



## **Iraqi Business Attitudes on the Economy, Government, and Business Organizations**

**2011 Iraqi Business Survey**

**Final Report**



**National Endowment  
for Democracy**

*Supporting freedom around the world*

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## Introduction

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The Center for International Private Enterprise (CIPE) commissioned this survey of Iraqi business views on the economy, government, and business organizations. CIPE's mission is to strengthen democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy. Since 1983, CIPE has worked with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. CIPE's key program areas include anti-corruption, advocacy, business associations, corporate governance, democratic governance, access to information, the informal sector and property rights, and women and youth. The goal of this survey is to provide information to assist the Iraqi business community in creating a friendly environment for business growth and help it to become a more effective advocate for economic reform and democratic governance. Funding for the study was provided by the National Endowment for Democracy.

This survey was adapted from earlier business attitude surveys CIPE conducted in Iraq from 2004-2007. CIPE, 4points in Baghdad, and Charney Research in New York together modified the questionnaire to reflect Iraq's changing environment. CIPE has been working with the private sector in Iraq since 2003 and maintains an office with local staff in Baghdad. 4points, a female-owned Iraqi company with expertise in surveying Iraqi business people provided critical feedback and suggestions for the field questionnaire. Fieldwork was conducted by 4points, based in Baghdad, which also provided useful input based on prior work on U.S. Agency for International Development (USAID)-funded small and medium-sized enterprise (SME) surveys. Trained Iraqi interviewers conducted all interviews in Arabic or Kurdish, Iraq's principal languages, according to the preference of the respondent. Charney Research, the firm that also authored the final report, analyzed survey results.

This report presents findings from a CIPE business barometer survey of Iraqi businesspeople conducted in-person between March 12 and April 19, 2011. The study focus was to obtain a reading of business attitudes toward the current business environment, challenges to business development, level of confidence in government efforts to assist business, and the role of business associations and chambers of commerce.

A total of 900 interviews were conducted among formal and informal businesses in nine cities: Anbar, Babil, Baghdad, Basrah, Erbil, Karbala, Kirkuk, Najaf, and Ninawa. Businesses were sampled through a mix of door-to-door random selection and chain referral, by which one survey respondent recommended another to participate in the survey. For more details about methodology, please see Appendix II.

Most of the businesses in this survey were private sector sole-proprietorships (83 percent; 13 percent family-owned businesses, 1 percent non-family partnerships or corporations), and the majority operated in the wholesale/retail trade (58 percent). The remaining businesses were in the manufacturing (12 percent), professional services (12 percent), construction (7 percent), hotels, restaurants and tourism (3 percent), agribusiness (3 percent), transport and storage (2 percent), communications (2 percent), electricity, gas, oil (1 percent), or other sectors (1 percent). Comparisons across groupings are only possible for those companies in retail, manufacturing, professional services and construction due to sample size limitations.

References are also made to a series of CIPE surveys conducted among Iraqi businessmen in 2004, 2005, and 2007, a series of CIPE focus groups held in 2008, and a 2009-2010 USAID-*Tijara* study of Iraqi small and medium-sized businesses.

The 2008 CIPE focus groups focused on the Iraqi economy and reforms necessary to create a better business environment. Participants consisted of 127 men from diverse geographic, ethnic, religious, sectarian, and age groups and in eight provinces: Anbar, Arbil, Babil, Baghdad, Basrah, Kirkuk, Najaf, and Sulaymaniyah. One focus group was held in Amman, Jordan.

The USAID-*Tijara* Market Assessment for the Provincial Economic Growth Program was a multiple phase project extending from June 2009 – 2010. The survey portion of the study focused on the constraints faced by SMEs across Iraq. Approximately 700 private businesses in each of 15 provinces were interviewed. The survey was designed by USAID-*Tijara* with input from 4points as implementing partner.

See [http://www.sbdc-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_IRAQ.pdf](http://www.sbdc-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_IRAQ.pdf) for more details.

## Executive Summary and Key Findings

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The development of a thriving, formal business community in Iraq is a key component in maintaining political stability in the country and achieving long-term security from both internal and external threats. Looking forward, the formality of the business environment and the ability of Iraqi entrepreneurs to pursue economic opportunities will determine if Iraq's economy can become self-sustaining and able to deliver jobs and improve standards of living for its people. It is imperative to analyze current obstacles adversely affecting the growth of the business sector in Iraq and to assist the business community in communicating their needs to the government.

This survey demonstrates that Iraqi businesses are generally optimistic about their business prospects over the next several years. Iraqi businesspeople have a clear sense of their own needs and challenges, and they identify the areas in which the government can assist in making it easier to do business. Corruption, weak infrastructure, lack of regulatory enforcement, and difficulty in obtaining loans are seen as the great hindrances to growth.

Survey results highlight the Iraqi business community's belief that they can influence government policy, as well as a growing trust in business associations and chambers of commerce to represent their interests or provide services. However, it also reveals that despite strong support for democracy, businesses do not place significant faith in the government's ability to promote their interests. Additionally, the survey uncovers large numbers of unregistered businesses – a population that must be controlled if Iraq's business community is to truly thrive.

### **Business Mood Is Optimistic**

Iraqi businesspeople are positive about current economic conditions in the country and expect the Iraqi economy and their own businesses to grow in the next two years.

- Six in 10 say the economy in their community is good, and half say the business environment is better today than a year ago.
- Three fourths believe the Iraq economy will grow over the next two years. This level of optimism was also expressed in CIPE's 2004, 2005, and 2007 studies.
- Looking ahead six months, over half of survey respondents plan to offer new services or products, and nearly as many expect their sales to increase. A quarter expects they will employ more people and acquire an agency from a foreign company.

While they perceive improvements in the security and business environments over the past year, worsening basic services, corruption, infrastructure weaknesses, limited access to finance, and a lack of regulatory enforcement hinder business productivity.

- Increased international trade, strengthening the application of business laws, and improving the delivery of basic services are seen as ways to improve the business environment.

### **Over Half of Businesses are Unregistered**

The size of the informal business sector in Iraq is an important phenomenon and is an important consideration in the overall views of Iraqi businesses. Just over half (55 percent) of businesses said they

are *not* registered with the Iraqi government. About four in 10 businesses say they have registered with the Iraqi government (predominately with the Iraqi Ministry of Trade).

- Registration rates vary by province and by type of company. A majority of companies in Basrah, Baghdad and Karbala, and half in Erbil are registered. Four in 10 in Ninawa and no more than a quarter in the other provinces are registered. Registration rates are also higher among construction and manufacturing companies than other businesses.

Most registered businesses say that registration is beneficial because it offers greater chances of winning government contracts. Informal businesses are more divided between those who believe in the benefits of registering and those who believe that registration will result in more bribes to officials.

### **Expansion of Informal Businesses Viewed as a Problem**

Interestingly, both registered and unregistered businesses view informal businesses as a problem for Iraqi business development, though registered companies are more likely to say they are a major problem while unregistered companies tend to view them as a minor problem.

- In addition, a plurality of both registered and unregistered organizations say that an increase in the number of informal businesses poses a danger for the overall Iraqi economy.
- Both registered and unregistered businesses perceive that the most dangerous effects of informal business growth are the consequences to the employees working in the grey economy: recruitment of workers below the legal age for employment, the lack of disability benefits and a lack of career development to employees in the informal sector.

### **Low Expectations for Government to Promote Business Interests**

Despite business support for the democratic transition, Iraqi businesspeople have fairly low expectations about the current or previous government's abilities to promote their interests.

- Only two in 10 credit the previous government for adequately representing the Iraqi business interests, and around a third expect the new government will do better.

Businesspeople see a need to address shortcomings in the enforcement and enactment of laws, especially a need to resolve issues between intersecting laws, and the development of systems to enforce current laws or adopt/develop new laws.

### **Businesspeople Split in Opinion toward Paying Taxes**

The businesspeople surveyed split almost evenly between those who support paying taxes as their national duty and those who do not see a benefit. Most businesspeople would like to see major changes in the corporate tax code.

- Corruption among tax officials is a big concern. Two thirds of all businesses believe government officials in the tax office are rarely or never honest and free from corruption when assessing taxes.

### **Businesses See Many Roots of Corruption**

A majority of businesses names corruption as the most important factors hindering the growth of the Iraqi business sector, followed by infrastructure weakness, lack of regulatory enforcement, and difficulty in obtaining loans.

A weak judicial system, and feeble role for public opinion and the media in confronting corruption, a lack of transparency/underdevelopment in government regulations, and government involvement in bribery and preferential tenders are considered the top causes of corruption.

- While businesspeople are concerned about corruption, they do not seem to think it is a lost cause. A majority says that it is a significant problem and more needs to be done to combat it. Eight percent say it is a problem but Iraqi businesses can adapt. A quarter feels that it is such a serious problem that there are no adequate procedures to combat it.
- Government contracting is one area where businesses perceive a high level of illicit activity. A majority says the previous government lacked transparency in contract grants, and a plurality expects the new government will behave the same way.

Seven in 10 name the High Commission for Integrity and the media as the two bodies best positioned to address corruption, followed by the creation of a shadow government and pressure from foreign governments. Very few think that business associations are able to effectively address corruption.

### **Membership in Business Associations on Par With Other Countries**

Respondents tend to feel that the business community at large can be effective in influencing government policies, and an increasing percentage trust business organizations or Chambers of commerce to represent their interests or provide services for their members. As in many other countries, business associations are affected by the “Free Rider” problem. Many businesspeople in Iraq benefit from business association activities and advocacy without having to join personally.<sup>1</sup>

- Fourteen percent of the overall sample says they belong to a business organization, similar to membership levels in other countries where business association membership is voluntary, including Bulgaria, the Czech Republic, the Philippines, Poland and the United States. Most Iraqi businesses that report membership belong to provincial chambers of commerce, followed by the Federation of Industries, the Iraqi Business Union, and others.
- There has been a marked increase from 2004 and 2007 in the percentage of businesspeople who believe there are active business associations in Iraq that have a significant role in communicating the needs of the Iraqi business sector to the Iraqi government (from no more than 10 percent to 25 percent today). This percentage is even higher among registered businesses (35 percent) and in areas that are better integrated economically and politically in the new Iraq, such as Baghdad and Basrah. Businesses in Anbar province are the least positive in their views.
- In addition, a majority of registered businesses and businesspeople in Basrah and Erbil (and half in Baghdad) deem the work of business organizations useful.

Iraqi businesspeople identify several ways they want chambers of commerce to support them. There are no key differences between business association members and non-members in their requests to:

- Strengthen business relationships with peers abroad, provide advocacy for achieving societal and business sector goals, disseminate information about local laws and relevant information;

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<sup>1</sup> Olsen, Mancur (1965), *The Logic of Collective Action*, Harvard University Press

- Coordinate conferences and small-scale workshops on business development;
- Conduct studies about economic performance and product or service improvement.

### **Conclusions and Recommendations**

While an improved security environment is helping to stimulate optimism among Iraqi businesses, continued problems with basic services, infrastructure, corruption and a bureaucratic regulatory system are obstacles to future development.

Most businesspeople lack confidence in government efforts to assist business development and promote Iraqi business interests. To turn this view around, the government should address shortcomings in the enforcement of regulations, help to advance international trade, take measures to combat corruption and improve service delivery.

Perhaps related to their views of government efficacy, many businesses see no incentive to registering their companies with the appropriate Iraqi ministries. However, continued expansion of the grey economy undermines the development of the private sector by preventing the development of a professional work force. Businesspeople say that some of the most dangerous effects of informal business expansion are the lack of development of workers in this sector because they are not registered formally, including workers below legal age who are deprived of educational opportunities.

Registration is viewed as a cumbersome and bureaucratic procedure, though a significant proportion of those surveyed think it is beneficial in terms of securing government contracts. Ministries need to make a greater case for the benefits of registering companies to stem the growth of the informal economy.

Iraq is a difficult country for business associations to work in, given high levels of corruption and suspicion. Yet, membership and trust in business organizations is growing. The 2008 CIPE focus groups found that some businesspeople continue to associate business organizations and chambers of commerce with the previous government regime, which might affect confidence levels in business organizations to deliver services and assistance. If government agencies can improve infrastructure and services, it would probably go a long way in improving business confidence in government agencies.

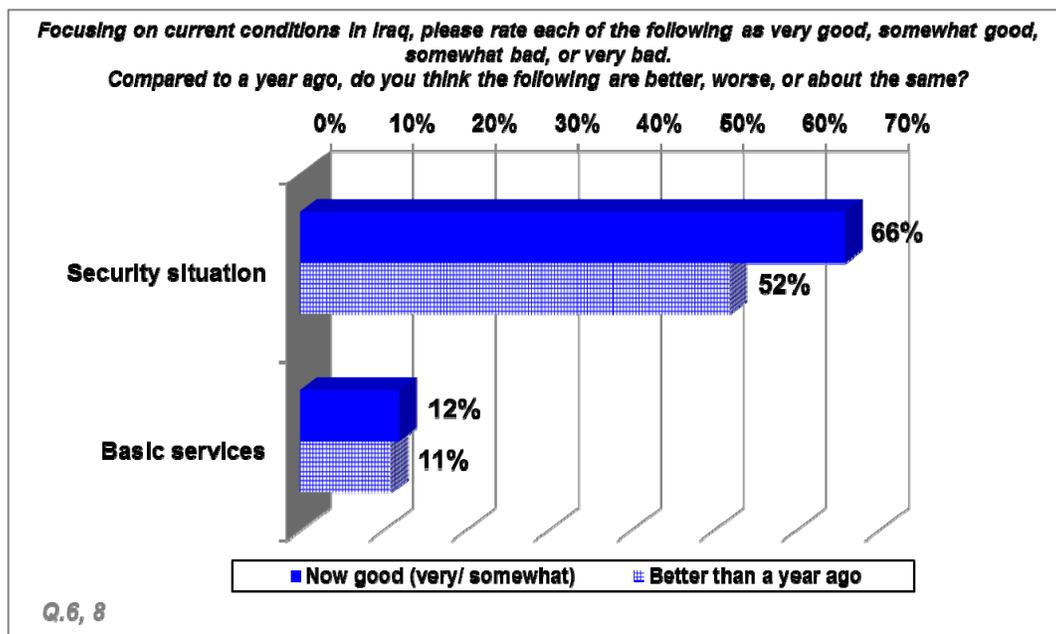
Business organizations and chambers of commerce should reach out to the business community and develop strategic plans that target business needs in the areas of networking, trade relations, information and training. Because the government is seen as incapable in promoting business interests, business membership organizations should be filling that role.

## I. Business Mood and Environment

A stable security and political environment and a functioning infrastructure are critical to Iraqi business growth. Of these components, businesspeople in Iraq as a whole see the most improvement in their security conditions. Two in three (66 percent) Iraqis rate current security conditions as good, with 52 percent saying it is better than it was a year ago. Those in Baghdad (98 percent), Najaf (95 percent), Basrah (90 percent), Karbala (89 percent), and Babil (77 percent) are more positive than others about the security situation today.

Overall attitudes toward the political environment are divided (43 percent good, 41 percent bad) and political corruption is a major concern (see Section V). A lack of basic services including electricity and communications continues to be a significant drag on economic development, with just 12 percent of respondents saying they are good now and only 11 percent noting improvement over past year (Chart 1.1). While consistency in electricity supply has increased steadily since 2006, it is reported to still be grossly under the current demand.<sup>2</sup>

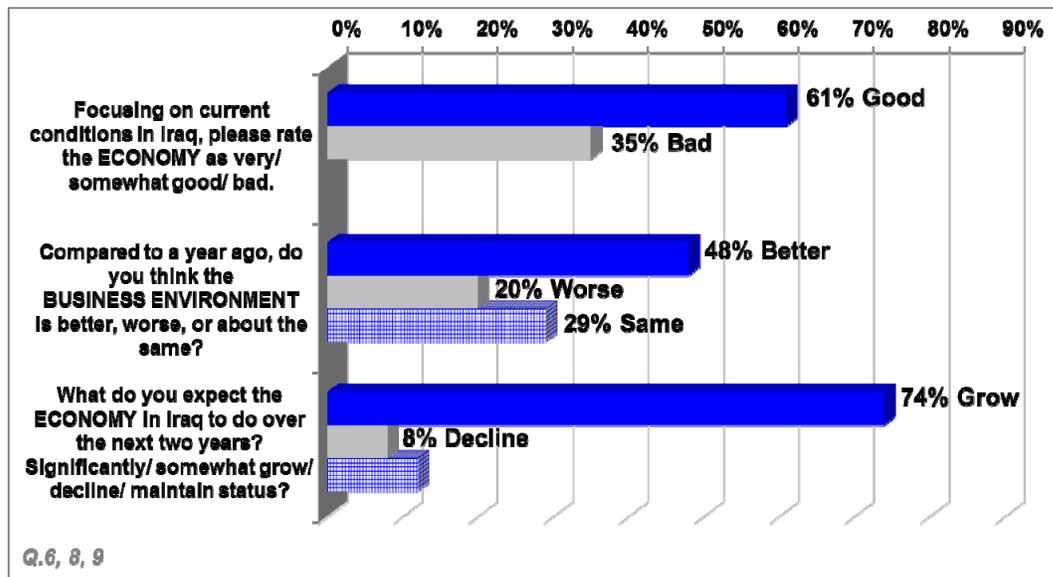
Chart 1.1: Security and Basic Services Comparison



Despite these challenges, Iraqi businesspeople tend to be optimistic about the economic environment. Six in 10 (61 percent) say current economic conditions in Iraq are good (a third say conditions are bad), nearly half (48 percent) say the business environment is better today than a year ago versus two in 10 (20 percent) who believe it is worse. Three fourths (74 percent) believe the Iraq economy will grow over the next two years (fewer than one in 10 believes it will be worse) (Chart 1.2, next page).

