german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

International Labour Organization

Mapping and assessment of Business Development Services providers in the Kurdistan Region of Iraq

---

ISBN: 9789220354810 (Print)
ISBN: 9789220354827 (Web PDF)

Information on ILO publications and digital products can be found at: www.ilo.org/publns.

Printed in Iraq

Foreword

Foreign governments and international agencies in Iraq and the Kurdistan Region of Iraq are increasingly transitioning from humanitarian response to a development role when promoting decent work and micro, small, and medium-sized enterprises (MSMEs) as key drivers of job creation. Nevertheless, several challenges persist, including high unemployment rates, particularly among youth, low women participation in the labour force, lack of positive attitudes towards entrepreneurship, distrust in the banking sector, and an underdeveloped private sector in general. MSMEs, for their part, face operational challenges to survive and grow, poor access to markets, and fierce competition. In response, the ILO engages in developing business development services (BDS) markets that can address MSME needs, develop and grow their enterprises, and ultimately facilitate decent work creation in the KRI.

Decent work sums up the aspirations of people in their working lives. It involves productive work opportunities that deliver a fair income, workplace security and social protection for families, better prospects for personal development and social integration, and freedom for workers to express their concerns. Decent work also enables people to participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. Towards this goal, the ILO supports the promotion of MSMEs through the facilitation of BDS, recognizing the vital role of BDS in addressing the financial, operational, and institutional needs of MSMEs to continue operating and growing.

This document presents an assessment of existing BDS Providers in the Kurdistan Region of Iraq. The study analyses the types of services, their geographic coverage, target clients, and service quality. It also looks into organizations' experience, reputation, and institutional capacity to support MSMEs. At the operational level, the research analyses organisations' capacities to provide their services in terms of available infrastructure, human and financial resources. With this effort, the ILO intends to understand better the overall situation and market of BDS providers in the KRI, and ultimately inform the ILO and other development organizations of existing challenges that need to be addressed to facilitate BDS providers' role in supporting MSME creation and growth.

Furthermore, the ILO invites partners to reflect on the role of governments, donors, and development organizations as key facilitators of change versus the conventional direct delivery approach that has permeated MSME development work in the past years. While more and more development organizations are increasingly adopting a different approach, the study still identifies an overlap in the roles of development organizations and national BDS providers, which ultimately runs the risk of disrupting markets and hindering BDS providers' capacity to compete versus subsidized services. The ILO thus invites partner organizations to embark on the discussion and identify possible solutions to improve our role as facilitators of decent work creation.

This mapping and assessment are possible thanks to the generous financial support from the German Federal Ministry for Economic Cooperation and Development (BMZ). The activity was undertaken by the project 'Improved Business Support Services and Entrepreneurship Education targeting MSMEs and Youth for Decent Work Creation in the Kurdistan Region of Iraq', implemented by the ILO in partnership with the German Agency for International Cooperation (GIZ). The study was conducted by Mr. Alaa Fahmy, BDS and MSME Development Specialist, and Ms. Amira Fakhry, Research Assistant. In addition, the document was technically reviewed and provided with further inputs by Ms. Daniela Martinez, Programme Technical Officer, Mr. Mahmood Jaff, National Project Officer, and Mr. Alivo Askar, National Project Officer of the ILO Iraq Country Programme.

Table of Contents

List of Figures

List of Tables

List of Acronyms

AUIS	American University of Iraq in Sulaymaniyah
BDS	Business Development Services
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH or German Agency for International Cooperation
IDI	In-depth Interview
IDP	Internally Displaced Person
ILO	International Labour Organization
IO	International Organization
INGO	International Non-governmental Organization
KRG	Kurdistan Regional Government
MSME	Micro, Small, and Medium Enterprise
M&E	Monitoring and Evaluation
NGO	Non-governmental Organization
PDM	Post-distribution Monitoring
SIYB	Start and Improve Your Business
SME	Small and Medium Enterprise
ToR	Terms of Reference
UN	United Nations

Executive Summary

The International Labour Organization (ILO), in partnership with the German Agency for International Cooperation (GIZ), implement the project "Improved Business Development Services and Entrepreneurship Education targeting MSMEs and Youth for Decent Work Creation in the KR-I". The partnership aims to facilitate the creation of decent work opportunities by promoting micro, small and medium-sized enterprises in the Kurdistan Region of Iraq (KRI).

As a strategy, the project currently introduces and institutionalizes the flagship ILO programs, Start and Improve Your Business (SIYB), and Financial Education training program. For this, the ILO works with selected national business development services (BDS) providers, which, in turn, are expected to provide start-up, business management, and financial education training services to potential entrepreneurs and businesses continuously and cost-effectively.

To this end, the ILO set out to identify existing BDS providers in the KRI and assess their capacity and willingness to offer these types of training services to potential Iraqi Kurdish entrepreneurs and existing businesses. The report represents the mapping and assessment of BDS providers in KRI, which serves the objective of expanding the project's knowledge base on existing BDS providers in KRI, assessing their current institutional, organizational, and financial capacity and willingness to offer entrepreneurship, business management, financial education, and market access services, and identifying existing challenges hindering their performance and growth.

109 mapped institutions providing BDS in KRI

assessment of

BDS market size

State of BDS provision

Organizational capacity

The assessment of 109 mapped institutions actively providing BDS services in the KRI focused on three main pillars, namely (1) the **BDS market size**, (2) current **state of BDS provision**, and (3) the **organizational capacity** of services providers and their willingness to offer business services and invest in their upgrading. This has paved the way for identifying the prominent and pressing challenges and gaps facing business service providers and the adequate interventions to remedy the situation.

61%

of BDS provision are located in Erbil governorate, which has the highest share in KR-I

On that basis, the key findings of the study across the three abovementioned areas of assessment are:

- The geographical concentration of BDS providers is relative to the concentration of SMEs, where the Erbil governorate, which has the highest share of BDS supply (61 percent of BDS provision), is significantly more economically active with the highest concentration and growth of SMEs. Erbil is then followed by Dohuk and Sulaymaniyah (33 percent and 26 percent of BDS provision, respectively)[1].

- There is a discrepancy in the ability of BDS providers to expand in their geographical scope of work, with universities, business membership organizations, and individual consultants being geographically bound when offering their services; while private BDS providers, NGOs, and INGOs are often active across different governorates.

- Most BDS providers (62.5 percent) in the KRI are young organizations with fewer than five years of activity. Accordingly, their experience and mandate primarily depend on their founders' field of expertise. Private providers and business membership-based organizations have a more robust and diversified foundation than NGOs and university-based training units. However, the lack of impact assessments of their services renders the evaluation of their qualifications more problematic and needs more concrete assessment tools.

- There are discrepancies in the provision of the different types of services, with an evident under-provision of financial services, market access, and business incubation support compared to entrepreneurship and start-up training and coaching, and business management training and coaching.

1. As Halabja was recently established as a governorate in 2014, splitting off from Sulaymaniyah, it remains without much data

- While training services are, for the most part, more accessible to beneficiaries (for being free or at least more affordable to beneficiaries), they are more tool-based and abstract. Enrolled beneficiaries in these services also tend to lack commitment. On the other hand, coaching services are inaccessible to start-ups and entrepreneurs (one factor is that they are paid), thus having higher commitment among enrolled beneficiaries.

- While some economic sectors, especially agriculture, agribusiness, and tourism, hold great potential for job creation and innovation, the current provision of BDS services is not sector specific. Also, the same BDS providers often provide their services to a vast pool of beneficiaries, with the highest concentration of services on women and youth.

- There is a lack of financial sustainability in the provision of uncharged services as service providers are incapable of balancing between the supplied services and their pricing in the face of existing competition and demand-side attitudes, where beneficiaries lack the willingness and ability to pay for business services. In line with that, the financial capacity assessment of BDS providers identified two main challenges in that area, namely the absence of robust financial planning and established budgets.

- COVID-19 constitutes a significant challenge to BDS providers. Most of them are still bound to provide their services face-to-face due to the beneficiaries' unpreparedness and lack of trust in virtual services. Additionally, while the different providers have well-established infrastructure and facilities, the current health crisis that hit the region resulted in many providers shutting down their premises and resorting to coworking spaces and rentals to continue operating. On the contrary, universities are the least affected as they have direct access to existing classrooms and facilities.

- While survey data indicates that most BDS providers carry out monitoring and evaluation (M&E) on the impact of their services on their target groups (89.6 percent of providers) and conduct follow-up feedback (95.8 percent), there is a misconception on what M&E activities entail.
- As NGOs in the KRI are legally exempt from taxes and customs duties according to the Kurdistan Non-Government Organizations Law No. 1 of 2011 (i.e., The NGO Law), the number of NGOs is almost double the number of private providers in the region, each constituting 20.2 and 11.9 percent of all BDS providers, respectively.
- Networks among providers and other stakeholders in the KRI still need to develop further and improve to avoid the unnecessary duplication of services. Still, BDS providers have strong linkages to the government and good connections to other competitors and business trainers. They frequently collaborate if the projects require a more extensive operation than they can handle alone.

In line with the above findings, several recommended push interventions were identified to fill existing gaps. These interventions revolved around enhancing the financial planning capacity of potential and existing providers, improving network linkages among BDS providers, introducing tools to improve the process of selecting beneficiaries, and carrying out relevant research to identify market needs that cater to the demand.

Background

The International Labour Organization (ILO), in partnership with the German Agency for International Cooperation (GIZ), implement the project "*Improved Business Development Services and Entrepreneurship Education targeting MSMEs and Youth for Decent Work Creation in the KR-I*".

The partnership aims to facilitate the creation of decent work opportunities by promoting micro, small and medium-sized enterprises in the Kurdistan Region of Iraq (KRI). As a strategy, the project currently introduces and institutionalizes the flagship ILO programs, Start and Improve Your Business (SIYB), and Financial Education training program. For this, the ILO works with selected national business development services (BDS) providers, which, in turn, are expected to provide quality support services to potential and existing Iraqi Kurdish entrepreneurs. The project uses a Training of Trainers approach to build the capacity of BDS providers to deliver start-up, business management, and financial education training services continuously and cost-effectively.

