

Iraq: Business Barometer Survey



**Craig Charney
Dina Smeltz
Sean Michael Flowers
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Business Profiles

Business Ownership

- Private sector sole-proprietorship 83%
- Family-owned business 13%
- Non-family partnerships or corporation 1%
- Foreign owned company or NGO <1%
- Other 1%
- Male 97%
- Female 3%

Business Age

- Began operations before 2001 32%
- Began operations 2001-2005 25%
- Began operations 2006-2011 38%

Business Type

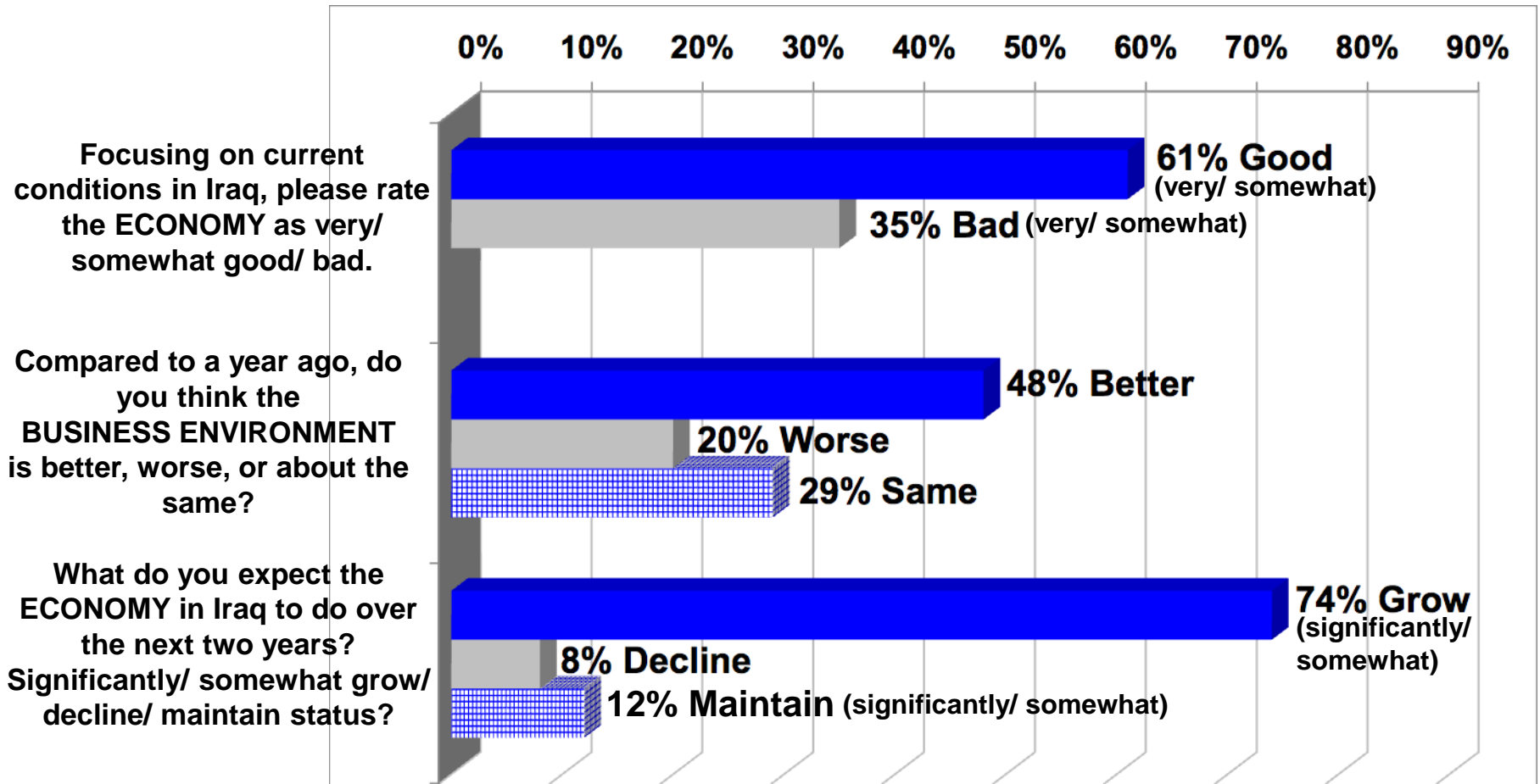
- Wholesale/retail trade 58%
- Manufacturing 12%
- Professional services 12%
- Construction 7%
- Hotels, restaurants and tourism 3%
- Agribusiness 3%
- Transport and storage 2%
- Communications 2%
- Electricity, gas, oil 1%
- Other sectors 1%

Business Size

- Two employees or less 33%
- Three or four employees 32%
- Five to ten employees 20%
- More than ten employees 11%

Comparisons across groupings are only possible for those companies in retail, manufacturing, professional services and construction due to sample size limitations.

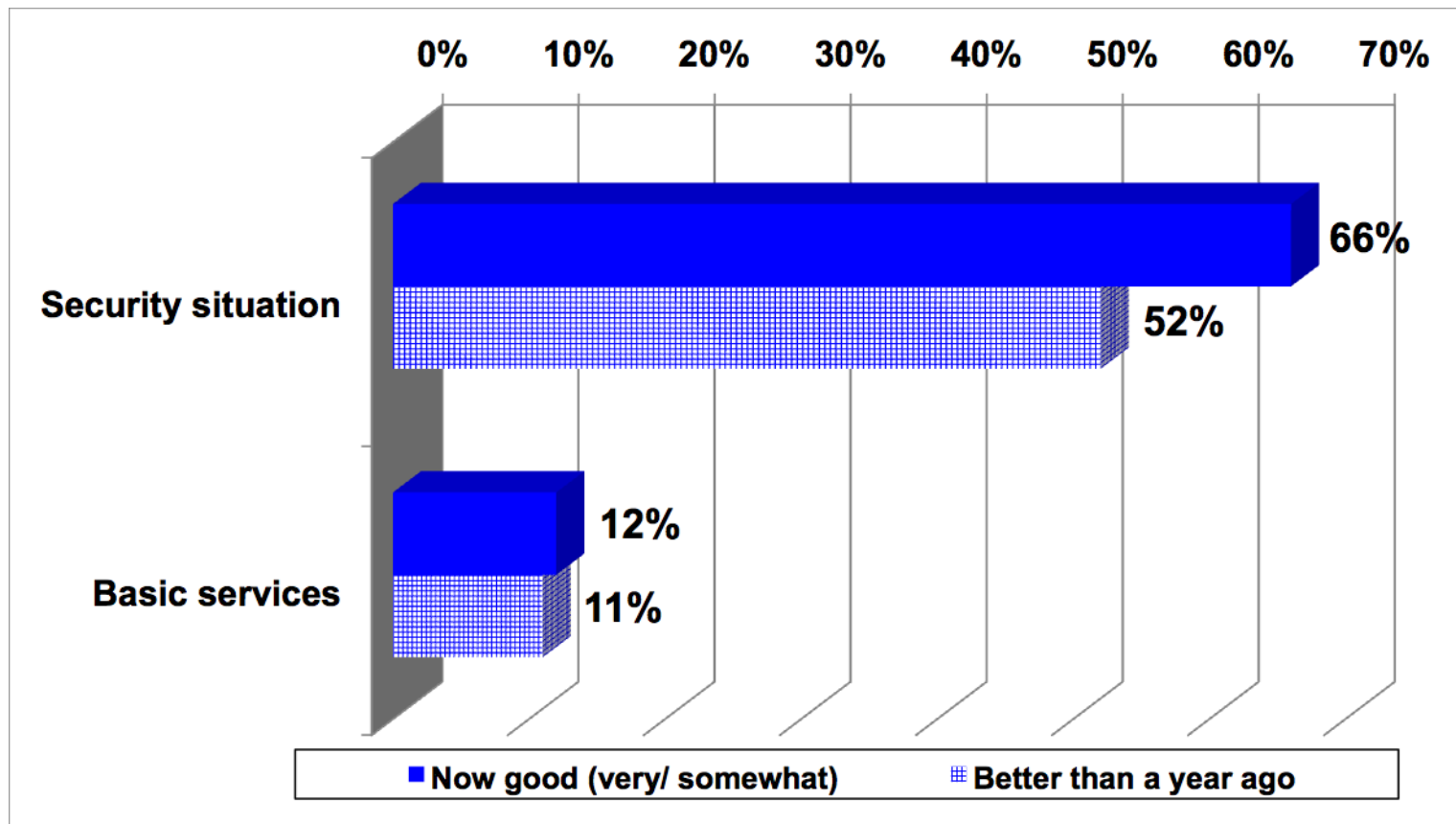
Iraqi businesses are optimistic about current and future economic environment.