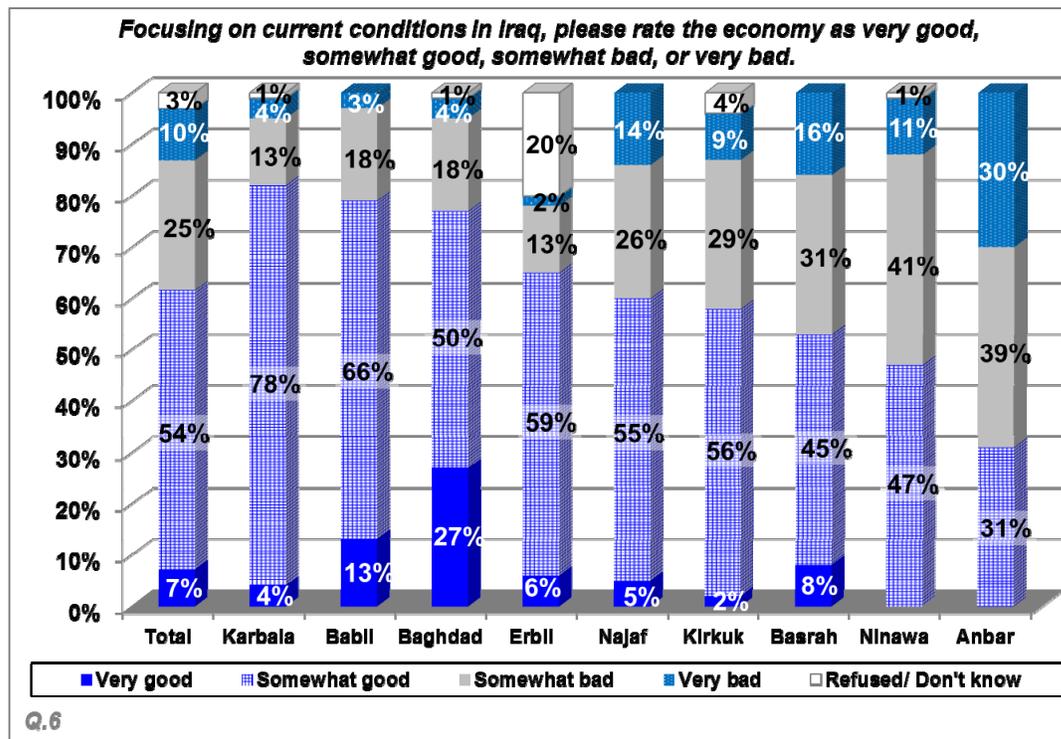
<sup>2</sup> Gavin, J. (2010). Constraints delay progress. *MEED: Middle East Economic Digest*, 54(20), 35-36. Retrieved from Business Source Premier database.

Chart 1.2: Current Economic Conditions and Outlook



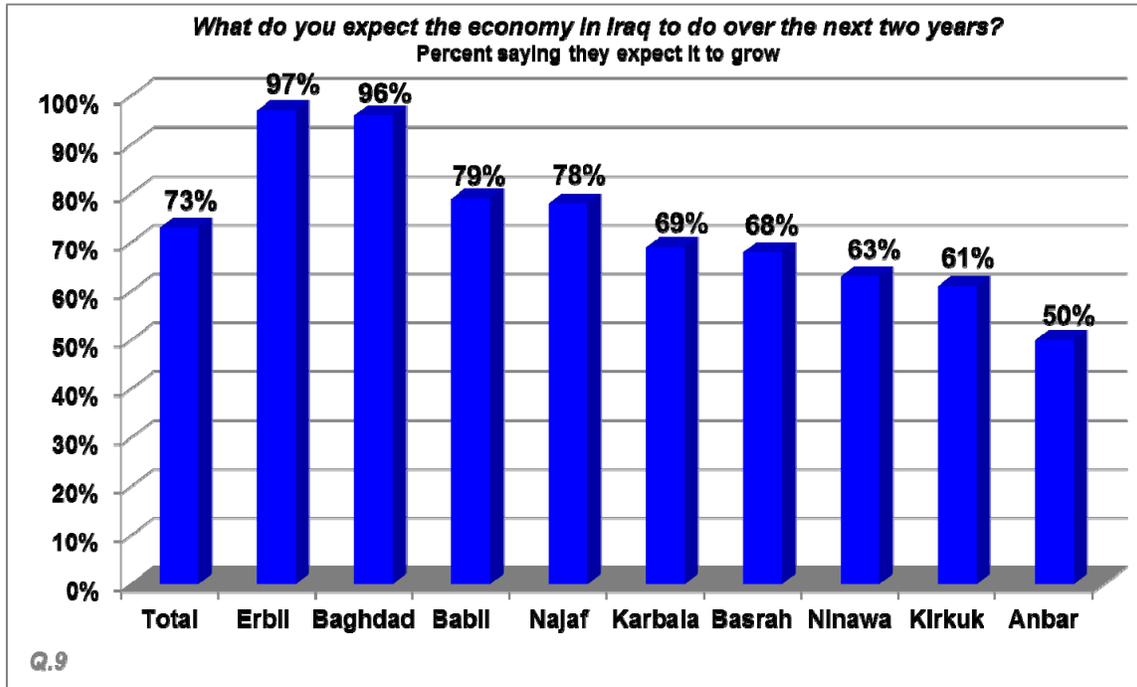
However, positive perceptions of current economic conditions are not universal regionally. Karbala (82 percent), Babil (79 percent), and Baghdad (77 percent) are most positive, followed by Erbil (65 percent), Najaf (60 percent), and Kirkuk (58 percent). Respondents are largely split in Basrah (53 percent good; 47 percent bad), and Ninawa (47 percent good; 52 percent bad). By contrast, a majority (69 percent) in Anbar says the economy in Iraq is very bad (30 percent) or somewhat bad (39 percent), with only three in 10 (31 percent) saying that the economy is good (Chart 1.3).

Chart 1.3: Perceptions of Overall Economic Conditions in Iraq by Region



The World Bank estimates Iraq's gross domestic product (GDP) growth at 4.2 percent in 2009 and the International Monetary Fund projects that Iraq's GDP will grow 9.6 percent in 2011. This optimistic outlook is also reflected in the expectations of Iraqi businesspeople. Nearly three in four (73 percent) believe Iraq's economy will grow over the next couple of years (this same level of optimism was also expressed in CIPE's previous business surveys). Almost one in 10 (12 percent) say it will remain the same. Even in Anbar, where optimism is lowest, half believe the economy will grow (50 percent) or maintain its current status (24 percent). Fewer than one in 10 (8 percent) thinks Iraq's economy will worsen (Chart 1.4).

**Chart 1.4: Economic Outlook Perceptions by Region**



Looking ahead six months, over half (55 percent) plan to offer new services or products, and nearly as many (46 percent) expect their sales to increase. Nearly a quarter expects they will employ more people, acquire/obtain an agency from a foreign company and purchase or rent a new building. Fewer expect to give incentives to enhance performance, purchase office equipment or begin foreign exports (Charts 1.5 and 1.6, next page).

Chart 1.5: Six-month Business Plans

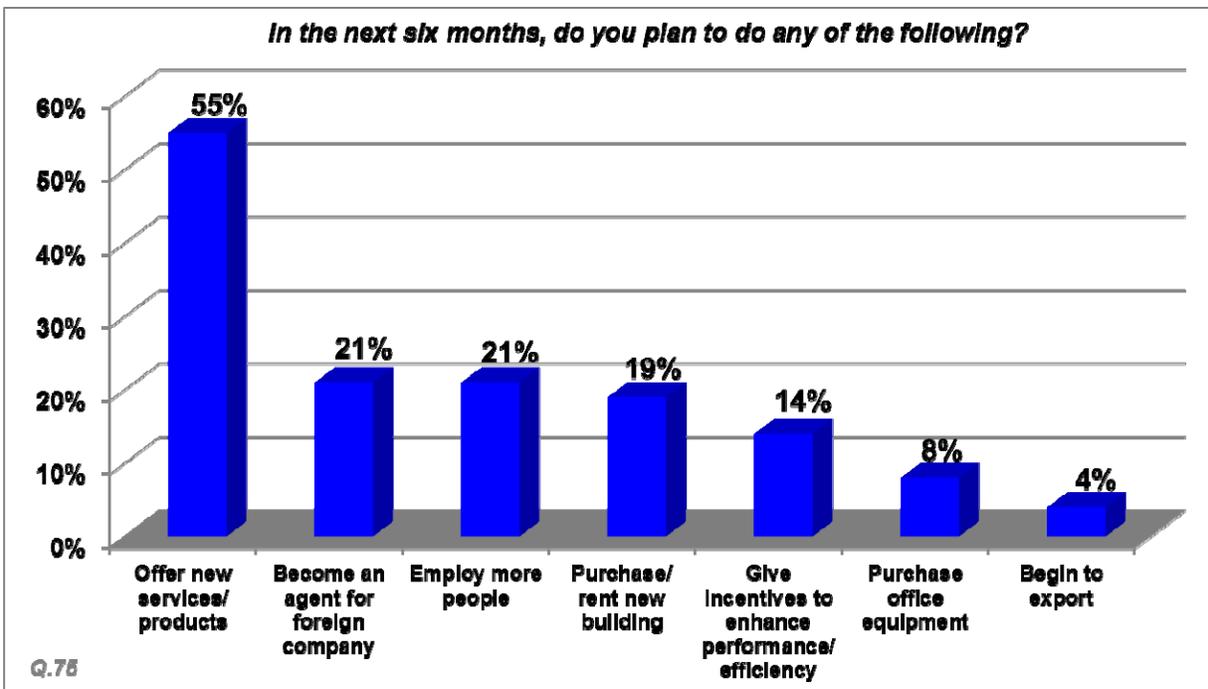
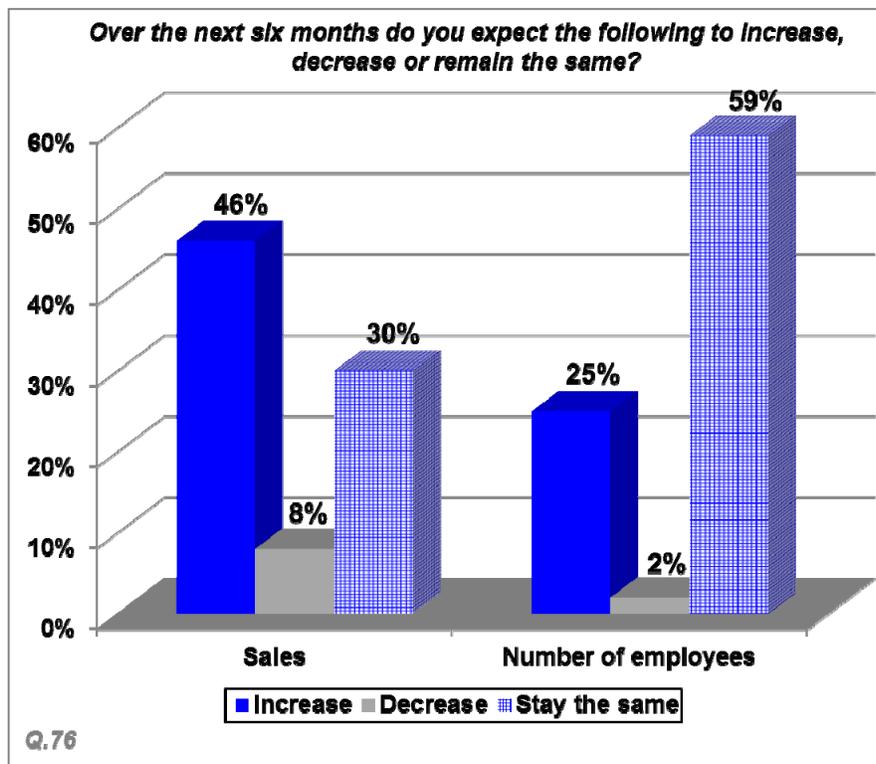
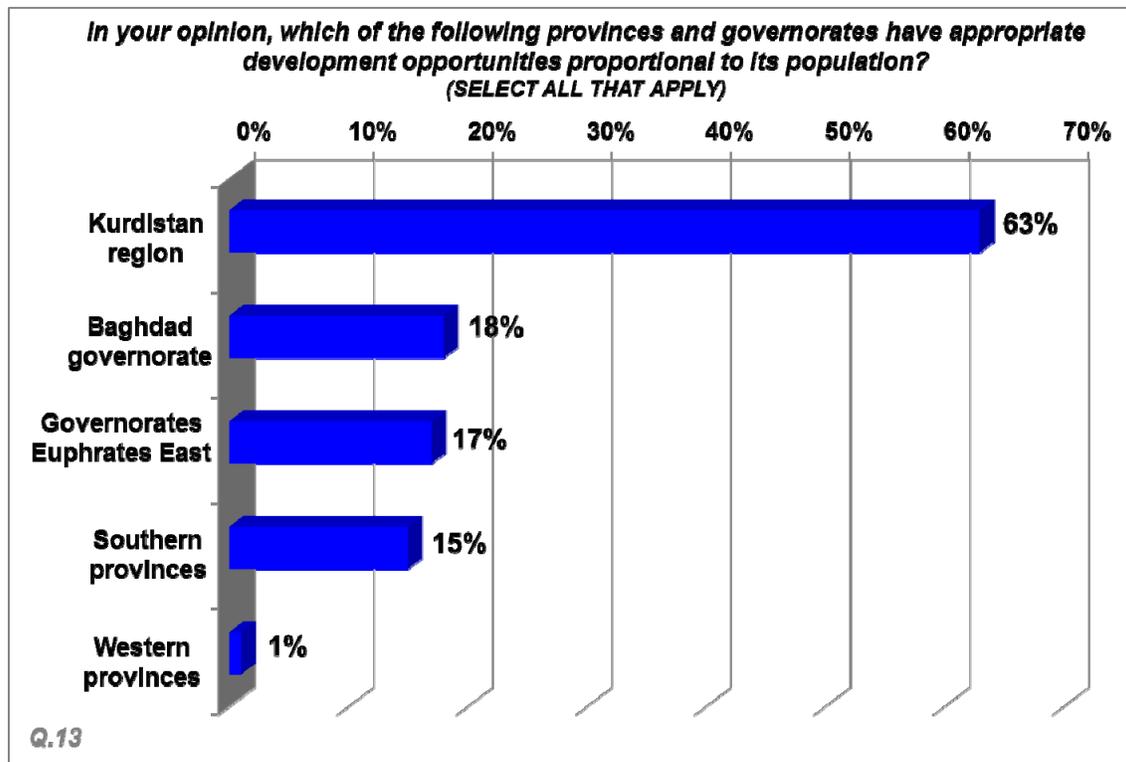


Chart 1.6: Six-month Expectations



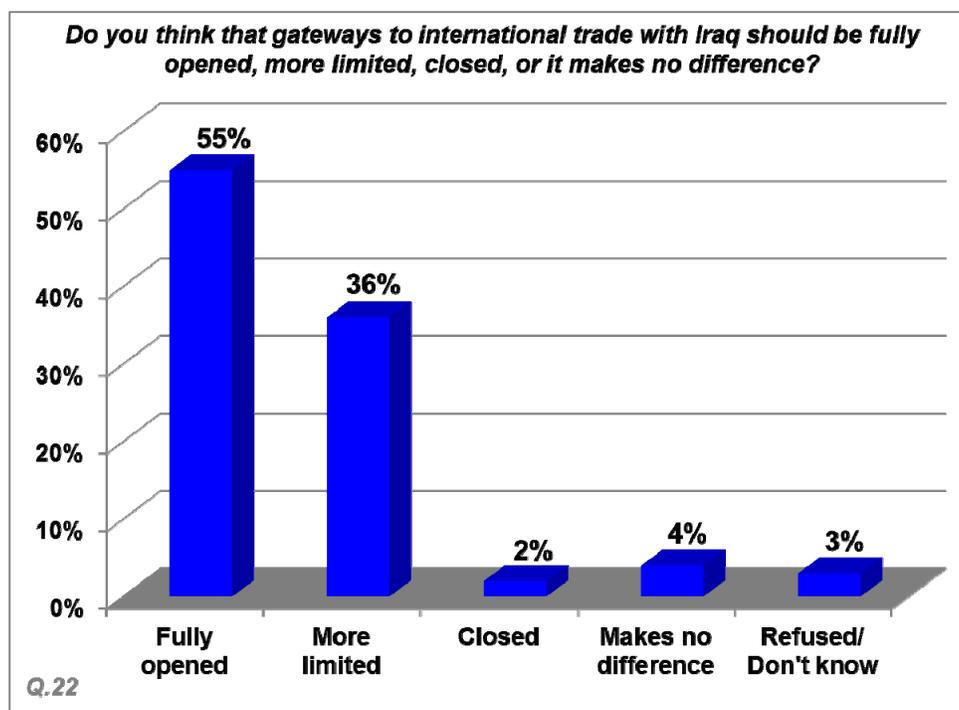
Given Kurdistan's pre-conflict economic development vis-à-vis the rest of Iraq, it is not surprising that business opportunities are seen as greatest by far in Kurdistan (63 percent), followed by the Baghdad governorate (18 percent), eastern Iraq (17 percent), and the south (15 percent). Development opportunities are seen to be lacking in the west (Chart 1.7).

**Chart 1.7: Development Opportunities in Iraq**



A large majority (93 percent) believes Iraq's openness to trade with the international business community will improve their business in the future, consistent with previous findings (86 percent in CIPE's 2004 survey; 82 percent in 2005 and 2007). Over half say gateways to international trade should be *fully* opened; an additional third say trade should be opened limited (Chart 1.8, next page).

**Chart 1.8: Gateways to International Trade**



Nearly half say Turkey (46 percent) and China (45 percent) offer the best import opportunities. A quarter names Syria (24 percent), one in six names Iran (16 percent), nearly as many name the Gulf States (15 percent), and one in seven points to Europe (14 percent) for import opportunities. Very few name Jordan (6 percent), the United States (4 percent), Lebanon (3 percent), and North Africa (1 percent).

A strong majority (71 percent) does not identify any countries as offering strong export opportunities. However, this may be attributed to the fact that most businesses surveyed have a local client base (97 percent) and do not export (73 percent).

### **Business Sector Needs**

In our study, six in 10 (61 percent) name corruption as the top factor inhibiting growth in the Iraqi business sector. Half (48 percent) cite infrastructure weaknesses, and four in 10 (41 percent) name ineffective application of laws and regulations and limited access to finance (37 percent).