To this end, the ILO set out to identify existing BDS providers in the KRI and assess their capacity and willingness to offer these types of training services to potential Iraqi Kurdish entrepreneurs and existing businesses. As a first step, the project launched in October 2020 a BDS survey among 133 BDS providers that had been previously identified. This provided insights into the current types of BDS in the KRI, including those offered by International Organizations (IOs), International non-governmental organizations (INGOs), and the United Nations (UN) agencies.

Study Objectives

The study's main objective is to better understand the overall situation and market of BDS providers in the KRI, with a specific focus on the supply of start-up training, business management training, financial education training, and market access services.

I. Specific Objectives

The **key objectives** of the assessment are to:

1. Expand the project's knowledge base on existing BDS providers in the region.
2. Assess their current capacity and willingness to offer start-up, business management, financial education, as well as market access services to potential entrepreneurs and MSMEs in the region in a cost-effective manner.
3. Assess their institutional, operational, and financial capacity.
4. Understand the challenges to their performance.

II.Purpose of the report

The main purpose of the report is to provide a coherent situational analysis of BDS supply in the KRI, analyzing the main challenges negatively affecting the providers of such services, and recommending adequate interventions to overcome those prominent challenges, ultimately benefiting entrepreneurs and micro, small, and medium enterprises (MSMEs) in the region.

Scope and methodology

A rigorous methodology triangulating secondary and qualitative primary resources is adopted to gain an in-depth understanding of the current supply side of BDS in the KRI. The situational analysis is focused on understanding the supply side of the market system of the BDS provision.

This includes mainly non-financial BDS such as start-up training, business management training, financial education, and certain types of market access services[2].

Considering the ILO's mandate and project objectives, the BDS regulatory framework is also included in the key information areas. This is mainly emphasized by the second level aim regarding working together with different institutions that have a facilitation role in MSMEs development.

I. Research tools

The study covers four governorates: Duhok, Erbil, Sulaymaniyah, and Halabja. Only the supply side of BDS provision is mapped and assessed. Research tools consisted of reviewing secondary sources of information and data and further consolidating the analysis with findings from other primary sources.

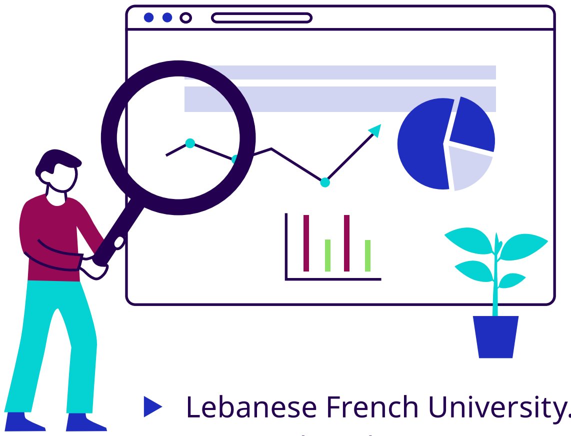
Desk review

The desk research consisted of reviewing project documents, statistics, published studies and reports, and service providers' official websites – primarily to conduct the mapping exercise. Below is an exhaustive list of resources that were reviewed:

- ILO's BDS mapping and assessment survey conducted in 2020-2021 to assess the BDS ecosystem from the supply side.
- ILO and the United Nations Office for Project Services (UNOPS) surveys conducted in 2011 to assess the BDS ecosystem from the demand side.
- Websites of the identified BDS providers.

2. As part of market access services, the project focused on market information, business study visits, business trips, trade shows and exhibitions, business to business (B2B) and business to customer (B2C) platforms.

- Private Sector Development Scoping Study, Iraq: A 2018 report submitted to the Netherlands.
- Alavii and Ghafour (2019): A study of challenges in entrepreneurship development and potential role of the public sector in mitigating them – evidence from Kurdistan region of Iraq.
- Aaron Bartnick (2017). Obstacles and Opportunities for entrepreneurship in Iraq & the Kurdistan region. Published by the American University of Iraq, Sulaymaniyah (the American University of Iraq in Sulaymaniyah (AUIS)).
- White Simon (2012). Micro, small and medium-sized enterprises in Iraq; A survey analysis.
- Mohsin Mohammad Ali, Zrar, Abdulkhaliq, Sabi Sadiq (2019). Prospects and challenges of entrepreneurship development in the Kurdistan region of Iraq: An overview. Published by the International Journal of Entrepreneurial Knowledge.
- Ministry of Planning (2014). Strategies for private sector development and civil-service reform in the Kurdistan region – Iraq.
- Kurdistan Region of Iraq's 2020 vision by the Ministry of Planning of the Kurdistan Regional Government.
- UNIDO project document on Youth Entrepreneurship in the Kurdistan Region of Iraq.
- Kurdistan Region Government's Statistics Office.
- Publications of the Ministry of Trade and Industry of Kurdistan Regional Government.



- Lebanese French University. Sherzad Shahab (2017): The Small and Medium Entrepreneurs (SMEs) in the Kurdistan Region Government – Iraq.
- The RAND Corporation (2014). An Assessment of the Present and Future Labor Market in the Kurdistan Region – Iraq.
- BDS providers training manual - ILO.

Accordingly, the outcomes of the desk review are as follows:

1. Identification of current BDS providers for Kurdish entrepreneurs and MSMEs, their types, their governorates outreach, target sectors outreach, women outreach, and services.
2. Overall understanding of the BDS ecosystem in Kurdistan including the challenges and prospects facing MSMEs in the region.
3. Shortlist of BDS providers interviewed for the assessment dimension of the assignment.

Survey

The project launched a BDS survey among 133 pre-identified BDS providers from October 2020 through January 2021. Approximately 50 BDS providers responded to the survey, providing insights into the current offering of BDS in the KRI, including those offered by International Organizations (IOs), International non-government organizations (INGOs), and the United Nations (UN) agencies.

The survey targeted both national actors and external international actors to understand the real nature of the BDS market as it was known that IOs, UN agencies and INGOs provide a large part of business support services directly to entrepreneurs. Nevertheless, the study considered only national BDS providers during the in-depth interviews to understand more of their services and, moreover, of their challenges providing services and reaching out to MSMEs.

Qualitative research

A uniform qualitative research process is followed throughout the fieldwork to ensure the generation of reliable and comparable information. To ensure all study objectives are met, the study objectives are broken down to tailor the data collection tools accordingly. The process begins by designing the screener, discussion guide, and content analysis table before the fieldwork. Consequently, a unified in-depth interview (IDI) discussion guideline is developed, built on the guiding questions shared by ILO’s project team, to achieve that purpose. Discussion guidelines are provided in Annex 1.

The table below includes the information areas around which data collection activities are tailored and the sources relied upon to collect each information area.

▶ **Table 1.** Information areas, sources, and statuse

Information area	Secondary source	Primary source
Rapid Economic Overview		
Background and context	✓	
Factors affecting economic & business performance	✓	
BDS Mapping		
BDS providers	✓	
Type of provider	✓	✓
Types of services	✓	✓
Regions covered	✓	✓
Target outreach	✓	✓
Sectors of focus	✓	
Areas of assessment		
Market size	✓	✓
BDS provision	✓	✓
organizational capacity	✓	✓

The qualitative research helped identify the challenges, opportunities, and prospects to provide BDS for MSMEs and entrepreneurs. It consisted of virtual video IDIs, which are one-to-one interviews to have in-depth conversations with the respondents.

II.Sampling

The shortlist of interviewed BDS providers was decided using a carefully designed matrix to guarantee the inclusion of various types of BDS providers across the four governorates. The list of interviews by their types and geographical focus is as follows:

Table 2. Study fieldwork

Organization	Region(s)
Non-Governmental Organizations	
Ster Organization	Duhok
GIOD- local NGO in Erbil and Sulaymaniyah	Erbil and Sulaymaniyah
Rwanga Foundation	Duhok
Bishkoreen	Duhok
Khairat Al-Nahrain Human Organization	Erbil
KURD-M.A.D Organization for Cultural and Democracy Development	Sulaymaniyah and Halabja
KURDS	Erbil
Lucerne Company for Training and Development	Erbil
University/TVET	
University of Garmian	Sulaymaniyah
Koya University	Erbil
BMOs	
Erbil Chamber of Commerce and Industry	Erbil
Private organizations	
Decorum Company	
Cross-Cultural Management	Erbil, Duhok, Halabja and Sulaymaniyah
Leaders Dream	Erbil, Duhok, Halabja and Sulaymaniyah
Paiz Business Services	Sulaymaniyah
Peshdari Ltd.	Duhok
MSELECT	Erbil
WHA services	Erbil
RiTS- Noah's Ark	Baghdad
Lucerne Company for Training and Development	Erbil

As indicated in table 2 above, the study covered the different types of BDS providers across the four governorates of KRI. However, because of the low response rate to the emails disseminated to conduct the interviews, the sampling was not based on the assessment of mapped providers and the identification of potential partners to ILO to interview, rather the willingness of providers and their availability to participate. Accordingly, studies could benefit from further interviews and surveys with relevant stakeholders on the demand side of BDS to solidify the assessment of such services in the region and understand the reputation and credibility of active providers.

In the same line, discrepancies between the survey results and information gathered during the interviews created a challenge in assessing collected information at the beginning of the assignment. For instance, when asked about their target group, survey results indicate that youth is the most targeted group of beneficiaries, while university students are the least targeted group.

However, both groups overlap, as university studies fall in the same age group as youth. Nevertheless, the conducted piloting to the first couple of interviews helped us indicate the areas of discrepancies and the reasons behind it, which we reflected in the discussion guide and the probing questions to arrive at concrete information when analyzing the skill and will of BDS providers.

Rapid Economic Overview

I. Background and Context

Like almost all countries with an abundance of natural resources, the Kurdistan Region of Iraq has witnessed insignificant economic growth over the last three decades. While the KRI has about one-third of Iraq's total oil reserves, the price fluctuations of the latter, alongside the wastage of oil revenues in inadequate and inefficient investments and the overall mismanagement of the sector, resulted in major economic uncertainties and stagnation.