Businesspeople see improvement in security, but continued problems in basic services.

Focusing on current conditions in Iraq, please rate each of the following as very good, somewhat good, somewhat bad, or very bad.

Compared to a year ago, do you think the following are better, worse, or about the same?



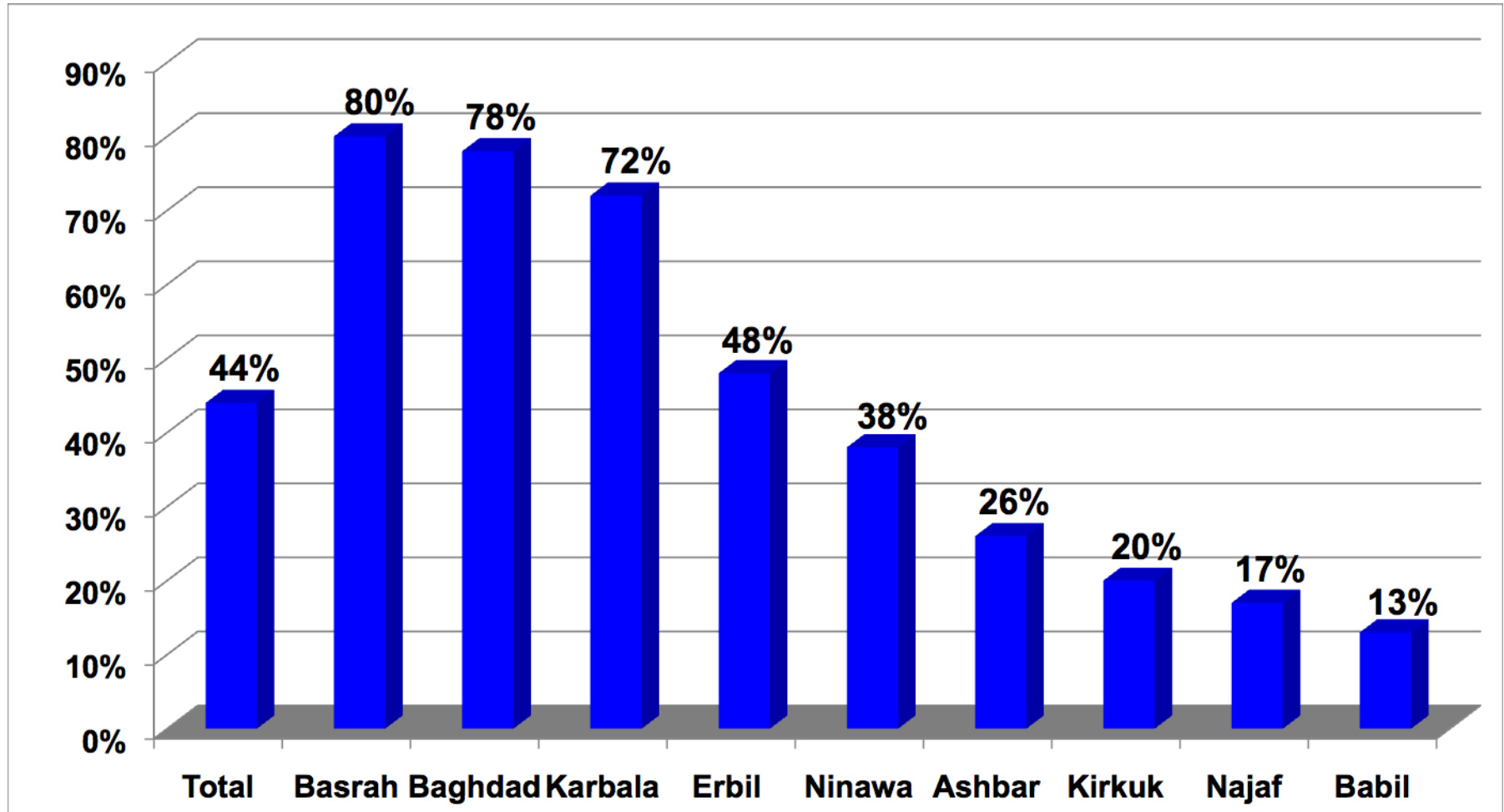
Corruption is the top impediment to growth; other obstacles vary by province.

Apart from the security condition, which of the following reasons are the THREE MOST IMPORTANT reasons 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%

Less than half of all businesses claim to be registered.

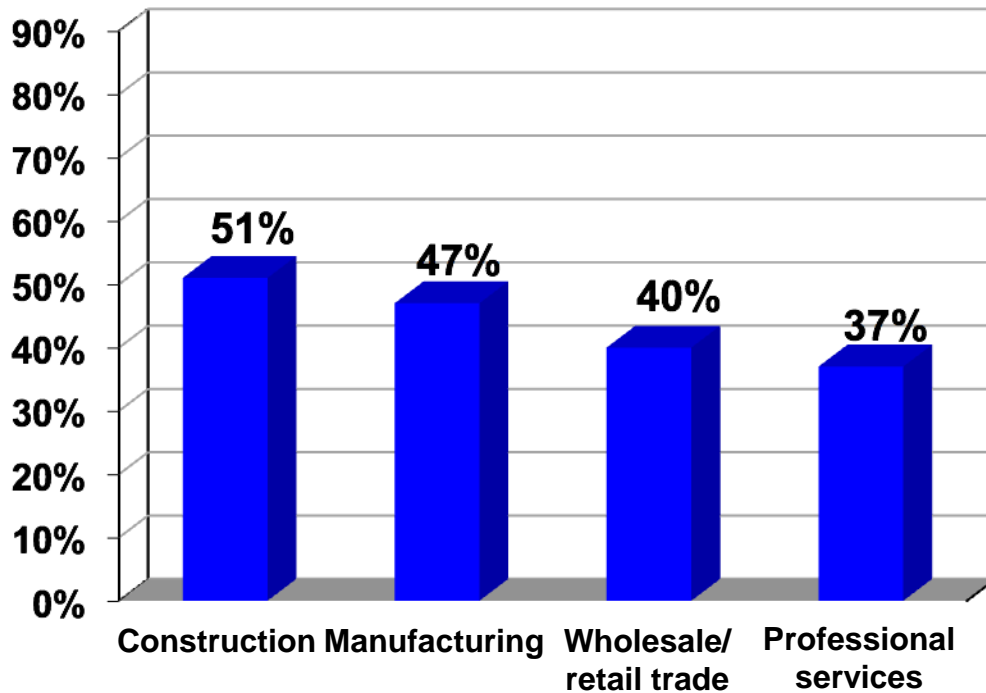
Is your business registered with the Iraqi government?



