovation, and labor). It is, therefore, vital to develop a comprehensive, co-ordinated strategy for reducing informality among MSMEs, looking beyond non-compliance to a specific set of laws, regulations, and budgetary implications.
- A successful approach should build on the rigorously analyzed risks and rewards of informal business operations and aim at modifying the behavior of economic agents (enterprises, employees, and customers) through a combination of incentives and penalties.
- The government should designate an institution to lead and coordinate government action. It would be supported by a task force of key players and stakeholders (from key line ministries, the Office of Statistics, executive agencies, chambers of commerce, employers' federations, small business associations, and NGOs). The MOF is well placed to play a central role, as tax evasion is a key driver of the informal economy. One of its main tasks could be to draw up a new definition of "MSME". It would have a single meaning that would be accepted across administrations and programmes and would incorporate the measurement issues related to high levels of informality.

OECD experience shows that significant progress is achieved in this area by developing a continuous, effective dialogue among all the key players. This generates enhanced co-ordination effects and addresses potential policy inconsistencies. In a number of countries the task has been the work of a council operating under the authority of a business-related ministry. Such councils have a cross-section of members from the public and private sectors, including representatives from innovative enterprise networks and civil society (universities, economic and scientific research bodies).

# ASEAN - The Association of Southeast Asian Nations; Strategic Action Plan Structure for MSME Development 2016-2025

## 1. ASEAN and MSMEs

Given the diversity of ASEAN MSMEs across the region, and the complexity of issues and challenges they will face, it is critical that the MSMEs policies are strategically relevant, and prioritize actions.

It is also important to design a planning system where actions are selected in order to address not only the current issues but also future challenges that ASEAN MSMEs will face in the next decade.

### For this purpose:

- Action lines under each strategic goals are aligned as part of the implementation roadmap with a view to resolving the current issues and achieve the strategic goals which are tracked through key policy indicators (KPIs).
- The action lines should be diverse and well-balanced, and provide opportunities for public-private partnerships in the project design.
- The monitoring and evaluation mechanism is a critical element for the successful implementation of the action lines. For the periodic evaluation of progress towards the strategic goals, the applicable KPIs and performance indicators should be pre-determined and clearly developed. For this purpose, a base-line survey should be undertaken to provide comparable data for future years.

For these purposes, and to ensure that co-operative actions generate optimum value over a ten-year period from 2016 to 2025, the post-2015 SAP SMED will serve as a practical implementation guide.

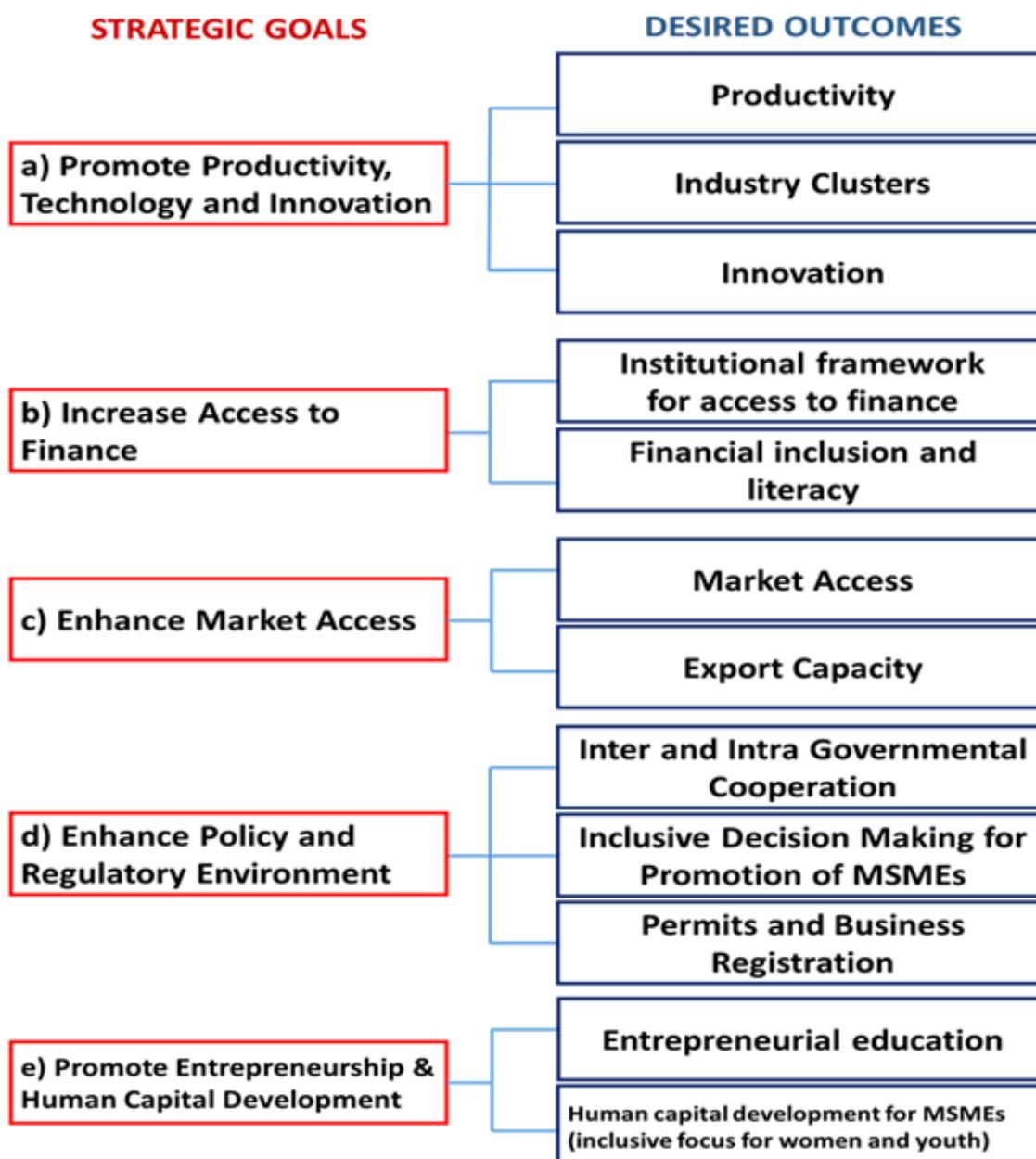
## 2. Strategic Action Planning

The Action Plan sets out the common vision of the member countries, and the mission statement, strategic goals and related desired outcomes and actions through which ASEAN realizes the vision (figure below).

### Structure of ASEAN MSME Strategic Action Plan



The Implementation Roadmap aligns concrete actions, with 5 strategic goals and 12 desired outcomes (see chart below). It sets the basis for the monitoring mechanisms for who, when, and how to manage the progress of the action lines on an on-going basis. KPIs provide the policy indicators to evaluate the achievement of the strategic goals.



*Implementation Road Map*

### a) Promoting Productivity, Technology and Innovation

Improving productivity and technology are considered to be the key drivers to integrate with multinational corporations (MNCs). In addition, MSMEs are considered to perform better when they are allied with other MSMEs or with large enterprises including MNCs.

### b) Promote Productivity, Technology and Innovation

- Productivity
  - Developing an enhanced understanding of relevant productivity measures.
  - Promoting capital investment.
  - Improving production management skills.
- Industry Clusters

- Enhancing industrial linkages among SMEs and between SMEs and large enterprises including MNCs.
- Promoting technology and capabilities to foster industry clustering.

➤ Innovation

- Promoting key technology usage and its application to business innovation.
- Enhancing information on innovation support services.
- Enhancing business-academic collaboration.

### c) Increasing Access to Finance

There is a strong need to enhance MSMEs financial literacy to make them more aware of financial resources and support programs available to them. MSMEs need to be encouraged to utilize diversified sources of financing. Access to financing from traditional financial institutions is usually limited due to the lack of credit information.

➤ Developing and Enhancing Institutional Framework for Access to Financing

- Improve the understanding and strengthening the traditional financing infrastructure.
- Improving policy environment and measures to foster alternative and non-traditional financing through increasing availability of diversified sources of private financing.
- Strengthening export financing facilities.

➤ Financial Inclusion and Literacy

- Enhancing the outreach to promote financial inclusion to increase access to both traditional and alternative financing.

### d) Market Access

➤ Supporting Schemes for Market Access and Developing Integration to the Global Supply Chain

- Increasing information on regional and global market access and opportunities.
- Promoting partnering with MNCs/large enterprises to increase market access and opportunities.
- Enhancing e-commerce use.
- Promoting the adoption of international standards of quality to facilitate market access.

