



Enterprise Development Opportunities
and Challenges in Kirkuk

A Market Assessment of Kirkuk for
Business Restart Activities

IOM Iraq – December 2018

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Summary

Although Kirkuk was never occupied by the Islamic State and the Levant (ISIL), the city's residents have seen a number of conflict events in the past five years. In 2014, 2015 and 2016, battles for Kirkuk between ISIL and the Peshmerga included heavy offensives of several ISIL units against key city landmarks, including one attack of over 80 ISIL militants and the death of 18 members of security forces and civilians. In addition, Kirkuk's surrounding areas, especially outlying agricultural centres in Kirkuk Governorate such as Hawija and Bashir, served as strongholds for ISIL, prompting waves of displacement to Kirkuk's city centre.

In 2017, the region was further destabilized by an Iraqi military offensive that reclaimed the city from Peshmerga forces. Waves of migration out of the city to locations such as Erbil and Sulaymaniyah were reported, but many of the displaced have since returned to Kirkuk Governorate (IOM's Displacement Tracking Matrix has estimated that as many as 300,000 displaced persons had returned as of December 2018, although many of these returns have been to areas outside of Kirkuk city¹). Checkpoint fees and poor governance are frequently quoted as making life difficult for residents. In a city with such a delicate balance of power between a variety of ethnic groups (over 300 candidates ran in the May 2018 election), changes in the political economy of the province, including perceived favoritism of an ethnic group by any public or private actor, have the potential to destabilize the governorate further.

To assess the capacity of the market to absorb medium-sized grants, the IOM Enterprise Development Fund (EDF) market assessment was rolled out in Kirkuk city and surrounding areas in November 2018. The assessment was led by RRU and contributes to the necessary groundwork to introduce the Enterprise Development Fund in any location.

Data collection was carried out by members of the EDF team and the RRU. Between 15 October and 12 November, staff conducted 11 key informant (KI) interviews and 97 employer surveys. In addition, three focus group discussions of five to six participants each were organized.

Market assessment objectives included determining:

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

Key findings, below, are organized by the research objectives in four parts.

Key findings

The extent of damage suffered by small and medium enterprises affected by the conflict between 2014 and 2017

- The most common effect of the crisis on key employment sectors in the city, as reported by key informants, was a pause or reduction in new construction (mentioned by 36% of respondents), followed by a decrease in production and damage to agriculture (each mentioned by 27% of respondents).
- 56% of employers surveyed, explicitly mentioned a drop in demand, profit or revenue during 2014–2017. Food was the most resilient sector, with only 37% of respondents with a food-related business mentioning a drop in demand in 2014–2017.

¹ IOM DTM Returnee Master List (Nov-Dec 2018), 2018. (Erbil, Iraq: IOM Iraq)

Market failures that can be addressed through matching grants or business development support

- Skilled workers were frequently reportedly hard to find in the local market, representing what can be called an underinvestment in skills development and a mismatch between private incentives and private sector needs.

Businesses that would create additional employment opportunities if supported

- Hiring relatives occurred in all sectors, but was least prevalent in the chemical and food industries.

Potential for market distortion due to the introduction of cash

- Employers surveyed who mentioned low demand most frequently included metal workers (71%).
- In general, taking smaller loans and not investing seemed to be the trend.

Introduction

On 21 October 2016, police stations in Kirkuk city were stormed by dozens of ISIL combatants, supported by sleeper cells that had been active for years. The combatants barricaded themselves into a hotel and a mosque, later capturing another two hotels. The next day, government forces, accompanied by vigilante civilians, swept the city to clear it of militants, many of whom detonated themselves as they were cornered. This was the last of three major ISIL offensives against the city of Kirkuk. But surrounding areas, such as Hawija and parts of Taza such as Bashir village, had been held by ISIL for years. After the 2016 battle for Mosul, forces from the Kurdish Peshmerga, the Popular Mobilization Forces, and the Turkmen minority cooperated in holding off further advancements from ISIL. But this mode of governance was again disrupted in 2017, with the Kurdish Peshmerga being pushed out of the city by the Iraqi Security Forces, with help from the Popular Mobilization Forces.

The following is a write-up of an assessment of the private sector in Kirkuk, approximately a year after the military deployment to reclaim Kirkuk from Kurdish forces. Currently, IOM's DTM estimates that there are around 90,000 internally displaced persons (IDPs) in Kirkuk district alone. According to Social Inquiry, most IDP movements are into urban and peri-urban areas, with a lower than average number of IDPs from Kirkuk Governorate reporting access to livelihoods as a major issue in considering whether or not to return. This indicates that political and social factors may have more of a bearing on return considerations than economic ones for IDPs from Kirkuk, and should be kept in mind.

Within this context, IOM seeks to address the holistic needs of communities affected by the political crisis and offer livelihoods programming through several services. In coordination with existing services, IOM is designing a grants mechanism to aid the recovery and reconstruction of businesses affected by the political conflict and to create jobs for would-be workers in Kirkuk Governorate, including highly affected nearby areas. With limited IOM operational presence in more heavily affected areas such as Hawija, Kirkuk city is considered a location that could have spillover effects for nearby communities, as some businesses would support the supply chains of operations that span from rural areas to urban ones.

The market assessment was first designed for the EDF in August. It is a pre-operating activity intended to inform the rollout of the grants mechanism in 2019. This grants mechanism will target small and medium enterprises and seeks to create sustainable employment and contribute to community stabilization and post-war recovery. The assessment builds upon and benefits from the institutional knowledge and expertise of other members of the Cash Working Group, including the International Rescue Committee, Action Against Hunger and Reach.