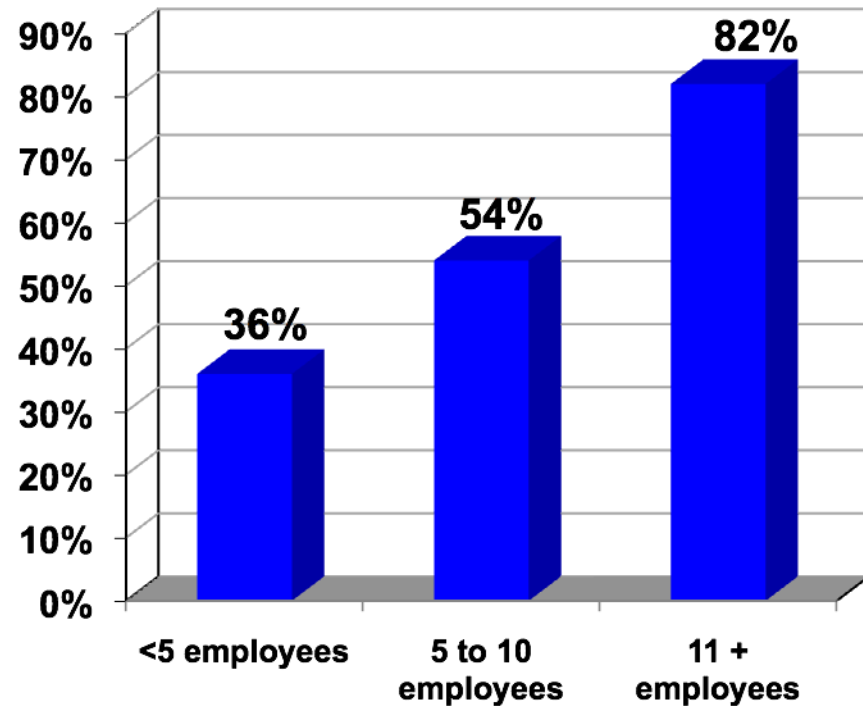
Construction, manufacturing, and larger businesses and are more likely than others to register.

Is your business registered with the Iraqi government?

Percent saying yes

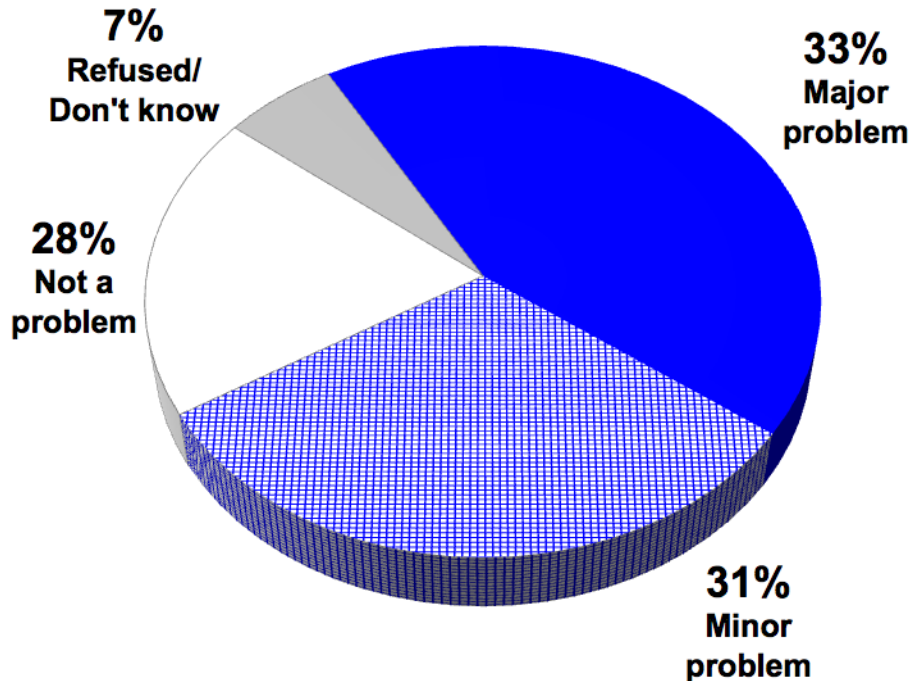


Percent saying yes



Unregistered businesses are seen as a problem. An increase in informal business dangerous to Iraq's economy.

What is your opinion of unregistered businesses?

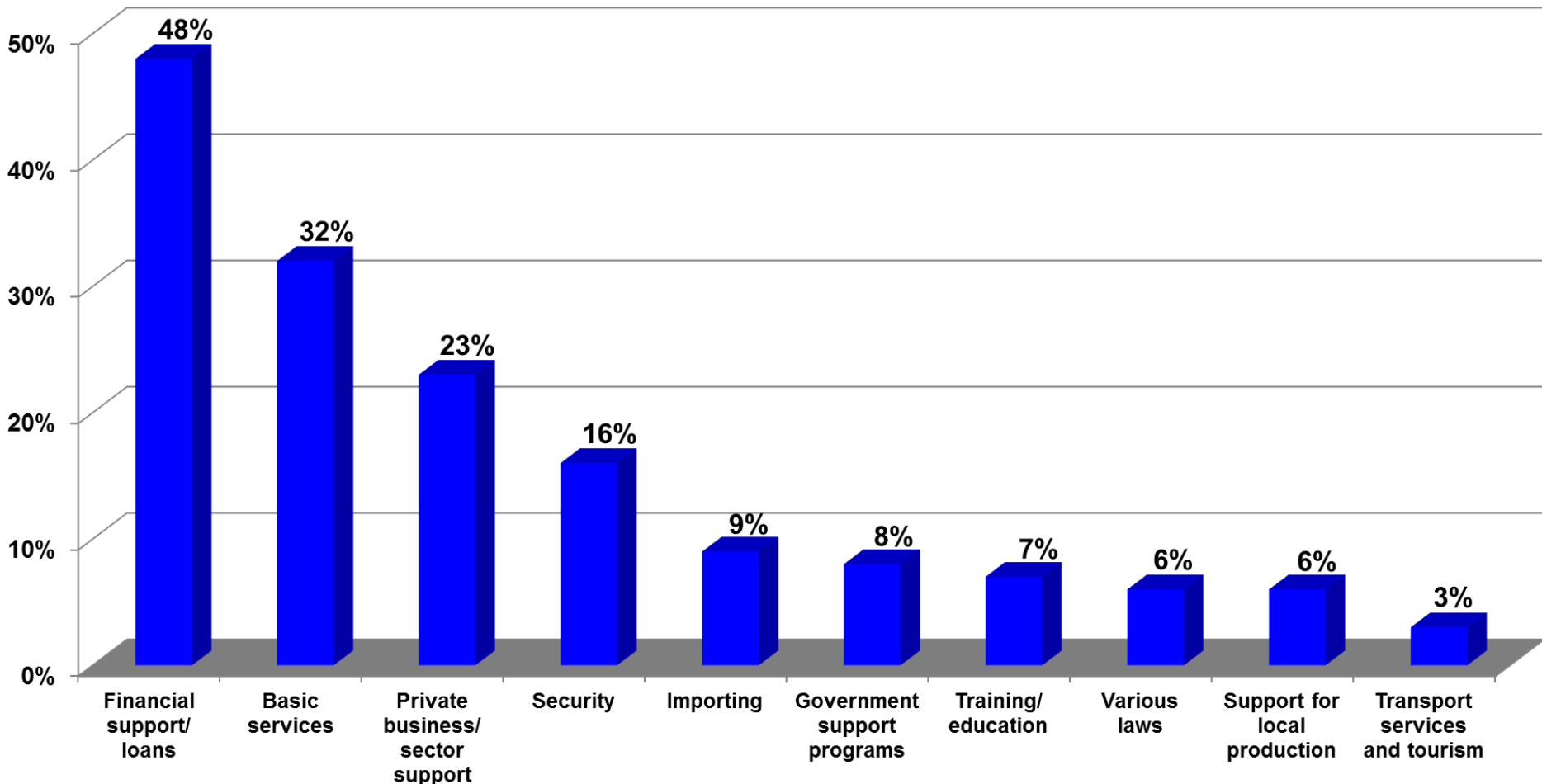


What are the most dangerous effects of the spread and expansion of the informal business sector on your country?