➤ Export Capacity

- Establishing mechanisms to assist in the increase of exports.

### e) Enhance Policy and Regulatory Environment

➤ Inter and Intra-governmental Cooperation in terms of Policy and Regulation

- Strengthening the coordination mechanism between public agencies responsible for MSMEs.

- Developing strategies to align national MSMEs development strategies with the regional strategies.
- Inclusive Decision Making for Promotion of MSMEs
  - Advocating and Promoting MSMEs participation in policy formulating.
- Permits and Business Registering
  - Establishing a sound system and streamline permit and registration to enable less costly and faster business formation.

#### **f) Promote Entrepreneurship and Human Capital Development**

- Entrepreneurial Education
  - Instituting entrepreneurial education and learning programs.
  - Promoting entrepreneurship education.
- Human Capital Development for MSMEs especially for Women and Youth
  - Enhancing management and technical skills of women and youth entering into the workforce.
  - Providing a platform to promote and facilitate women's participation in MSMEs.

#### **1. Implementation of Action Lines**

Once the actions have been formulated for the strategic goals, it is important to determine which action lines should be implemented when, by whom and how under the Implementation Roadmap.

The Implementation Roadmap serves as a suggested regional model which can be elaborated and fine-tuned with concrete action lines according to their specific needs and circumstances.

It is critical to have clarity on the future value to be generated and to identify the sequence of actions that would be most appropriate to resolve the issues faced by the ASEAN MSMEs, and what needs to be done in order to achieve the targets set out by KPIs.

From the perspective of the current issues and future values, actions lines are formulated in consideration of following essences;

- Relevant to the time-bound priorities.
- Being aware of the availability of funding and technical support.
- Interaction and collaboration between local stakeholders and international organizations.
- Encourage public-private partnership.
- Consider types of measures (i.e. financial Scheme, human capital, knowledge sharing/networking, laws and regulations, infrastructure).

Along with the time-bound priority of actions in the first five years, each individual action line should be plotted in a timeline considering various factors such as:

- Project Proponents (champions/ partners/donors).
- Order and sequence of action lines.
- Required time (short-term ('quick-wins'), medium-term, long-term).
- Required technical skills.

- Required financial support.
- Types of measures (i.e. financial Scheme, human capital, knowledge sharing/networking, laws and regulations, infrastructure).

### 3. KPIs (Key Policy Indicators)

Strategic Goal		KPI
A	Promoting Productivity, Technology and Innovation	National labor productivity (GDP divided by number of labor)
		R&D expenditure (% GDP)
B	Increasing Access to finance	Percentage of business loans to MSMEs
C	Enhancing Market Access	Percentage share of SMEs contribution to national exports
		Percentage of SMEs with investment overseas
D	Enhancing Policy and Regulatory Environment	Time and cost required to start a business (days)
		Cost of business start-up procedures
E	Promoting Entrepreneurship & Human Capital Development	Contribution of SMEs to employment
		Labor Force Participation rate (female)
		Labor force participation rate for ages 15 - 24

### 4. Strategic Action Plan and SME Development; Areas of support and Key Contributions

SAP-SMED (Strategic Action Plan for SME Development) has been at the forefront of the JAIF-ASEAN Cooperation, which is a Japanese led support initiative that assesses the SAP of ASEAN. The initial SAP-SMED plan was 2010-2015, with a drafting of the SAP SMED 2025 through the Economic and Industrial Cooperation Committee (ASEAN EICC).

The following table shows are the areas of support based on the strategic goals of ASEAN-SAP-SMED and key contributions of completed / implemented projects.

SAP SMED Strategic Goals	Productivity, Technology, and Innovation	Access to Finance	Market Access and Internalization	Policy and regulatory environment

SAP SMED Strategic Goals	Productivity, Technology, and Innovation	Access to Finance	Market Access and Internalization	Policy and regulatory environment
Development of AMEN Mentorship Modules for MSMEs, certification of 48 mentors and capacity building for 127 mentees from AMS through ASEAN Mentorship for Entrepreneurs Network (AMEN).				
Conduct one study report on five industries and one cluster development study focused on health, tourism with case studies in Cambodia, the Philippines, Thailand and Vietnam, and dissemination of the same through: 1) Workshop in the 4 AMS and a regional seminar benefitting more than 200 ASEAN MSME owners/managers, government officials, civil societies, educators, and students; 2) two modules on cluster development and international standards available online; and 3) one policy brief.	✓		✓	
Development of the Reference Guidebook for ASEAN SME Exporters			✓	
A series of trainings for MSME clusters, business development service providers, and trade promotion organizations from 18 provinces across Cambodia, Myanmar, Thailand, and Vietnam through the project “Enhancing Competitiveness of Small and Medium-Sized Enterprises in the Southern Economic Corridor of ASEAN Mekong Sub region (AMS)”.			✓	
Training on SME development among 25 representatives from Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV).	✓	✓		
Development of the Credibility Index for SMEs (CIS) Model and the Multiversity Education System (AIIT Model) through the “Comprehensive Industrial Human Resource Development (Ci-HRD) project”.				✓
Development of an ASEAN Benchmark for SME Credit Rating Methodology.		✓		
Conduct of the “ASEAN Youth Creative Industry Fair (AYCIF)”.				
Conduct of 19 programs benefitting more than 700 representatives from ASEAN incubator centers to be Teaching Incubation Centers (TIC).	✓			
Establishment of the ASEAN SME Service Centre.			✓	
Development of the Guidebook on ASEAN SME Staff Exchanges and Internships through the “ASEAN Internship Project”.				
Development of three (3) ASEAN Technology; Business Incubator (TBI) models; Set up the ASEAN TBI Network called ABINet	✓			
Development of the ASEAN Guidelines on Improvement of Rural Living Condition Through One Village One Product (OVOP) Movement			✓	
Development of eight (8) SME toolkits (tourism) based on ILO Community-Based Enterprise Development approach through the “ASEAN Small Business Competitiveness Programme”.			✓	
Development of Common Curriculum for Entrepreneurship in ASEAN				

# Ministry of MSME in partnership with SIDBI (Small Industries Development Bank) through the MSME Umbrella Programme (MSME-UP) - Best Practice Mechanisms and Recommendations for MSME Development

## 1. Institutional Mechanisms for SME Development Promotion

Through Ministry of MSME wide global experience and exposure and from its studies of international institutions, some common practices emerge as best practices. The list below indicates the identified themes and their fundamental functionalities;

- a) **Planning mechanism.**
- b) **Implementation.**
- c) **Central coordinating agency.**
- d) **Technologies.**
- e) **One-stop service points.**

- a) **Planning mechanism** - allocates resources to clearly defined strategic goals, outputs and outcome indicators. Strategic planning based on quantitative data with clearly defined strategic goals, which are then broken down into measurable indicators.

The planning is centralized even though the implementation may be decentralized. Where separate plans are made by individual agencies, they have to tally in the aggregate with the central master plan. Programs and specific activities are mapped to the indicators defining strategic goals.

- b) **Implementation** is measured against outputs and outcomes contained in the strategic plans, not just against inputs or procedures. In addition to the usual government accounting audits, user feedback surveys and performance evaluations are also carried out. The overall evaluation consists of both accounting and performance as-assessments.

- c) **Central coordinating agency** to coordinate multiple programs for MSMEs - This sort of agency has the power to coordinate the provision of services by multiple ministries, agencies and departments. Reporting progress made by each agency towards MSME development and promotion.

- d) **Technologies - the Use of ICT to ease access to services** for MSMEs to government services. For example, the coordination of promotion and marketing services through portals, creates a single-window interface for all MSMEs on a national or cluster level. For example, Malaysia has computerized the credit histories of more than 28,000 SMEs to be shared across lending institutions to speed up credit appraisal.

- e) **One-stop service points for MSMEs** - The physical network of service points is continuously supported with upgraded infrastructure and personnel. These also become operational centers covering; start-ups, promotion, finance facilitation and marketing hubs for MSMEs there geographical location. They also accelerate the knowledge and awareness transfer to all the direct community.

## **2. Recommendations**

Building on the identified themes are best practices recommendations for a coordinated and comprehensive institutional framework to maximize results of government or agency initiatives. These options have been arrived at by taking into account the current reality of the institutional frameworks and relevant international institutional arrangements and practices. Options suggested are at the following three levels:

- 1) Overall promotional framework.
- 2) Cross-cutting recommendations.
- 3) Service-specific recommendations.