Supporting the private sector is an approach that is gaining increasing recognition as a viable way of promoting local economic development. The Fourth High-Level Forum on Aid Effectiveness recognized the private sector as a key development partner, noting its ability to establish new enterprises, jobs, goods and services, thereby supporting income, profits and public revenues. In turn, IOM engages with private sector actors not only as donors (who contribute in-kind to IOM organization objectives in Iraq), but as partners in achieving common development objectives. All private-sector activity IOM engages with is guided by, in turn, the Guidelines on Cooperation between the United Nations and the Business Sector, the 10 Principles of the Global Compact, and the UN Guiding Principles on Business and Human Rights. These documents share the principles of accountability and transparency, and have a common guiding purpose.

Cash-based approaches are also becoming increasingly recognized and according to a recent expert report for IOM, "it is imperative – though not free of challenges – that organizations work jointly toward ensuring the increased 30-40% use of cash-based interventions globally for the betterment of humanitarian assistance over the coming years."² Cash-based support is now reported by the Overseas Development Institute as having the "Largest transformative potential," particularly in linking humanitarian and development spheres.³

² IOM, 2018. Cash Feasibility Assessment Report [internal document] (Erbil: IOM)

³ Ibid

In Iraq, IOM's cooperation with the private sector has historically been under the umbrella of its Community revitalization programme (CRP), which supports microenterprises and entrepreneurs in all 18 governorates through a mix of vocational training services, small business grants and job placement services. In 2018, IOM piloted the first round of the Enterprise Development for small and medium enterprises in Mosul, the results of which suggested that IOM enumerators were well placed and equipped to do basic market research on the potential opportunities and threats for expanding the fund, which gives grants of up to 25 000 United States dollars (US \$), to other locations in 2019.

This report provides an analysis of the opinions of those surveyed and a picture of the market for potential distortions to be appropriately considered and understood. The overarching research question guiding the research was:

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

ASSESSMENT PROCESS AND METHODOLOGY OVERVIEW

Data was collected over a three-week period using online data kit surveys and KI interview guides, in addition to a paper-based focus-group discussion guide. This followed a three-day workshop on the structure of the EDF, including practice with the tablet-based surveys. On the basis of existing data that had been gathered with the EDF market assessment tools, industry and government representatives, employers and small business owners were selected to participate in the study. A mixed qualitative-quantitative study approach was chosen, complemented by existing literature and news articles on Kirkuk city and governorate.

- **Key informants**

Key informants were selected based on a combination of existing relationships between respondents and IOM staff due to a long history of cooperation in livelihood programming. Calls were made to potential interviewees followed by visits. Visits included sharing a consent form, an information sheet and an interview guide.

- **Active employers**

Employers were located with a mapping exercise. Streets with markets were identified in advance of surveying and visits to locations known to have accessible markets were made. The number of employers was determined in order to allow for a quantitative study with a confidence interval of + or -10. The segmentation of which types of employers were surveyed was based on a database of business types in a neighboring, similar governorate (Ninewa) and the proportionate breakdown of these types.

- Focus group participants were identified by the Iraqi Businessmen Union and invited on behalf of the Union and the agricultural department in Taza subdistrict and Bashir village, to attend the focus groups organized by IOM. All focus group discussions included introduction letters, a consent form, an information sheet and a sign-in sheet. Based on staff consultations and information gaps, FGD focused on agricultural, manufacturing and food processing were conducted on 21, 23 and 24 November. Two were held in the Ministry of Labour and Social Affairs office in Kirkuk city, with a third held in the agriculture department of Taza subdistrict.

Geographical area selection

Employer surveys were conducted throughout streets in Kirkuk that are considered to have high numbers of businesses according to the sampling guidelines provided. This purposive sampling took into account the breakdown of business types needed for a representative sample of the market, the likely ethnicity of business owners to ensure diversity, and the distribution of the surveys across major identified market locations. The following streets and markets were visited to seek respondents to the Employer Survey:

Area	Day
Wasti Street	1
Al Quds Street	2
Baghdad Street	3
Kirkuk Street	4
Al askari Street	5
50 Ali Street	6
Al Jamhouri Street	7
Atlas Street	8
Ahmed Araa Street	9
Sarchinar Street	10
Rahim Awa Market	11
Taba Market	12
Shorja Street	13

Table 1. Employer survey locations

Surveying resulted in a breakdown that favoured food and construction workers, but also included carpenters, textile workers, and those active in trading and manufacturing metal goods.

	Frequency	Per cent	Valid per cent	Cumulative per cent
Carpentry	5	5%	5%	5%
Chemical	1	1%	1%	6%
Construction	41	42%	42%	48%
Food	28	29%	29%	77%
Metal	8	8%	8%	86%
Textiles	14	14%	14%	100%
Total	97	100.0	100.0	

Table 2. Breakdown of employers surveyed

The following map shows the geographical region where the surveying was concentrated, Kirkuk city and its surrounding areas. The below was used to highlight and identify busy commercial and industrial areas.