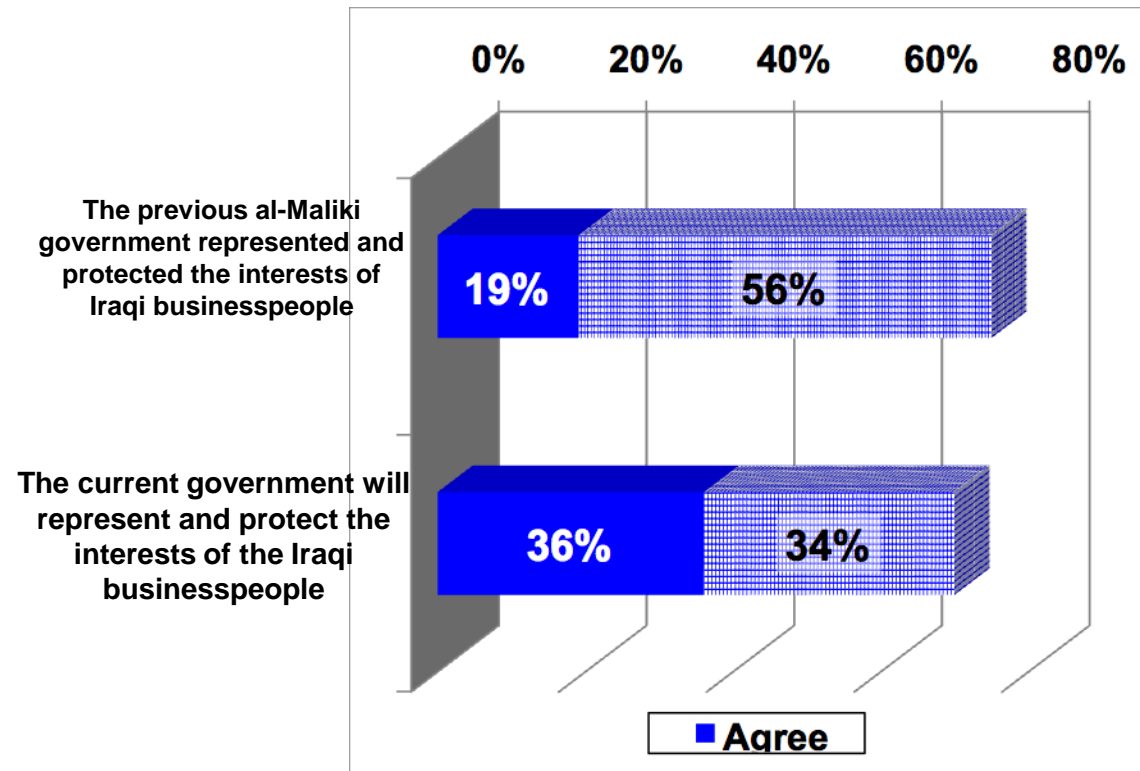
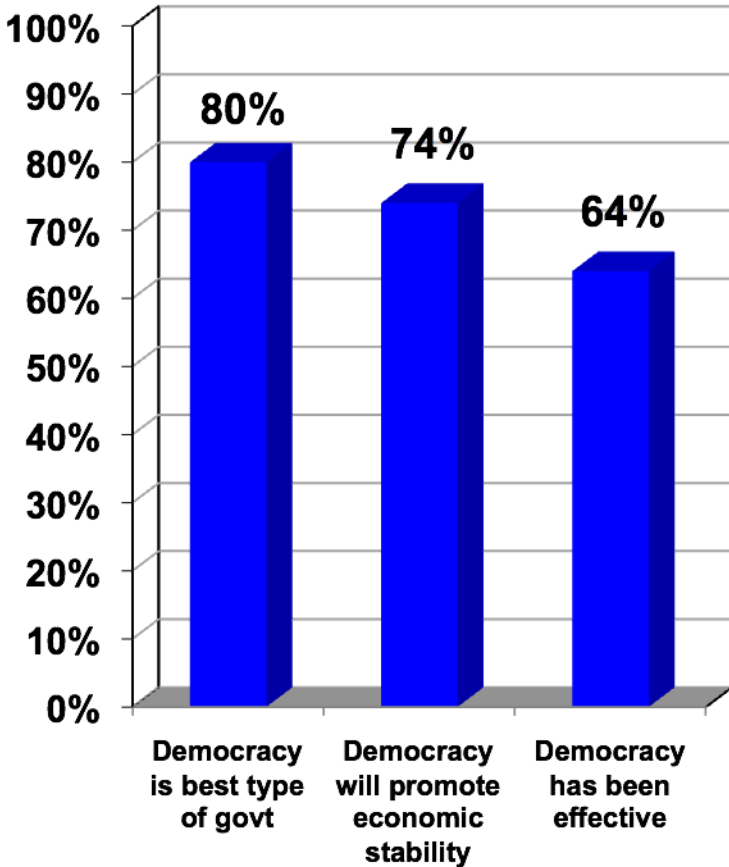
	Total
Employing workers below legal age and depriving them of access to education opportunities	60%
Workers acquire no rights in case of accidents disabling them from work	51%
The State cannot contribute to the development of the workers	46%
Missing an opportunity for accurate calculation of the country's GDP due to lack of sector-specific indicators despite the sector's substantial contribution to the GDP	37%

Businesses would like increased financial support and improved basic services.

What are specific areas in which you would like more support from the government?



While businesses favor democracy, most aren't confident that the current government will promote business interests.



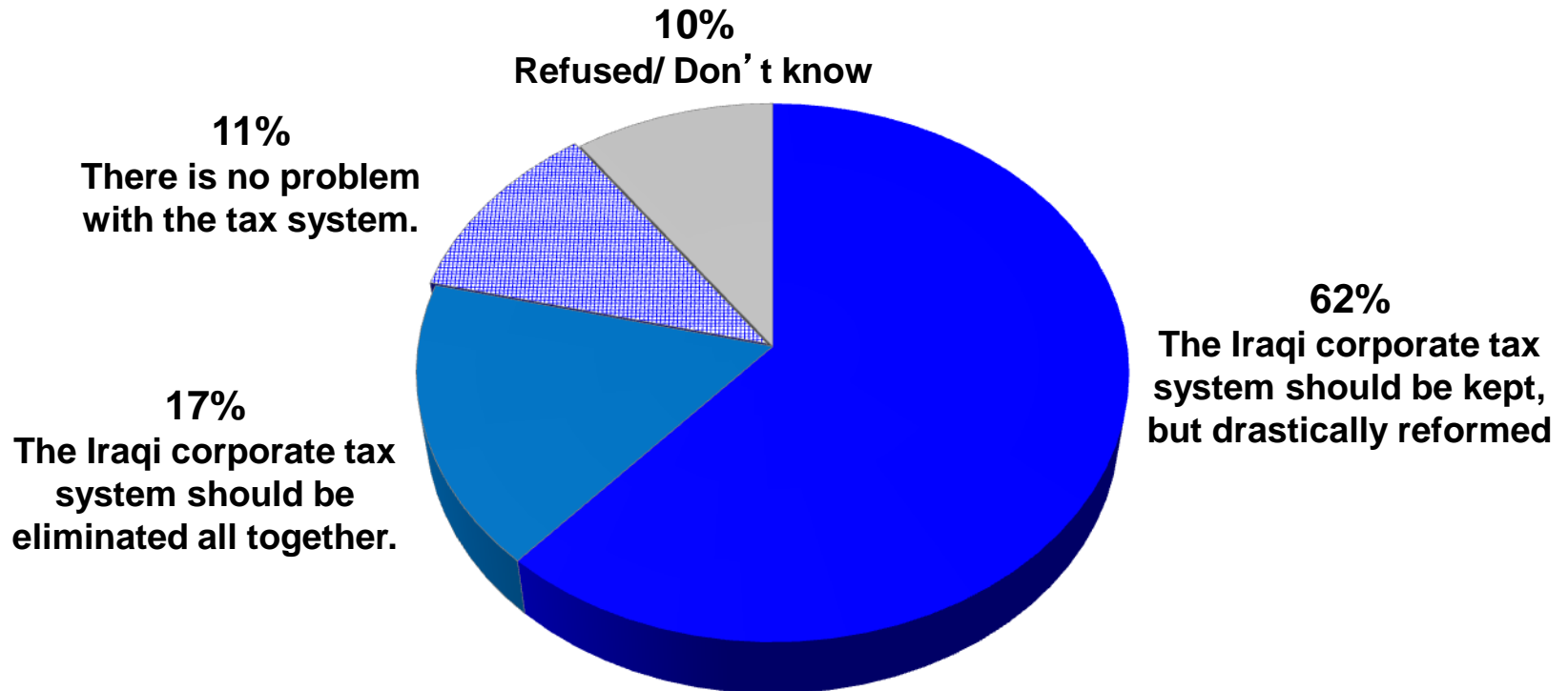
Effective rule of law is the top priority for business concerning the legal system.