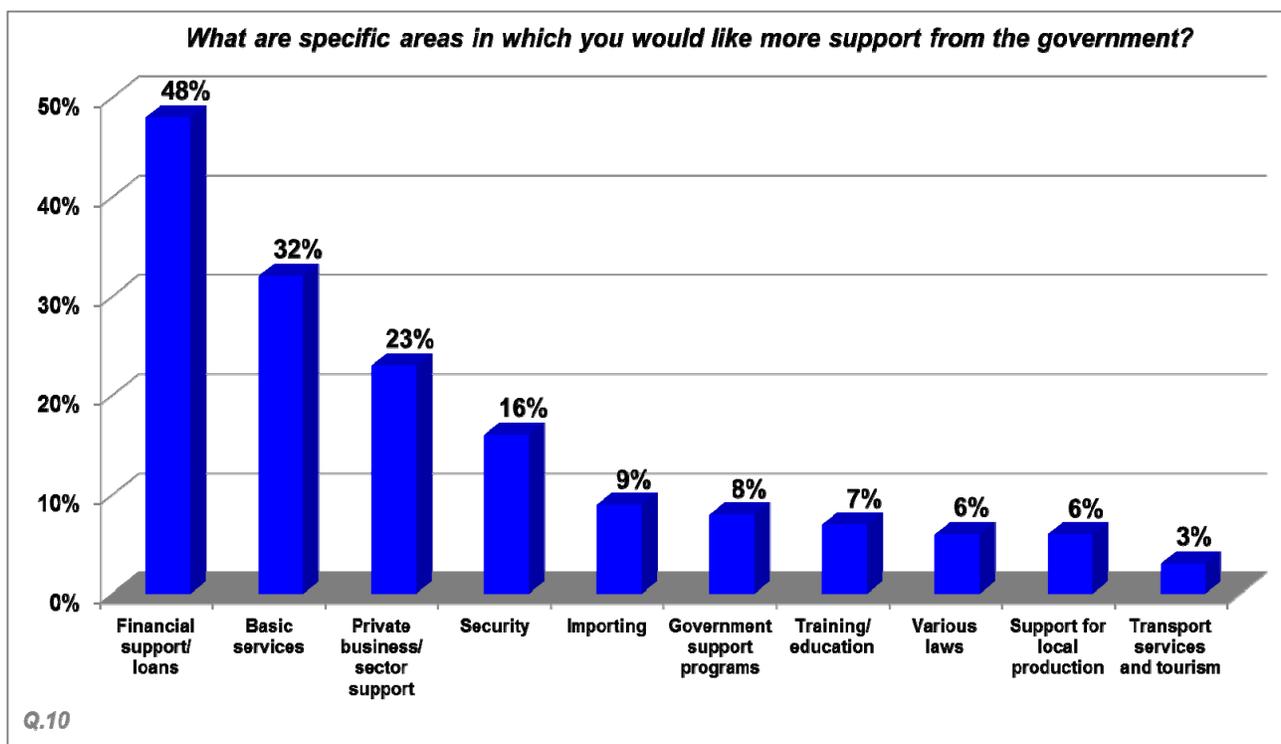
While these three are the overall top obstacles to growth for businesses overall, there are some differences by region. In Ninawa and Erbil, there is particular concern about old installations and equipment. In Basrah – and to a lesser extent in Baghdad – high fees are one of top three mentions; these are also provinces where sizable percentages name difficulty in obtaining loans (Table 1.1, next page). In fact, access to loans is a key element in developing private sector growth, yet only 5 percent report financing their business activities through either private loans (3 percent) or bank loans (2 percent). In addition, when asked in which ways government could best support Iraqi businesses, a half (48 percent) name financial support, including obtaining and facilitating access to loans (Chart 1.9, next page).

**Table 1.1: Iraqi Business Sector Growth Inhibitors**

**Q.12: Apart from security, which of the following are the *THREE MOST IMPORTANT* factors that adversely affect the growth of the Iraqi business sector?**

	Total	Ninawa	Babil	Anbar	Erbil	Kirkuk	Najaf	Basrah	Baghdad	Karbala
Corruption	61%	90%	84%	81%	70%	61%	49%	42%	36%	35%
Infrastructure weakness	48%	29%	47%	62%	62%	22%	57%	56%	44%	50%
Not applying laws and regulations	41%	53%	55%	78%	24%	51%	16%	33%	27%	35%
Difficulty obtaining loans from banks or financial institutions	37%	34%	44%	32%	13%	41%	38%	17%	68%	49%
High fees	25%	11%	9%	12%	10%	9%	31%	79%	42%	20%
Old installations and equipment	22%	35%	9%	11%	31%	23%	55%	3%	19%	15%

**Chart 1.9: Areas for Increased Government Support**



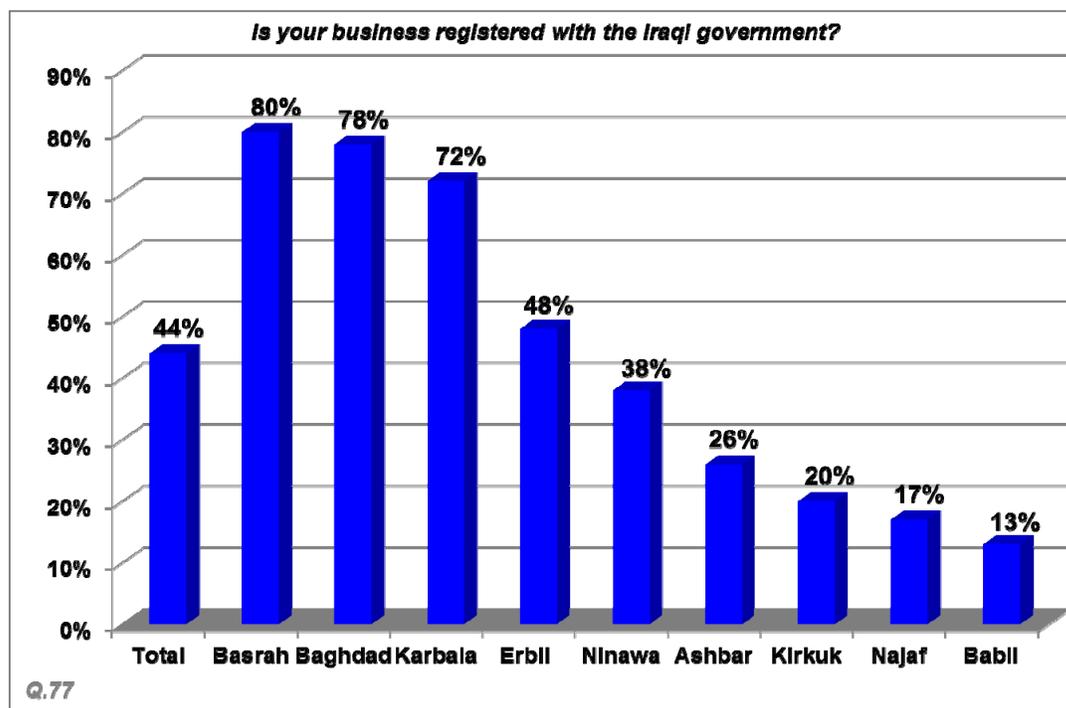
## II. Registered and Informal Businesses

According to Iraqi government legislation, trade and manufacturing companies are required to register with the Ministry of Trade, agricultural businesses to register with the Ministry of Agriculture and professional services to register with semi-governmental syndicates.<sup>3</sup>

The size of the informal business sector in Iraq is an important phenomenon and an important consideration in the overall views of Iraqi businesses. About four in 10 businesses say they have registered with the Iraqi government (29 percent with the Iraqi Ministry of Trade, 2 percent with the Ministry of Agriculture, and 12 percent among other ministries or government agencies). Just over half (55 percent) of businesses said they are *not* registered *with* the Iraqi government. These proportions are similar to a June 2010 USAID market assessment of business constraints and opportunities in Iraq, which found that about a third of businesses overall had actually registered with a government.<sup>4</sup>

Registration rates vary from province to province and by type of company. Majorities of businesspeople in Basrah (80 percent), Baghdad (78 percent) and Karbala (72 percent) report that their companies are registered, compared to 48 percent in Erbil, 38 percent in Ninawa and no more than a quarter in the other provinces (Chart 2.1). Registration rates are also higher among construction (51 percent) and manufacturing (47 percent) companies than other businesses (Chart 2.2, next page). In addition, the larger the company, the more likely it is to be registered (Table 2.1, next page).

**Chart 2.1: Registration by Region**



<sup>3</sup>In some cases, professional services must also register with the Ministry of Trade. See *Market Assessment – Business Constraints and Opportunities at the BEE and Firm Level in Iraq*, June 2010, USAID-Tijara Provincial Economic Growth Program.

<sup>4</sup> *ibid.*

Chart 2.2: Registration by Business Type

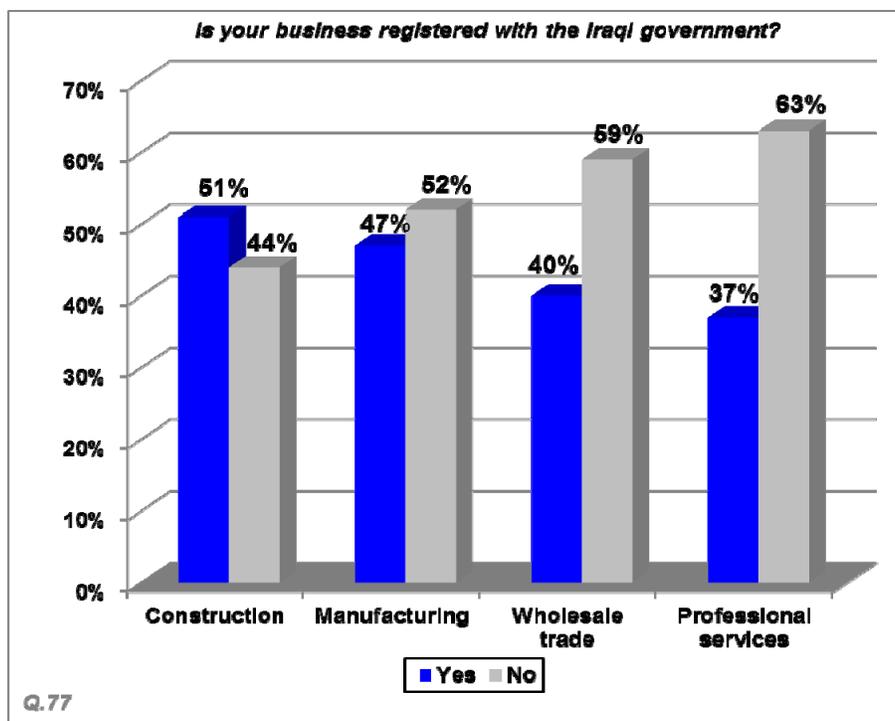
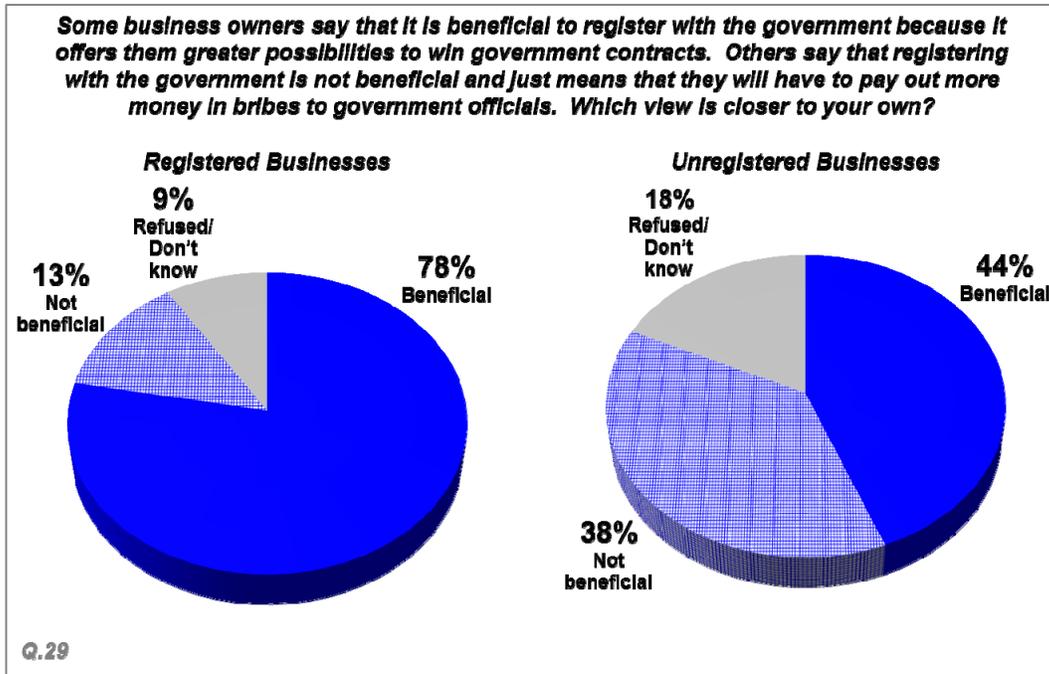


Table 2.1: Registration by Business Size

<i>Q.77: Is your business registered with the Iraqi government?</i>		
	Yes	No
Two or fewer employees ( <i>n</i> =293)	29%	71%
Three or four employees ( <i>n</i> =287)	43%	57%
Five to 10 employees ( <i>n</i> =178)	55%	45%
More than 11 employees ( <i>n</i> =93)	82%	18%

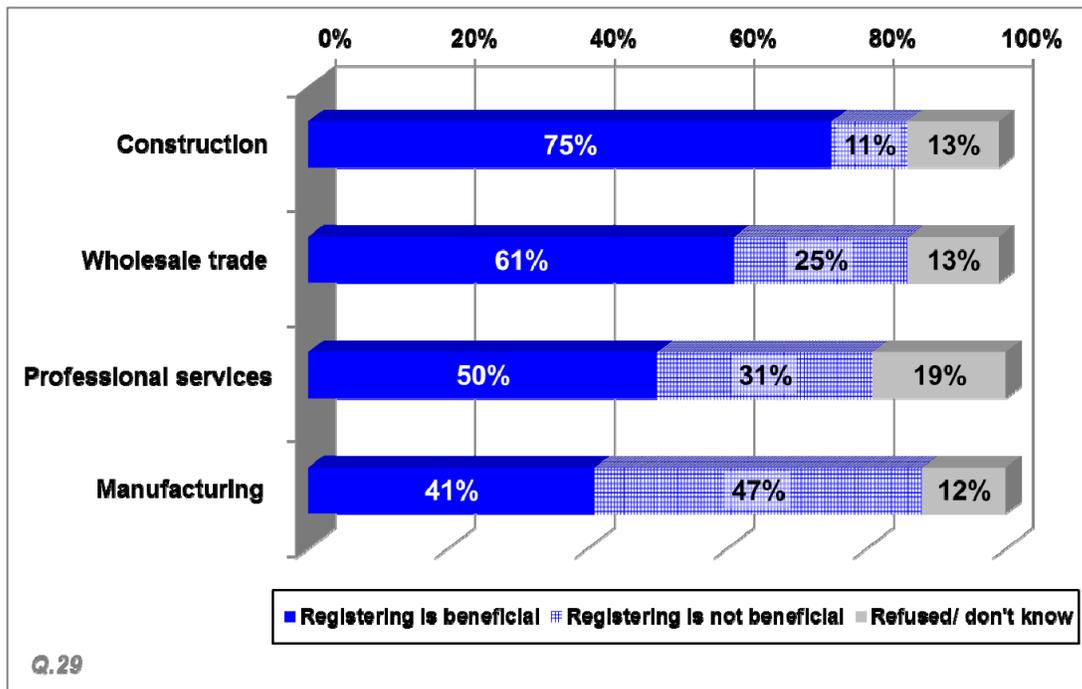
A clear majority (78 percent) of registered businesses says that registration is beneficial because it offers greater chances of winning government contracts (compared to 13 percent who say it is not beneficial because it will result in more bribes to officials). Opinions among unregistered businesses are more divided, with just a slight plurality believing that registration is beneficial (44 percent versus 38 percent who say it is not beneficial, Chart 2.3, next page).

Chart 2.3: Registration Perceptions



As previously discussed, construction companies are more often registered than other types of businesses, and they are more likely to sense benefit from formal registration than other types of businesses (Chart 2.4). This is also an area in which a great portion of their client base is likely to be government/ state-owned firms and infrastructure projects.

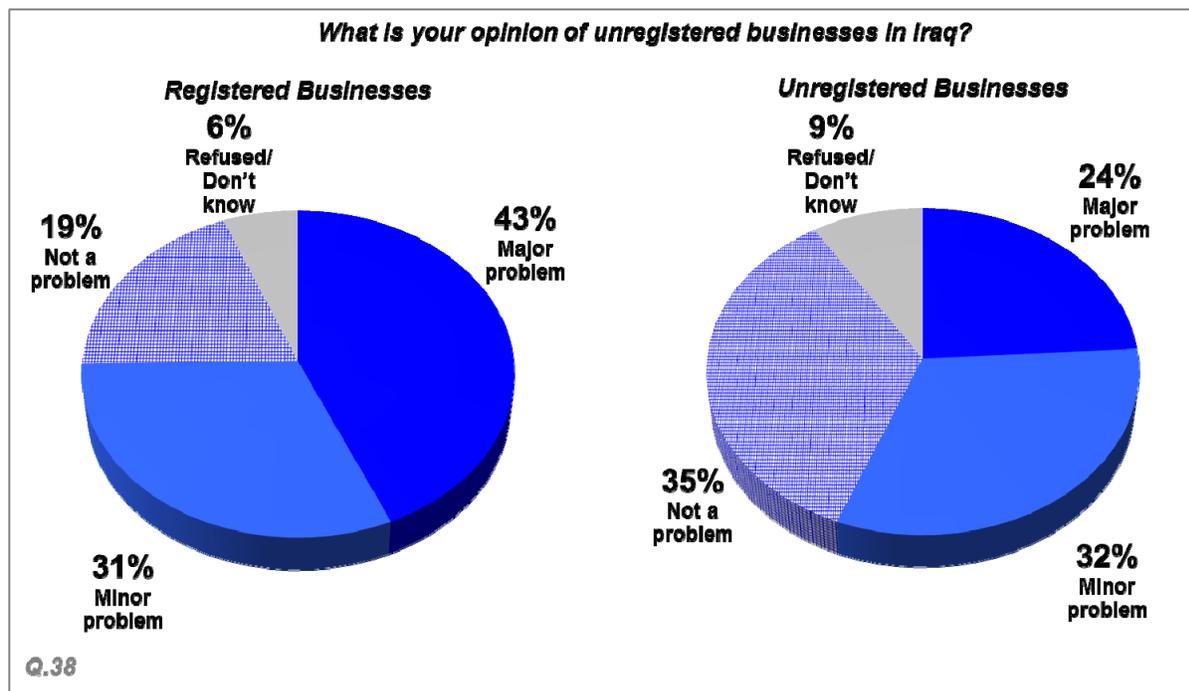
Chart 2.4: Registration Perception



There are also administrative and bureaucratic drawbacks to registering a business in Iraq, which helps to explain why so many in this sample are unregistered companies. The World Bank's 2010 *Doing Business Report* ranks Iraq at 174 out of 183 countries for ease of starting a business. Compared to other countries in the Middle East and North Africa, Iraqi businesses will spend nearly four times as many days in starting their business and spend nearly three times the amount of money. Additional time and money is also needed when obtaining construction permits and registering property.<sup>5</sup>

Interestingly, both registered and unregistered businesses view unregistered businesses as a problem for Iraqi companies, though registered companies are more likely to say they are a major problem (43 percent major, 31 percent minor) and unregistered companies tend to view them as a minor problem (24 percent major, 32 percent minor) (Chart 2.5). In addition, a plurality of both registered (53 percent) and unregistered organizations (44 percent) say that an increase in the number of informal businesses poses a danger for the overall Iraqi economy.<sup>6</sup>

**Chart 2.5: Opinion of Unregistered Businesses**



Registered companies believe that the most dangerous effects of informal business growth would be the recruitment of workers below the legal age for employment and depriving them of educational opportunities (60 percent), lack of disability benefits for workers in the informal sector (51 percent), lack of career development to employees in the informal sector (46 percent) and incomplete/inaccurate calculation of the country's GDP (37 percent). Unregistered businesses tend to view the problems similarly, though fewer are concerned about the calculation of GDP as a negative effect (Table 2.2, next page).