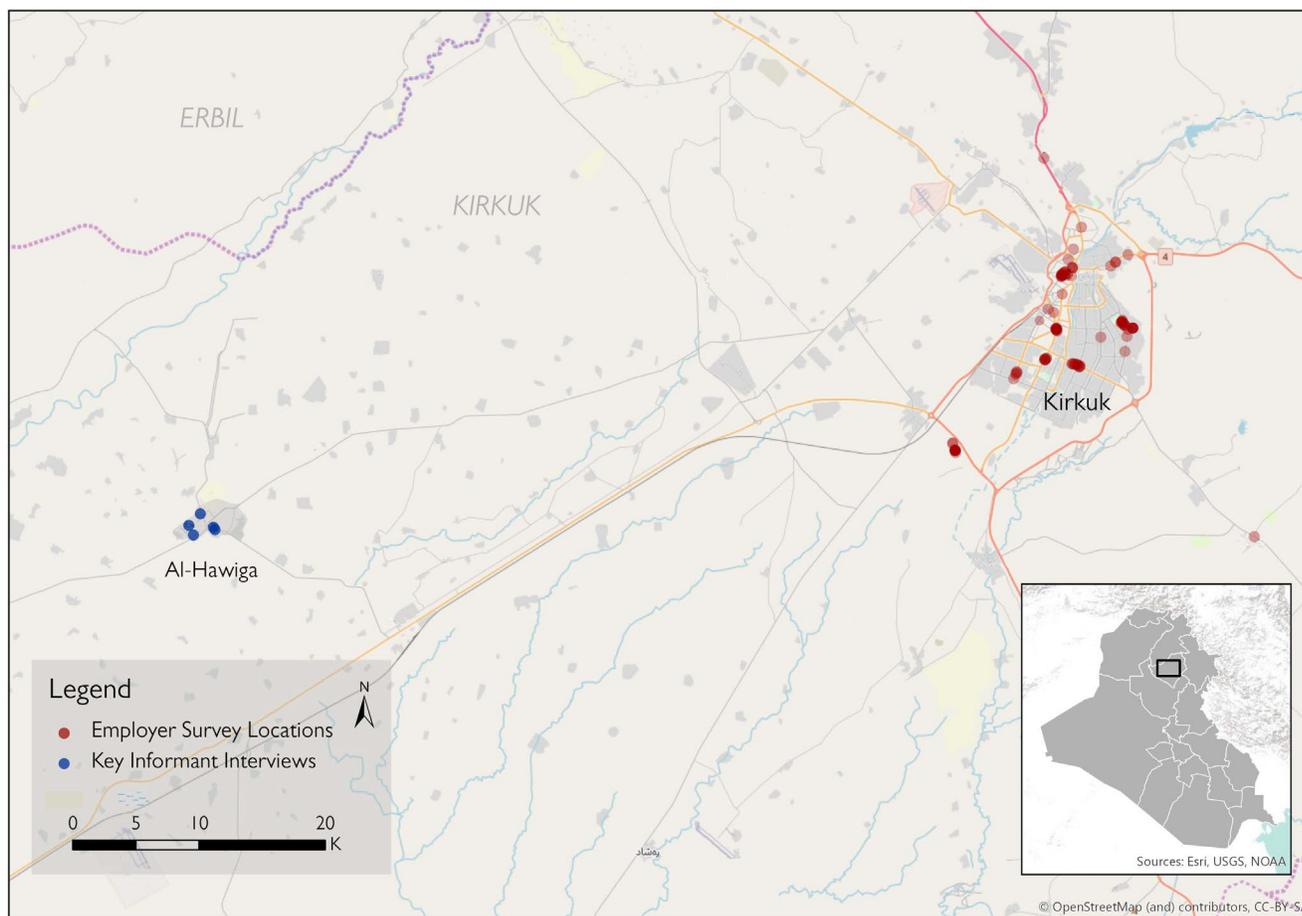


Figure 1. Map of Kirkuk

In addition, focus group discussions were held to map the market systems for three industries: food processing industry, agricultural workers, and manufacturers. Focus group discussions were organized in coordination with the Iraqi Business Union and the Department of Agriculture, who provided a list of factory owners and business owners and farmers, who were invited to participate in the Focus Group Discussions.

Participants	Gender	Profile of focus group discussion participants	From
6	Male	Cattle owner, shepherd, fishery owner, greenhouse and olive grove owner	Bashir and Taza
6	5 Male, 1 Female	Fast food seller, pies and pizza seller, chips factory owner, juice products vendor, ice cream vendor, restaurant owner	Kirkuk industrial area and surrounding locations
5	Male	Factory for frozen products owner, agriculture machine company owner, industrial gas maker, tile factory owner, ceramic factory owner	Kirkuk industrial area and surrounding locations

Table 3. Focus Group Discussions

Key informant interviews, meanwhile, were conducted with various representatives from organizations involved in commerce, banking, finance, business unions and government departments. All survey tools, including the research plan, are attached as Annex

3. Manual data collection was used in places where enumerators preferred to use paper forms. All data were eventually entered into the online data kit tools.

Key informant interview profiles
Thiqa (Trust) organization – Microfinance
Kirkuk Industrial Union
MOLSA
Kirkuk Agriculture Guidance Office
CoC
Iraqi Business Union
Al-Amman organization
Kirkuk livestock market
RT Bank
Oxfam
Taza sub-district board member

Table 4. Key Informant Interviews

Limitations

The research team did not face major challenges; however, the research presents an urban bias with its concentration of employers surveyed from Kirkuk City. In a context characterized by a hard-hit agricultural sector, more trips to more rural areas could have provided a more contextualized view of the effects of the previous five years, although given the security situation (with Reuters reporting ISIL attacks at an all-time high), rural visits were not advisable.