Given the development of existing laws and regulations in Iraq, what do you think is absolutely necessary for the success of the business sector?

	Total
Applying laws more effectively	53%
Solving problems of intersecting laws	38%
Adoption of new laws and regulations	30%
Re-evaluation of the laws in force	13%
Refused/ Don't know	10%

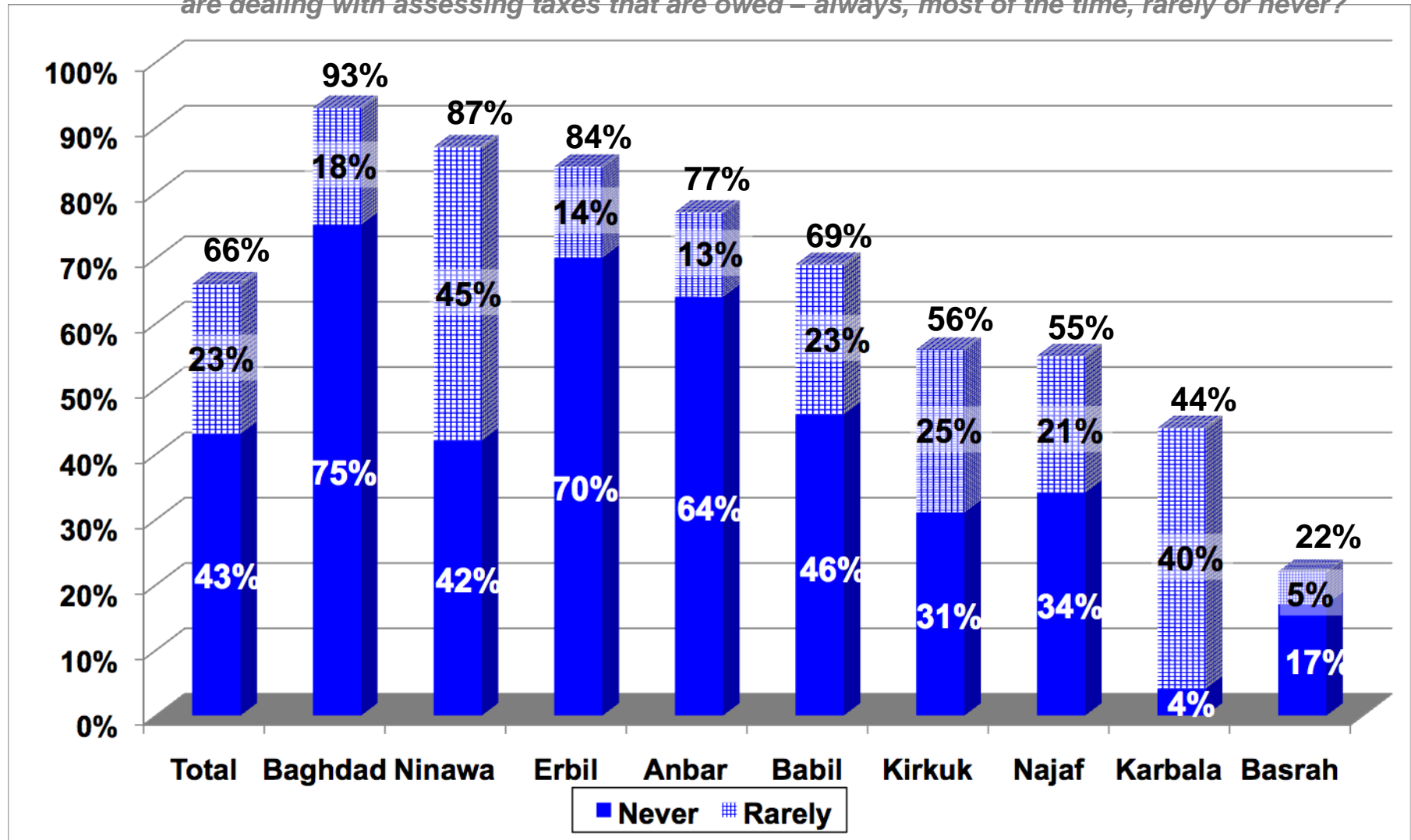
Majority say that tax system should be reformed, not eliminated.

Which view is closer to your view regarding paying taxes?



Corruption among tax officials viewed as rampant.

How often are government officials in the tax office honest and free of corruption when they are dealing with assessing taxes that are owed – always, most of the time, rarely or never?