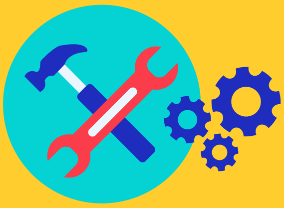
Additionally, the KRI's economic downturn has been impacted by the ongoing fall in global oil prices since 2014, budget disputes between Baghdad and Erbil, the war against DAESH, corruption, poor governance, and high public sector employment at the expense of private-sector employment.[3]

The war against **DAESH** has drastically reduced foreign investment to 10% in 2015, the same level it was in 2013.[1]
Over the period 2013-2015, **foreign direct investment** in Iraq dropped from US$5.13 billion to less than US$3.5 billion.[1]

The prevalent challenges, alongside the economic burden the KRI faces for hosting 98 percent of the Syrian refugee population in Iraq[4], and the significantly low women participation in the regional labor market (13.3 percent in 2017[5]) resulted in troublesome macroeconomic performance indicators. Accordingly, unemployment had reached 9 percent in 2018[6] - though it varies across the governorates, recorded at 13.8 percent in Dohuk governorate, 9.4 percent in Sulaymaniyah[7] and 9.2 percent in Erbil, with no available data on the unemployment rate in Halabja as the governorate was established in 2014[8]. On top of that, the region's poverty rate emanated from 3 percent to 15 percent between 2013 and 2017.

3. Bartnick, A. (2017). Obstacles and Opportunities for Entrepreneurship in Iraq and the Kurdistan Region.
4. Saaid, H. M. (2016). Syrian Refugees and the Kurdistan Region of Iraq.
5. Kurdistan Region Statistics Office, Ministry of Planning of the Kurdistan Regional Government.
6. Ibid.
7. Ibid.
8. IMPACT (October 2020). Exploring shared services as a pathway towards integration: A case study of integrated service delivery on livelihoods in KRI. Literature review.

Nonetheless, the increasingly young population in the region can be a major asset for the country's economic development if provided with the right business opportunities and support. Thus, a rapid overview of the factors affecting the region's economy and the private sector's performance is to fully comprehend the region's general context of business development services.



An average of

43,000 to 54,000

jobs are needed per year[1] to curb the increasing unemployment rate.

II. Rapid overview of factors affecting economic and business performance

In line with the prominent economic burdens, private sector growth seems integral for overcoming the current situation. This is particularly of value in the Kurdish context due to the lack of solid sectors outside of the oil industry, leaving enormous room for improvement in different industrial and service industries.

Nonetheless, a wide range of structural challenges has been perturbing KRI's economic development in general and the private sector in particular. Rapid analysis of these challenges identified the following as the most prominent constraints in the region:

1. **The excessive role of the public sector dominance in Iraq.** 70 percent of the KRI workforce are employed in the government[9], rendering around 70 percent of the government's budget subject to pensions, salaries, social assistance, and subsidies[10]. Also, the ongoing conflicts and instability between the Kurdistan Regional Government (KRG) and the central government in Baghdad led to substantial cuts to KRG public sector salaries, resulting in a higher poverty rate, lower purchasing power of consumers and an overall economic stagnation.

9. Alavi', H., & Ghafour, S. (2019). A study of challenges in entrepreneurship development and potential role of public sector in mitigating them – evidence from Kurdistan region of Iraq.

10. World Bank Group. REFORMING THE ECONOMY FOR SHARED PROSPERITY AND PROTECTING THE VULNERABLE.

2. **The high dependency on the oil sector.** Though suspended in 2014, the region's constitutionally mandated oil revenues from Baghdad constituted around 85 percent of KRG's fiscal revenues, creating what is called 'the Dutch disease''[11]. Consequently, the economy was highly stagnated by the dramatic decrease in oil prices in 2014, and again with the most recent decrease in oil prices due to the coronavirus pandemic[12]. Also, while the oil industry accounts for 65 percent of Iraq's Gross domestic product (GDP), it only employs 1 percent of the total labor force.

3. **The high dependency on imports.** Despite the region's strong entrepreneurial spirit and potential, the local private sector is significantly small and underdeveloped due to the high reliance on imports for all sorts of commodities on one hand and the significant crowding out by the public sector on the other hand.

4. **The weakness of the region's financial system.** The financial system in the KRI is significantly fragile and cash-based, with weak financial infrastructure and low access to finance, especially for MSMEs. In the same line, the financial crisis in KRI resulted in very little seed capital available for entrepreneurs and the lack of a legal infrastructure to support serious private investment[13]. A study conducted by the World Bank in KRI[14] indicates that only three percent of companies in the region rely on the banking sector for investment and working capital, indicating a stronger preference for cash in business transactions and the mistrust in the banking sector created by the frequent financial disruptions and instability in the region.

---

11. Dutch disease is a shorthand way of describing the paradox which occurs when good news, such as the discovery of large oil reserves, harms a country's broader economy. It may begin with a large influx of foreign cash to exploit a newfound resource. (Source: Investopedia.)
12. Serrano, I. (2020). The Economy of the Kurdistan region. World Bank Group. REFORMING THE ECONOMY FOR SHARED PROSPERITY AND PROTECTING THE VULNERABLE.
13. Bartnick, A. (2017). Obstacles and Opportunities for Entrepreneurship in Iraq and the Kurdistan Region.
14. World Bank Group. REFORMING THE ECONOMY FOR SHARED PROSPERITY AND PROTECTING THE VULNERABLE.

5. **Inadequate business regulatory framework.** The procedures businesses need to undergo to legally register their company are lengthy, complicated, and expensive, resulting in many businesses opting for the riskier option and choosing not to abide by the laws, which, in turn, deprives the government of needed revenues[15]. Accordingly, unregistered or informal work accounts for about 20 percent of employment in the region[16]. Furthermore, there is a significant gap in the laws and regulations protecting businesses. For instance, there are no laws in the KRI safeguarding intellectual property rights.

> **“**The business incorporation process is a significant barrier to entry, carrying significant up-front costs and taking many months. In the KRI, the process can take up to a month in the best of circumstances and cost upwards of 3 million IQD (US$2,500).**”** [17]

Aaron Bartnick, American University of Iraq, Sulaymaniyah, 2017.

Iraqi businesses also pointed out these structural constraints in several surveys conducted in different timeframes. In 2012, International Labor Organization (ILO) carried out a survey to identify the most common areas of concern hindering the Iraqi businesses’ performance. Results indicated a collective sense of concern and a strong sense of dissatisfaction among business owners[18]. Respondents did not predict a viable path of prosperity or potential for business expansion mainly due to:

1. The lack of skills and experience,
2. Few market opportunities,
3. Unsupportive governmental policies,
4. Lack of access to credit, and
5. An overall deteriorating business environment.

15. Ibid.
16. IOM, Kurdistan Regional Government, UNFPA. 2018. Demographic Survey - Kurdistan Region of Iraq.
17. Bartnick, A. (2017). Obstacles and Opportunities for Entrepreneurship in Iraq and the Kurdistan Region.
18. White, S. (October 2012). Micro, Small, and Medium-sized Enterprises in Iraq: A Survey Analysis. ILO Regional Office for Arab States.

A more recent unpublished study conducted in 2020 by the Rwanga Foundation - a private business development service provider in the KRI- indicated that the main challenges and obstacles affecting start-up owners[19] consisted of:

1. **Lack of capital.**
2. **Unprotected intellectual property rights.** In Iraq in general and the KRI in specific, no laws protect intellectual property.
3. **Insufficient mentoring and training.** Insufficient business support services, financial resources, and capital result in a significant lack of business and entrepreneurial knowledge.
4. **Insufficient networking contacts.** The young age of entrepreneurs is accompanied by the insufficient connections they have with potential investors to pitch their business ideas.
5. **Impact of COVID-19 on businesses.** The outspread of the coronavirus pandemic resulted in bankruptcy, shrinking, and the decrease in consumers' purchasing powers, which in turn created a more challenging environment for businesses.
6. **Inadequate business regulatory framework.**

In line with all the challenges above, the World Bank report "Doing Business" ranks Iraq 165th in terms of ease of doing business, emphasizing the unfavorable business environment[20] in the region. This, in turn, implies the crucial need for improving the provision of business development services (BDS) to fill some of the existing gaps in the entrepreneurship ecosystem, rendering the mapping and assessment of such services indispensable to identify the adequate areas of intervention.

---

19. Invest my idea and Rwanga foundation. Obstacles and challenges that startup owners face.
20. Alavi', H., & Ghafour, S. (2019). A study of challenges in entrepreneurship development and potential role of public sector in mitigating them – evidence from Kurdistan region of Iraq.