<sup>5</sup>World Bank 2010 *Doing Business Report*, [www.doingbusiness.org/reports/doing-business/doing-business-2011](http://www.doingbusiness.org/reports/doing-business/doing-business-2011)

<sup>6</sup> Sidewalk sellers are one type of informal business seen as fairly innocuous. Only 9 percent overall (8 percent of registered, 9 percent unregistered) say sidewalk sellers are "a nuisance and should be taken away." Eight in 10 among both registered (81 percent) and unregistered (79 percent) businesses say they are "just trying to make money to feed their families."

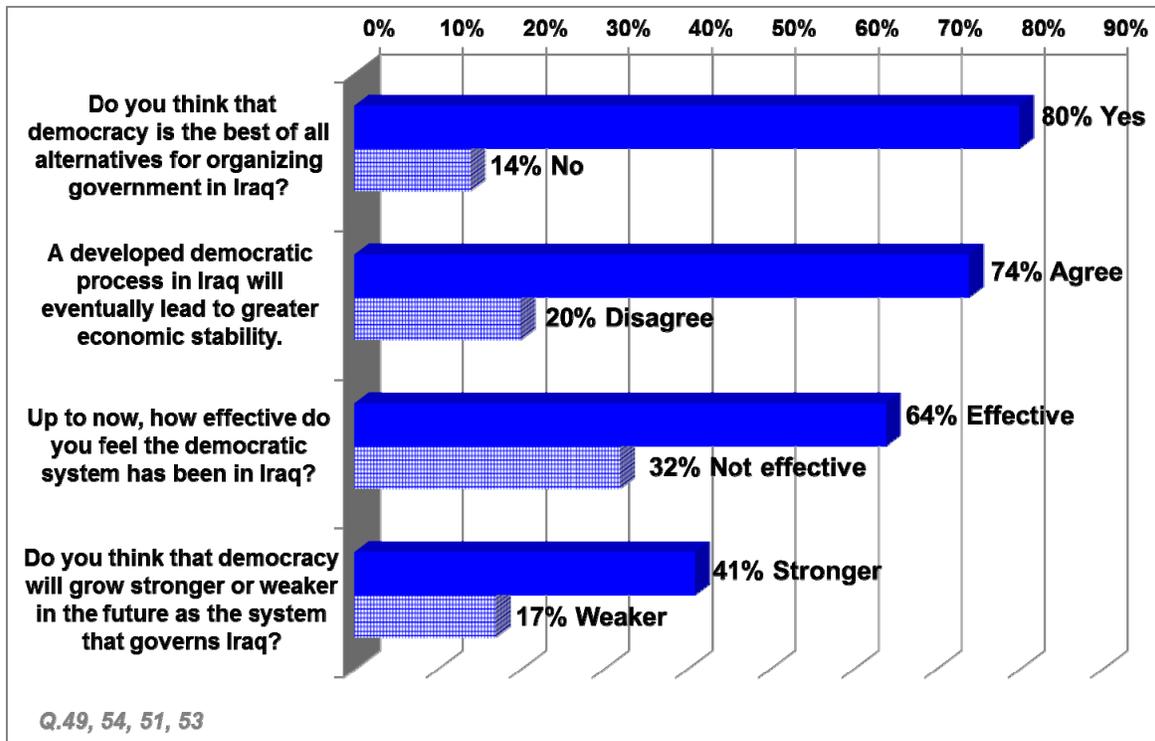
**Table 2.2: Dangerous Effects of Informal Business on Iraq**

<b><i>Q.42: In your opinion, what are the most dangerous effects of the spread and expansion of the informal business sector on your country?</i></b>		
	<b>Registered Businesses</b>	<b>Unregistered Businesses</b>
Recruitment of workers below legal age for employment and depriving them of access to education opportunities	60%	47%
Workers in this sector acquire no rights in case of accidents disabling them from performing their work	51%	52%
The State cannot contribute to the development of the workers in this sector because they are unregistered formally	46%	36%
Missing an opportunity for accurate calculation of the country's gross domestic product (GDP) due to lack of sector-specific indicators despite the sector's substantial contribution to the GDP	37%	18%
Other	2%	3%
*Refused/ Don't know	11%	24%

### III. Government and Business Development

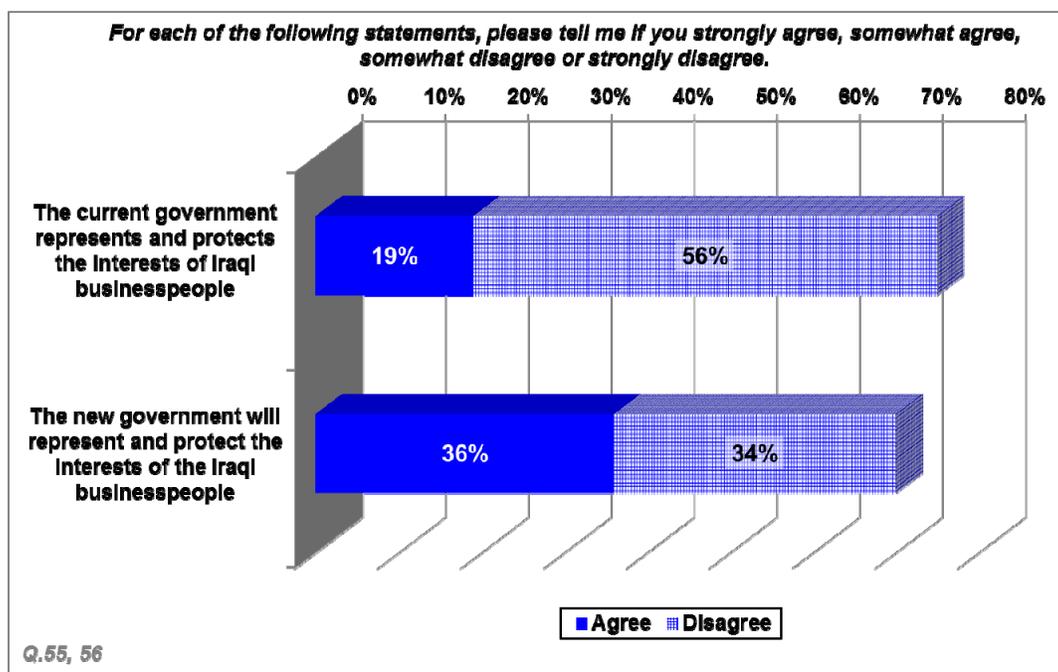
Iraqi businesses favor democracy: eight in 10 (80 percent) overall say that democracy is the best of all alternatives for organizing government in Iraq and nearly three-fourths (74 percent) believe that a developed democratic process in Iraq will lead to greater economic stability. A smaller majority (64 percent) thinks that the democratic system has thus far been effective. However, views about the future of the democratic system are more divided, with 41 percent expecting it to strengthen compared to 17 percent who expect it to weaken (Chart 3.1).

Chart 3.1: Democracy in Iraq



Despite business support for the democratic transition, Iraqi businesspeople have fairly low expectations about the current or previous government's abilities to promote their interests. Relatively few (19 percent) credit the previous government for adequately representing the Iraqi business interests (56 percent disagree). Expectations are only somewhat more positive for the new government with around a third (36 percent) expecting it will adequately represent business interests (43 percent disagree) (Chart 3.2, next page).

**Chart 3.2: Confidence in Government Protecting Businesspeople Interests**



Those in Karbala (85 percent), Baghdad (61 percent) and Najaf (44 percent) are more likely than the average to expect the new government will do a better job promoting business interests. There are no major differences by type of company, though registered businesses are more likely than unregistered businesses (44 percent vs. 29 percent) to think the new government will do a better job.

Clearly, the businesspeople interviewed evaluate government efforts to help develop business in Iraq as inadequate. Focus group participants in CIPE’s 2008 qualitative study had several suggestions on ways that government could improve the business environment, including financial support (offering loans, developing banks), combating bureaucracy and administrative corruption, tax reductions, import controls, encouraging foreign trade, improving infrastructure and the delivery of services, and supporting the legal framework. Discussions about the legal framework included attention to the enforcement of laws as well as enacting legislation.

The 2011 CIPE survey results help to highlight areas where Iraqi businesses would like more government support as well as their views about legislative development. When asked to volunteer what specific areas they seek government support, financial support/loans (48 percent), basic services (32 percent), and private business/sector support (23 percent) are mentioned most often, followed by security (16 percent), importing (9 percent), government support programs including health care, unemployment and youth programs (8 percent), training and education (7 percent), various laws (6 percent), support for local production (6 percent), and transport services and tourism (3 percent).

Turning to regulatory issues, just over half (54 percent) of businesspeople see a need to develop effective systems for the application of laws. Four in 10 (38 percent) businesspeople see a need to solve issues between intersecting laws. Nearly a third (30 percent) thinks it is necessary to adopt or develop new laws. One in 10 thinks it is necessary to re-evaluate the laws currently in force (Table 3.1).

When asked whether there are any particular laws affecting their business they would like to change, 34 percent say yes. Of this third (a total of 303 respondents), renting laws (46 percent), tax laws (30

percent), general government laws (21 percent), and customs laws (13 percent) are most frequently named as the laws they would like revised.

Asked in a separate question specific to trade laws, about half of businesses say that Iraqi trade regulations are at least somewhat easily available and understandable (47 percent), though a sizable minority (40 percent) disagrees and feels that they are not easily available or understood. Views towards customs and import regulations are closely divided (35 percent good, 39 percent bad); those who say they are bad are most concerned about them not being applied correctly because of corruption (56 percent), followed by being not protective enough (28 percent) or being too complex (21 percent). Businesses lack consensus on custom and *export* regulations and procedures. The majority (55 percent) decline to answer, and more say they are bad (26 percent) than good (17 percent).

**Table 3.1: Necessities for Business Sector Success**

***Q14. Given the development of existing laws and regulations in Iraq, what do you think is absolutely necessary for the success of the business sector? (SELECT ALL THAT APPLY)***

Solving problems of intersecting laws	38%
Development of effective systems for the application of laws	31%
Adoption of new laws and regulations	30%
The application of existing laws and regulations	23%
Re-evaluation of the laws in force	13%
Refused/ Don't know	10%

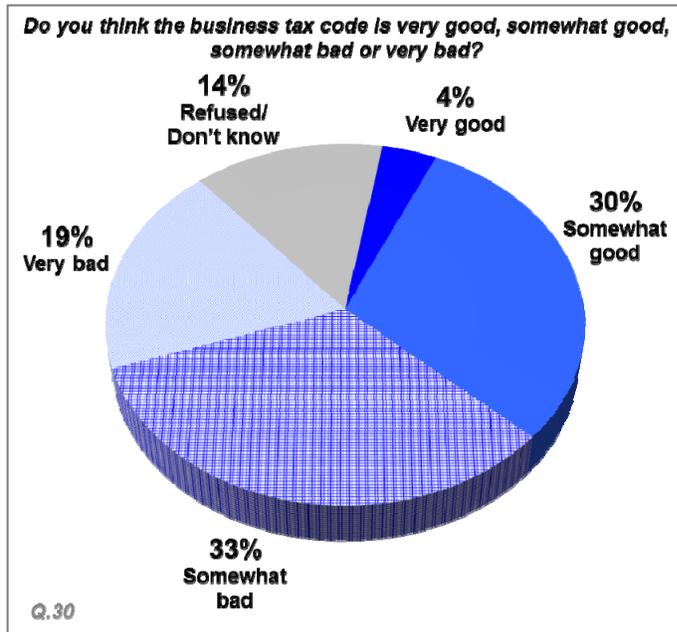
## IV. Taxes

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In the 2008 CIPE focus groups, most businessmen complained about paying taxes, considering them to be unfair, contributing to increasing work cost and creating a negative impact on total profits. But the businesspeople interviewed in the 2011 survey are divided about paying their taxes. They split almost evenly between those who support paying taxes, seeing it as their duty (44 percent) and those who do not see a benefit, saying the government is “taking their hard earned money” (39 percent). Those businesspeople working in professional services and manufacturing are more likely than average to say that paying taxes is a duty, while those in construction are more likely to say it is taking their money. There are no differences between registered and unregistered companies on this question.

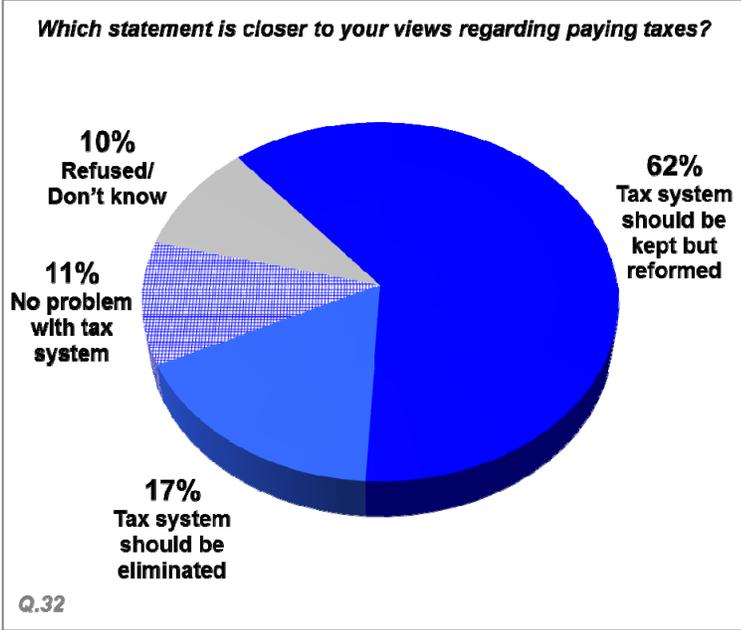
Half believes Iraq’s current business tax code is bad (33 percent somewhat, 19 percent very bad). A third thinks it is good (30 percent somewhat, 4 percent very good) (Chart 4.1).

**Chart 4.1: Views of the Tax System**



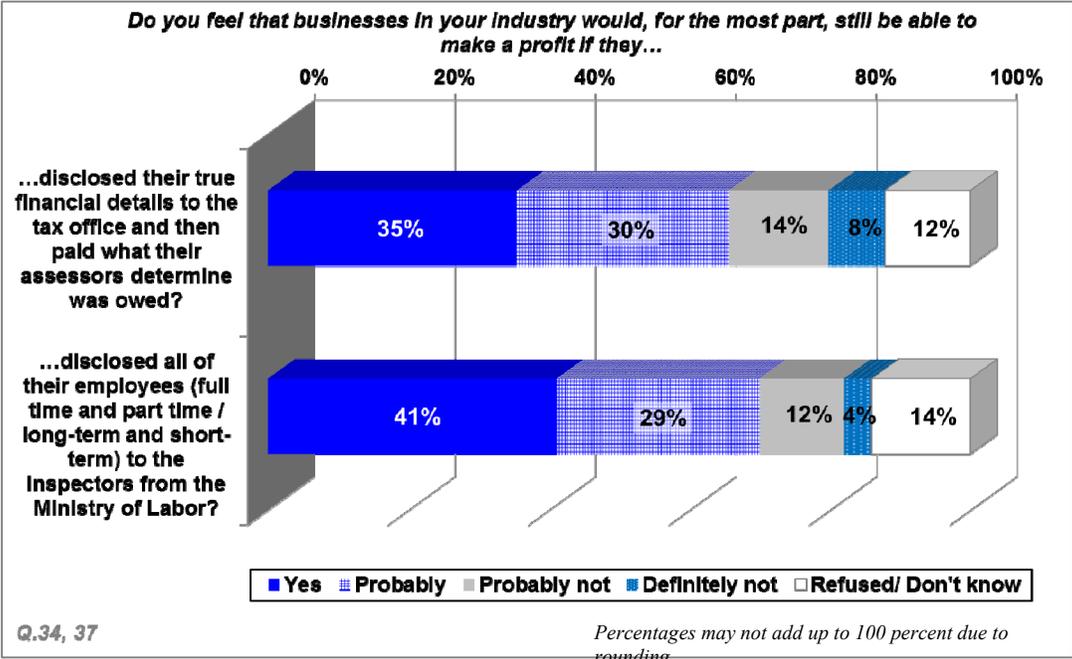
Most businesspeople would like to see major changes in the corporate tax regime. Six in 10 thinks the current Iraqi corporate tax system should be kept but with drastic reforms, while one in six wants it eliminated altogether. Only one in 10 (11 percent) sees no problem with the tax system as it is (Chart 4.2, next page).