### **2.1 Overall promotional framework**

To set up a national-level executive agency. It is recommended that a fully supported central level supervisory council be set up to synchronize the various programmes and initiatives, for SME promotion and development and minimize duplication and maximize impact.

The council should ensure that overall strategic goals are not lost sight of by different agencies implementing their own programmes and reduce duplication and overlaps. It should also coordinate the roles of various ministries in the MSME sector, monitoring the effort by individual ministries and agencies towards MSME promotion and development.

There could also be a secretariat attached to it or within it, that plays the role of a think tank for all MSME policy issues and reform processes to streamline & improve the;

- Planning process of policies & programmes.
- Organizational mandates for prioritization in service and priority areas.
- Coordination of the different institutions interacting with the council for effective implementation.
- Integration of private sector organizations into the promotional strategy and approaches that foster market development of MSME services.

### **2.2 Cross-cutting Recommendations**

Certain common themes emerge while analyzing the MSME specific institutional framework and specific service areas. These are overarching cross-cutting issues, such as the lack of prioritization, lack of coherence in planning, over dependence on public institutions, limited outreach and the adequacy and impact of support programmes.

To achieve a coordinated and comprehensive MSME promotional and developmental framework, there is an urgent to focus on the following:

- Prioritize support services based on defined criteria such as sectors, export-oriented trades, or size (micro/ small/medium). Without explicit prioritization of services, institutions would find it difficult to achieve greater efficiencies in their programmes and services for MSMEs.
- Rationalize and support schemes with budget outlays to focus and prioritize schemes (selected by target group, subsector, theme or a mix of more than one of these criteria).
- Plan support services with market development aspects wherever applicable. This basically means that the long-term focus should be on ensuring the systematic and large scale development of private sector supplier capacities on one hand and the demand for such services on the other.

## 2.3 Service-specific Recommendations

Addressing key problems highlighted in the analysis of MSME services, three core areas have been prioritized; credit, marketing and skill development. In the following tables, their options along with the relevant best practices have been assimilated:

### 1) Credit delivery system based on international best practices

OPTIONS	INSITUTION	PRACTICES
<ul style="list-style-type: none"> <li>▪ Adoption of alternate mode of credit delivery by banks.</li> <li>▪ Develop capacity of MFIs to lend to micro enterprises in the “missing middle” segment.</li> <li>▪ Focus on enhancing financial literacy amongst MSMEs.</li> <li>▪ Improve information asymmetry through further strengthening of Credit Information Bureau of India Ltd.’s database of SME credit history.</li> </ul>	SME Corp Malaysia	<ul style="list-style-type: none"> <li>- Runs 1-InnoCERT (1-Innovation Certification for Enterprise Rating and Transformation) innovation standard. Firms in high technology sector choosing to obtain this standard are put on fast track access to finance and business advisory services.</li> <li>- Offers the Small Debt Resolution Scheme through a network of banks and Development Finance Institutions (DFIs), providing debt restructuring facilities to SMEs unable to service their existing debt obligations.</li> <li>- Bound by client charters that specify service levels. For example, at SME Corp, all applications for matching grants are processed within 30 working days upon submission of complete information.</li> </ul>
	South Africa Micro Finance Apex Fund	<ul style="list-style-type: none"> <li>- Has a clear target population for its services, leading to the inclusion of the “missing middle” segment.</li> <li>- Relies on existing traditional financing intermediates in order to target the informal sector.</li> </ul>
	Bank Negara Malaysia	<ul style="list-style-type: none"> <li>- Its Central Credit Reference Information System (CCRIS), containing credit histories of SMEs, is used by the SME Credit Bureau, a centralized provider of credit information and ratings on SMEs in Malaysia; bank acts as single source for lenders to retrieve credit information and ratings on SMEs.</li> </ul>

## 2) Options for Marketing based on international best practices

OPTIONS	INSITUTION	PRACTICES
<ul style="list-style-type: none"> <li>▪ Implement Public Procurement policy for MSMEs.</li> <li>▪ Reduce entry barrier for MSMEs by breaking down public contracts into smaller lots.</li> <li>▪ Provide specifications in the form of performance and functional requirements rather than detailed technical specifications.</li> <li>▪ Educate MSMEs on understanding government procurement better.</li> <li>▪ Offer single-window access for all international trade related services through coordination and networking with public (e.g. Export Promotion Council) and private institutions.</li> </ul>	<p>Small Business Administration (USA)</p>	<ul style="list-style-type: none"> <li>- Has a Goaling Programme which sets procurement targets for federal executive agencies for SMEs (23% prime contracts for small businesses is the principal target).</li> <li>- Procurement targets set and monitored on an annual basis by using data from the Federal Procurement Data System (FPDS).</li> <li>- Publishes the Small Business Procurement Scorecard to assess achievement in prime contracting to small businesses by 24 federal executive agencies.</li> <li>- All export services available on <a href="http://Export.gov">Export.gov</a>; all import services and services for foreign investors in the US available on <a href="http://www.BuyUSA.gov">www.BuyUSA.gov</a>.</li> <li>- SBA and USCS have specialist offices and staff to help SMEs with export promotion and to assist foreign buyers to connect with US SMEs.</li> </ul>
	<p>European Union and its Enterprise Europe Network (EU)</p>	<ul style="list-style-type: none"> <li>- Code of Conduct provides precise guidelines on how to help SMEs to access public procurements plus a number of best practices for each of the challenges that SMEs encounter.</li> <li>- Enterprise Europe Network is an umbrella organization for export promotion for all EU member states that acts as a central one-stop shop that works in collaboration with 567 partner organizations to facilitate cooperation between SMEs, universities for R&amp;D and product design.</li> <li>- Provides a database of information related to accessing different overseas markets and publishes a guidebook specifically for SMEs that is available in 23 different languages.</li> </ul>

### 3) Options for Skill Development based on international best practices

OPTIONS	INSITUTION	PRACTICES
<ul style="list-style-type: none"> <li>▪ Target skill development at lower levels of skill pyramid to meet the huge gap in demand and supply.</li> <li>▪ Build the capacity of private sector intermediaries and actively involve them in delivery mechanism.</li> <li>▪ Ensure the quality in service delivery.</li> <li>▪ Formulate systems and mechanisms for updated content formation, delivery and assessment.</li> </ul>	<p>Ministry of Economy, Trade and Industry (METI), Japan.</p>	<ul style="list-style-type: none"> <li>– Mobilizes skills of retired workers for SMEs: resulted in the Shingeneki challenge plan which in 2009 was Yen 1.97 billion.</li> <li>– Supports human resource development by encouraging interaction between personnel in manufacturing sector SMEs and technical education and research institutions: resulted in programmes worth Yen 380 million in 2009.</li> <li>– Portion of SME investment in personnel training and overall human resource development can be a tax write off from corporate and income tax.</li> <li>– Enhances industry–academia collaborations through networks of multiple research institutions and enterprises: resulted in initiatives such as the Programme for Industry– Academia Partnership for Human Resource Development with a 2009 budget of Yen 1.51 billion.</li> <li>– Promotes regional employment through subsidies and other measures: resulted in initiatives such as the SME Start-up Subsidy for Regional Revitalization which finances start-up and hiring costs for entrepreneurs willing to set up business in regions with low employment.</li> </ul>
	<p>Organization for Small and Medium Enterprises and Regional Innovation (SMRJ), Japan.</p>	<ul style="list-style-type: none"> <li>– Conducts periodic monitoring of supply of SME training in comparison with actual SME requirement.</li> <li>– Manages SME universities and Institute for Small Business Management and Technology for meeting the skill development need of SMEs.</li> </ul>

# **EU and ILO best practice technical advisory for MSME policy development. Ministry of Commerce, Trade and Finance - Republic of Zambia.**

## **1. Policy Development Framework**

The policy development framework has been created along four attributes:

- a) Rationale.
- b) Policy goals.
- c) Guiding principles.
- d) Policy objectives.

### **a) Rationale**

The rationale for this Policy is to create a national vision and leadership for development of the MSME sector and to facilitate creation and implementation of effective sector legislation and regulatory framework. The Policy further aims to define the sector, its stakeholders, their roles, and responsibilities and to ensure coordination in the implementation of MSME support activities.

### **b) Policy Goal**

The goal of the Micro, Small, and Medium Enterprise Policy is to create a vibrant, dynamic sector that contributes 20% of Gross Domestic Product and 30% annually to creation of employment in the next 10 years.