Mapping and assessment of BDS provision in Kurdistan

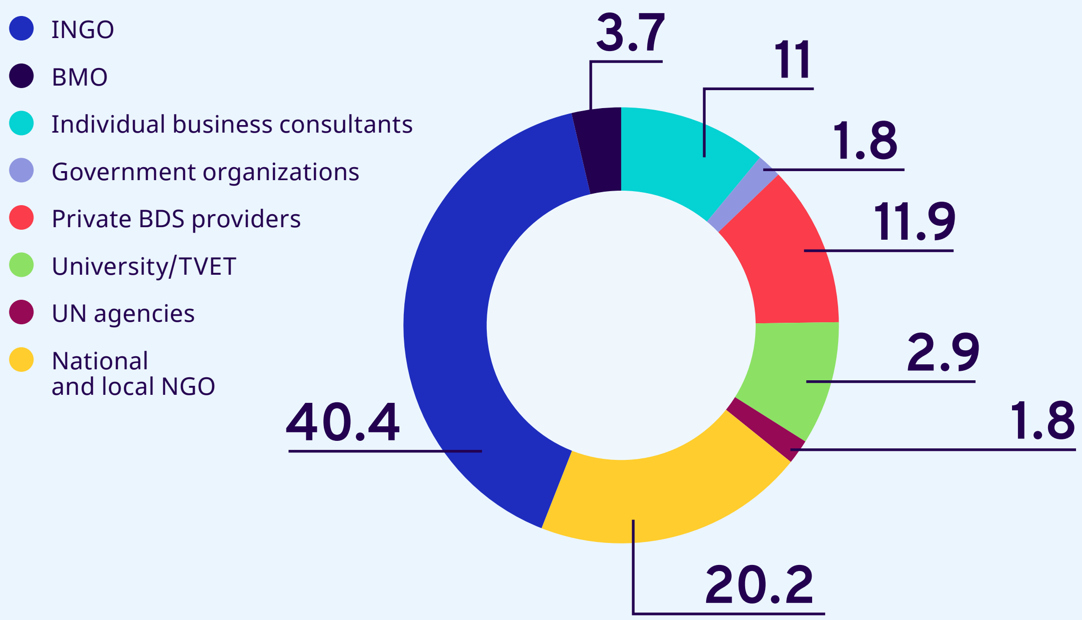
This section presents (1) the conducted mapping and assessment, followed by (2) a rapid skill and will assessment to identify the main gaps in the BDS supply in the KRI, and (3) recommended interventions to fill these gaps.

I. Mapping of BDS providers in KRI

Business development services (BDS) refer to the provision of information, knowledge, skills, and infrastructure, as well as advice on the various development aspects of a business, rendering them a valuable part of any business ecosystem to help start-ups and MSMEs grow and prosper, especially in times of economic and political instabilities.

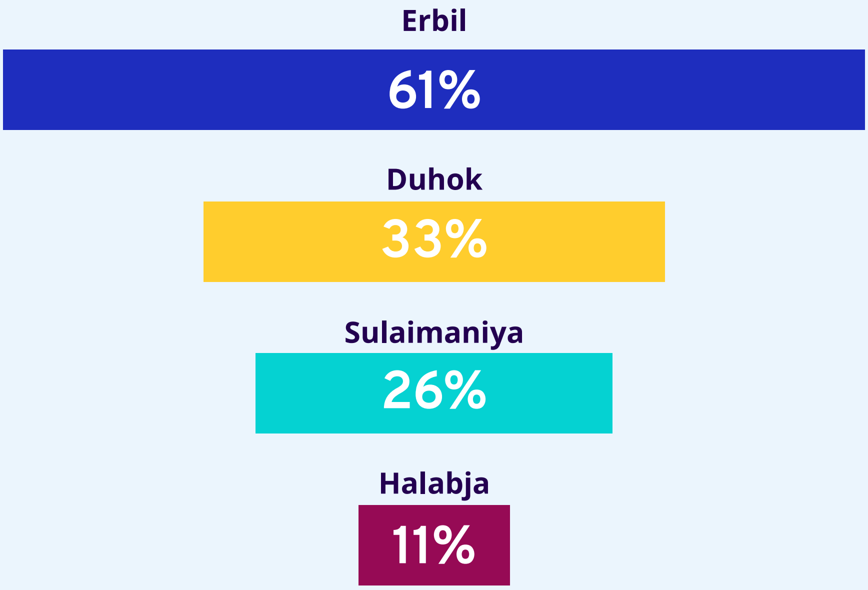
The mapping exercise of BDS providers in KRI – attached in Annex 2- identified around 128 BDS providers in Iraq in general, among which 109 provide services in KRI. As indicated in figure 1 below, there are eight different types of BDS providers in KRI. The majority are INGOs and UN organizations, followed by national and local NGOs, private BDS providers, and individual business consultants.

Figure 1. Share of BDS providers by type.



As seen in figure 2 below, the mapping indicated that the Erbil governorate has the significantly highest share of BDS, followed by Duhok and Sulaymaniyah with a slightly moderate gap between the two, and lastly, Halabja with the lowest percentage of services.

Figure 2. Geographical coverage of BDS provision. Numbers indicated on the share are percentages.



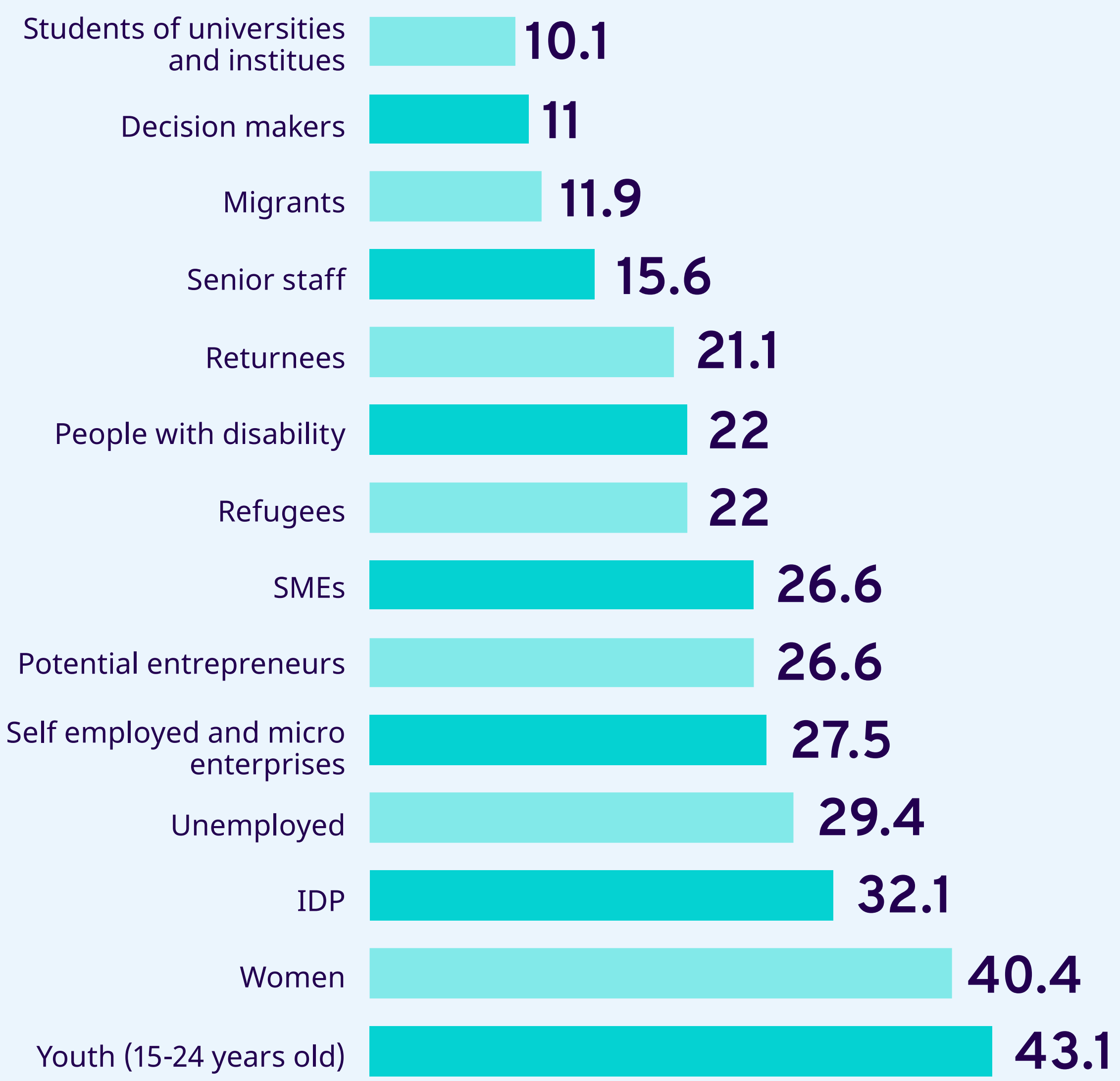
Moreover, most business services providers are not delimited by specific economic sectors but rather the business aspect of their service. For instance, one of the interviewed providers indicated that they focused on marketing services; however, it did not include any sector-specific aspect and was more generic from a pure business perspective.

Although concrete and reliable numbers on the number of students enrolled in higher education institutions in Kurdistan are difficult to obtain, the U.S Department of State indicated an increase in student's enrollment in Iraq in general, and in KRI in particular.

Source: World education news and reviews (2017). Education in Iraq.

Finally, figure 3 below shows that youth and women are the most targeted groups of beneficiaries in the region, while students, decision-makers (higher management), and migrants are the least targeted by these services. However, students and youth aged between 15 and 24 years are two groups of people that inevitably overlap, indicating that the various providers do not disregard university students. Still, it is instead a matter of defining beneficiary categories.

Figure 3. Share of target beneficiaries.



Based on the mapping exercise, interviews with national BDS providers from various types and regions within the KRI were conducted to investigate further the market size, the current state of BDS provision, and the major organizational capacity weaknesses and strengths amongst providers.

II. Assessment of Business Development Services supply in the Kurdistan Region of Iraq

The assessment of BDS supply thoroughly covers (1) the BDS market size, (2) current BDS provision and (3) the organizational capacity of service providers and their willingness to offer business services and invest in their upgrading. Thus, it paved the way for identifying the main and pressing challenges and gaps facing business service providers and the adequate interventions to remedy the situation.