Chart 4.2: Views on Paying Taxes



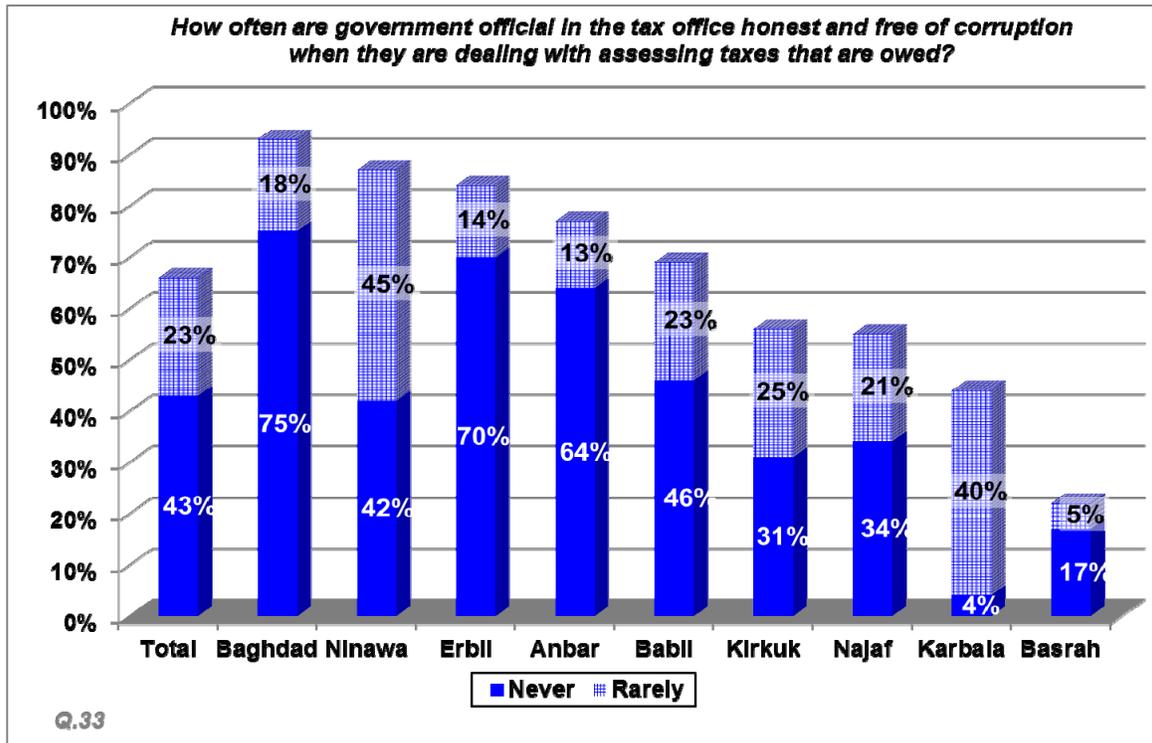
Despite their issues with the current tax code, a majority says that businesses are probably (30 percent) or definitely (35 percent) able to make a profit despite mandated disclosures on financial details. Similarly, most believe that they probably (29 percent) or definitely (41 percent) would be able to make a profit even after disclosing required information about the number of people they employ (Chart 4.3). Six in 10 (56 percent) say it is necessary to disclose each and every employee (whether full-time or part-time) to the Ministry of Labor (26 percent say it is not necessary). For the most part, respondents say that businesses in their industry are probably (33 percent) or definitely (33 percent) forthcoming about disclosing the number of workers they employ.

Chart 4.3: Financial and Labor Disclosure



Corruption among tax officials is a big concern. Survey findings show that two thirds (66 percent) believe government officials in the tax office are never or rarely honest and free from corruption when assessing taxes. Only in Karbala do slightly more respondents believe tax officials are honest (50 percent always or most of the time) than dishonest. In all other provinces, large majorities say that officials are rarely or never honest (Chart 4.4)

**Chart 4.4: Honesty and Corruption Perceptions of Government Officials by Region**



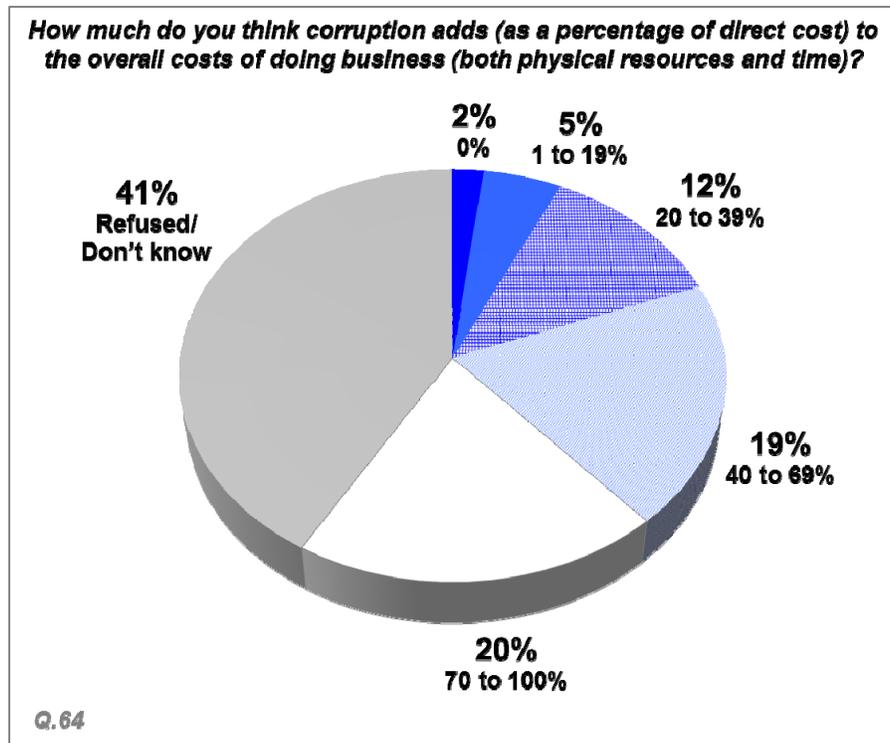
## V. Corruption

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When defining corruption, Transparency International and the U.S. Agency for International Development (USAID) provide broad definitions around the abuse of entrusted power/office for private gain. USAID goes on to include personal gains, and those that are of family or political contact, long-term rather than immediate payoff, and the siphoning of public funds. For the fifth consecutive year, Transparency International has ranked Iraq as one of three most corrupt countries in the world. The most recent 2010 rankings put Iraq at 175 most corrupt out of 178 countries measured.<sup>7</sup> Focus groups conducted by CIPE (2008) and by USAID indicate that corruption is widespread across business sectors and is prevalent in basic business transactions such as business registration, banking and even garbage collection.<sup>8</sup>

A majority of businesses in the 2011 survey names corruption (61 percent) as the most important hindrance to the growth of the Iraqi business sector,<sup>9</sup> and about two out of 10 businesses say that corruption adds up to 40 percent to their cost of doing business (Chart 5.1). Another 39 percent say it can up to double their costs. Asked how they defined corruption (from a series of options), seven in 10 described corruption as “stealing from the people” (69 percent) and government nepotism (67 percent). Half define it as tips and gifts to government officials (Chart 5.2, next page).

**Chart 5.1: Percent Corruption Adds to Cost of Doing Business**

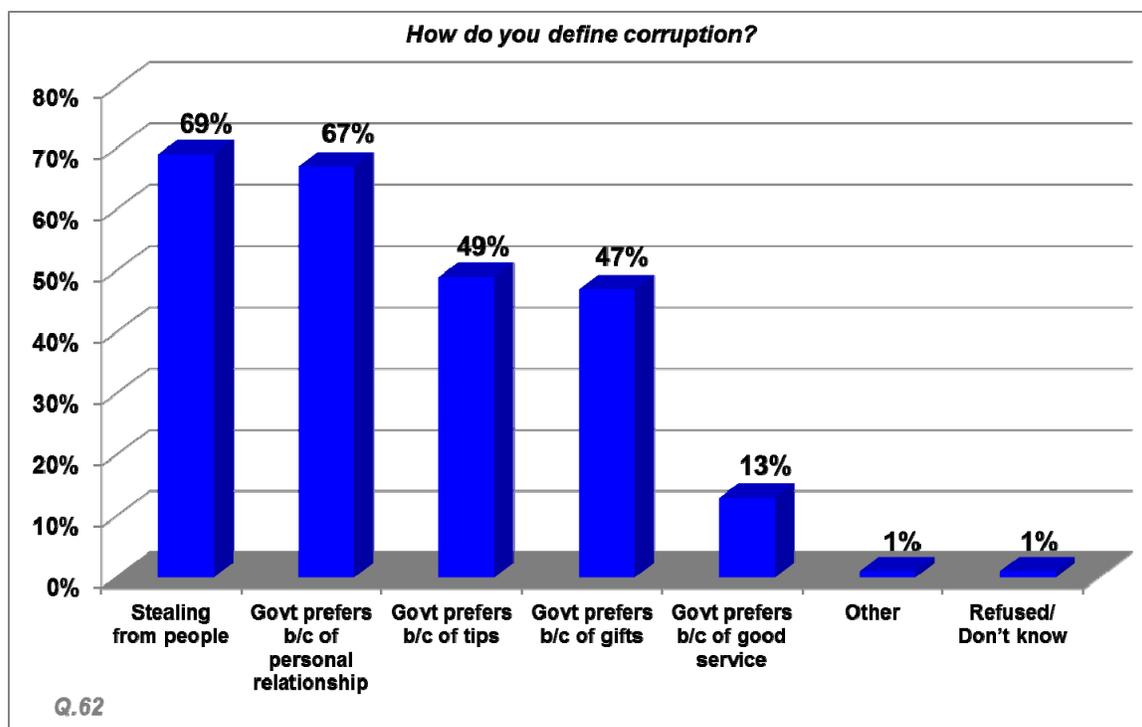


<sup>7</sup> [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/in\\_details#6](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/in_details#6)

<sup>8</sup> [www.sbdc-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_Iraq.pdf](http://www.sbdc-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_Iraq.pdf)

<sup>9</sup> See Table 1.1 on page 14 (from business mood and environment section).

Chart 5.2: Defining Corruption



Asked about the root of the problem, a weak judicial system (56 percent), powerless public opinion and media (51 percent), a lack of transparency (47 percent) and underdevelopment in regulations (24 percent) and government cover-ups of bribery (48 percent) and selective tenders (18 percent) are the top reasons cited. Other factors named include over-centralized management (10 percent), poor property rights (9 percent), cumbersome accounting/tax laws and customs procedures (8 percent, 5 percent), and low salaries of public officials (3 percent) (Table 5.1).

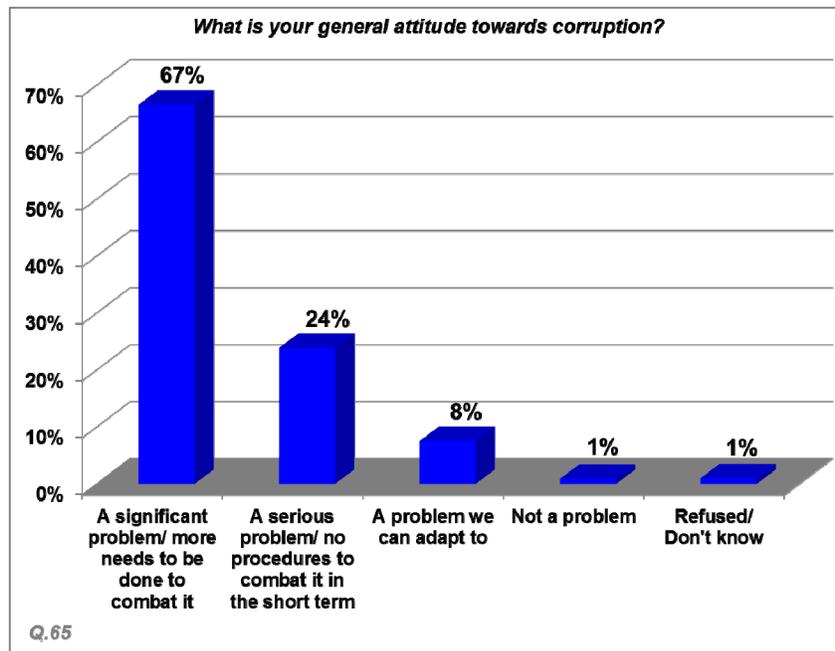
Table 5.1: Reasons behind Corruption

**Q63: In your opinion, what are the key reasons behind corruption?  
(SELECT ALL THAT APPLY)**

Weak judicial system	56%
Feeble role for the public opinion and the media in confronting corruption	51%
Government condones/covers up bribes	48%
Too many non-transparent regulations	47%
Underdeveloped regulations	24%
No tenders/bids invited	18%
Over-centralized management	10%
Poor property rights	9%
Intricate accounting laws/tax system	8%
Complex customs procedures	5%
Low salaries of public officials	3%
Other	1%
Refused/ Don't know	4%

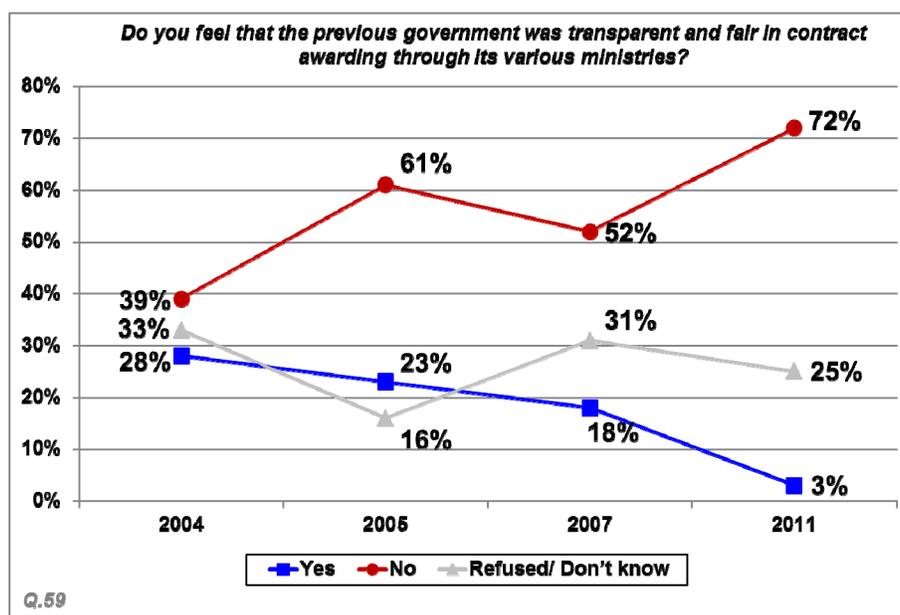
While businesspeople are concerned about corruption, they do not seem to think it is a lost cause. A majority (67 percent) says that it is a significant problem and more needs to be done to combat it. A quarter (24 percent) feels that it is such a serious problem that there are no adequate procedures to combat it. Eight percent say it is a problem but Iraqi businesses can adapt to it (Chart 5.3).

**Chart 5.3: Attitudes towards Corruption**



Government contracting is one area where businesses perceive a high level of illicit activity (shown on the next page). Seven in 10 overall highlight a lack of transparency and fairness around the previous government's contract awards (72 percent; 3 percent say the previous government was transparent). This is up from 52 percent in 2007 (Chart 5.4).

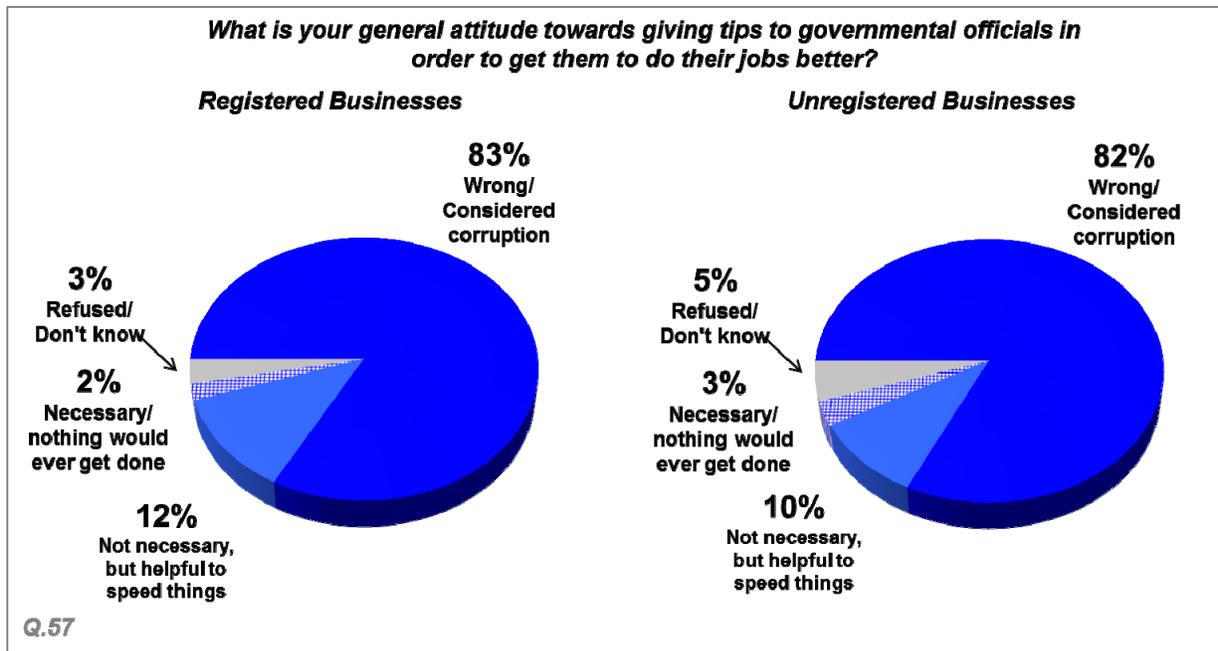
**Chart 5.4: Transparency in Contract Awarding**



When businesses were asked whether they believed the new government would be different in awarding contracts, four in 10 (39 percent) doubt anything will change; nearly half are unsure (45 percent) and just 12 percent believes it will improve

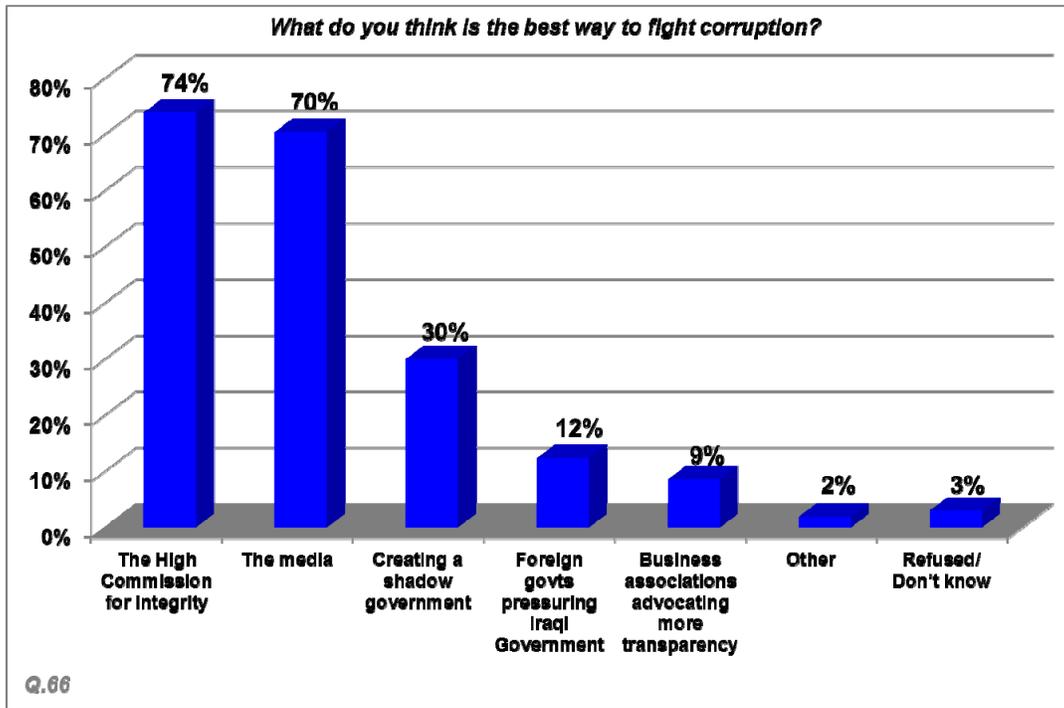
Asked in a separate question, most businesspeople are opposed to giving percentages or gifts to government officials in order influence them on project contracts (83 percent overall) or to get them to do their jobs more effectively (82 percent overall). There are no striking differences between registered and informal businesses in their expectations for the government or in their opposition to giving bribes (Chart 5.5).