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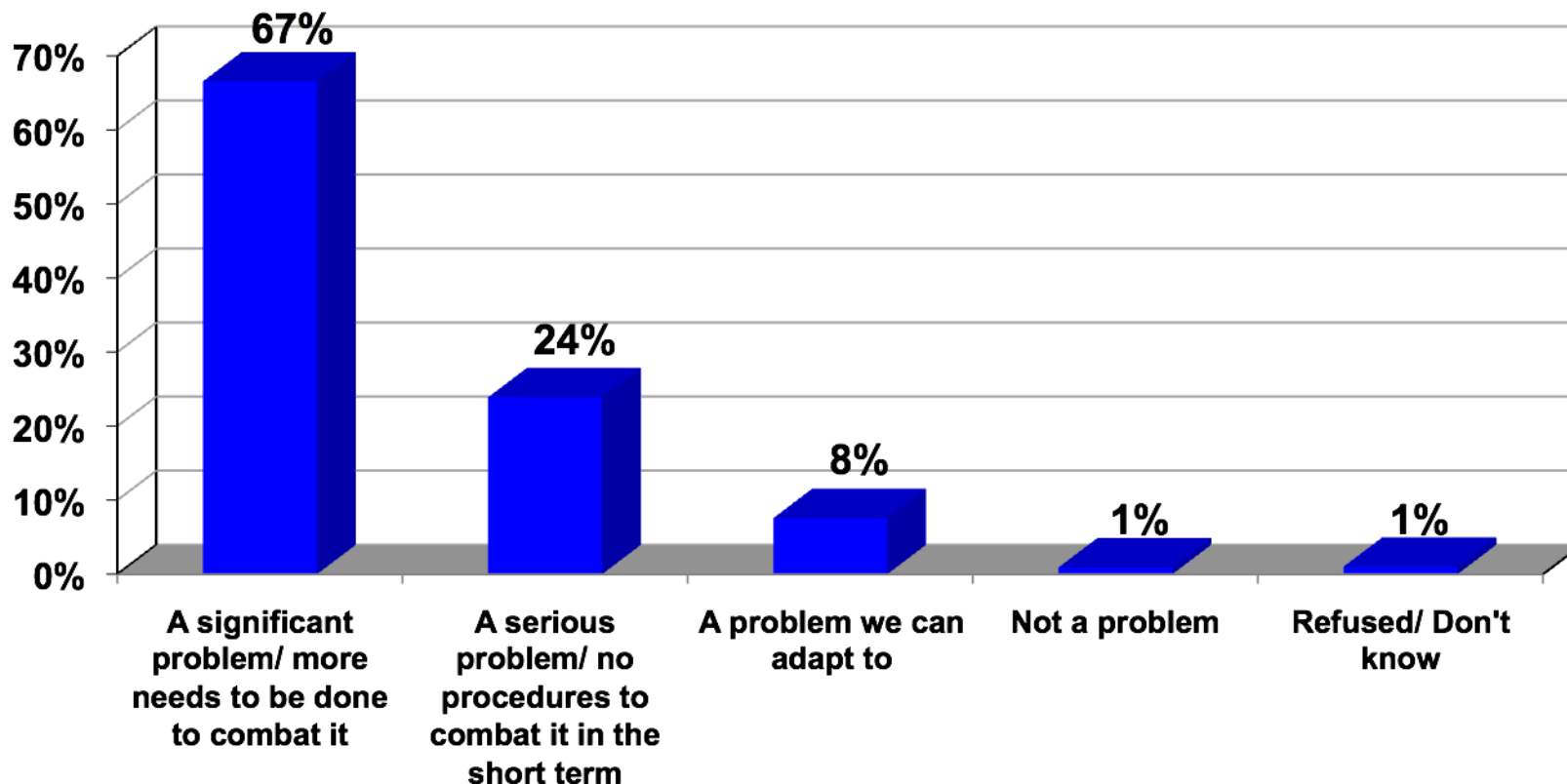
Weaknesses in courts, media, opaque regulations and government cover up contribute to corruption.

In your opinion, what are the key reasons behind corruption?

	Total
Weak judicial system	56%
Weak public opinion/media	51%
Government covers up bribes	48%
Too many non-transparent regulations	47%
Underdeveloped regulations	24%
No tenders/ bids invited	18%
Over-centralized management	10%

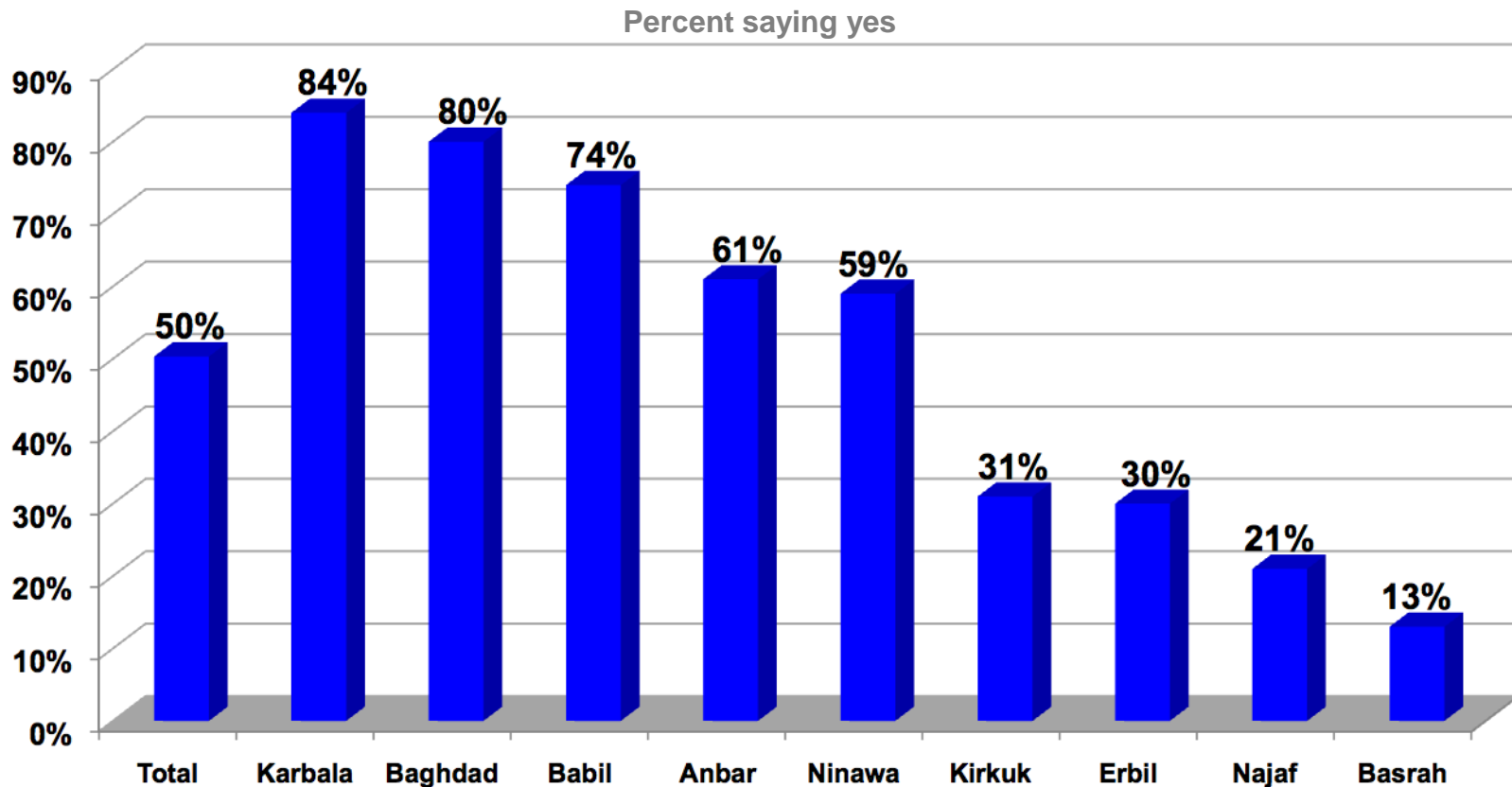
Corruption is seen as a problem in Iraq, but most believe it can be fought.

What is your general attitude towards corruption?