BDS Market size

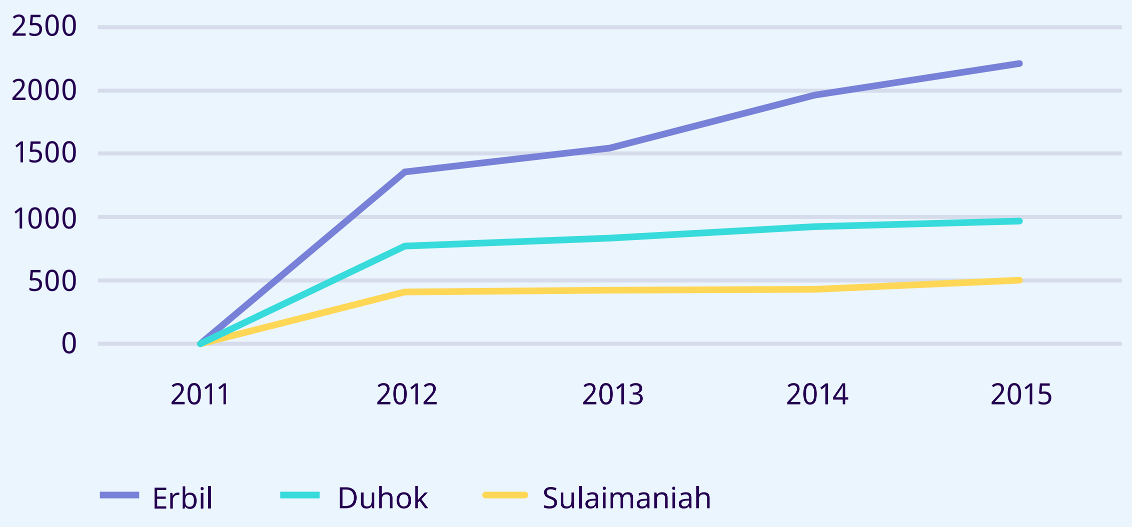
Assessing BDS' market size focuses on identifying the geographical concentration of BDS providers and the extent to which it matches the demand for these services, in addition to their experience providing business services to MSMEs and entrepreneurs.

Existing providers of BDS and their geographical concentration

Most BDS providers are young organizations with fewer than five years of activity. The highest concentration is in the Erbil governorate (61 percent), followed by Duhok (33 percent), Sulaymaniyah (26 percent), and Halabja (11 percent).

The concentration of SMEs is strongly linked to the concentration of services provided in the abovementioned regions. As per figure 4 below and based on an article published in 2017 by the Lebanese French University[21], Erbil is significantly more economically active with the highest concentration of SMEs, and a considerable growth rate by the number of SMEs (followed by Dohuk and Sulaymaniyah), thus concentrating the highest demand for business services. As Halabja was recently established as a governorate in 2014, splitting off from Sulaymaniyah, it remains without much data, which explains why figure 4 does not reflect it. However, as it was part of Sulaymaniyah, it can be argued that the governorate has slow but steady growth in the number of SMEs, a premise which was further consolidated through the interviews.

Figure 4. Evolution of the number of SMEs in KRI in the period between 2011-2015.



21. Sherzad Shahab (June 2017). THE SMALL AND MEDIUM ENTREPRENEURS (SMES) IN THE KURISTAN REGION GOVERNMENT – IRAQ.

Universities (9.2 percent of BDS providers in KRI), BMOs (3.7 percent), and individual business consultants (11 percent) are geographically bound when offering their services. In comparison, other BDS providers like private BDS providers (11.9 percent), NGOs (20.2 percent) and INGOs (40.4 percent) are often active across different governorates, indicating a potential to expand the BDS market size further.

The experience and mandate of existing BDS providers

Based on the survey results, most of the available BDS providers (62.5%) in the KRI are young organizations with fewer than five years of activity. Accordingly, their experience and mandate primarily depend on the field of expertise of their founders. Private providers and business membership-based organizations seemed to acquire a more robust and diversified caliber foundation than NGOs and university-based training units. However, the lack of impact assessments of their services renders the evaluation of their qualifications more problematic and needs more concrete assessment tools.

Assessment of current BDS provision

To assess the magnitude of KRI’s business development services’ potential, understanding the current market environment is necessary. Detailed below are the **types of services, with their respective concentration areas, and a full assessment of said services, emphasizing the targeted segments of BDS providers**. Furthermore, a thorough analysis of the **BDS pricing and funding mechanisms, and market capacity** is included. The former addresses service demand versus supply and beneficiaries’ purchasing willingness, while the latter addresses training curricula used mainly by existing providers, emphasizing the areas of training that are abandoned primarily by the latter.

Types of services

The assessment of BDS in the KRI targets four categories of services:

a. financial education,
b. entrepreneurship and start-up training and coaching,
c. business management training and coaching, and
d. market access and business incubation services.

Although the survey results indicate that around **89.6 percent** of existing providers offer **entrepreneurship/ start-up training and coaching support - contrary to 87.5 percent of business management training and coaching**, the interviews have shown discrepancies in responses. Accordingly, higher preference was evident among providers to target established businesses (i.e., SMEs) to start-ups. Therefore, the mapping exercise attached in Annex 2 can give some indications but can benefit from further validation before decision making. On the other hand, financial education and coaching services, market access, and business incubation support services are the least provided services in the KRI, with only 70.8 percent and 62.5 percent, respectively.

- **Lack of financial services**

  The lack of financial services is especially problematic because of the financial crisis the country suffers from, which has led to the insufficient seed capital available to entrepreneurs, and the lack of financial literacy among the latter to find alternative, more efficient solutions[22].

- **Lack of market access and business incubation support**

  BDS providers frequently pointed out the lack of market access and business incubation support services as a significant threat to Iraqi Kurdish entrepreneurs and SMEs. In addition, the region is a high exporter of Turkish and Iranian consumable products, which are cheaper than Iraqi products. This creates the pressing need to link Iraqi products to adequate markets to stand a chance in such competition.

  Since different services fall under two primary forms (1) training (designed for various beneficiaries) and (2) coaching, mentoring, and consultations (tailored for specific clients), **table 3 below provides a holistic comparison between those types to be able to assess merits and shortcomings of each**.

22. Bartnick, A. (2017). Obstacles and Opportunities for Entrepreneurship in Iraq and the Kurdistan Region.

Table 3. Distinction between training services, and coaching, consultations, and mentorship services.

	Training	Coaching, consultations, and mentorship services
Target group	Fresh graduates, unemployed, start-ups, people under certain poverty levels or people unable to pay for BDS in general, forcibly displaced persons, and refugees, among others. MSMEs also benefit from these services.	MSMEs and large established enterprises
Cost	Free of charge or relatively low fees	Relatively high fees
Positives	The larger pool of beneficiaries can benefit from these services.	▶ People who pay for these services, in general, have a business background. ▶ The seriousness of clients who ask for these services. ▶ These services are profitable to the providers.
Negatives	▶ Tool-oriented, rather than needs-based for the most part. ▶ Lack of a well-established selection process leads to the selection of incompatible beneficiaries to the programs provided. ▶ Higher competition with providers who do not charge fees for their services (i.e., international organizations and UN agencies). ▶ The target group is not willing and is sometimes unable to pay for the services. ▶ Higher financial burdens and financial losses endured by the providers.	Small target group. Yet, it can be sufficient to cover operational costs and generate profits, depending on the provider's size and operational costs.

Evaluating both types of services points to four key findings:

1. While some coaching services are free, most are paid (and even relatively expensive) and are, thus, inaccessible to start-ups and entrepreneurs. Nevertheless, beneficiaries of these services are more committed to the process as they pay for it.
2. Training services are more accessible but suffer from the lack of commitment of beneficiaries. This is due to the lack of a merit-based selection process of beneficiaries.

> "People who apply for the training are mostly in it for the free food and drinks." [23]

3. Training services are usually tool-based, generic, and abstract.
4. Coaching, counseling, and mentoring are often used interchangeably by the providers to indicate a privately tailored service based on the needs of a given client.

Training curricula

BDS providers cover diverse topics, but specific issues are more common in the sector depending on the target group, whether they are starting businesses or are already running one.

Main topics provided to start-ups and potential entrepreneurs include:

- **Business plan**
- **Business idea generation**
- **Financial planning**

For existing businesses:

- **Strategic planning**
- **Management**
- **Financial planning**

On the other hand, the least explored topics in training curricula are:

- **Business insurance**
- **Auditing and taxation**
- **Legal advice and information**

23. In-depth interview with BDS provider in KRI

On that basis, the main factors affecting the supply-side of BDS comprise (1) the dominance of the informal sector in the KRI, and (2) the tool-driven service provision approach, as explored below.

- **The dominance of the informal sector affects current BDS provision**

Assessing the current provision of BDS emphasizes the problematic regulatory framework in the KRI and the implicitly agreed-upon decision to avoid the legal and regulatory aspects of business services.

> "When an entrepreneur asks me for the procedures to legalize their business, I always try to advise him to stay informal to avoid the high taxes and unnecessary costs they'll endure. If they insist, I refer lawyers from outside my organization to help them out." [24]

Furthermore, financial education and coaching services providers also focus on budget planning, record keeping, cash flow, and financial management, among the topics. Only a few (20.6 percent of respondents to the survey) provide tax planning and reporting training. Most providers neglect credit management and reporting (only 23.5 percent of providers cover this topic) due to the lack of financial services providers and their alternatives and the low confidence in the banking sector.

- **Tool-driven service provision**

Interviewed providers constantly indicated the evident lack of market-needs assessments to identify business service needs in the region. They also point out that services are tool-based (i.e., training programs they buy from certified international associations) or pre-decided by donors, even if they contextualize it to the Iraqi Kurdish context.