### **c) Guiding Principles**

The pursuit of the goal of the MSME Policy shall be guided by the following principles;

- The policy will operate within the national socio-economic development agenda and shall be aligned to the national development objectives outlined in the National Development Plan.
- Provisions of the policy shall be supported by appropriate legal and financial institutional and national development frameworks.
- The Government shall collaborate with the private sector, cooperating partners, non-governmental organizations, and other stakeholders to implement the MSME Policy.
- The Policy shall promote equality in opportunities and gender equity in its pursuit of outcomes and will give emphasis on the role of women as economic stakeholders in MSME development.
- Vulnerable and disadvantaged persons will receive special attention under the provision of the Policy.

### **d) Policy objectives**

The MSME Policy aims at achieving the following development objectives;

- To facilitate creation and development of viable MSME sector that contributes 30% towards annual employment creation and 20% towards Gross Domestic Product over the next 10 years.
- To facilitate an increase of 10% towards utilization and value addition of local raw materials in identified regional areas.
- To strengthen linkages between MSMEs and large scale companies by facilitating an annual increase of 10% in subcontracting of MSME by large scale companies.
- To improve productivity in the MSME sector by 10% annually.
- To enhance Local Economic Development thereby stimulating economic growth by establishing Business Incubators and Industrial Parks in identified locations over the next 10 years.

## **2. Mechanism for Policy Framework Implementation**

### **Defining Pillars of the Mechanism**

The following are the areas on which MSME development efforts will be focused during the ten year implementation period of this Policy. The focus areas have been categorized into three development pillars of; Capacity, Access and Operating Environment.

#### **Pillar one - Capacity**

- Entrepreneurship development capacity.
- Innovation and technological capacity of MSME.

#### **Pillar two - Access**

- MSMEs access to market opportunities.
- MSMEs access to business development services.
- MSMEs access to appropriate business finance.
- Access to appropriate operating premises and business Infrastructure.

#### **Pillar three - Operating environment**

- Local Economic Development.
- Representation of MSMEs interests.
- Gender.

In pursuing the policy provisions it is important that policy strategies are clearly outlined in order to address the challenges and constraints faced by MSMEs whilst at the same achieving the policy goal and objectives.

Effective development of the MSME sector requires articulated strategies, the existence of a conducive environment including appropriate legal and regulatory framework, a well-defined implementation plan, and an efficient and effective information and feedback system.

Below are the intervention strategies for the identified pillars.

## **2.1 Pillar One - Capacity**

### **a) Entrepreneurship Development Capacity**

#### **Context**

For MSMEs in the private sector to achieve sustainable qualitative growth and for citizens to be oriented towards business there is need to build entrepreneurial capacity through a entrepreneurship development system.

#### **Policy statement**

The government shall advocate for a culture of Entrepreneurship among citizens and shall facilitate development of training in entrepreneurship and business management.

#### **Objective**

To instill a culture of entrepreneurship among citizens and facilitate development of entrepreneurship and enterprise management skills critical to the growth of MSMEs.

#### **Policy Strategies**

- i. In conjunction with TEVETA (Technical Education, Vocational and Entrepreneurship Training Authority) and the Ministry of Education; the facilitation of entrepreneurship training at all levels of the education system.
- ii. Through Schools and Institutes of higher education develop different entrepreneurial schemes to instruct a culture of entrepreneurship among young citizens.
- iii. Organize national and regional entrepreneurship fairs and competitions to stimulate entrepreneurial thinking and action among citizens.
- iv. In liaison with TEVETA design entrepreneurship and business management training for different levels of MSMEs.
- v. Develop the capacity of Business Development Service (BDS) Providers in rural and urban areas to offer high quality entrepreneurship and business management training and other required BDS Services.
- vi. Establish Institutes of MSMEs and Entrepreneurship in selected business schools to spearhead MSME research, entrepreneurship, and enterprise management training.
- vii. Develop youth enterprise development programmes that promote establishment of MSMEs among the youth.

### **b) Innovation and technological capacity of MSME**

#### **Context**

Innovation is essential for maintaining competitiveness of an enterprise and of its products/services. Most MSMEs however have limitations in this area and have no access to new innovative production processes. Further, MSMEs may have limitations in accessing new technologies which can help improve product quality and productivity.

### **Policy statement**

Government shall through appropriate agencies promote innovation among MSMEs and shall facilitate access by MSMEs to modern and appropriate technology.

### **Objective**

To improve innovation and level of technology and technical know-how among MSMEs.

### **Policy Strategies**

- i. Establish within the Business Incubation Centers, Technology Innovation Centers (TICs) offering common facility, technology upgrading and Research and Development related services to MSME sector.
- ii. Promote creativity and innovation in the MSME sector through establishment of annual award schemes.
- iii. Develop and implement technology upgrade projects in major MSME Clusters, Business Incubators and Industrial Parks.
- iv. Build the capacity of existing technology Service Providers (e.g National Institute for Industrial and Scientific Research, and TADU - Technology Advisory and Development Unit) to effectively deliver support to MSME.
- v. Enter into bilateral and multilateral agreements with international organizations involved in technology transfer.
- vi. Through appropriate government agencies, regulate and maintain a register of imported technologies to discourage dumping of obsolete and dangerous technologies.
- vii. Develop a system for promotion, diffusion, and commercialization of indigenously developed processes or technologies.
- viii. Establish links among universities, technical institutions and MSME Incubation Centers to facilitate research and effective utilization of new technologies.
- ix. Improve MSMEs access to and effective use of the existing intellectual property system to enhance their creativity and innovate capacity.
- x. In collaboration with TEVETA, build the capacity of Technical Training Institutions to provide technology management training and to develop partnerships with MSME Associations. Improve women's access to modern and appropriate technology.
- xi. In collaboration with governmental agencies assist MSMEs with equipment, processes, and product development.

## **2.2 Pillar Two - Access**

### **Context**

MSMEs have limited capacity to identify and effectively reach both local and export markets. This is due in part to limited access to information on what market opportunities are available, and limited knowledge and skills on how to reach these markets.

### **Policy Statement**

Government shall through designated agencies and in collaboration with identified stakeholders facilitate MSMEs access to local and export markets.

### **Objective**

To broaden MSMEs access to more profitable local and export markets.

### **Policy Strategies**

- i. Conduct market studies to identify viable markets which MSMEs can target with their goods and services.
- ii. Implement development programmes for specific sub-sectors. e.g. Food Processing sector.
- iii. Develop and implement a programme on preferential access by MSMEs to government contracts through legislation.
- iv. Develop and implement Business brokering and subcontracting programmes that facilitate access by MSMEs to sub-contracting services with large businesses.
- v. Initiate discussions and sign trade agreements with neighboring countries for MSMEs.
- vi. Facilitate implementation of MSME Trade Shows and Exhibitions with the view to showcase MSME capacities, products and services.
- vii. Facilitate participation of MSMEs in International Fairs.
- viii. Facilitate training of MSMEs in marketing skills and export marketing procedures and requirements.
- ix. In cooperation with the Bureau of Standards promote adherence to prescribed product standards as a means to enhance the quality and competitiveness of MSME on the local and export market.

#### **a) MSMEs access to Business Development Services**

### **Context**

Most MSMEs require guidance to grow into independent established business entities. This support is more effective when delivered in a coordinated manner that can create positive impact on enterprise performance.

## **Policy Statement**

Government shall through designated agencies and in cooperation with Development Organizations, facilitate MSMEs access to comprehensive business development support.

## **Objective**

To improve access for MSMEs in rural and urban areas to business development support in key business areas that facilitate enterprise stability and growth.