Furthermore, only one of the identified respondents to any of the surveying tools was female, despite efforts to locate female-owned businesses, which reinforces a knowledge gap on women’s access to economic opportunities. To counter this, IOM is running a separate project to evaluate women’s access to economic opportunities.

Some non-engagement with the survey occurred, with an estimated 25% non-response rate, with some approached businesses expressing fear in discussing the details of their operations with organizations. At all times, enumerators sought the consent of participants in advance of surveying, including consent for note-taking, further sharing, and the right to decline to comment on any question.

Findings

The extent of damage suffered by small and medium enterprises

Prior to the crisis, some of the biggest employers in Kirkuk included food item factories, such as factories for flour, ice cream, chips and noodles; plastic factories, asphalt factories and glue factories, chemical and gas producers, and construction material companies. Metal work, service shops such as for car painting, and agricultural equipment manufacturers were also mentioned as large employers before the 2014. The most common effect of the crisis on key employment sectors in the city, as reported by Key Informants, was a pause or reduction in new construction (mentioned by 36% of respondents, followed by a decrease in production and damage to agriculture (each mentioned by 27% of respondents).

KII opinions: current state of previous largest employers	
New construction has paused or stopped	36%
Agriculture was destroyed	27%
Production has decreased	27%
Investors are not interested	18%
Tariffs have had a negative effect	9%
There is too much competition with imports	9%

Table 5. Current state

A total of 56% of employers surveyed, meanwhile, explicitly mentioned a drop in demand, profit or revenue during 2014–2017. Food was the most resilient sector, with only 37% of respondents with a food related business mentioning a drop in demand from 2014–2017.

Decreased revenue from 2014–2017			
Sector	Mentions	Total	%
Food	9	24	37.5
Construction	25	40	62.5
Carpentry	3	5	60
Chemical	1	1	100
Metal	5	7	71.4
Textiles	10	14	71.4
Other	2	2	100

Table 6. Mentions of decreased revenue

To cope with reported losses ranging from an estimated 30% to 80%, to losses that forced the closure of businesses, a variety of coping mechanisms were used. The most common change in management was the reduction and redundancy of staff necessitated by the drop in demand, which was reported by 7% of employers. It should be mentioned that these coping measures were not as extreme as observed in other locations currently being assessed by IOM, including Fallujah and Mosul. REACH and Mercycorps, who conducted a rapid market assessment of Kirkuk and surrounding areas in 2014, also noted that businesses had stockpiled some items, in both anticipation of increased demand from IDPs and as a response to spikes in demand, such as for household items needed by IDPs (for example, blankets).

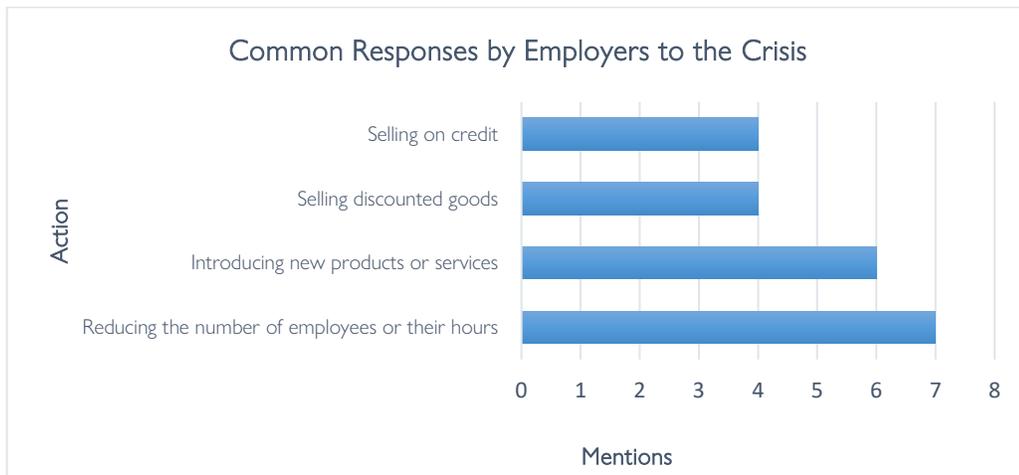


Figure 2. Coping mechanisms by employers

IOM focus group discussions confirmed what was already suspected from employer surveys. That the agricultural sector, as an area that had been susceptible to ISIL takeover, was the hardest hit. This information represents a case where a typically war-invulnerable sector (agriculture) was one of the most war-vulnerable sectors. It is also consistent with findings from other areas assessed by IOM, including the Bashiqa town near Mosul, where agricultural assets were destroyed and stolen. Below, a market systems' map of the farming sector in Kirkuk was drawn from a focus group discussion held with several business owners in agriculture. Notwithstanding the high price of services and the lack of certain machinery locally such as an olive oil press, farmers faced competition with imported products from Turkey, and some had suffered theft of factories, livestock and machines by ISIL.

As Amnesty International has remarked,

“As a priority within its reconstruction efforts, the Ministry of Agriculture needs to take the lead in government efforts to substantively address the breadth and gravity of the destruction of agricultural livelihoods. Iraq’s farmers (and former farmers) urgently need support to recommence farming. Mine clearance of agricultural fields should continue as a priority. Farmers need assistance to repair lost or damaged tools, machinery, and greenhouses. They need help to replace their livestock and replant their orchards. Farm buildings and storage facilities have to be rebuilt. Some areas of the country will need new wells, while in others it will be more appropriate to extend existing irrigation canal systems.”