24. In-depth interview with Private BDS provider

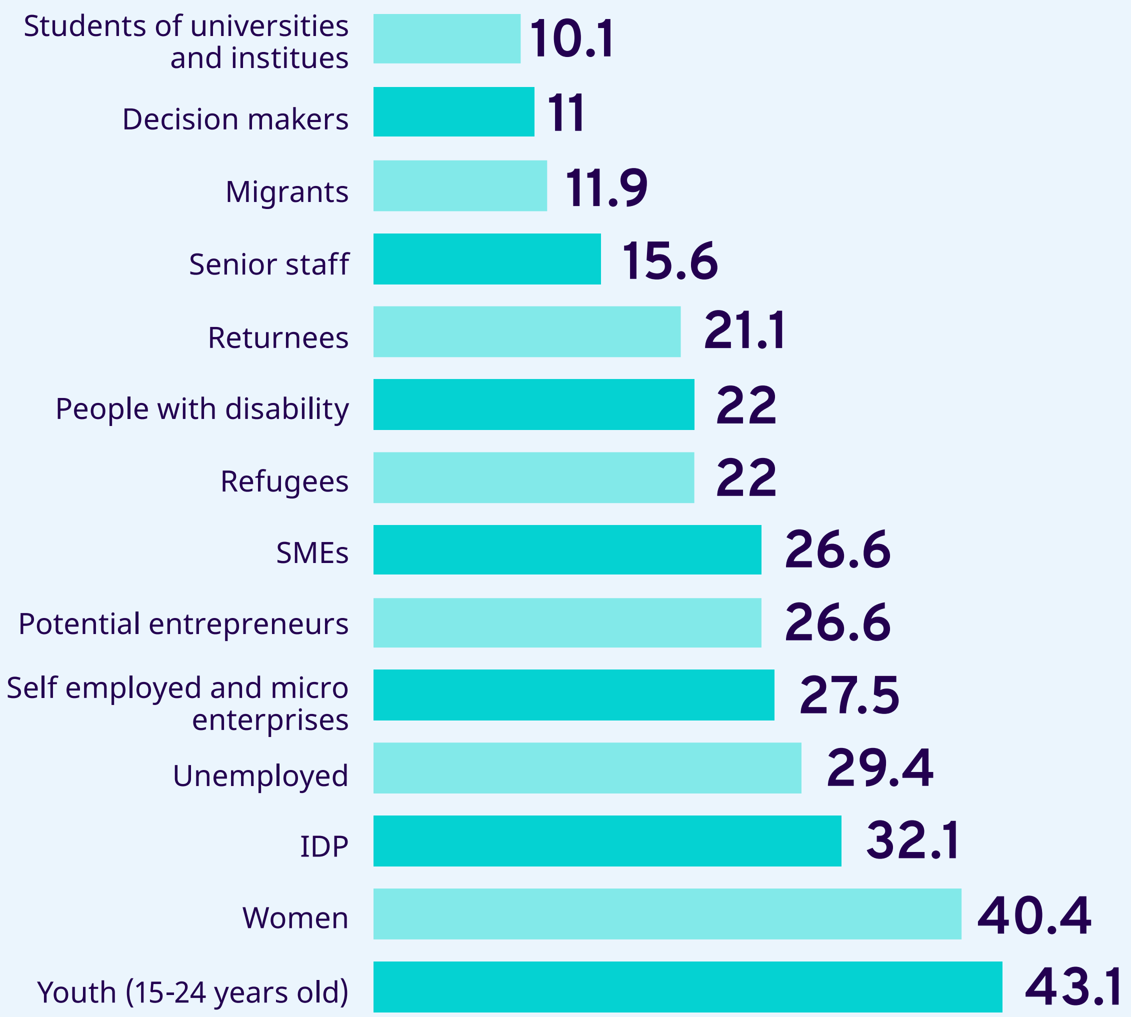
Target segments

Target segments of service providers refer to both targeted economic sectors and beneficiaries of their services. Accordingly, assessing target segments is vital to show existing unmet needs and gaps, which can point to a market opportunity for future BDS providers to capitalize on in their scope of work.

- **Target sectors**
  Although many indicated that agriculture, agribusiness, and tourism have great potential for job creation and innovation, most providers do not focus on specific sectors when tailoring their services.

- **Target groups**
  As previously elaborated in the mapping section, the groups of beneficiaries that benefit from most services are youth (43.1 percent), women (40.4 percent), IDP (32.1 percent), and unemployed people (29.4 percent). In addition, as shown in figure 5 below, people with disabilities, returnees, refugees, and SMEs are also widely targeted by most BDS providers.

Figure 5. Share of beneficiaries targeted by BDS providers in KRI.



The analysis indicates that providers have a wide variety of target beneficiaries. Notably, the same unit can be providing services to women, youth, businesses, and refugees at the same time.

Pricing mechanisms of business services

Evaluating pricing and funding mechanisms is crucial as it reflects the providers' capacity to work efficiently and sustainably. Therefore, this involved identifying the providers' ability to understand the adequate balance to price their services by accounting for external factors like competitors, service-average price, and the beneficiaries' willingness and ability to pay for the services.

- **Providers understanding of pricing mechanisms and factors**

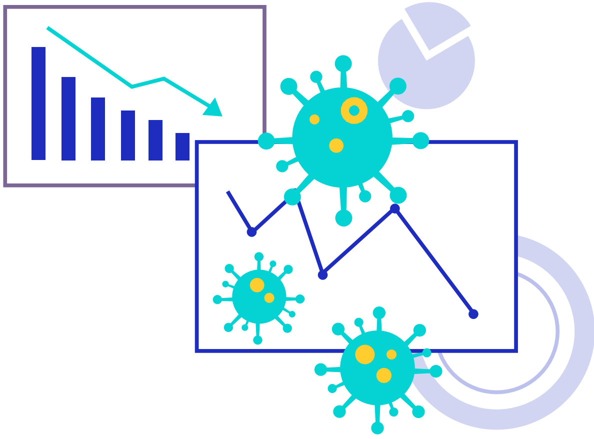
  Many of the interviews stipulated that finding the balance between the supplied services and its pricing, on the one hand, and the actual demand for these services and the competitions among service providers, on the other hand, puts excessive pressure on BDS providers to decide on the suitable pricing to cover their costs. The fact that consulted BDS providers pointed these challenges out indicates their understanding of the demand side attitudes (i.e., their ability to pay vs. their willingness to pay), which can be capitalized on when further building their capacities.

- **Entrepreneurs' lack of willingness and ability to pay for business services**

  The unwillingness of Kurdish entrepreneurs to invest in their capacity building (i.e., entrepreneurs are less likely to invest in their small businesses to-be) and the predominance of unpaid services offered by international NGOs and UN agencies make it difficult for service providers to charge for their services. Also, these providers are bound by the general economic status of the Kurdish population, who cannot pay for these services due to the high unemployment rate. As a result, universities are also bound by unpaid BDS.

- **Lack of capacity to sustain uncharged services**

  The inability to generate funds for the services provided, accompanied by the beneficiaries' inability to pay for the services, results in the providers' failure to cover their operational costs and sustain their services. In line with that, many interviewees indicated that they paid for the material for delegates, rent of multimedia photocopier, and catering themselves if no donor covered these costs.



Assessment of BDS organizational capacity

The BDS sector is relatively new, and the COVID-19 pandemic highlighted issues with the sector's infrastructure and capacity. Therefore, a deeper probe into the operations and infrastructure, human resources, institutional, and financial capacity is needed. The section below provides an overall assessment and evaluation of (1) operational capacity in terms of service delivery methods, the geographical outreach of those services, and the availability of physical resources, such as facilities, (2) institutional capacity with elaboration on their mandate, existing legal framework, governmental support, reputation and credibility, and linkages to other market actors, (3) human resources capacity as well as (4) financial capacity in terms of the running financial models and challenges halting back their financial performance.

Operations and infrastructure

This section focuses on BDS providers' effectiveness in response to current challenges; the monitoring and evaluation techniques they rely on to assess their performance and quality of services; their geographic coverage; ability to expand in the market; and their current physical infrastructure and facilities.

a. Service Delivery

Generally, providers in the KRI offered their training and coaching services face-to-face. Virtual training and coaching services were unpopular amongst providers and beneficiaries. The outbreak of COVID-19 relatively enhanced the popularity of virtual services but to a limited extent.

> "When Coronavirus first appeared in the KRI, everything just stopped. No training services were provided in the region. It took us all some time to be able to adapt to the new reality and start implementing virtual training. Beneficiaries, however, still mistrust these training, which is a challenge all business service providers are trying to overcome, but it will take a long time." [25]

Although interviewees reported that they started to adapt to this specific challenge recently by providing online services, many indicated that they are still bound to conduct physical training because their beneficiaries do not trust nor are willing to pay or participate in virtual training.

25. IDI with private BDS provider

b. Monitoring and evaluation of performance

While survey data indicates that most BDS providers carry out monitoring and evaluation (M&E) on the impact of their services (89.6 percent of providers) and conduct follow-up feedback (95.8 percent), there seems to be a misconception on what these activities entail.

While monitoring is the evaluation or assessment that allows programs to determine if targets are being achieved and if the quality of the service is adequate, evaluation is essentially about measuring results – either those of an activity (i.e., output evaluation) or the whole program (i.e., impact evaluation).

However, when providers were asked about the M&E measures they apply, they always referred to the regular follow-up with beneficiaries and the pre- and post-assessments to the training provided. These can all be classified as 'output' evaluation tools. Hence, concrete monitoring and 'impact' evaluation tools are largely unapplied among providers.

The currently adopted evaluation tools are what providers call feedback tools. The most used of the latter are online or written evaluation forms and post-distribution monitoring (PDM), follow-up, and site visits. Fewer providers indicated that they outsource an M&E expert to evaluate the activities and services carried out by the organization. Other less commonly used techniques include having a specialized M&E department, conducting one-on-one interviews with beneficiaries to assess their progress, or conducting periodic surveys with past students.

c. Geographic coverage

It was evident that the geographical concentration of BDS providers differed based on their types. The different types of BDS centers affect their geographic outreach. Universities, for example, (9.2 percent of BDS providers in KRI) and BMOs (3.7 percent), are geographically bound as they target a specific group of beneficiaries in a particular area (i.e., students and graduates of particular university or businesspeople in a certain governorate). However, other BDS providers have no limitation in offering their services across different governorates in the KRI, in Iraq in general, or even in European countries (i.e., having many premises or providing their services virtually). This gives an advantage to private BDS providers (11.9 percent of BDS providers) when expanding the BDS market size in KRI as well as to NGOs (20.2 percent) and INGOs (40.4 percent).

d. Physical infrastructure and facilities

From the assessment, it is apparent that although the different types of providers have well-established infrastructure and facilities, the current health crisis that hit the region resulted in many providers shutting down their premises and resorting to coworking spaces and rentals to continue operating. BDS centers of universities are the least affected as they have direct access to the existing classrooms and university facilities to offer their services.