## **Policy Strategies**

- i. Through research, develop a thorough understanding of the demand and supply side of Business Development Services in all regions.
- ii. Develop a data base and a system for managing MSME sector information and literature including data collection, system operations and maintenance, and information dissemination mechanisms.
- iii. Conduct MSME surveys and baseline studies to establish the size and status of the sector at local and national level.
- iv. Maintain an electronic register of the various categories of MSMEs.
- v. Develop and implement pilot model business development support programmes in selected urban and rural provinces.
- vi. Build the capacity of existing Business Development Services (BDS) Providers in different provinces to effectively deliver support services to MSMEs in the area of business registration, advisory and mentoring services, business planning, marketing and business linkages.
- vii. In collaboration with the Registrar of Companies, facilitate formalization of Enterprises in the MSME sector by promoting the benefits of formalization, decentralizing registration procedures and reducing the cost and time for registration.
- viii. Develop and implement incentives that make it attractive for MSMEs to operate registered businesses and raise awareness of the benefits of operating a formal business.
- ix. Conduct mobile business clinics to popularize MSMEs use of business development support services.
- x. In collaboration with private sector Accounting and Auditing Firms, facilitate provision of accounting, auditing and taxation services specifically for MSMEs.
- xi. Strengthen the capacity of standards and quality assurance organizations (e.g. Food and Drug Board) to deliver support services to the MSME sector.
- xii. Develop and implement cost-effective business development programmes specific to the needs of MSME at different levels of growth.
- xiii. Establish an MSME Capacity Building Fund to be administered by the a central Development Agency.
- xiv. Facilitate establishment of an umbrella Association of Business Development Service Providers to promote self-regulation and systematic use of existing government systems in all provinces.

## **b) MSMEs access to appropriate Business Finance**

### **Context**

Business Finance is a critical input in the creation, development and expansion of any enterprise. MSMEs have difficulties in accessing appropriate business finance to suit their growth requirements. In addition, the cost of finance can be high and is sometimes beyond the reach of most MSMEs. The terms and conditions for accessing business finance are also very demanding. The problems of MSMEs access to finance are on both the supply side and the demand side.

### **Policy statement**

Government shall collaborate with relevant stakeholders to facilitate development of financing programmes and schemes to enhance MSMEs access to appropriate business financing.

### **Objectives**

To improve MSMEs access to appropriate business financing that facilitates enterprise establishment, growth and expansion.

### **Policy Strategies**

- i. Establish part a Development Fund as a financing vehicle for developing the MSME Sector with a view to transform it into an economic stronghold.
- ii. Through relevant government agencies, engage financial institutions into developing suitable business financing products for MSMEs. These should include equity, leasing, hire purchase, trade finance, and investment financing.
- iii. Strengthen the capacity of development banks to provide growth-oriented financing solutions to MSMEs.
- iv. In collaboration with the Credit Rating Bureau, provide referral to confirm credit worthiness of specific MSMEs.
- v. In collaboration with the Stock Exchange, operate a secondary market for MSMEs on the Stock Exchange to create alternative sources of business financing.
- vi. Provide incentives to Financial Institutions in order to encourage lending to MSMEs.
- vii. Establish Credit Guarantee Schemes to improve access and minimize collateral constraints among MSMEs.

## **c) Access to appropriate operating premises and business infrastructure**

### **Context**

The MSME sector lacks systematically structured and developed business premises and infrastructure that can facilitate the growth of individual enterprises and of the sector as a whole. Inadequate operating premises and infrastructure impacts negatively on enterprises at all levels and raises the cost of doing businesses. To MSMEs, weak infrastructure, especially in rural areas, poses a great challenge to doing business.

## **Policy Statement**

Government shall in collaboration with private sector facilitate development of suitable operating premises for MSMEs in rural and urban areas of the country.

## **Objective**

To improve MSMEs access to appropriate and affordable business infrastructure and operating premises in order to enhance establishment and growth of MSMEs.

## **Policy Strategies**

- i. Facilitate development of Business Incubators and Industrial Parks in specified provinces in the next five years.
- ii. Enter into strategic alliances with local industrial estate developers to facilitate development of designated MSME Industrial Parks and Incubators in different parts of the country.
- iii. Designate land and establish Multi Facility Economic Zones with a focus on developing suitable Infrastructure for MSMEs in different parts of the country.
- iv. Develop guidelines on management and operation of Business Incubators and Industrial Parks.

## **2.3 Pillar Three - Operating Environment**

### **a) Local Economic Development**

#### **Context**

Local Economic development plays a critical role in the development of urban and peri-urban areas. Local economic development contributes to the growth of the local economies in terms of absorbing the local work force, slowing urban migration, contributing to national income growth and utilization of local resources through value creation, and promoting a more equitable distribution of income.

In addition, Local Economic Development facilitates development of local infrastructure. Local Economic development is a regional development strategy that places emphasis on development of a local competitive advantage.

#### **Policy Statement**

Government is committed to a bottom-up development approach and shall facilitate development of local business infrastructure in localized areas in both urban and peri-urban areas.

#### **Objective**

To stimulate localized economic activity and develop appropriate MSME business infrastructure in both urban and rural areas.

## **Policy Strategies**

- i. Develop the capacity of local authorities to establish and manage Multi Facility Economic Zones targeted at MSMEs in order to stimulate local economic development.
- ii. Collaborate with private sector real estate developers to construct Business Industrial parks in selected parts of the country to facilitate access by MSMEs to appropriate operating premises.
- iii. Provide guidelines and incentives for business premises development programmes such as build-operate-transfer (BOT) or build-own-operate (BOO) schemes.
- iv. Development value chain and cluster development programmes to jump start local economic development and enhance utilization and value addition of local resources.
- v. Facilitate development of rural business infrastructure to improve the competitiveness of identified business areas.
- vi. Provide tax incentives to stimulate development of MSMEs in rural and peri-urban areas.
- vii. Develop Industrial Clusters in localities where there is competitive advantage in producing particular products and services.
- viii. In collaboration with Road Development Agency and Local Municipal Councils improve access roads to central business premises and Industrial Parks.
- ix. In collaboration with local councils and market associations/cooperatives, improve local markets and access to BDS and appropriate financing.
- x. In collaboration with private sector service providers, improve MSMEs access to telecommunication, internet, and banking services.

## **b) Representation of MSMEs Interests**

### **Context**

Business associations and other MSMEs grouping have an important role to play in advocating the interests of MSMEs with government and other stakeholders and for mobilizing MSMEs into a driver of national development. When business associations are weak and have they have limited capacity to effectively play their role. There is therefore need for measures for institutional strengthening of associations at various levels to be put in place in order to promote the growth and stability of the MSME sector.

### **Policy statement**

Government shall encourage effective representation of MSME interests through support and development of MSME representative bodies.

### **Objective**

To strengthen the capacity of MSME representative organizations that articulate MSMEs needs and interests, and mobilize MSMEs for active participation in economic development.

## **Policy Strategies**

- i. Establish strategic partnerships with key MSME representative organizations.
- ii. Implement joint baseline studies on the population and status of MSMEs.
- iii. Build the capacity of the MSME representative bodies to successfully provide support to members.
- iv. Broaden the outreach of existing MSME representative bodies to effectively include the various MSME sub-sectors.
- v. Promote vertical and horizontal networking linkages between different MSME representative bodies.
- vi. Strengthen the capacity of the various MSME representative bodies to articulate their needs and coordinate their views.
- vii. Facilitate learning for small business associations through exchange visits and study tours to countries with best MSME practices.

## **c) Gender**

### **Context**

It is recognized that gender plays a significant role in national development. However, more often there exist gender disparities and imbalances in access to economic and business opportunities resulting from gender insensitive legislation and administrative systems. There is therefore a need to take deliberate steps to eliminate all forms of discrimination in access to opportunities.

### **Policy Statement**

Government shall ensure equity in participation of both men and women in all initiatives pertaining to MSMEs development.

### **Objective**

To facilitate equitable access and effective participation of men and women in all MSME developmental programmes.

### **Policy Strategies**

- i. Identify factors that inhibit men and women, from effectively participating in various MSME development programmes and develop strategies to overcome these hindrances.
- ii. Build the capacity of MSMEs development organizations including associations of women entrepreneurs, to design programmes that take into account the specific needs and challenges that women entrepreneurs face.
- iii. Develop special programmes that specifically target vulnerable members of local communities such as women, youth and people with disabilities.

## **USAID / WB: MSME Growth and Jobs Creation in Lebanon**

### **1. Background**

MSME's are a key economic engine for growth and job creation, contributing to employment opportunities and creation of high value economies. USAID and the World Bank in the Middle East, via the Economy and Trade Ministries has contributed to initiatives for developing the ecosystem of entrepreneurs and MSME's.

The Lebanese economy faces challenges in the areas of competitiveness, diversification, and modernization, as well as the overall capacity to absorb a large pool of unemployed labor and the continuous addition of young graduates. Over the next 10 years there will be an average of 19,000 new entrants into the Lebanese labor market annually.