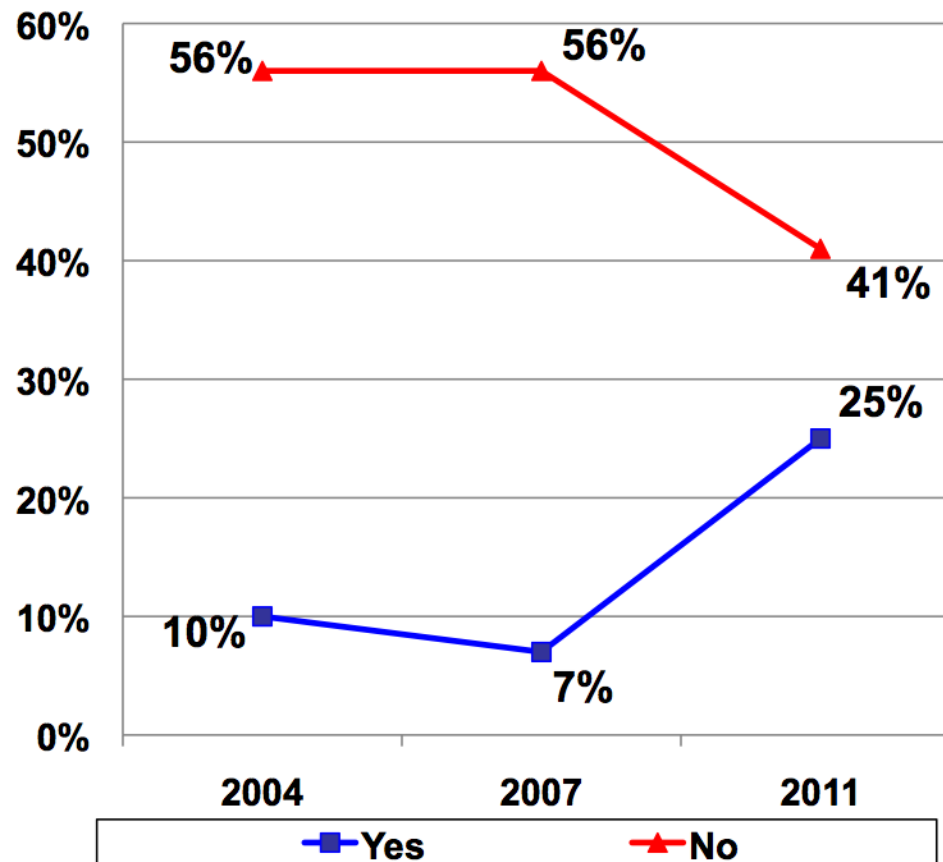
Half believe that businesses can influence positive change in government policies.

Do you feel the business community can influence positive change in government policies?



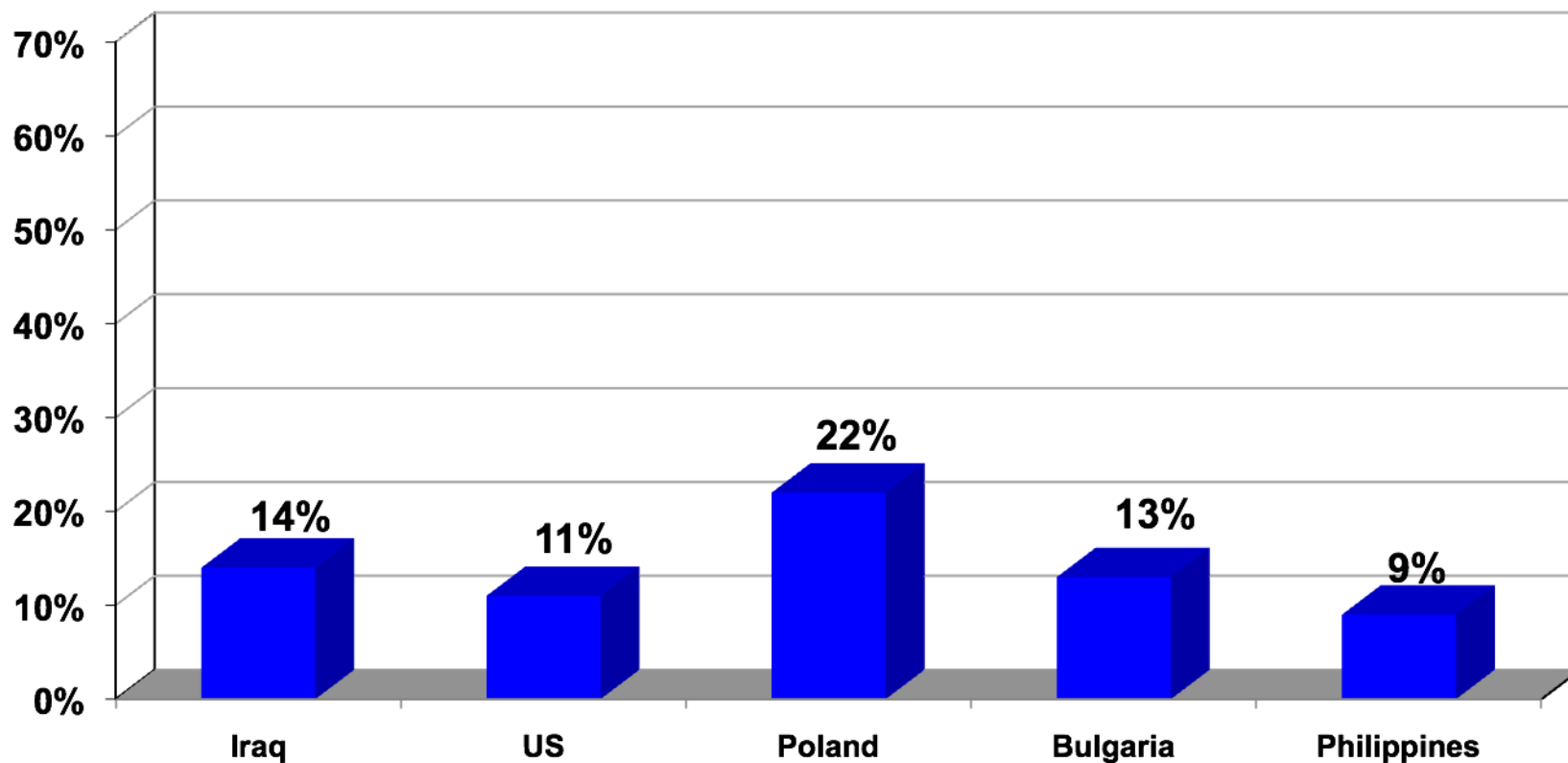
Growing percentage believe business associations play an important role in communicating needs.

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?



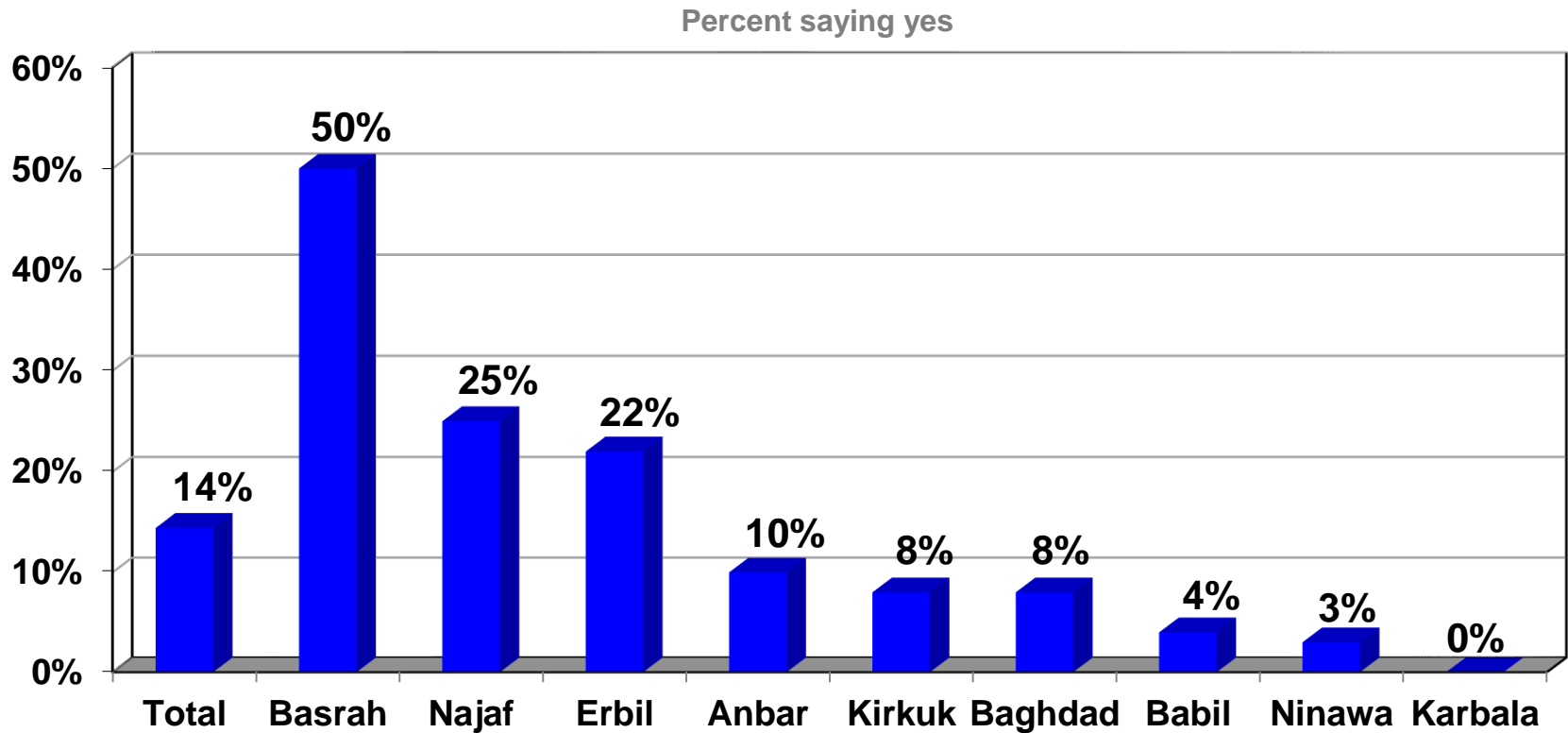
Business association membership rates now similar to other countries with voluntary membership.