**Chart 5.5: Tips and Corruption**



Seven in 10 names the High Commission for Integrity (74 percent) and media (70 percent) as best positioned to address corruption, followed by the creation of a shadow government (30 percent) and pressure from foreign governments (12 percent). Very few (9 percent) think that business associations could play much of a role (Chart 5.6, next page).

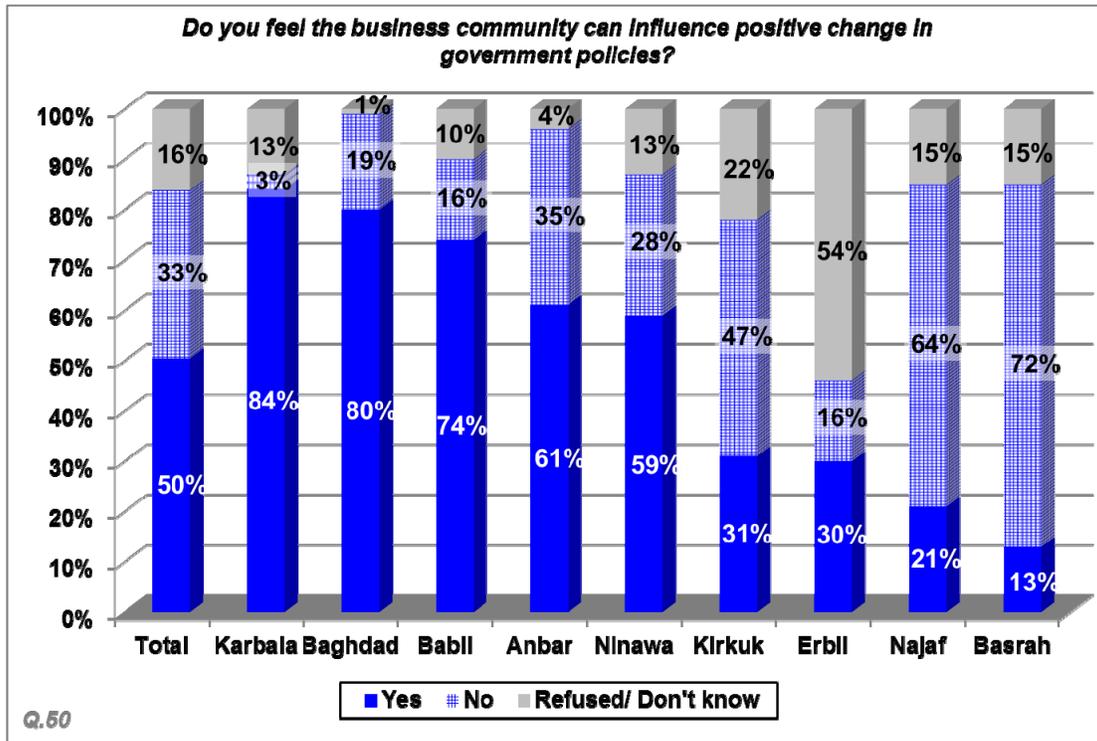
Chart 5.6: Best Ways to Fight Corruption



## VI. Business Associations

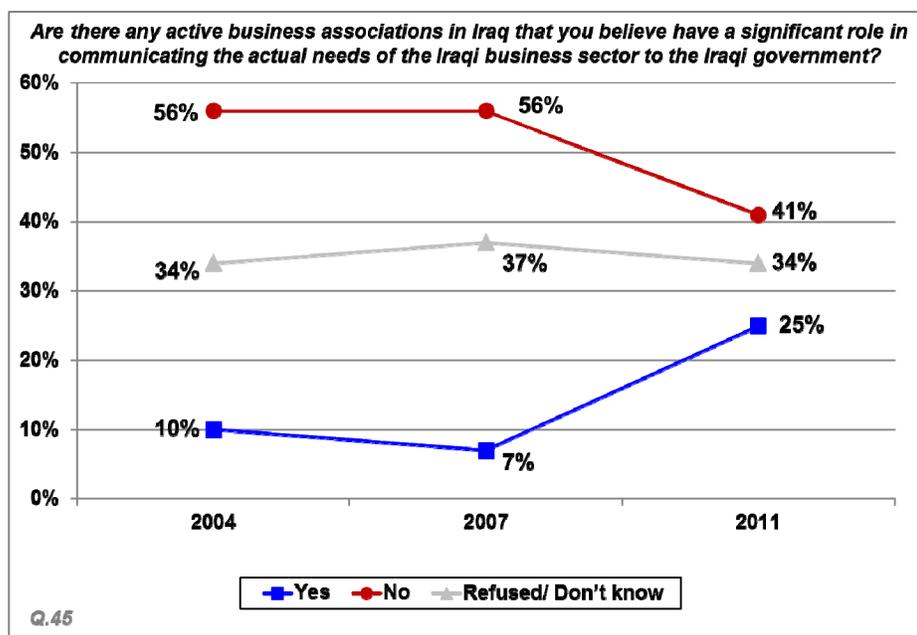
Businesspeople in this study believe that the business community can be effective in influencing government policies. By a five-to-three margin, Iraqi businesspeople believe the business community can influence positive change in government policy (50 percent to 33 percent), similar to findings in the CIPE 2007 survey but less positive than in 2005. Opinions vary sharply across provinces. Majorities of businesspeople in Karbala (84 percent), Baghdad (80 percent), Babil (74 percent), Anbar (61 percent) and Ninawa (59 percent) feel that businesses can influence positive change. But no more than a third in Kirkuk, Erbil, Najaf and Basrah agree (Chart 6.1).

**Chart 6.1: Business Community and Ability to Influence Change**



There has been a marked increase from 2004 and 2007 in the percentage of businesspeople who believe there are active business associations in Iraq that have a significant role in communicating the needs of the Iraqi business sector to the Iraqi government. In 2004 and 2007, no more than 10 percent said business organizations that effectively communicated their needs existed; now 25 percent say there are such organizations. Concurrently, the percentage stating that there is no business association playing a significant role has declined significantly from 56 percent in 2004 and 2007 to 41 percent today (Chart 6.2, next page).

Chart 6.2: Perceptions of Business Association Involvement over Time



Registered businesses are twice as likely as unregistered businesses (35 percent vs. 17 percent) to say that there are active business associations with significant communication directives in Iraq today. This percentage is also higher than average in areas that are more politically and economically integrated with the Iraqi transition, including Basrah (30 percent) and Baghdad (77 percent).

Conversely, majorities in Anbar (73 percent), Kirkuk (71 percent), and Ninawa (60 percent) are more likely to doubt the presence of active business associations representing business needs. While this may be a reality for some, they may also be a lack of awareness of business associations in operation, as well insufficient visibility to efforts and outreach. Uncertainty was highest in Karbala (75 percent) and Erbil (62 percent) (Table 6.1).

Table 6.1: Perceptions of Business Association Role by Registration and Region

<b>Q.45: Are there any active business associations in Iraq that you believe have a significant role in communicating the actual needs of the Iraqi business sector to the Iraqi government?</b>			
	Yes	No	Refused/ Don't know
Registered Businesses	35%	34%	31%
Unregistered Businesses	17%	47%	36%
<b>REGION</b>			
Baghdad	77%	18%	5%
Basrah	30%	35%	35%
Erbil	22%	16%	62%
Najaf	20%	39%	41%
Babil	19%	38%	43%
Ninawa	19%	60%	21%
Karbala	16%	9%	75%
Anbar	13%	73%	14%
Kirkuk	9%	71%	20%

Among the 25 percent saying there are active business associations communicating needs, the majority name their provincial Iraqi Chamber of Commerce (69 percent), followed by the Iraqi Businessmen’s Union (IBMU) (29 percent) and the Federation of Industries (29 percent) (Table 6.2).

**Table 6.2: Business Associations Active in Communicating**

<b>Q.46: If yes, which ones? (SELECT ALL THAT APPLY) (n=225)</b>			
	<b>Total</b>	<b>Registered Businesses</b>	<b>Unregistered Businesses</b>
Iraqi Chamber of Commerce in your province	69%	85%	45%
Iraqi Businessmen’s Union (IBMU)	29%	29%	31%
Federation of Industries	24%	22%	27%
Other	6%	4%	9%

Actual rates of membership in business associations (specifically, the IBMU) have increased ten-fold since 2004 (from 1,524 in 2004 to 16,046 today).<sup>10</sup> Survey results find that fourteen percent of the overall business sample reports membership in a business association, similar to membership levels in other countries where business association membership is voluntary: for example, Poland (15-22 percent), Bulgaria (13 percent) the United States (11 percent), Philippines (7-9 percent), and the Czech Republic (2-5 percent).<sup>11</sup> As in many other countries with voluntary membership, business associations are affected by the free rider problem: many businesspeople in Iraq benefit from business association activities and advocacy without having to join them personally.<sup>12</sup> Iraq is exceptional in the Middle East, since most of the chambers of commerce in the region have obligatory membership and Iraq does not.

Among those who identify as members of a business association, provincial chambers of commerce are mentioned most frequently (85 percent among all who claim membership), followed by the Federation of Industries (15 percent), the IBMU (6 percent) and other organizations (4 percent).

Registered businesses are about five times more likely to belong to a business association than non-registered businesses (27 percent to 5 percent, respectively) (Chart 6.3, next page). This pattern makes sense since informal businesses likely prefer to stay off the radar, and formal businesses do not want them to participate in official business associations.

Membership also varies widely according to region, with many more businesspeople in Basrah (50 percent) belonging to an organization than in any of the other provinces. A quarter in Najaf and Erbil and no more than 10 percent in any other province report membership (Chart 6.4, next page).

<sup>10</sup> IBMU statistics, July 18, 2011

<sup>11</sup>See <http://www.dti.gov.ph/dti/index.php?p=321>; <http://www.icca-chem.org/Home/About-us/Members-of-the-ICCA/?country=cz>; <http://www.census.gov/econ/smallbus.html> and [http://ec.europa.eu/enterprise/policies/sme/files/craft/sme\\_perf\\_review/doc\\_08/spr08\\_fact\\_sheet\\_pl\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/craft/sme_perf_review/doc_08/spr08_fact_sheet_pl_en.pdf)

<sup>12</sup> Olsen, Mancur (1965), *The Logic of Collective Action*, Harvard University Press

Chart 6.3: Business Association Membership by Registration

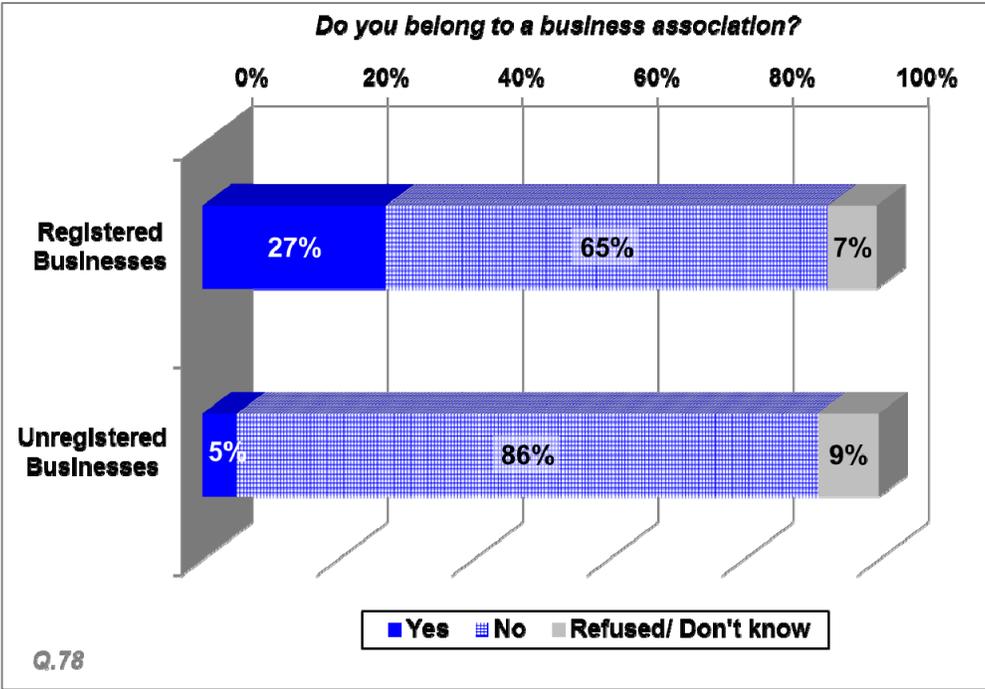
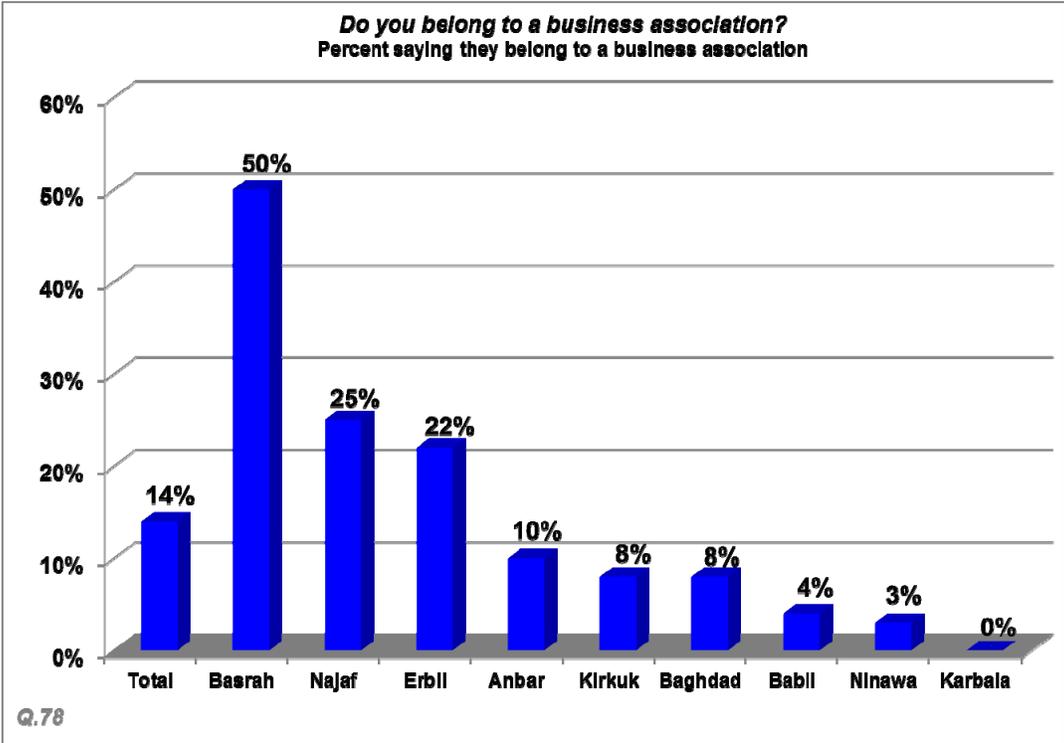


Chart 6.4: Business Association Membership by Region



The majority of businesspeople interviewed appear unaware of the roles that business associations can play in helping to develop business in Iraq, pointing to a greater need for business association outreach

in Iraq. Six in 10 (61 percent) overall respond that they do not know whether they would trust or distrust a business association to provide services, advice, offer fair opportunities or work hard to protect business interests.

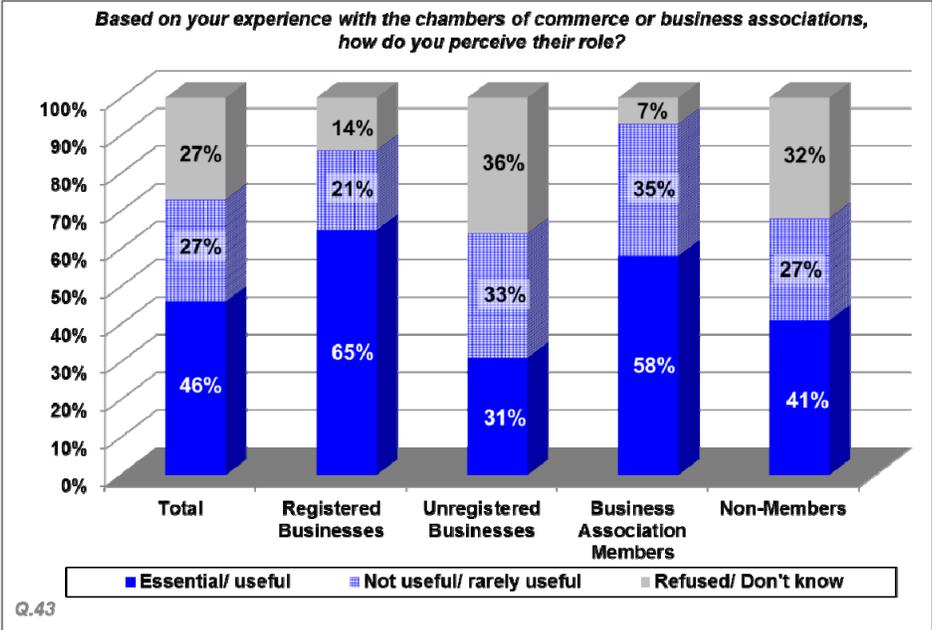
For those who did give an opinion on this question, 14 percent of those interviewed believe a business association would provide quality services in exchange for membership dues, with more feeling this way in Karbala (52 percent) and Baghdad (30 percent) than elsewhere. Thirteen percent trust that business associations will not allow board members to take all the best business opportunities for themselves (somewhat more in Baghdad, Kirkuk, and Najaf) or believe that they would work to solve problems (more in Baghdad and Najaf). 10 percent trust them to represent business opportunities fairly to all members (more in Najaf), and 4 percent believe a business association would work hard to represent their interests to the government (Table 6.3).