Recognizing the potential of Lebanon's MSME's to become critical drivers of job creation and economic development, the Ministry of Economy and Trade (MoET) developed a series of strategic thrusts and proposed initiatives to address the constraints to MSME growth. The six thrusts are:

1. Evolving Business Leaders.
2. Facilitating the "Right" Funding.
3. Improving Access to Markets.
4. Enhancing Capabilities and Innovation Capacity.
5. Developing a Conducive Business Environment.
6. Ensuring Coherence and Effective Coordination.

### **2. New MSME's Strategy**

Recognizing the opportunity to support and build new MSME strategy, the MoET with the help of USAID conducted an assessment of the prospects for enterprise growth and job creation in Lebanon. The assessment examined enterprise development needs across five strategic areas with recommendations (see tables below) to support them. The five areas are;

- 1) Advocacy for an improved business enabling environment.
- 2) Demand-driven business development services (BDS).
- 3) Increased trade and export linkages.
- 4) Enhanced workforce development.
- 5) Opportunities for growth in special economic zones.

The strategic thrusts were then integrated into the identifies areas and their relevant stakeholders and rationale identified (illustrated below);

## *SME Strategy 2020: Six Strategic Thrusts, Stakeholders and Rationale*

Strategic Thrusts	Stakeholders	Rationale
1. Evolving Business Leaders	NGO's, Universities, and Chambers	Develop business leaders capable of both carrying SME's to their next wave of growth adapting to a changing business environment
2. Facilitating the "Right" Funding	Banks & Financial Institutions	Ensure availability of adequate and diverse source of funding and raise awareness of SME on alternatives and suitability
3. Improving Access to Markets	Ministries and Investment Development Authority	Ensure fair competition on local market and enhance access to foreign markets
4. Enhancing Capabilities and Innovation Capacity	Business Development Centers	Foster provision of effective capability building effort and enhance innovation standards and research
5. Developing a Conducive Business Environment and National Environment	Cabinet/ Ministries	Improve business environment through appropriate legislation and improve infrastructure on order to provide and enabling environment for SME's needs
6. Ensuring Coherence and Effective Coordination.	SME Secretariat Statistics Team under Strategy Performance Unit	

### **3. Essential Variables for the Growth and Employment Generation**

The team developed recommendations for future interventions to support economic growth and job creation in Lebanon. Each option is focused on fostering growth of MSMEs and supporting their needs for high quality employees. The team's approach is based on a triangular method of variables (described in this section), that add value to MSME growth environment (these variables are; (1) the level of assistance, (2) export promotion assistance, and (3) workforce development) – as illustrated below);

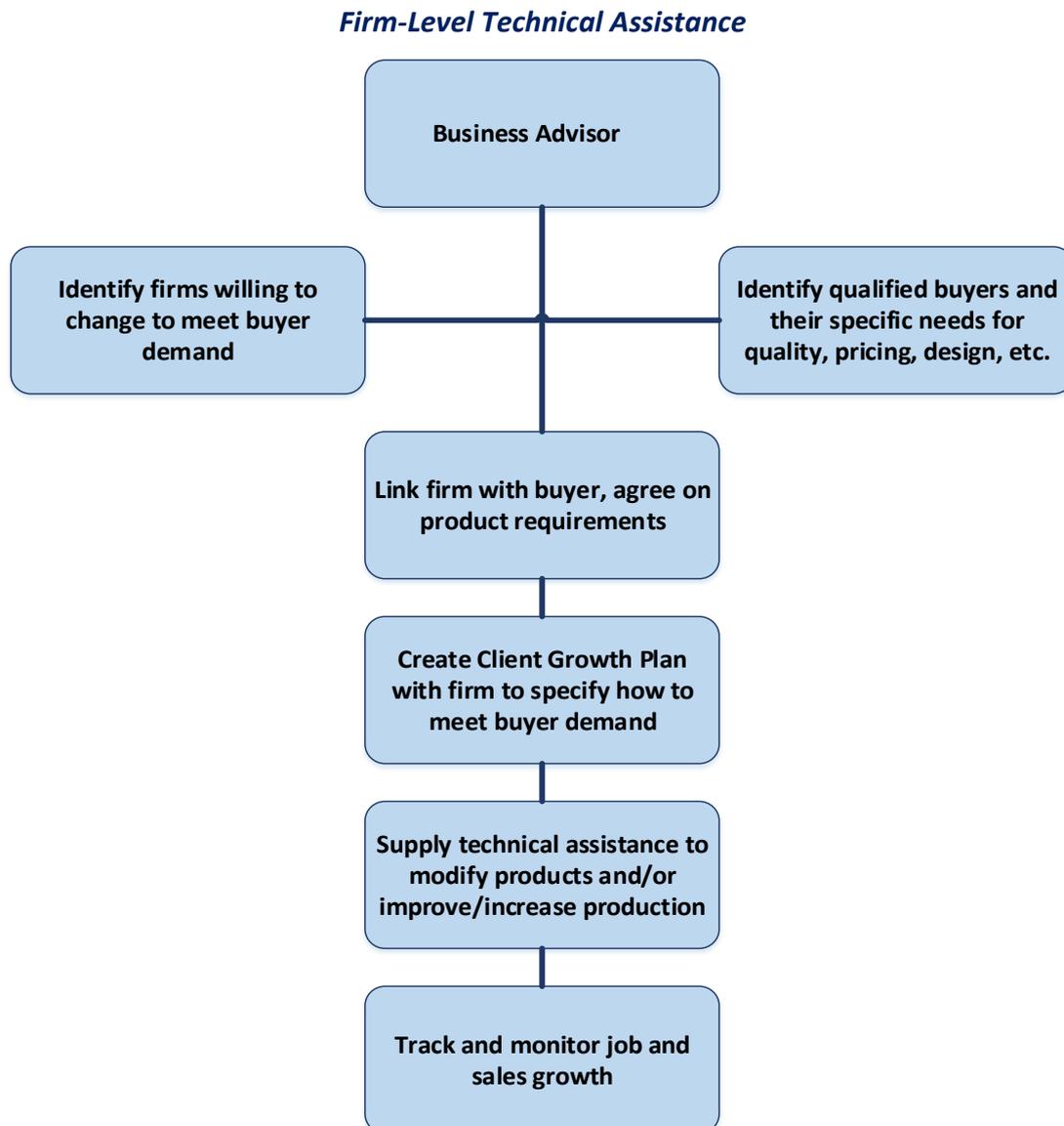
#### *Essential Variables for the Growth and Employment Generation of MSMEs*



### 3.1 Firm-Level Technical Assistance to Enterprises

- To achieve business growth leading to incremental employment, increased exports, and improved competitiveness through providing targeted technical assistance to partner enterprises in Lebanon.
- To focus on identifying new opportunities for growth and job generation, facilitating buyer-seller relationships, and developing Client Growth Plans.

The diagram below summarizes the assistance process.



### 3.2 Export Promotion Assistance

Facilitation of MSME entry into new regional and international markets and increase MSME export sales by strengthening the export promotion capacity of business associations and chambers of commerce. This will help partner MSMEs to identify and capitalize on opportunities to export products to new regional and international markets. Assistance programs include:

- Dollar value of exports of program-assisted firms.
- Number of men/women trained.
- Number of new markets entered by program-assisted firms.
- Number of firms receiving capacity building assistance to export (e.g. trade shows, buyer/seller match making programs, market analysis and information, trade finance assistance, and guidance on how to comply with foreign country customs regulations and procedures).

### **3.3 Workforce Development and Job Placement**

Fostering curriculum and training relevant to the workplace and facilitating job matching to ensure new jobs created as a result of growth of partner MSMEs.

The program works with MSMEs receiving firm-level assistance, as well as larger firms to identify job vacancies and candidates with appropriate skill sets. The key activities include:

- Registration of job seekers.
- Cataloguing of job vacancies in key economic sectors.
- Providing job preparation services for job seekers.
- Networking with employers and the creation and maintenance of a database of vacancies, occupational outcomes, projected employer demands, and wage levels.
- Organizing information sharing sessions with industries.
- Career counseling services for students.
- Development of relationships with the private sector.
- Follow-up services for successfully placed graduates.
- Delivery of social marketing.