Institutional capacity

Assessing the institutional capacity of service providers included setting their legal status, experience, mandate, and the networks and interlinkages with relevant stakeholders in the region, which can inform underlying challenges and opportunities of capitalizing on BDS providers in the KRI.

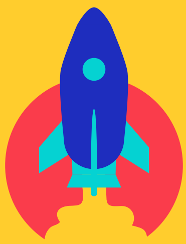
a. Legal status

All interviewed providers, except one, are formally working in the region, according to their legally assigned mandate by type of organization[26]. The main distinctive implication that legal stances have over providers is their subjectivity to taxes as NGOs' revenues, properties, and funds are all exempted from taxes and customs duties according to the Kurdistan Non-Government Organizations Law No. 1 of 2011 (i.e., The NGO Law)[27]. This, in turn, could explain why the number of NGOs is almost double the number of private providers in the region, constituting 20.2 and 11.9 percent of all BDS providers, respectively.

On the other hand, both private and non-government organizations have the autonomy to collect funds from different sources to finance their services and are free to raise fees from the beneficiaries.

b. Experience and mandate

Business development services, as a sector, are new to the regional economy, with more than 60 percent of providers aging less than five years of activity in KRI. Although some had prior work experience in BDS outside of the KRI, the Kurdish region has its contextual specificities. These refer mainly to the region's political and economic challenges, as explained in the economic overview section further above, which could prologue the average duration for these newly established providers to be acquainted with their adequate business needs and start generating steady profits.[28]



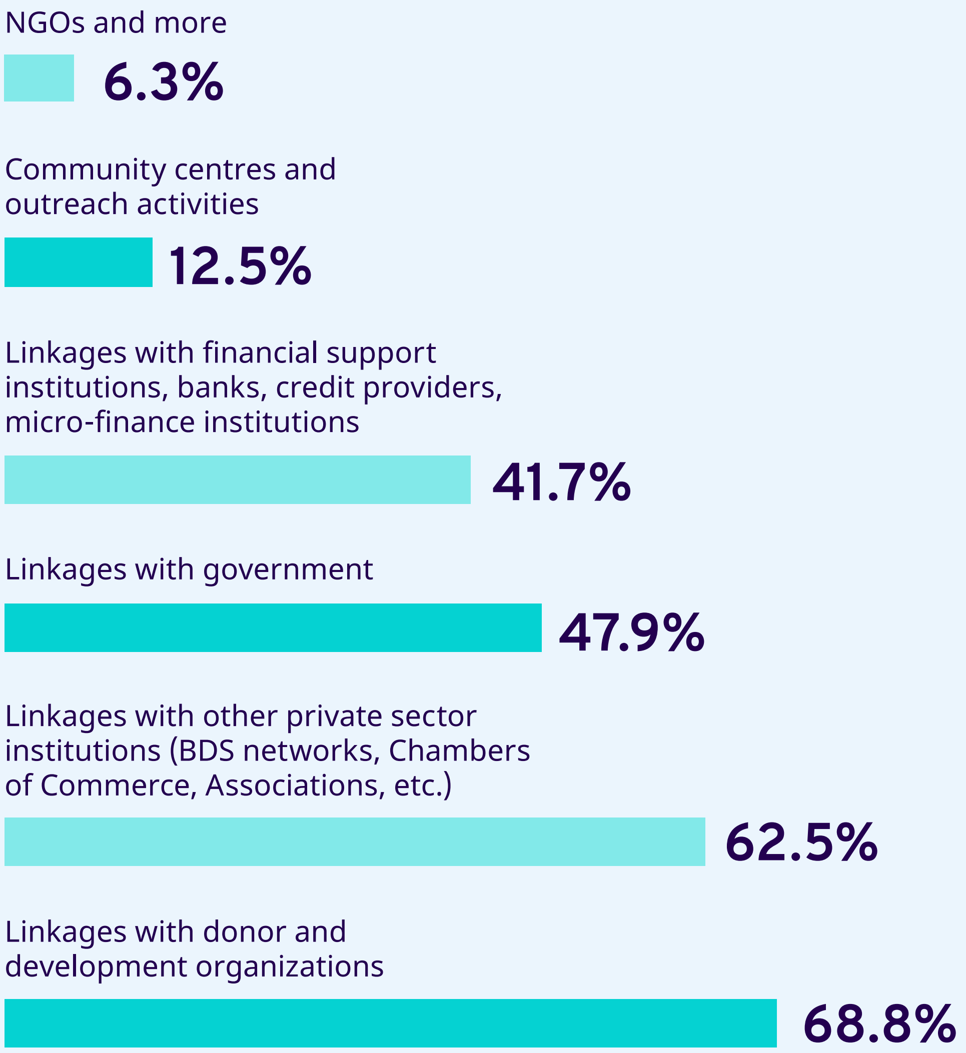
It takes a start-up an average of at least 4 years just to get pointed towards a real business. Some argue that this duration could go up to 7-10 years.

26. Invest my idea and Rwanga foundation. Obstacles and challenges that startup owners face.
27. Jawad, H. (2015). How to Set up an NGO in the Kurdistan Region of Iraq.
28. Schroter, W. (2018). How Long Will It Take To Have a Successful Startup?

c. Networks and interlinkages between the government

Although networks among providers and other stakeholders in the KRI still need to develop further and improve to avoid the unnecessary duplication of services, some networks already exist between the different stakeholders. For example, as indicated in figure 6 down below, at least half of the BDS providers have interlinkages with the government. This was further consolidated through the interviews with the providers, which, regardless of their type, indicated having a strong rapport with ministries and other government entities. Moreover, providers have good connections with other competitors and with business trainers, with whom they frequently cooperate if the projects require a larger operation than they handle alone.

Figure 6. Networks and interlinkages with different stakeholders.



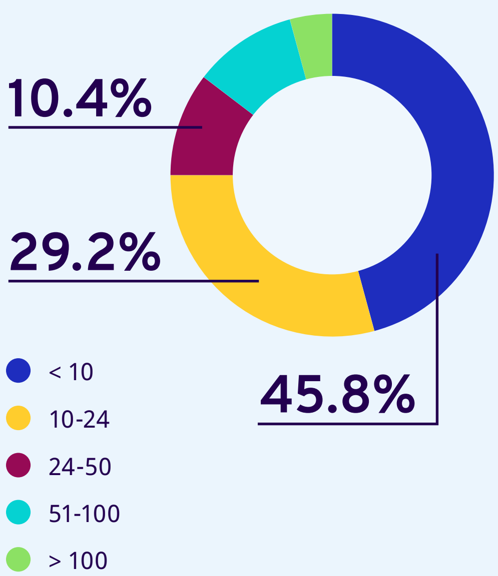
Source: ILO BDS survey.

Human resources

Most providers are micro and small organizations with less than 50 employees (79.2 percent of BDS providers). Micro-enterprises represent the largest group of the latter, with around 45.8 percent of BDS providers in KRI. In addition, the share of female employees working in micro and small enterprises is around 46 percent on average, based on the survey data.

The analysis of this data indicated that these numbers include workers in all premises of an organization, situated inside and outside of Iraq. Accordingly, INGOs have the highest number of employees. In contrast, universities are geographically bound to work in a single location and have the lowest number of employees.

Figure 7. Number of employees in BDS organizations.



Trainers and consultants are, for the most part, part-timers or project based. Non-profit organizations sometimes resort to project-based volunteers to provide the service. Although the first two are mostly certified trainers in their field of expertise, volunteers can be unequipped to provide this training and rely on their academic background on the topic, which typically impacts the quality and standardization of training and services.

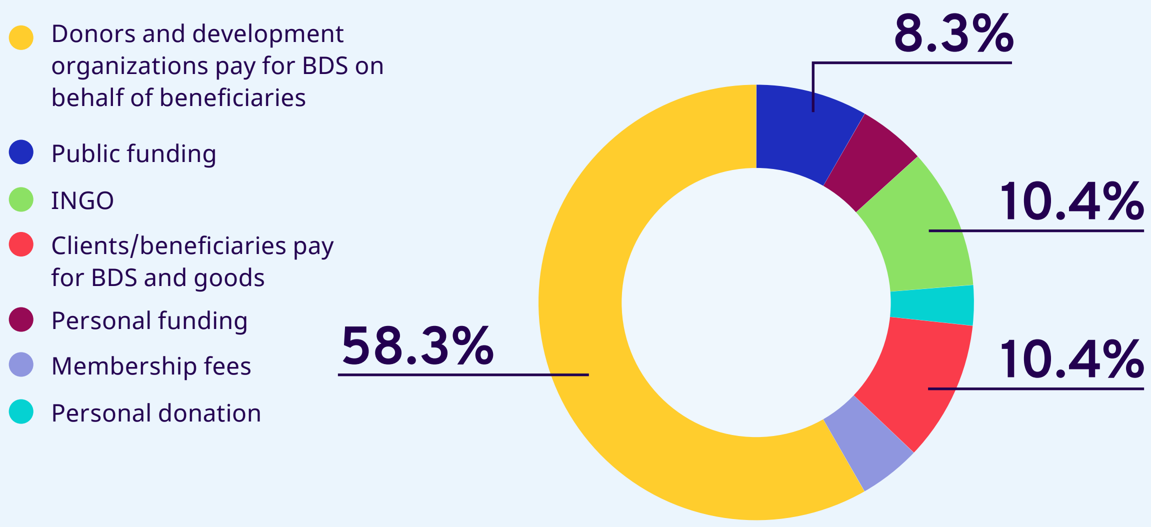
Financial capacity

Assessing the financial capacity of providers focuses on their ability to generate income to cover their operational costs or generate profit to upgrade their services and scope of work. Additionally, it focused on assessing their financial literacy levels based on their understanding of generating funds and setting their financial plans efficiently.

a. Main sources of funding

Donor and development organizations that pay for BDS on behalf of beneficiaries were identified by 58.3 percent of participants in the survey. Conversely, personal donations and membership fees were the least relied upon sources to BDS providers.

Figure 8. Main source of funding.



Source: ILO BDS survey.