IOM would do well to formulate specific activities for rural populations, either under the EDF or other livelihood activities, keeping in mind the specific economic portfolios of rural households, which typically display lower levels of consumption, higher levels of debt due to the seasonality of their activities and higher rates of multiple occupations.

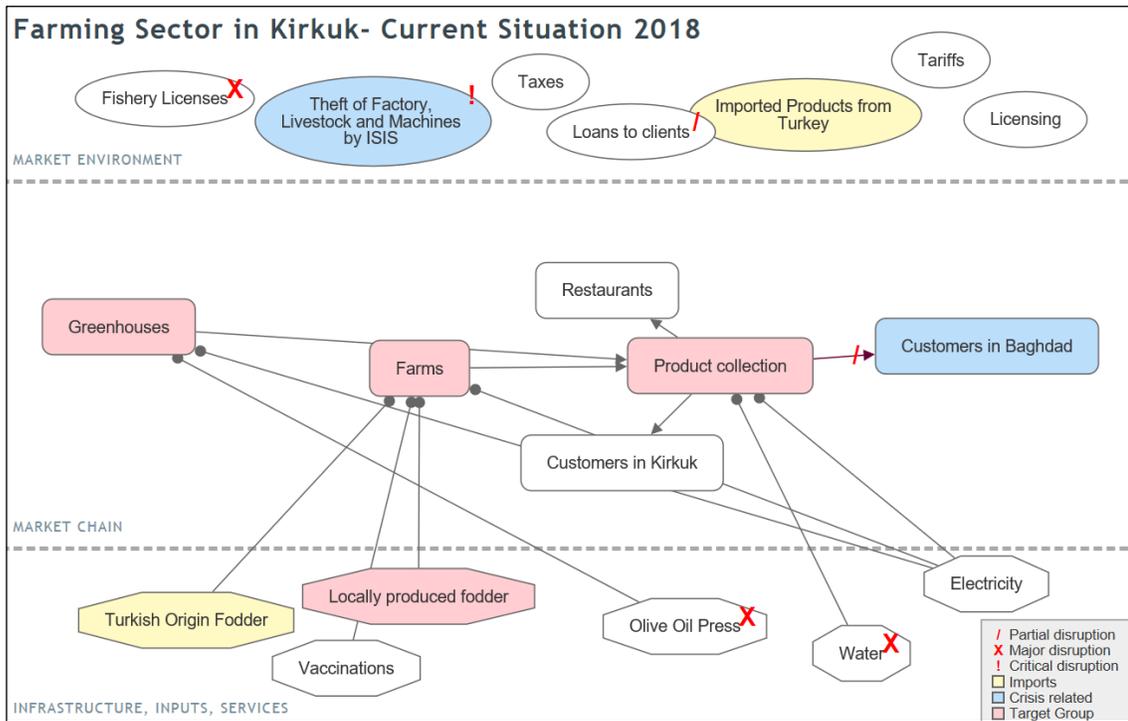


Figure 3. Market Systems Map – Farming

The food processing sector was the most resilient. A focus group discussion held with manufacturers of processed foods shared how, besides the high price of some goods and services, neither the crisis nor political corruption had adversely affected them in the last 5 years.

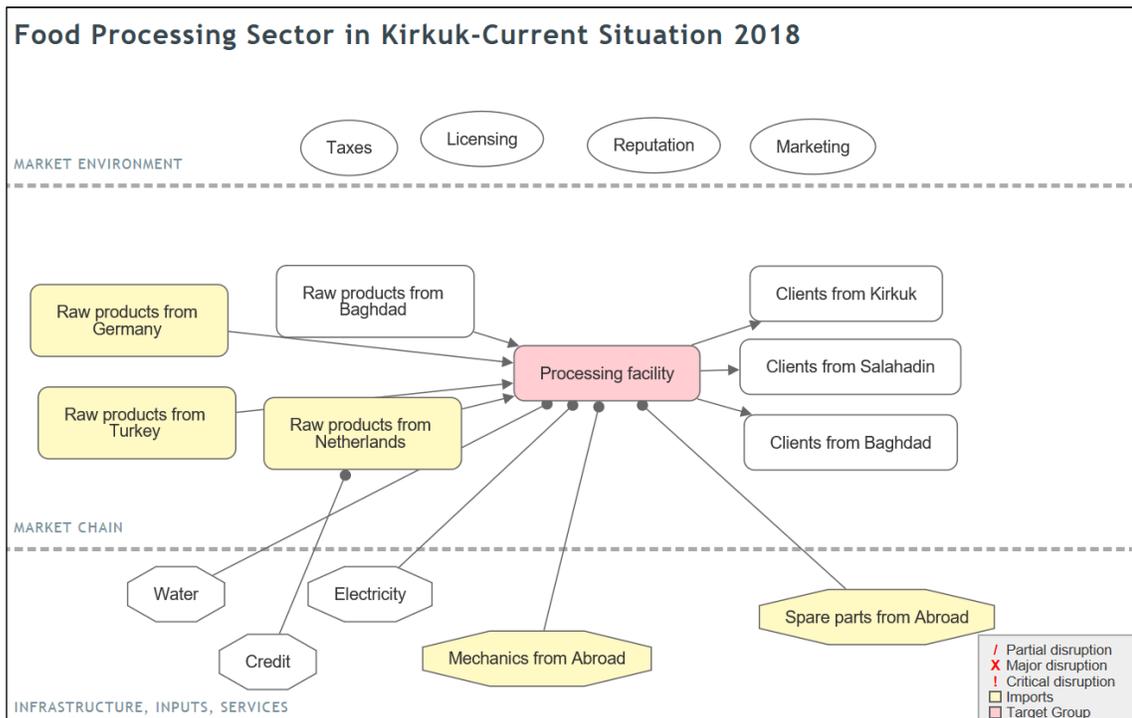


Figure 4. Market systems Map- Food Processing

Market failures that can be addressed

A few themes were recurrent:

Coordination failures

A tariff or customs fee was being charged at the border between federal Iraq and the Kurdistan Region of Iraq (KRI) –which changed in 2017 – that was excessive for business owners. An example was given:

The main problem in the employer surveys is the customs on the Suly Erbil road and taxes and fees from the Governor. If someone buys and sells clothes and you bring them at the border with Erbil, you can pay 700 at the border. But when you enter from KRI to Kirkuk, you have to pay 4000..... People in these cities have limited income so if tomato prices go from 500 to 1500 they can't afford it.

This internal customs fee, however, was determined to be incorrect and customs checkpoints were dismantled on 4 December 2018 by the Iraqi Parliament, following the argument that customs within a country shouldn't exist. These customs points are currently being taken down, although residents may be skeptical of how long it will take before charges are lifted at the customs point in Kirkuk.

External effects

Additionally, skilled workers were frequently reportedly hard to find in the local market, representing what can be called an underinvestment in skills development and a mismatch between private incentives and private sector needs. The sectors that most commonly reported this included food businesses (54% of whom reported that it was hard to find skilled workers) and textile businesses (mentioned by 36% of textile workers), who mentioned that they often had to train unskilled workers on the job.

Other issues with finding skilled workers included the lack of permanence as trained personnel sometimes preferred to move or resign; a lack of hard workers, and a general difficulty to find workers that could be trusted.

Unequal access to information

Finally, due to the multiple ethnic groups in Kirkuk, the publication of information should be sensitive to the diversity of the city. Many examples were given of third-party implementation and programmes with little oversight, and during key informant interviews, requests to carefully manage programmes to avoid fraud and misuse were repeated. In a context characterized by frequent, violent handovers of power, such recommendations should carry extra weight.

Businesses that would create additional employment opportunities

Below, a cross-tabulation shows that in both the construction and the textile sector, companies may hire up to eight employees directly related to them. In fact, hiring relatives occurred in all sectors, but was least prevalent in the chemical and food industries.

	How many of your employees are related to you?							Total
	0	1	2	3	4	5	8	
Carpentry	1	2	2	0	0	0	0	5
Chemical	1	0	0	0	0	0	0	1
Construction	15	10	3	3	1	0	1	33
Food	14	5	4	1	2	1	0	27
Metal	4	0	3	0	0	0	0	7
Other	1	0	0	0	0	0	0	1
Textiles	3	4	1	1	1	0	1	11
Total	39	22	13	5	5	1	2	87

Table 7. Diversity, equity and inclusion in hiring

When asked what they would do with a grant if given one, only 24% explicitly mentioned hiring new workers, although many had ideas for business expansion that would presumably require additional workers to be hired as well.

Potentials for market distortion

With large injections of cash into a market, the risk for price destabilization becomes real, as does the risk of crowding out private investment. Below, cafés were the most frequently cited business that there were already too many of, followed by mobile food businesses, minimarkets, and restaurants. Granting too much to these sectors could worsen a seemingly already problematic mismatch between private incentives and market demand. If prices are later lowered due to the injection of free cash through an IOM grant to these business types, competitors may suffer demand problems even more, to the point of closing doors.

Key informant interviews reported oversaturated sectors	Responses
Cafes	4
Mobile food businesses	2
Minimarkets	2
Restaurants	2
PVC workshops	1
Brick and cement-block factories	1
Unauthorized fish ponds	1
Furniture	1
Mobile phone workshops	1
Trade	1
Car wash centers	1

Table 8. Key informant reported demand issues

Employers also reported demand issues, including how they felt current demand was for their products. Those who mentioned low demand most frequently included metal workers (71%) and carpenters (60%).⁴

	Low demand mentioned?		%
	N	Y	
Carpentry	2	3	60%
Chemical	1	1	100% ⁵
Construction	23	16	41%
Food	22	6	27%
Metal	2	5	71%
Other	1	0	0%
Textiles	7	7	50%
Total	57	40	97

Table 9. Employer reported demand issues

Finally, key informants were asked about developing investment that IOM’s grant mechanism may compete with, crowd out, or be bundled with, having unintended consequences. Two key informants mentioned agriculture, and two mentioned state-owned banks that used to give loans to factories, but apparently these have stopped now. In general, taking smaller loans and not investing seemed to be the trend rather than investing and borrowing. This indicates that IOM funds should be less fungible than in a context characterized by high rates of loan defaults, as grants can sometimes be misused for old debts.

Conclusions

Kirkuk city is a context characterized by social grievances but less affected by the direct consequences of ISIL occupation. These effects are found more in peri-urban areas and districts such as Hawija and Bashir. In Kirkuk city, the presences of IDPs has actually created some opportunities for food businesses to withstand some of the political upheaval of the previous five years. But the greatest effects of the conflict have been on farms and construction, as investor fears have led to the cessation of many new projects.