**Table 6.3: Trust in Business Associations**

<b>Q.48: Would you trust the best business association you know in Iraq to: (SELECT ALL THAT APPLY)</b>										
	<b>Total</b>	<b>Karbala</b>	<b>Baghdad</b>	<b>Najaf</b>	<b>Ninawa</b>	<b>Babil</b>	<b>Erbil</b>	<b>Kirkuk</b>	<b>Basrah</b>	<b>Anbar</b>
Provide quality services in exchange for membership dues	14%	52%	30%	12%	11%	9%	7%	3%	1%	1%
Not allow board members to take all best business opportunities	13%	2%	27%	41%	2%	2%	5%	36%	2%	4%
Try their best to solve my problems	13%	1%	34%	59%	13%	-	5%	8%	-	-
Represent business opportunities fairly to all members	10%	17%	19%	32%	1%	3%	9%	8%	-	-
Really work hard to represent my interests to the government	4%	2%	4%	10%	5%	1%	7%	2%	3%	1%
Refused/Don't know	61%	26%	18%	26%	80%	89%	70%	52%	94%	94%

About half (46 percent) overall and a majority (58 percent) of business organization members believe that chambers of commerce or business associations play a somewhat useful, very useful or essential role. Nearly three in 10 overall (27 percent) do not respond to the question, and a similar percentage (28 percent) say that business organizations are not useful. Registered businesses (64 percent) and business association members (58 percent) are more likely than unregistered businesses (31 percent) and non-members (41 percent) to think that business organizations add value (Chart 6.5, next page).

**Chart 6.5: Role of Business Association by Registration and Membership**



By business type, those who work in construction (54 percent), wholesale trade (48 percent) and manufacturing (44 percent) are more likely than those working in professional services (36 percent) to consider chambers of commerce or business organizations useful (Chart 6.6). There are also important differences by region, with majorities in Baghdad (92 percent) and majorities in Karbala, Erbil (81 percent) and Basrah (58 percent) deeming the work of business associations useful (Chart 6.7, next page).

**Chart 6.6: Role of Business Association by Type of Business**

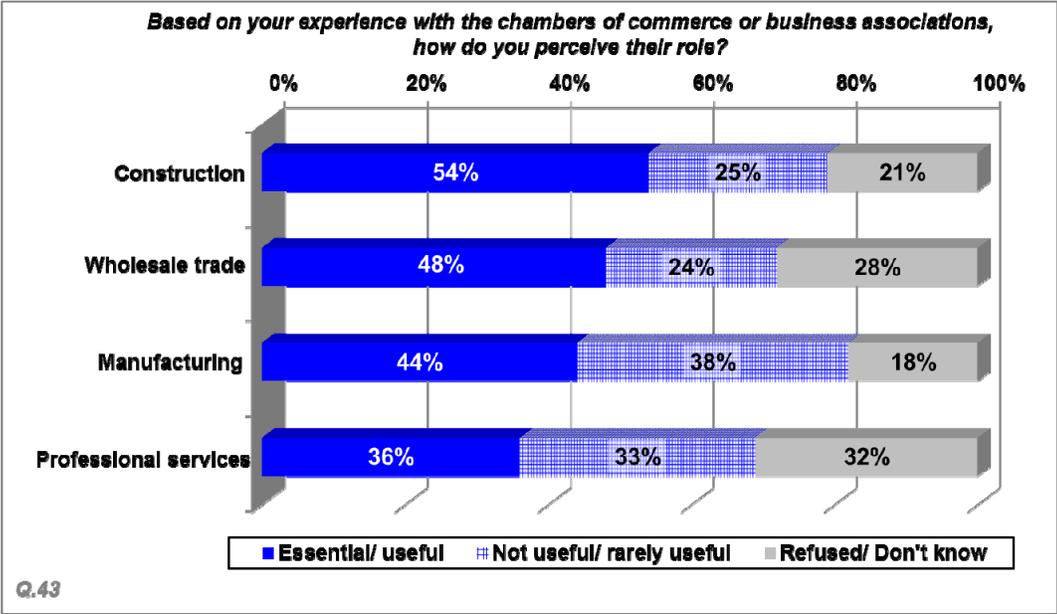
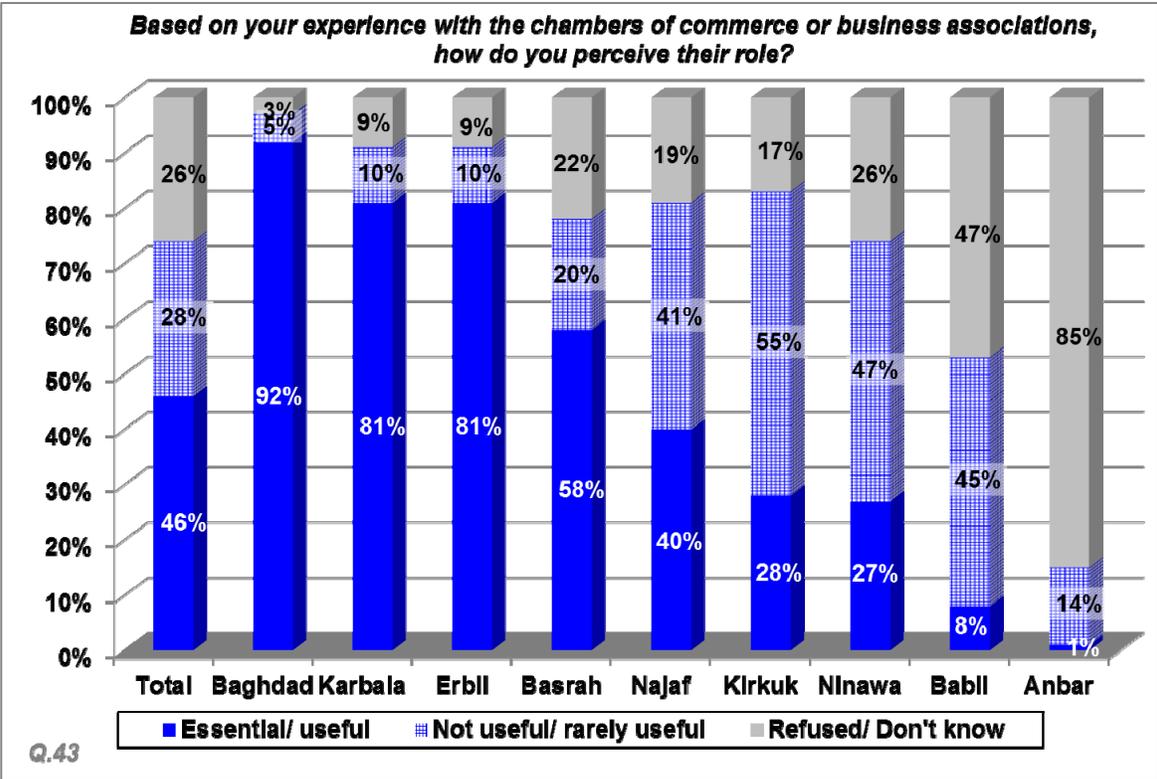


Chart 6.7: Role of Business Associations by Region



Registered businesses (36 percent frequently/time to time) and business association members (46 percent) are more likely than other businesses to visit a business association (Chart 6.8). Those in the provinces of Erbil, Baghdad, Karbala, Basrah and Najaf are also more likely than businesses located in other areas to visit professional business organizations (Chart 6.9, next page).

Chart 6.8: Chamber of Commerce Visit Frequency

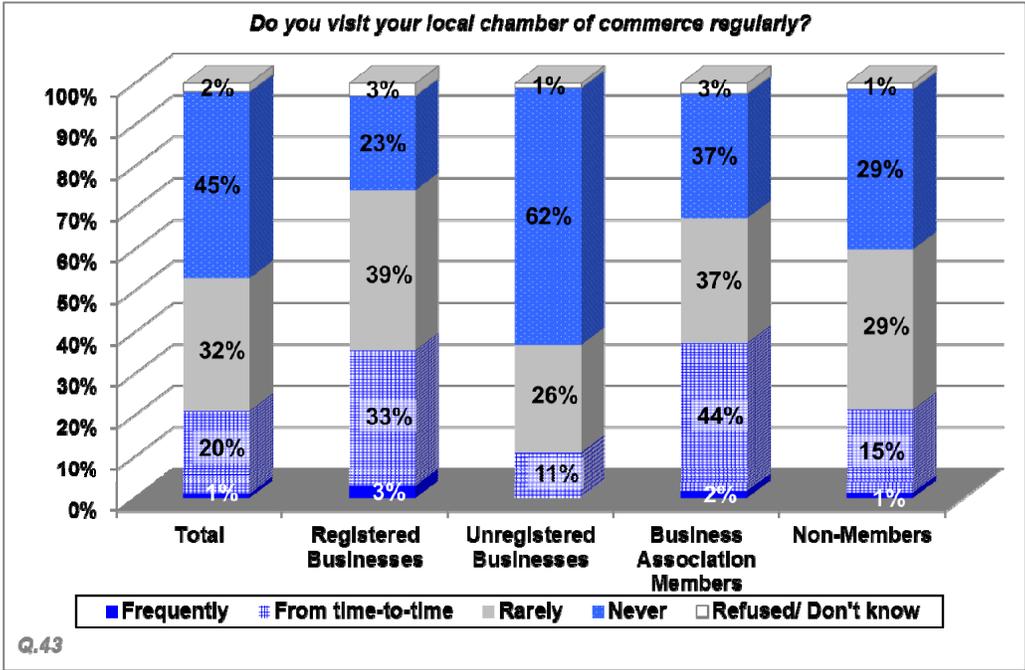
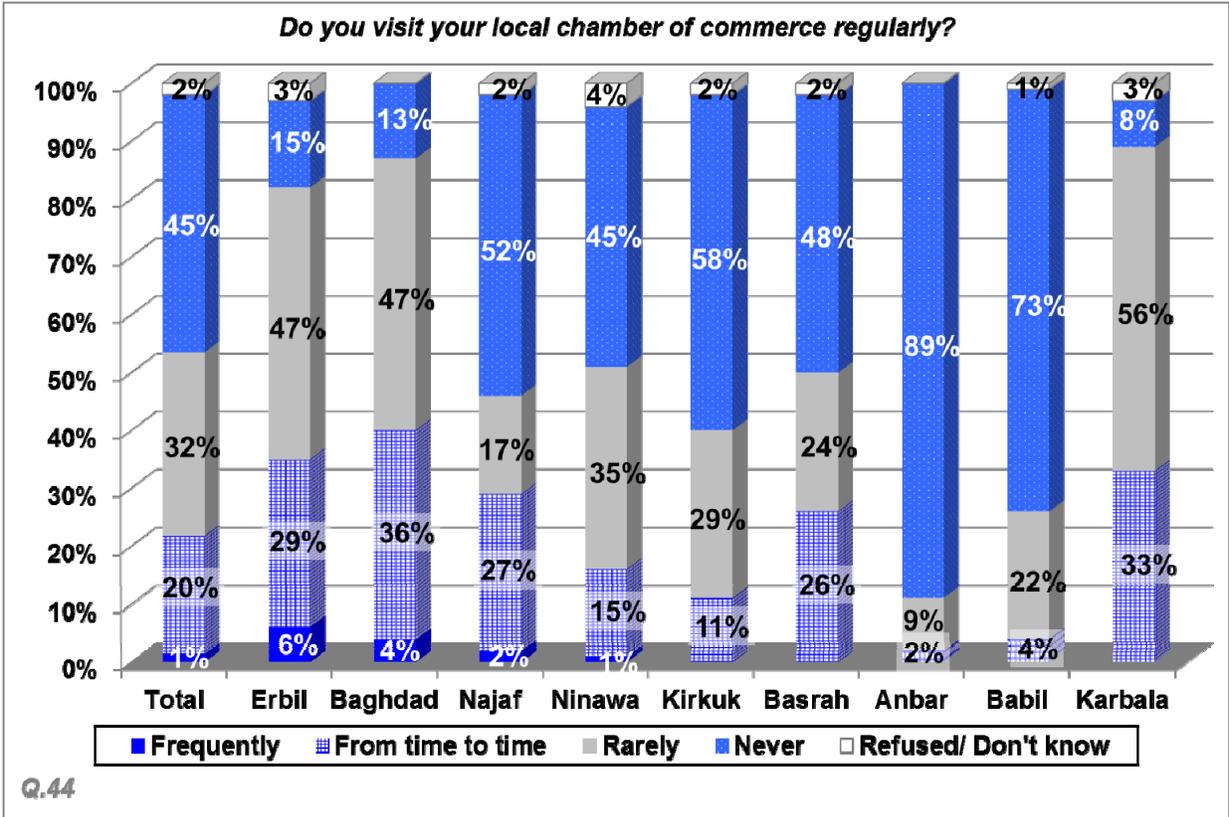


Chart 6.9: Chamber of Commerce Visit Frequency by Region



In the 2011 CIPE survey, Iraqi businesspeople identify several ways they want chambers of commerce to support them (Table 6.4, there are no key differences between business association members and non-members):

- Over a third (36 percent) looks to the chamber of commerce to strengthen business relationships with peers abroad. Nearly the same number (35 percent) sees them in a lobbyist role – helping achieve societal and business sector goals.
- Others want the chamber of commerce to serve as an information source. Nearly a third (32 percent) wants the chamber of commerce to disseminate information about local laws, and just over two in 10 (22 percent) looks for them to provide useful, relevant information to affiliate members.
- Conferences and small-scale workshops on business development are also desired by about a third (32 percent).
- Others want the chamber of commerce to conduct studies. Over one in four want economic performance projections (28 percent) and fewer than two in 10 want studies designed to improve members’ products or services (18 percent).

**Table 6.4: Chamber of Commerce Services**

<b><i>Q.47: What are the THREE most important services you think the chamber of commerce should provide?</i></b>	
Strengthening businessmen relationships with their peers abroad	36%
Lobbying for achieving the goals of the business sector and the society	35%
Sponsoring conferences and small-scale workshops on business development	32%
Disseminate information about local laws	32%
Conducting studies about economic performance projections	28%
Establishing a data bank to address the needs of the business sector	22%
Providing useful information to affiliated members	21%
Designing/conducting studies to improve members' products or services	18%
Providing consultations to members	16%
Setting performance standards and criteria for individual professions or for the sector	15%
Issuing brochures/members directory	7%

In another survey of Iraqi businesspeople, only three percent said that a business association offering membership services or other business services had ever contacted them.<sup>13</sup> Business organizations and chambers of commerce should reach out to the business community and develop strategic plans that target business needs in the areas of networking, trade relations, information and training. Because the government is seen as incapable in promoting business interests, business membership organizations should be filling that role. Business organizations should be encouraging public-private dialogue to help shape an entrepreneurial culture and respond to Iraqi business needs.

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<sup>13</sup> [www.sbdc-iraq.com/files/USAID-TIJARA\\_Market\\_Assessment\\_Summary\\_Iraq.pdf](http://www.sbdc-iraq.com/files/USAID-TIJARA_Market_Assessment_Summary_Iraq.pdf)

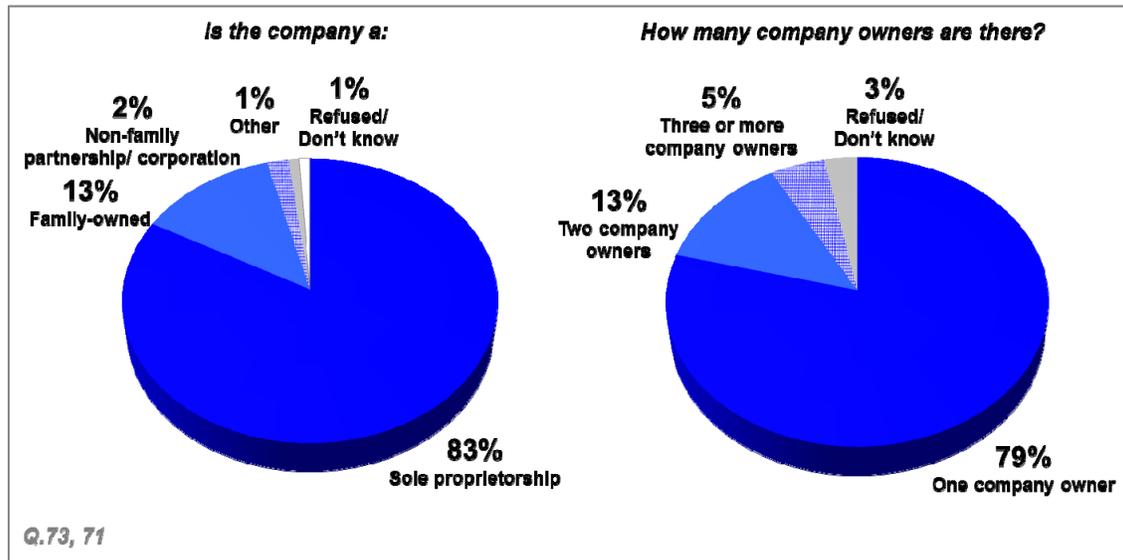
## Appendix I: Business Profile

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This appendix provides demographic details for the Iraq businesses in this survey.