<b>4. Key Findings and Recommendations</b>	
<p>Based on the six strategic thrusts and new MSME’s strategies, the World Bank and USAID categorized the following findings and recommendations for the development and growth programs of the MSME’s sector. The tables below describe key areas and their development needs;</p>	
<b>General</b>	<ul style="list-style-type: none"> <li>▪ Digital platform for information dissemination to SMEs and communication on exchange in the ecosystem</li> <li>▪ Online training modules for SMEs</li> <li>▪ Memorandum of understanding with Customs Authorities</li> </ul>
<b>Recommendations for MSME Growth</b>	
<b>Competitiveness</b>	<ul style="list-style-type: none"> <li>▪ Address high cost of production and leverage economies of scale</li> <li>▪ Introduce special power tariffs for agriculture and industry and reduce power cost in general</li> <li>▪ Introduce gas to industrial production and enable access of factories to gas</li> <li>▪ Enable better competitive environment</li> <li>▪ Improve the quality of national production and apply safeguard measures</li> <li>▪ Prevent smuggling and improve border management</li> <li>▪ Development of industrial zones in all region and better linkages with them</li> <li>▪ Enable common logistics and provide logistics support (e.g. land)</li> <li>▪ Invest in R&amp;D and create R&amp;D Centers</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>▪ Establish a clear plan to rehabilitate and enhance infrastructures (roads, power, telecom, etc...)</li> <li>▪ Introduce e-government (transactions, forms, etc.)</li> <li>▪ Offer capital support programs for MSME’s developing renewable energy solutions</li> <li>▪ Secure funds to deploy a fiber optic network across the country</li> </ul>
<b>Legislative development</b>	<ul style="list-style-type: none"> <li>▪ Law on industrial mergers and other modern MSMSE’s related laws</li> <li>▪ Enhance transparency and fight corruption</li> <li>▪ Reduce difficulties and costs in opening and closing businesses</li> </ul>
<b>Legislative reform</b>	<p><b>Public-Private Partnership law</b></p> <ul style="list-style-type: none"> <li>▪ Ratify a new law pertaining to PPP which further improves the contracting process of the Government with private companies, as well as opens the door to Municipalities and Federations of Municipalities to use the framework defined in this law.</li> </ul>

	<p><b>Modernizing the Code of Commerce</b></p> <ul style="list-style-type: none"> <li>Reduce cost, time, and procedures related to doing business (e.g., suppress minimum capital requirements, allowing online creation of a company).</li> </ul> <p><b>Competition law</b></p> <ul style="list-style-type: none"> <li>Ensure competition and enhanced market access, by preventing monopoly and anticompetitive agreements and abuses of dominance.</li> </ul> <p><b>Secured transaction draft law</b></p> <ul style="list-style-type: none"> <li>Drafting a law on secure transaction. This increases access and decreases the cost of credit thereby facilitating lending to SMEs.</li> <li>Establish a collateral registry to make the registration of movable assets more transparent.</li> <li>Secured transactions allowing the use of movable assets as collateral will increase access to finance and decrease cost.</li> </ul> <p><b>New bankruptcy and new insolvency practitioners draft law</b></p> <ul style="list-style-type: none"> <li>Establish an efficient loan recovery, restructuring, and insolvency system. This shall allow unviable firms to close efficiently, while viable but financially distressed ones reorganize operations and restructure debt.</li> </ul> <p><b>Draft a private equity fund law.</b></p> <p><b>Draft Law relating to electronic transactions and personal information data</b></p>
<b>Trade facilitation and market creation</b>	<ul style="list-style-type: none"> <li>Economic diplomacy and access to diaspora</li> <li>Reduce obstacles to import and export and establish a balance between monitoring of custom work and ease of import/ export</li> <li>Establish market access to Arab countries, Africa and Iran</li> </ul>
<b>Capacity building</b>	<ul style="list-style-type: none"> <li>Address MSME’s difficulties in self-management and financing</li> <li>Focus on innovation and human capital skills development</li> <li>Provide support to MSME’s in terms of mentorship program, accelerators, incubators</li> </ul>
<b>Access to finance</b>	<ul style="list-style-type: none"> <li>Involve capital from industrial organizations</li> </ul>
<b>Approach For Promising Sectors</b>	
<b>Competitiveness</b>	<ul style="list-style-type: none"> <li>Address risk management</li> </ul>
<b>Legislative development</b>	<ul style="list-style-type: none"> <li>Address the lack of a unified national MSME definition</li> </ul>
<b>Trade facilitation and market creation</b>	<ul style="list-style-type: none"> <li>Increase participation in foreign trade fairs</li> </ul>

<b>Capacity building</b>	<ul style="list-style-type: none"> <li>▪ Improve labor force quality and training</li> <li>▪ Help MSME’s grow towards more corporate structure</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>▪ Encourage multinationals to transfer their technology to the country</li> <li>▪ Create new sources of growth other than the traditional ones</li> <li>▪ Focus on agro-food as a promising sector</li> <li>▪ Define the value chain of sectors to identify problems and con solutions</li> </ul>
<b>Access to Capital</b>	
<b>Trade facilitation and market creation</b>	<ul style="list-style-type: none"> <li>▪ Create a portal for MSME’s to link buyers and sellers</li> <li>▪ Government cooperation with banks to have them lend more to MSME’s and create MSME’s departments for more specialized services</li> <li>▪ Increase equity investments, usage of risk capital and close funding gaps at seed, growth and micro-financing</li> <li>▪ Push PE, VC and business angels to provide “smart money” (access to market, mentorship, etc.)</li> <li>▪ Develop capital markets and develop the corporate bond segment of the capital markets (lower cost, longer maturity)</li> <li>▪ Insure access to capital for women</li> <li>▪ Improve credit information systems and allow private credit bureaus to collect and share data</li> <li>▪ Develop and electronic trading platform with listing requirements and reporting focused on MSME’s</li> <li>▪ Introduce specialized financing instruments (e.g. matching grants) to target dis-advantages segment of MSME’s sector</li> <li>▪ Expand services to women business owners and develop tailored products that meet their needs</li> <li>▪ Monitor and evaluate distributional impact of financial program initiatives, including stimulus packages</li> </ul>
<b>Capacity building</b>	<ul style="list-style-type: none"> <li>▪ Fill the gaps in terms of information about funding options, cost of operations</li> <li>▪ Improve financial literacy</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>▪ Opportunity for Lebanon to contribute to the reconstruction of neighboring Arab countries</li> <li>▪ Leverage opportunities available to SMEs in the insurance sector and organize seminars on the topic of insurance for SMEs</li> <li>▪ Need to create stronger linkages between public and private sectors</li> </ul>
<b>Women Entrepreneurs</b>	
<b>Legal and regulatory</b>	<ul style="list-style-type: none"> <li>▪ Laws and policies amendments</li> <li>▪ Create an economic Women quota</li> <li>▪ Financial regulations</li> </ul>

<p><b>Access to market, to finance and to capital</b></p>	<ul style="list-style-type: none"> <li>▪ Financial and banking education and change in culture: aspects of bank culture to be addressed such a promotion and involvement of women</li> <li>▪ To create risk sharing scheme between some organizations, banks and female entrepreneurship in order to encourage more participation and investment by women and easier access to finance</li> <li>▪ Create a Women Fund</li> <li>▪ To work towards creating specialized banks for MSMEs</li> </ul>
<p><b>Overcoming stereotypes and achieving gender equality</b></p>	<ul style="list-style-type: none"> <li>▪ Tailor support programs to women needs and target them specifically in marketing campaigns</li> <li>▪ Bigger encouragement of VCs, Angels, and other organizations targeting women such as the Lebanese League of Women in Business (LLWB) and the Lebanese Women Angel Fund (LWAF)</li> </ul>
<p><b>Better coordination between stakeholders</b></p>	<ul style="list-style-type: none"> <li>▪ To make specific, more focused activities related to women by working on specific geographical area as a pilot project (with rural and urban focuses), coming up with results and then moving to another area to cover all the country</li> <li>▪ Create a national institution in order to better coordinate women related initiatives</li> </ul>
<p><b>Lack of Data</b></p>	<ul style="list-style-type: none"> <li>▪ To make an initial mapping of the initiatives and the challenges of the sector especially on cultural, financial and legal level</li> <li>▪ To assign a focal point</li> </ul>
<p><b>Untapped markets &amp; Stereotyped vision of Women Enterprise</b></p>	<ul style="list-style-type: none"> <li>▪ Target untapped segments of work</li> </ul>
<p><b>Social Protection</b></p>	<ul style="list-style-type: none"> <li>▪ Provide social protection for Women who re-invest 90% of their income into their families</li> </ul>

Reference: Ministry of Economy & Trade, MSMEs in Lebanon, April 2018

**APPENDIX (10)**  
**2019 MSME CLIMATE INDEX BEST-IN-CLASS**

# APPENDIX (10)

## MSME INDEX OF BEST-IN-CLASS 2019

### Introduction

MSMEs are crucial for economic growth and prosperity worldwide. They represent about 90% of businesses in the world and more than 50% of total employment.