Do you belong to a business association?



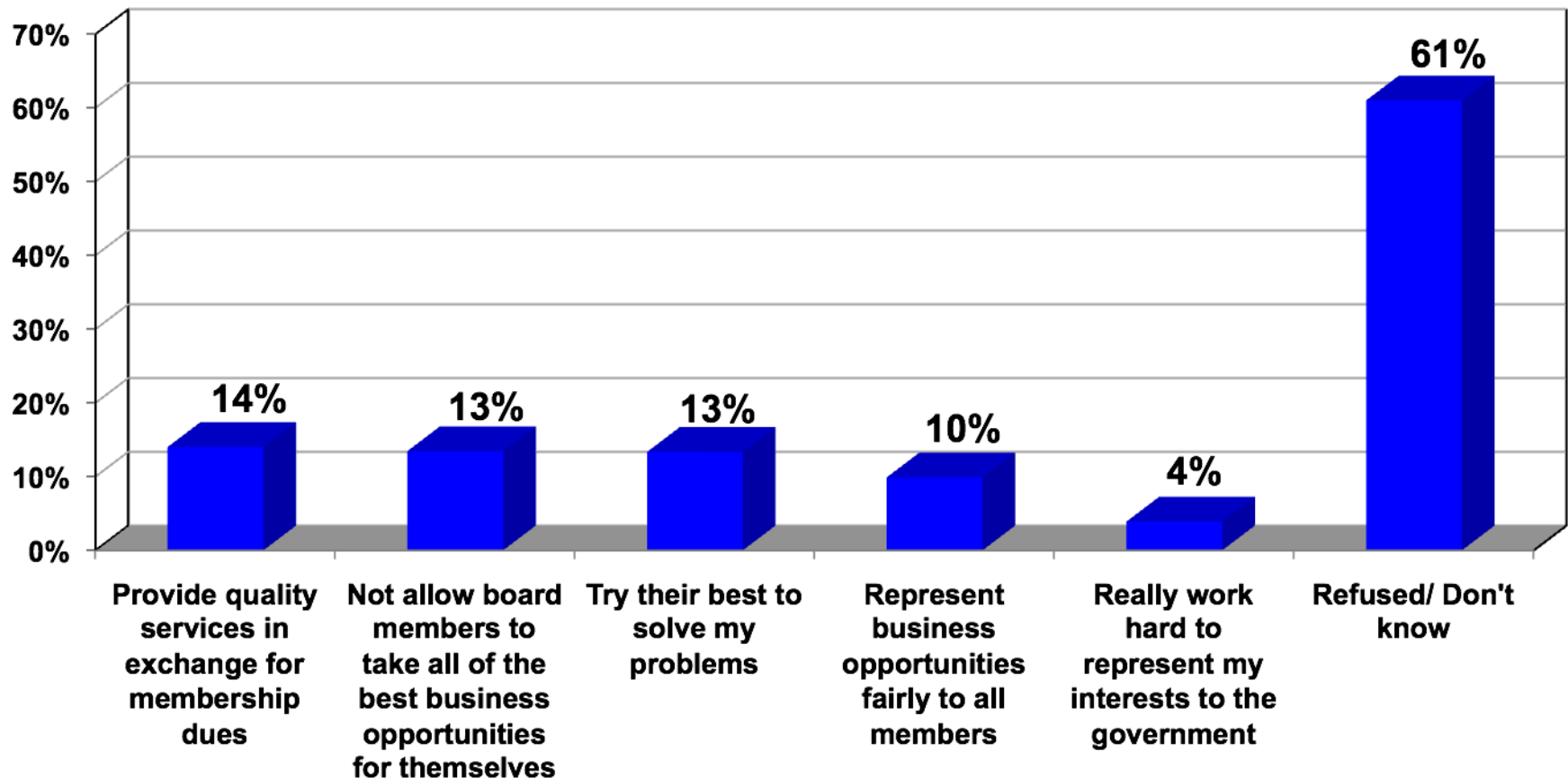
Membership of Business Associations highest in Basrah, Najaf and Erbil.

Do you belong to a business association?



The majority of firms are unaware of services business associations can provide.

Would you trust the best business association you know in Iraq to:



Businesses identify several ways that chambers of commerce could help business interests.

What are the three most important services you think the chamber of commerce should provide?

Mentioned by more than 25%

	Total
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%

Conclusions

- Iraq's business outlook is favorable.
- Improved security is key to a more positive economic environment.
- Services and infrastructure, corruption and an ineffective legal and regulatory system are viewed as obstacles to future development.
- Businesses also mention difficulties in obtaining loans and primarily finance their operations from savings.
- Corruption is pervasive and a heavy burden on Iraqi firms.
- Many business people see little incentive to register their firms, other than access to government contracts. Yet the grey economy hinders the private sector, weakening professionalism and favoring corruption.
- Increased outreach efforts could expand business association visibility, increase confidence, and highlight the benefits of membership that would help counter free rider element.

Recommendations

Efforts are needed from government to:

- **Fight corruption**
- **Provide better services and infrastructure**
- **Strengthen the legal and regulatory system**
- **Reforming business taxation**
- **Promote business registration**

Business groups also need to recognize:

- **Their part in fighting corruption.**
- **Need for services business desires – especially international ties, advocating**
- **Need for effective outreach plans**
- **Need to build public-private dialogue**

Methodology

- **A total of 900 in-person interviews were conducted among formal and informal Iraqi businesses in between March 12 and April 19, 2011.**
- **Interviews were spread across nine cities: Kirkuk, Basrah, Najaf, Anbar, Babil, Karbala, Ninawa, Erbil, and Baghdad.**
- **The method used to gain respondents estimated the size of each sector by using previously conducted private sector surveys in Iraq and Government of Iraq (GOI) published data, talking to GOI and Chambers of Commerce subject matter experts, seeking input from Provincial Reconstruction Team advisors, discussions amongst the research team, and results from pretesting. Weights were then applied to each sector, compensating 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 respondents recommended another to participate in the survey.**
- **Surveyors covered the main city in each province and surrounding towns, then expanded geographic coverage further to compensate for possible participant bias and improve overall representation.**