Relying on donors and development organizations to directly finance business services is a popular approach in BDS market facilitation. Nevertheless, the disconnection between the relevant stakeholders at the local and regional levels results in the duplication of services and the disagreement as to what type of support activities should be financed to increase the capacity of national BDS providers to operate.

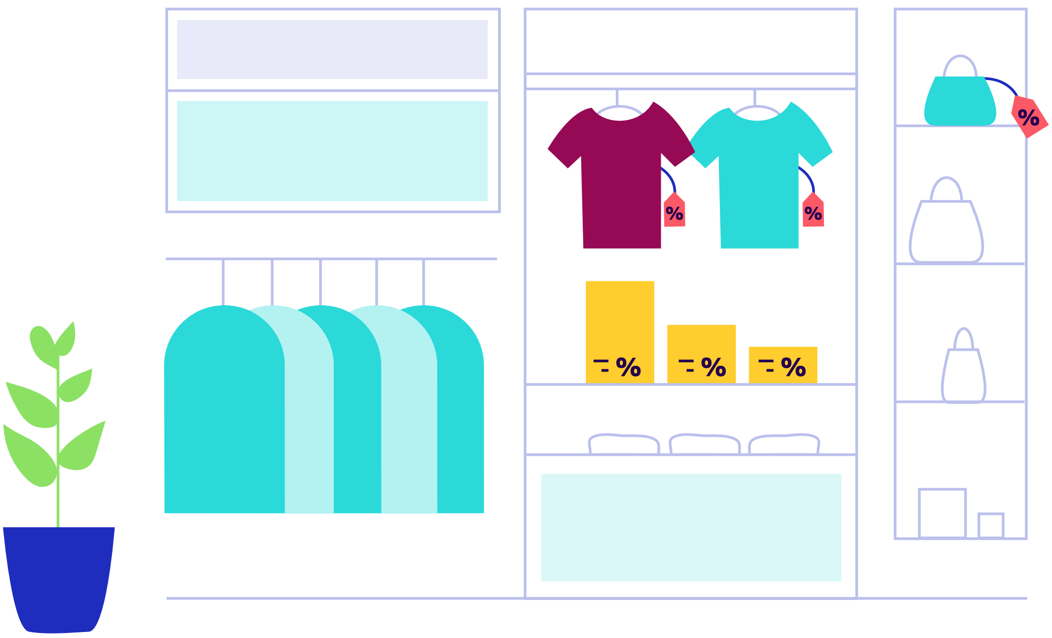
b. Financial pitfalls and challenges

Based on the analysis of information, several financial challenges are affecting BDS providers in KRI.

- **Little financial planning capacity among providers**
  Survey results indicate that **only 31.2 percent of organizations offering BDS recover their operational costs**, and only **12.5 percent generate profits** out of offered BDS. Data also suggests that 29.2 percent of respondents to the survey did not even know if they covered their operational costs, which shows the lack of an established budget and financial planning capacity.

- **Financial immaturity of BDS providers and insufficient funds**
  The immaturity of BDS providers in the KRI is significantly evident in their inability to establish an adequate financial plan for their businesses (including break-even analysis, budget plan, or adequate pricing to their services). As a result, they become incapable of covering their fixed and variable operational costs, not to mention their inability to generate viable profits for their organizations.

  In addition to the insufficient funding sources, this resulted in the lack of financial resources to these organizations, which led to the downsizing and laying off their personnel. In line with that, interviewees consistently indicated that financial burdens are the main constraint affecting their businesses.



Recommended Interventions

In line with prevalent challenges affecting BDS provision in the KRI, several push interventions are recommended to fill existing gaps. In parallel to ILO’s instruments – such as Training of Trainers and other capacity-building instruments–, these recommendations can significantly increase the availability and accessibility of BDS in the region.

I. Increase financial planning capacity of BDS providers

Developing a clear budget and understanding of services pricing are indispensable to fill the gap in providers’ capacity to sustain their operations in the long term. The inability to cover operational costs or generate profits are only symptoms of a more significant problem, often the little capacity to financially plan BDS delivery in a sustainable way. While poor financial planning is only a contributing factor, it remains a critical issue to address.

Accordingly, business development strategies should adapt to increase providers’ efficiency in estimating costs and generating income and profits by building BDS providers› capacity on financial planning, with emphasis on establishing financial goals, budgeting, price-setting mechanisms, and break-even analysis.

II. Market facilitation and strong networking among BDS facilitators

Market facilitators can play a significant role in supporting BDS providers to offer adequate services and help businesses know and access these services. These facilitators include governments, donors, or development agencies. In the KRI, while the role of the government is very limited in supporting such services, the role of donors and development organizations has been significantly present. Nonetheless, there is an evident disconnection between the different market facilitators, which results in the duplication of services to the same target groups, and the negligence of some groups in the available services. Moreover, market facilitators adopt the role of BDS providers through directly providing support services (e.g., training and loans.) to entrepreneurs and MSMEs. This approach has thus disrupted the slowly emerging BDS market and placed BDS providers at an enormous disadvantage when competing directly with donors and development organizations for the same market.

In response, establishing solid networks between the various ongoing and future development projects and programs through working groups is essential. The purpose would be thus to exchange knowledge and agree on adequate facilitation interventions to provide for the different beneficiaries.

Joint market facilitation activities can include:

1. The creation of a pool of potential ToT candidates through whom new training programs can be implemented to build their local ownership of BDS development
2. Information sharing on existing services among market facilitators to ensure complementarity of activities (e.g., through stakeholders' meetings on the governorate or the Kurdistan region level such as Emergency livelihoods (EL) Sulaymaniyah Sub-cluster[29].
3. Conduct joint awareness-raising activities (e.g., through a collective online portal or social media platforms).
4. Harmonizing existing BDS subsidy systems to increase market size and coverage.

III. Improve the targeting of beneficiaries

Despite the wide range of people who might request business services to start their businesses, it is nearly impossible to provide case-by-case support for everyone. This renders the provision of standardized support for the most common needs of start-ups clients more feasible and efficient. One effective tool to identify these common needs is the start-up checklist of 110 questions provided by ITC ILO BDS training provision modules or a simplified version.

This tool investigates start-up needs in five main areas: personal skills, motivation, resources, marketing, finance, and managing people. It can be adapted to accommodate local conditions. The best way to use this tool is for the beneficiaries to answer the questions themselves, giving them time to think about their aspirations and needs truly. The final assessment of all respondents› answers can help the providers identify the general needs of business services and can also be referred to when the client requests an individual coaching service.

29. Reach and Mercy Corps. (2020). Sulaymaniyah, Iraq Emergency Livelihoods Suli Sub-cluster Meeting #1.

IV. Facilitate BDS market-driven provision

Based on the conducted assessment, the current BDS market is mostly supply-driven. As a result, most providers duplicate existing services instead of performing a market-needs assessment to identify gaps and provide services accordingly.

On that basis, the ILO, supported by other market facilitators, should help providers, and build their capacities to conduct the necessary market research and assessments, through the appropriate and relevant approaches, including situational analyses, business opportunities mappings, and value chain analyses to reveal existing gaps, untapped potential and room for improvement and business development.

In line with that, and based on our preliminary understanding of the context, the most evident gaps we identified through the assessment are:

1. The insufficiency of gender-sensitive business services
2. The lack of sectors-specific business services
3. The lack of financial services

Below is a brief description of these potential areas of intervention, with some recommended activities for ILO’s programs to consider.

Provision of gender-sensitive services

Given the gender-sensitive context of the KRI, expanding the provision of these types of services can increase women›s participation in BDS programs. This entails providing services facilitated by female trainers and coaches, choosing adequate time and location for the services, and having a female-participants quota. ILO can support providers offering these services by:

- Sharing tools on gender-sensitive approaches for providers to adopt at the workplace and in company policies
- Conducting on-the-job capacity building for providers to increase gender-sensitivities in provided services.

Encourage the provision of sector-based services

Despite the high untapped potential in the agriculture, agribusiness, and tourism sectors in the KRI, existing business services lack the sectoral-specific technical aspect. In line with that, ILO can help BDS providers enrich their services by:

- Mapping business opportunities across the different industrial and services sectors in the KRI.
- Encouraging combining technical services with BDS through linking technical advisors and BDS providers and trainers.

- Supporting relevant stakeholders in developing BDS providers training manual on business services from the sectors-technical perspective to be facilitated with providers using a ToT approach.

Introducing new business models: value chain development

The current supply-driven approach of MSMEs and the lack of well-established business models in the region result in the scatteredness of current business across different economic sectors and activities, regardless of existing potential or business opportunities in the region. In line with that, ILO can embed the cluster and value chain development approaches into their ToT projects and programs as successful business models that can be facilitated to MSMEs to help them target the right market needs from the ideation process of the incubation cycle up until the establishment of their businesses. On that basis, it is key for the ILO to support BDS providers to:

- Identify which sectors and sub-sectors can generate more job opportunities (either wage or self-employment opportunities)
- Identify what value-added products and services can be developed (e.g., producing traditional products, or cultivating certain crops)
- Diagnose the weakest linkages and explore the reasons behind them: Strengthening market linkages, promoting forward and backward linkages, and industry-level coordination.
- Identify practical solutions to raise the quality and effectiveness of the value chain.
- Encourage cluster development to integrate SMEs within the value chain and minimize the problems associated with the informal economy.
- Create a shared vision among the collaborating partners.

Access to financial services

The Iraqi Kurdish context is in significant need of financial services provision. Therefore, introducing new financial service providers, aside from banks, can increase entrepreneurs’ ability to start their businesses. This should also be accompanied by a merit-based selection process for people to qualify for grants and loans. These alternative financial service providers can include venture capital, angel investors, and microfinance, among others. ILO can support providers providing these services by:

- Conducting a mapping on existing financial providers in KRI (i.e., KEDO, IOM, and PLC, among others).
- Identifying current needs of beneficiaries of financial services.
- Supporting new actors to provide financial services and improve the capacity of existing ones.

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

International Labour Organization