Numerous surveys have revealed that MSMEs face;

- Disadvantages in accessing finance.
- Failures in competition.
- Excessive regulatory burdens.
- Unappealing business environment.
- Lack of support services.

To help MSMEs better understand the business environment and the variables needed for success in combatting the weaknesses identified, a Business Climate Index for 2019 was created to assess best-in-class economies and the attraction of their systems. This is aimed at providing policy makers with a road-map for how to improve the business climate for MSMEs in their region or domain.

The indicators listed below for rating each country is based on the obstacles to business by MSMEs from several surveys, including a 2019 Global Business monitor conducted by Allianz- Euler Hermes and MSME financing specialist Bibby Financial Services (BFS-UK).

These surveys reveal that the main challenges for MSMEs include administrative and regulatory burdens, access to finance, the availability of skilled staff, costs of business (for labor, regulation, taxes) and competition. Based on these factors, the following six components were created for MSMEs:

- 1) Red tape.
- 2) Tax policy.
- 3) Labor market flexibility.
- 4) Financing.
- 5) Export opportunities.
- 6) Competition.

Each component has one or several indicators, each of which is scored individually. As a result, for each economy, a score is provided that is based on the six components and 15 indicators (as described in the table below).

Components for Enabling Business Climate Index		Indicators for Rating MSMEs Business Climate	
1.	Red tape.	1.	Regulatory quality – World Bank, Worldwide Governance Indicators 2019
		2.	Business freedom – Heritage Foundation, Index of Economic Freedom 2019
		3.	“Government policy relating to businesses in your country” (Favorable or Sometimes supportive) – Bibby Financial Services and Euler Hermes, 2019 Global Business Monitor
		4.	“Share of companies that chose government regulation and red tape as one of the most important challenges their company is facing” – Bibby Financial Services and Euler Hermes, 2019 Global Business Monitor
2.	Tax policy.	5.	Spread between base corporate tax rate and MSME corporate tax rate – national sources
		6.	The level of MSME corporate tax rate - national sources
3.	Labor market flexibility.	7.	Hiring and Firing Practices – World Economic Forum 2019
		8.	Human Development Index – United Nations 2018
4.	Financing.	9.	Getting credit – World Bank, Doing Business 2020
		10.	“Availability of finance in your country (Good or Excellent)” – Bibby Financial Services and Euler Hermes, 2019 Global Business Monitor
		11.	“Did you experience a loan rejection over past 12 months” – Bibby Financial Services and Euler Hermes, 2019 Global Business Monitor
		12.	Bank interest rates for loans to SMEs – national sources
5.	Export opportunities.	13.	Trading Across Borders – World Bank, Doing Business 2020
		14.	Share of exporting SMEs in total SMEs – OECD, 2017
6.	Competition.	15.	Intensity of local competition – World Economic Forum 2019

## Country Rating and Key Success Factors

### 1) Canada

Canada tops the ranking for 2019. Among the positives for Canadian SMEs are corporate taxes: While the base rate of 28% is a bit higher than the average of 23%, the rate for MSMEs is only 9%, tied for the second lowest.

Financing is also a significant benefit for MSMEs in Canada. The low interest rates provided by the Canada Small Business Financing Program, and other financing available from the Export Development Corporation (EDC), a government agency that helps promote exports, provide significant access to credit.

Also, the recent formation of the Comprehensive Economic and Trade Agreement (CETA) will open 27 markets and over 500 million consumers to Canadian exports through tariff-free trade, but it has yet to be fully ratified and implemented. When it is fully operational, it will provide a valuable boost to exports.

### 2) Hong Kong

Hong Kong scores the second-highest in the index, this is thanks to low red tape, strong labor market flexibility and a relatively favorable tax policy. In terms of red tape, Hong Kong ranks the second best in the sample (after Singapore) in terms of labor market flexibility, Hong Kong presents the highest score in our sample.

Policy efforts are underway to support financial conditions for the MSMEs, by the end of 2019 HSBC and Standard Chartered lowered the prime lending rates they apply in Hong Kong. Policymakers are also targeting MSMEs specifically the “Banking Sector MSME Lending Coordination Mechanism”, established by the Hong Kong Monetary Authority (the central bank) held its inaugural meeting at the same time.

Upon which an agreement has been founded between nine major banks in Hong Kong on measures to support MSMEs. These include allowing MSMEs facing difficulties to extend or reschedule repayments, supporting MSMEs to meet the additional expenses arising from structural challenges brought by the U.S.-China trade tensions and keeping the terms of loans to the real estate sector unchanged.

### **3) U.S.A.**

A significant positive for MSMEs is the relatively easy availability of credit. This is due to a combination of a large, multi-tiered financing system, and the competition in that system to provide loans. Lenders include large and small commercial banks, regional and community banks, savings and loans companies, credit unions and government programs, most notably the Small Business Administration (SBA).

Labor market flexibility is also key to U.S. businesses. Most employees are “at-will” employees, which means they can be hired or fired “at the will” of the employer. Hence, it is much less risky for a MSME to hire someone in the U.S. than in other economies.

The U.S. does have government agencies to aid promote exports; the ‘U.S. Commercial Service’ and the Export Import Bank (EXIM) also a government exporting agency has a prominent role in this area.

### **4) The Netherlands**

The Netherlands ranks first in terms of the MSME business climate index among European countries, thanks to a high score in terms of export opportunities, low red tape, supportive financing conditions and labor market flexibility.

On the export side, 9.2% of total MSMEs are exporting, against 5.5% on average for other economies in the index. Trading across borders is very easy in terms of time and documentation. The cost of exporting is close to 0 against more than 170 USD for advanced economies. In terms of financing, although MSMEs in the Netherlands face a slightly higher cost compared to Germany or France (2.4% vs. 2.0% and 1.6%, respectively), finance availability is considered to be excellent/good for 40% of MSMEs and only 14% of MSMEs registered a loan rejection in the past 12 months (against 19% on average for peers).

### **5) Singapore**

In terms of red tape, Singapore ranks as the best in the index. Close to 60% of respondents in Singapore reported that government policy relating to businesses is sometimes favorable, the highest ratio among the sample. Similarly, Singapore exhibited the lowest share of respondents (16%) that chose government regulation

and red tape as the most important challenges their companies faced. Singapore also scored the second highest in business freedom and regulatory quality.

Singapore's also presents the highest lending rate for MSMEs the financial conditions are supported by a decent Getting Credit score and a relatively low loan rejection rate over the past 12 months (14% vs. 19% on average in our sample).

Over the past few years, Singapore has made efforts to further improve its business environment, with measures to make exporting and importing easier (by improving infrastructure at the port), as well as starting a business and dealing with construction permits.

## **6) Belgium**

Belgium's favorable rating relies on strong export opportunities with trading across borders being very easy in terms of time and documents. The cost of exporting is close to 0 against more than 170 USD for the advanced economies.

The share of Belgian MSMEs that are exporters is rather high: 7.1% of total MSMEs against 5.5% on average for other economies in the index. This could also be explained by the fact that Belgium has an export agency in all its three main regions (Flemish Region, Brussels-Capital Region and the Walloon Region).

Financing is also positive for the MSME business climate, thanks to a very low bank loan interest rates (+1.6%). 39% of MSMEs said they have had excellent/good availability of financing over the past 12 months, while 20% (against 18% for peers) had a loan rejected over the past 12 months.

## **7) The UK**

Financing is a positive factor for the MSME business climate in the UK. While the bank loan interest rate remains above 3% (against 2% on average in the rest of Western Europe), the availability of finance is considered excellent/good by 24% of MSMEs (against 30% on average for peers) and only 9% of MSMEs faced a loan rejection in the past 12 months (against 19% on average for peers). In addition, the score for getting credit in the UK is one of the best in Europe.

## **8) Germany**

German MSMEs face good financing conditions, thanks to low bank lending rates (2.0% on average) and a low rate of loan rejections (only 14% of SMEs have experienced this over the past 12 months). In part this is likely to be explained by the comprehensive system of cooperative and mutual savings banks which are focused on financing smaller companies.

Export opportunities are also good in Germany, reflected in a 10.2% share of exporting MSMEs (the highest share in the index). Moreover the labor market flexibility is a plus for German MSMEs, thanks to the substantial reforms in this area over the past 15 years, as well as the generally high level of skilled staff in the country.