Employers, in turn, responded to the crises by allowing customers many ways to breakdown bulk purchasing, introducing new products and services to maintain operations, and sometimes reducing the working hours of staff. In harder-hit businesses, temporary closures happened. Across the board, a decrease in revenue was most commonly reported, as ISIL did not confiscate business properties in Kirkuk city as they did elsewhere.

Following 2017, businesses experiencing issues in demand match closely the businesses that experienced a drop in demand during the crisis, for example with food sector businesses least likely to report low demand. In addition, key informants felt strongly that cafés were an oversaturated business type.

Skills were reported as hard to find, although these varied from hard-working people, to people who wouldn’t quit; indicating that the lack of skills may have been less about technical training than attitude.

⁴ Chemical workers reported this too, but the number of chemical businesses surveyed was not large enough to be representative.

⁵ Only one chemical business owner was interviewed as part of the employer survey who mentioned low demand.

In the rollout of the EDF, specific efforts to target the agricultural sector will necessarily require respect for the seasonality of agricultural work and the labour mobility associated with this. IOM may wish to avoid engaging with sensitive industries for certain religious groups, for instance the production of alcohol or tobacco, to avoid the perceived favoritism of any group. In all possible instances, IOM should carry out direct implementation due to its past experience and institutional knowledge on engaging with the local population in Kirkuk.

Finally, on the delicate ethnic balance in Kirkuk, IOM is urged to implement strong monitoring procedures and implement directly. Fears of co-option, corruption, or diversion reflect some of the latent tensions contributing to the fragility of the current business environment. Respecting how capacities and access to resources have been shaped by ethnicity and religion in and around Kirkuk, and respecting the mobility intentions of local populations will be critical for effective development programming in Kirkuk.

Annex 1: Recommendations from the market assessment

1. Evaluate the missing skills reported as hard to find and try to match vocational trainings with missing skills, especially for areas of technical expertise
2. Target the agricultural sector, specifically local machinery that would enhance production capacities such as olive oil presses, grain and seed hulling machines, and greenhouse parts
3. Open the call for Expressions of Interest to subsectors not represented in the market assessment, such as private educational institutions and agricultural workers
4. Coordinate on the dismantling of the interregional customs points, given the strategic priorities of IOM's border management unit and its emphasis on the political economy of border management
5. Seek female enumerators to increase the number of female respondents for future rounds of surveying
6. Discourage grants to metal workers and chemical sector workers
7. Pay special attention to the distribution of information related to a grants mechanism, including the language and location of publication
8. Integrate the Enterprise Development Fund into ongoing mission activities aimed at promoting a holistic recovery from the political crisis, to identify otherwise overlooked potential beneficiaries

Annex 2: Market assessment plan

Market assessment plan

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

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

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

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

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

Research sub-question

- A. Which small and medium enterprises suffered due to the conflict?
- B. What market failures can be addressed through matching grants or business development support?
- C. What cash grants could create the need for additional labour?
- D. What could cause market distortion?

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

Research sub-question	Information needed	Source of data
<p>Which small and medium enterprises suffered due to the conflict?</p>	<p>Direct consequences of conflict for SME owners and workers</p>	<p><i>How have political events affected your business? Describe the current status of your business (FGD, Q4)</i></p> <p><i>Did you manage your business differently during 2014–2017, and how did it affect your revenue? (ES, Q3)</i></p> <p><i>How would you describe your business performance from before ISIL, during ISIL, and since the end of ISIL's occupation? (ES, Q4)</i></p> <p><i>How will recovery continue to impact your business over the next 12 months? (ES, Q5)</i></p> <p><i>Do businesses selling your product or providing your services in this area generally make a small or sizeable profit? (ES, Q8)</i></p> <p><i>Prior to the crisis, what sectors were the biggest employers in the city? What happened to these sectors? (KII, Q4)</i></p>
<p>What market failures can be addressed through cash grants, or may be better supported through other business development services?</p>	<p>Supply-side and demand-side bottlenecks due to constraints/obstacles</p>	<p><i>Where do you get your raw product from? Is it sufficient in quantity and quality? (FGD, Q1)</i></p> <p><i>Who do you sell your product to? (FGD, Q2)</i></p> <p><i>How much time does it take to sell your product to a buyer? Do you usually have enough stock to meet demand? (FGD, Q3)</i></p> <p><i>Where do you get your product from? Is it sufficient in quantity and quality? (ES, Q10)</i></p> <p><i>Who do you sell to? How is the demand for your product these days? (ES, Q11)</i></p> <p><i>What is the single greatest challenge that you face operating in Kikuk, what are the other challenges? For the challenges you have identified, please indicate what kind of changes would improve your ability to do business. (ES, Q8)</i></p> <p><i>What challenges do you face dealing with clients? (ES, Q7)</i></p> <p><i>What challenges do you face dealing with suppliers? (ES, Q6)</i></p> <p><i>What kind of government policies or programmes, or infrastructural improvements, could strengthen your business? (ES, Q13)</i></p>