Most of the businesses in this survey (Chart A1) are private sector sole-proprietorships (83 percent). Family-owned businesses made up 13 percent of all those surveyed, followed by non-family partnerships or corporations (1 percent). Most of the firms are owned by one owner (79 percent), and nearly all business owners are male (97 percent).

**Chart A1: Business Ownership**



Wholesale and retail trade (58 percent) makes up the majority of businesses surveyed. The remaining businesses are manufacturing (12 percent), professional services (12 percent), construction (7 percent), hotels, restaurants and tourism (3 percent), agribusiness (3 percent), transport and storage (2 percent), communications (2 percent), electricity, gas, oil (1 percent), or other (1 percent) (Table A1, next page).

The primary customers of the businesses interviewed are local consumers (97 percent), followed by local businesses (32 percent), state owned enterprises (12 percent), Iraqi Ministries or Government (4 percent), and foreign markets (2 percent) (Table A2, next page).

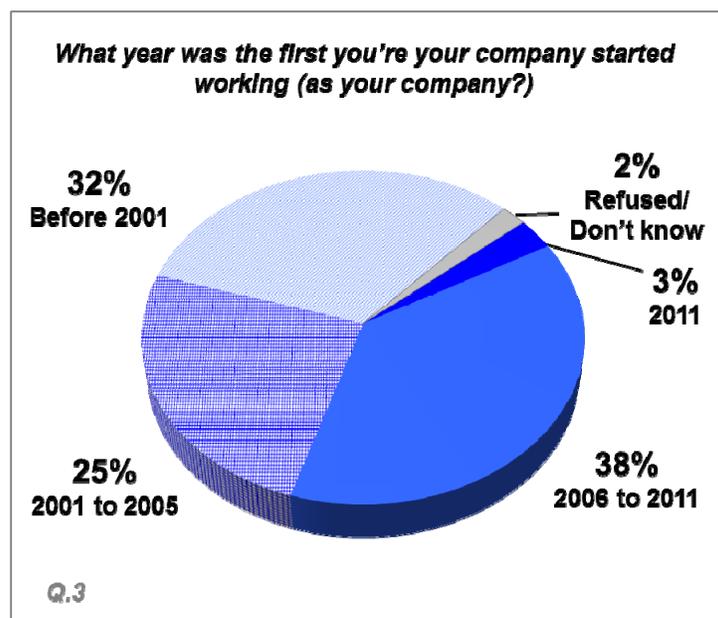
## Tables A1 and A2: Business Type and Market

<b>Q1: What type of business is your company?</b>	
Wholesale, Retail Trade	58%
Manufacturing	12%
Professional Services	12%
Construction	7%
Hotels, Restaurants and Tourism	3%
Agribusiness	3%
Transport and Storage	2%
Communications	2%
Electricity, Gas, Oil	1%
Other	1%

<b>Q74: Who are your primary customers?</b>	
Local individual persons	97%
Local businesses	32%
State-owned enterprises (state-owned companies)	12%
Iraqi Ministries or Iraqi Government (not SOEs)	4%
Foreign markets (for export)	2%
Other	1%

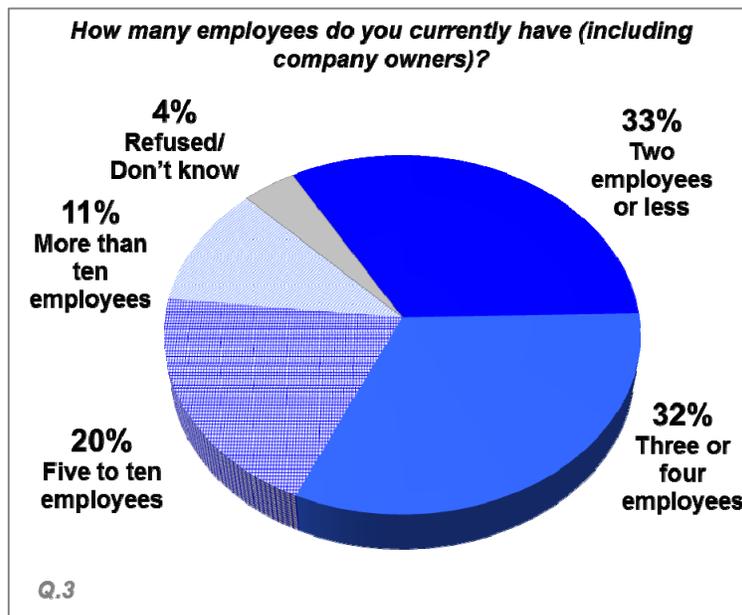
A third (32 percent) of the businesses interviewed have been in operation for more than 10 years, a quarter (26 percent) for six to 10 years, and almost four in 10 (38 percent) one to five years. Three percent of the businesses were established just this year (Chart A2).

**Chart A2: Business Age**



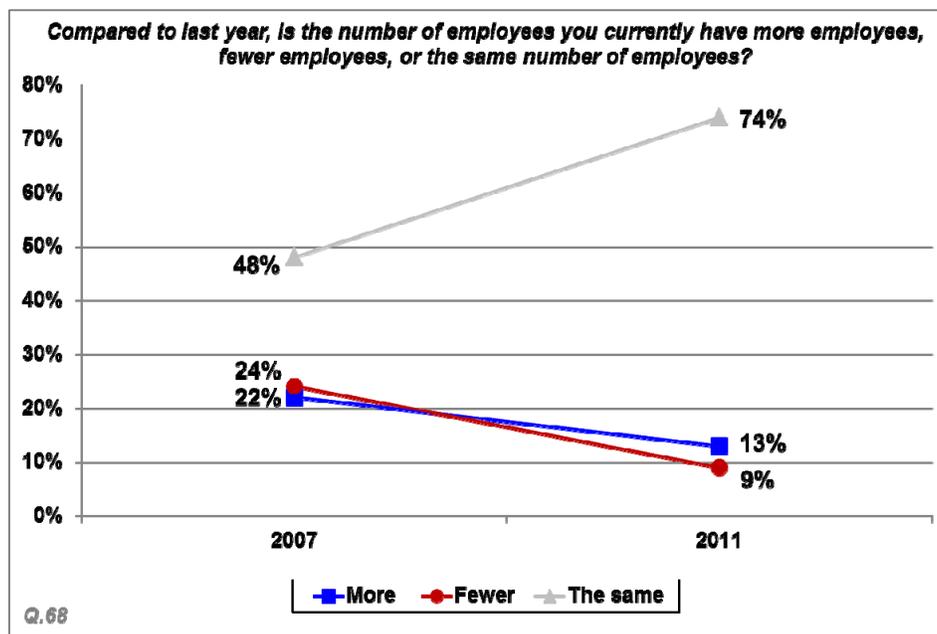
Most businesses surveyed are small. Over eight in 10 (85 percent) of the businesses have 10 or fewer employees and two thirds (65 percent) have four or fewer (Chart A3, next page). A third (33 percent) of the firms had no more than two employees.

**Chart A3: Business Size: Number of Employees**



When asked to compare the current number of employees to the prior year, three fourths (74 percent) said they had the same number of employees, and about one in 10 said they had more (13 percent) or fewer (9 percent). In 2007, half (48 percent) of those interviewed had the same number of employees, two in 10 (22 percent) had more; a quarter (24 percent) had less (Chart A4).

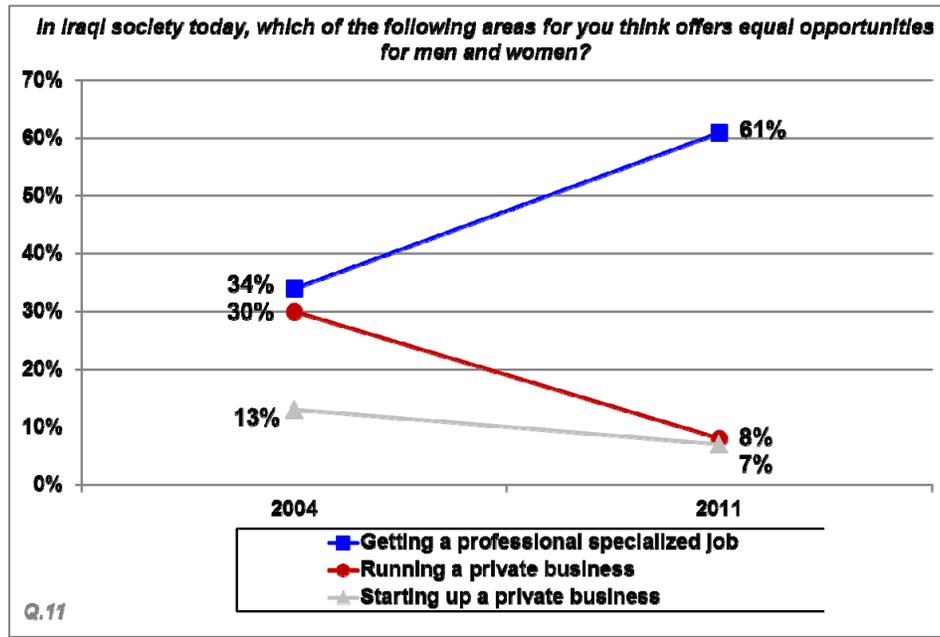
**Chart A4: Business Size Comparison**



Iraq businesses have very few women employees. In fact, eight in 10 of the businesses surveyed (80 percent) did not have a single woman employee, an additional one in 12 (8 percent) say 10 percent or less of their employees are women. Only three percent of those interviewed said they had more than 10 percent women employed.

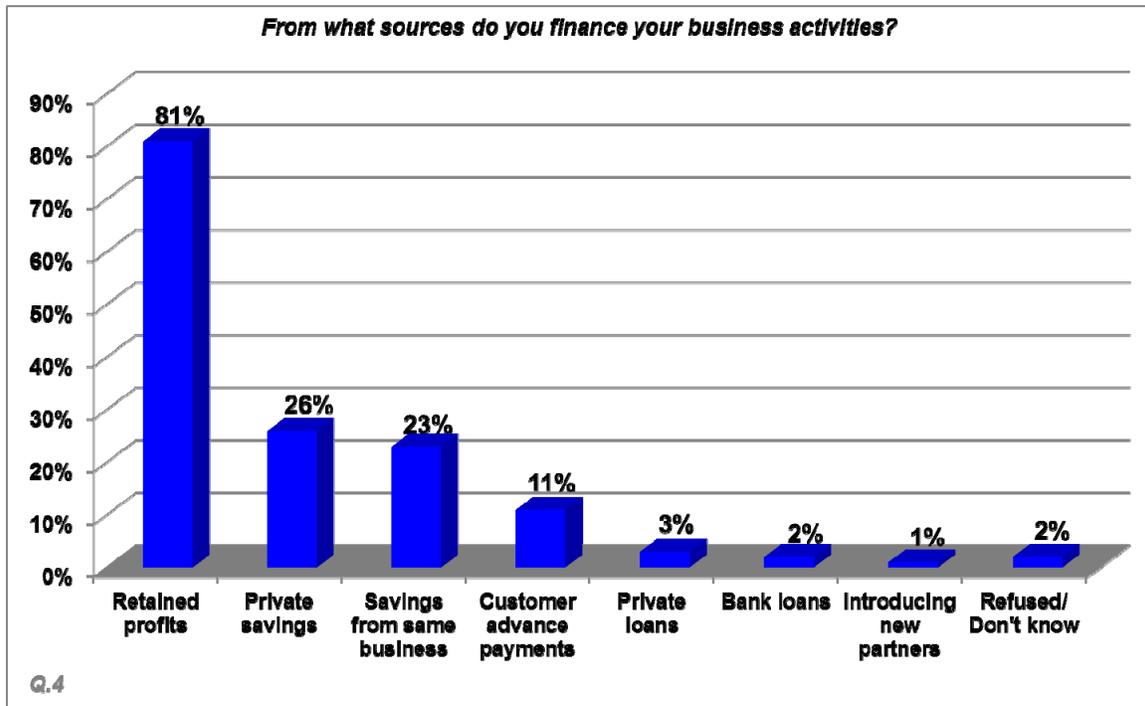
The majority of respondents (61 percent) say that men and women have equal opportunities in Iraqi society when getting a professional/specialized job. This is up significantly from 34 percent in 2007. In contrast, equal opportunities around running a private business (8 percent) are down significantly from 2007 (30 percent). Starting up a private business dips from 13 percent in 2007 to 7 percent in 2011. An additional six percent believe men and women have equal opportunities around financing a business or enterprise.

**Chart A5: Equal Opportunities**



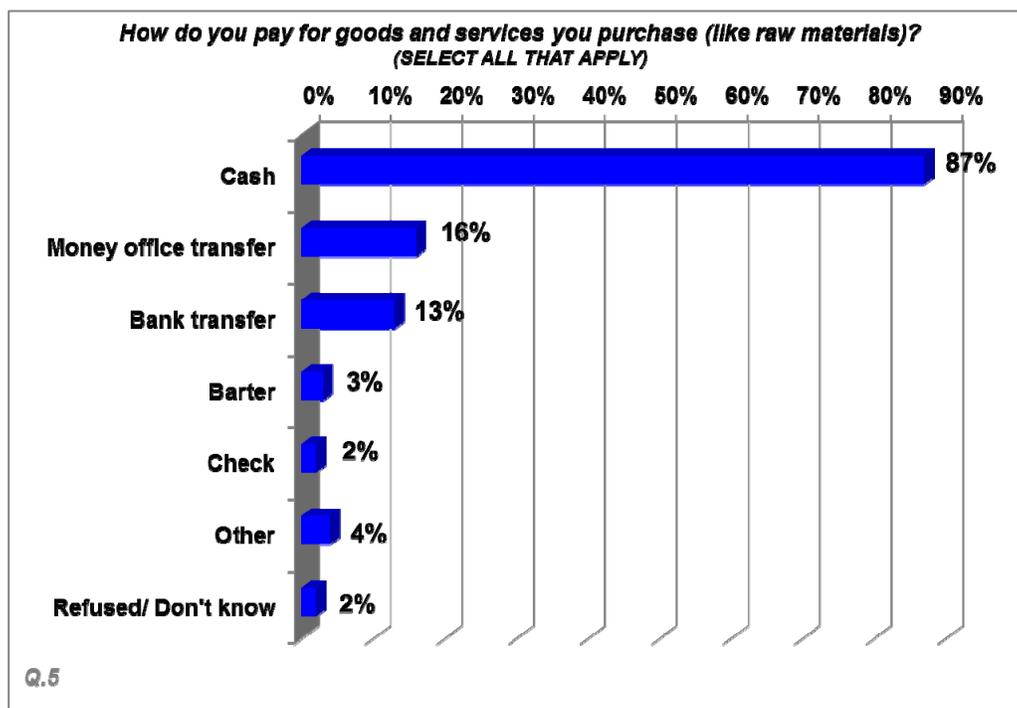
Iraq businesses primarily finance business activities through retained profits (81 percent). Private (26 percent) or business savings (23 percent) are also used by about a quarter; one in 10 finance activities through customer advance payments (11 percent). Using loans (private (3 percent) or bank loans (2 percent)), introducing partners (1 percent), or issuing stocks (<1 percent) are uncommon (Chart A6, next page).

Chart A6: Financing Business Activities



Iraq businesses use cash most when paying for goods and services (87 percent). Money office (16 percent) and bank (13 percent) transfers are occasionally used. Bartering (3 percent) and using checks (2 percent) are not common (Chart A7).

Chart A7: Payment Method for Goods and Services



## Appendix II: Methodology

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This appendix provides details on the survey methodology used in this study and roles of the organizations involved.

### Overview

A total of 900, 45-minute quantitative interviews were conducted among formal and informal businesses in nine cities: Anbar, Babil, Baghdad, Basrah, Erbil, Karbala, Kirkuk, Najaf, and Ninawa. Interviews were spread evenly across these locations; each city is represented by 100 completed interviews. Interviews were conducted in-person in Arabic or Kurdish, based on respondent preference, and completed between March 12 and April 19, 2011.

### Survey Design and Pretesting

The survey was designed by CIPE with input from 4points and Charney Research, and was further revised to reflect recommendations from the pretesting phase.

Before the pretest began, all field supervisors and interviewers were briefed on project goals and objectives. They were then trained on survey administration and interviewing techniques. This process included explaining questionnaire terminology and clarifying question meaning, simulation exercises, and providing feedback to interviewers.

The survey was pretested to 90 businesses to evaluate respondent understanding of the questions and terminology, implement quality assurance, test data entry, evaluate respondent availability, and identify potential problems and challenges that might arise in the survey period.

As a result of the pretesting phase, an introductory paragraph explaining the reason behind the project and a background of 4points Company was included at the beginning of the survey to reduce respondent hesitation and suspicion, additionally, the number of questions was reduced, and some questions reframed. Issues were most prevalent in the provinces of Kirkuk and Basrah.

After the pretest was completed, a re-training of the surveyors was conducted. This re-training addressed all of the changes made to the survey instrument and also informed them of potential problems they might face during survey administration. The surveyors were given various approaches to minimize conflict during the survey interviews and to assure the majority of questions were answered.

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### Sampling

As a comprehensive list of businesses in Iraq from which to draw a statistically representative sample, the methodology employed by USAID on the Izdihar project was employed. The method used to gain respondents estimated the size of each sector by using previously conducted private sector surveys in Iraq, Government of Iraq (GOI) published data, talking to GOI and Iraqi chamber of commerce

subject matter experts, seeking input from Provincial Reconstruction Team advisors, undertaking discussions among the research team which are led by the provincial Coordinators, and analyzing results from the survey pretesting. Weights were then applied to each sector, with a compensation for more geographically dispersed industries such as manufacturing, agribusiness, and hospitality and tourism sectors. Businesses were sampled through a mix of door-to-door random selection and chain referral, by which one survey respondent will recommend another to participate in the survey. Surveyors covered the main city in each province and surrounding towns, expanding geographic coverage further to compensate for possible participant selection bias and improve overall representation. Twenty percent of completed interviews were achieved through random sampling; the remaining interviews were attained through chain referrals.

### **Field Control**

Quality assurance measures were put in place to ensure the completeness and credibility of completed interviews. Field-based supervisors monitored field activity and checked completed questionnaire for accuracy. A total of 194 quality control calls were conducted during the survey period; this amounted to 21.5 percent of the 900 participants.

### **Organization Contribution**

All interviewing was conducted in conjunction with 4points, a local field organization in Iraq.

Charney Research was responsible for background research, refining the questionnaire, project management, and analysis. This report was written by Craig Charney, Dina Smeltz, and Sean Michael Flowers, with assistance from Arshbir Ghuman.