		<p><i>What sort of training or skills do you need to run this business? Have you received any sort of formal or informal job or entrepreneurship training? (ES, Q14)</i></p> <p><i>Have you ever considered expanding your business (e.g. opening another location, adding products/services, hiring more employees, etc.)? If you have already done so, what key factors helped you? (e.g. bank, VSLA, or personal loan; government investment fund; family to staff 2nd location, etc.). If you have considered this but found it difficult, what were your primary barriers to growth/expansion? (ES, Q15)</i></p>
<p>What cash grants could create the need for additional labour?</p>	<p>Evidence of scalability, networking beyond internal networks</p>	<p><i>How many of your employees are related to you? (ES, Q13)</i></p> <p><i>How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why? (ES, Q11)</i></p> <p><i>In your experience, are labour laws strictly followed by employers and enforced by MoLSA? Could most businesses show proof of registration, company social security numbers, and personal income taxes for employers? (FGD, Q5)</i></p> <p><i>What sectors are currently underdeveloped and/or have significant potential for growth? (KII, Q7)</i></p>
<p>What could cause market distortion?</p>	<p>Which SMEs would not have been competitive anyway?</p>	<p><i>Are there a lot of businesses like yours? (ES, Q8)</i></p> <p><i>What sectors are oversaturated / face too much competition? (KII, Q2)</i></p>
	<p>Which areas are other private sector funders targeting, including public actors such as government programmes, that could crowd out investment?</p>	<p><i>Into what sectors is private investment flowing (either from local or international investors)? Are these sectors affected by external factors, for e.g. seasonality? (KII, Q5)</i></p> <p><i>What have been the biggest changes in the business environment have you observed over the past six months? (KII, Q10)</i></p> <p><i>What are the priority sectors where the government is encouraging development in? (KII, Q8)</i></p> <p><i>What major economic development initiatives are important for business? (KII, Q12)</i></p>

Annex 3: Surveying tools

Handout 2:

Focus group questionnaire for small business owners

The market chain:

1. (If applicable) Where do you get your raw product from?
2. Why did you choose the suppliers you use? (i.e. punctuality, price, honesty)
3. (If applicable) How can raw materials affect your final product quality?
4. (If applicable) What is your main restriction on enhancing production?
5. (If applicable) Are your raw materials sufficient in quantity? Have you ever had a shortage of raw materials and why?
6. Do you certify your suppliers for quality?
7. Have your suppliers changed in the last five years and how? Is it easy to change your supplier?
8. Where do your suppliers get their raw product from? Where is it from originally?
9. Who do you sell your product or service to? What challenges do you face dealing with clients?
10. Are you able to respond to and accommodate demand variations, such as seasonality?
11. Do your consumers sell your product onwards? How?

The market environment

12. What challenges, if any, do you face from regulatory bodies or agencies?
13. Do you pay taxes?
14. Have you experienced extortion or corruption in the last five years? From who?
15. How did the political crisis affect your business?
16. Have you benefited from any public services in the last five years?
17. Are you a member of any association?

Infrastructure services

18. Do you have to use credit in your business? Do you have any issues with this?
19. What percentage of your budget goes to transportation?
20. What other services do you pay for to run your business? What challenges do you have with these?
21. How did these services change in the last five years?
22. How are the cost of these services?
23. Can your firm/company usually meet delivery due dates on time, and if not why not?

Handout 4: Key Informant Interview Questions

1. Respondent:
2. Occupation:
3. Organization:

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

Handout 4: Employer Questionnaire

Respondent:

Phone number:

Gender:

Age:

Type of business:

Number of employees:

Length of time business has been operational:

1. How did you acquire the skills to start your business?
 - Decided to try an idea as an entrepreneur
 - Learned from a family member
 - Attended vocational training
 - Apprenticeship
 - Formal certification or course
 - other (specify)
2. Are there a lot of businesses like yours?
3. Has this changed in the last six months?
 - The number of similar businesses increased
 - The number of similar businesses stayed the same
 - The number of similar businesses decreased
 - Not applicable
 - I don't know
4. Did you manage your business differently during 2014–2017, and how did it affect your revenue?
5. How would you describe your business status now? Single answer
 - Not profitable, I'm losing money (business contraction)
 - Stagnant, barely enough to sustain my own needs
 - Profitable/ successful, but not enough to grow further
 - Very profitable/ successful, it is expanding
 - Other: (specify:-----)

6. How do you expect your business to recover or expand over the next 12 months?
7. Where do you get your product or raw materials from? Is it sufficient in quantity and quality? What challenges do you face in dealing with suppliers?
8. Who do you sell to? How is the demand for your product these days? What challenges do you face in dealing with clients?
9. What products or services are in demand by consumers but difficult to find in the local market?
10. For those you have listed, why are they difficult to find?
11. What are the main recruitment mechanisms in your city? Word of mouth, formal job advertisements?
12. Do you sign a written contract with your full-time employees?
13. What is the average monthly salary that you pay full time workers in Iraqi dinars?
14. How many of your employees are related to you?
15. How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why?
16. What is the single greatest operating challenge that you face, and what are the other challenges? For the challenges you have identified, please indicate what kind of changes would improve your ability to do business.
17. What kinds of government policies or programs, or infrastructural improvements, could strengthen your business?
18. What sort of training or skills do you need to run this business? Have you received any sort of formal or informal job or entrepreneurship training?
19. Have you ever considered expanding your business (e.g. opening another location, adding products, hiring more employees, etc.)? If you have done so already, what key factors helped you?(e.g. bank, VSLA, or personal loan; government investment fund; family to staff 2nd location, etc.). If you have considered this but found it difficult, what were your primary barriers to expansion?
20. If you were to receive unrestricted funding of US \$ 5,000 to US \$ 25,000 for business expansion purposes, what would you likely spend this on?