

SMALL PROJECTS AND THEIR ROLE IN PROMOTING THE DEVELOPMENT PROCESS IN IRAQ

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(Paper presented at ISMC,24-25 March, 2019, Iraq)

ABSTRACT: *Small projects are one of the approaches which are adopted by the countries in order to rise with its actual economy through support and develop the development process. We found these projects depended basically on developing countries, which is Iraq represented one of them, depending on projects to develop its economy after its joining to the International Trade Organization, and proceeding toward the free economy. Small projects are regarded as the backbone of the Iraqi economy due to its participation in promoting the economic independence because it is depending upon resources and domestic available capabilities and did not import but little from production inputs, and imported capital supplies.*

Keywords: Small projects, development process

1. INTRODUCTION

Small projects are one of the methods adopted by countries to improve their economic status by supporting and developing the development process. These projects are particularly reliable in developing countries. Iraq is one of these countries, As it relied on these projects in the development of its economy, especially after joining the World Trade Organization and its orientation towards the free economy [1]. The importance of research is to deal with one of the important means in the process of development in order to promote the Iraqi economy.

Each process is adopted facing many of the problems and obstacles that prevent the implementation of the fullest. In Iraq, we find that the implementation of small projects faces several obstacles, the most important issue is funding, so we must find several ways to address these problems.

The research begins to prove the hypothesis that (most of the third world countries or developing countries rely on small projects in the development process to promote economic reality, Iraq is one of these countries, which adopted the policy of small projects to support the development process[2].

Also to help her to solve the unemployment because these projects will secure the provision of many work opportunities for a long base for a workforce who is regarded as 1/3 of the working force or more. In spite of the achievement carried out by these small projects in Iraq, but still we found the country suffers from many obstacles which block its development and growth such as: Mostly it depends on self funding and on its limited financial capabilities, hesitate of the trade banks to grant loans (Short & Long terms), weakness of marketing efficiency due to lack of information about local and foreign market and the taste of the customers, preference of local customers for the foreign products upon local products [3], which lead to limitation of the size of demand for local products, besides some foreign organizations follow flooding policies to supply their products to the local markets with very low prices that cannot be competed with the local products; therefore the competitive position will be weak for these products. Accordingly and in order to overcome these obstacles

which facing small projects there should be some procedures to rise with it which are in the following points:

1. Instruct the investors to select projects appropriate to the country position.
2. Providing organizational and legal cover regarding small industries.
3. Working on getting an integrated fund system to help and support these establishments by helping to promote the role of the industrial bank in the field of granting loans to this organization with simple conditions in paying the loans and refusing the guarantees.
4. Keen on the application of adopted international standards in the field of improving product quality.
5. Formation of joint- venture style between the government and banks and other financial organizations from one side and small & medium projects from the other side and its professional unions according to clear elaborated governmental strategy to develop these kinds of projects.
6. Confirmation on the importance of the role of the chamber of commerce and industry and their professional unions in the field of the presentation of various forms from the services for small projects including technical, training, consultation and marketing services.
7. Confirmation on promoting the establishment of banks, operating and development funds with special programmers for funding, poor people, supporting small lend mechanism, supporting necessary organizational construction to promote private association and professional unions for the sake of providing incentives for the poor in order to change the style of their life and encouraging them to participate in economic work.

2. Research Methodology

2.1 the concept of small projects

Small projects are one of the most important branches of the national and global economy. They are represented by organizations called the Small Business Organization, which is an economic unit that includes more than one person, and uses the elements of production to turn them into outputs as a result of activities and interactions aimed at satisfying the needs and desires of people by producing and distributing those Outputs, which may be a commodity or a service, and in return receive a profit that ensures the continuity of their survival and development. Small projects have several definitions that differ

from one country to another according to their economic and social potentials. In this section, we will discuss the definition of small projects and their distinctive characteristics and the criteria used in their classification [4].

I. Definition of small projects:

The term "small projects" includes activities ranging from self-employed to a small project employing a certain number of workers, as well as cooperatives and family or household production groups.

There are several definitions of small projects. The World Bank defines them as projects with up to 50 workers and total assets and sales of up to \$ 3 million. While the United Nations Conference on Trade and Development (UNCTAD) defines them as those with 20 to 100 workers, either the International Labor Organization defines small industries as those with fewer than 10 workers.

II. Criteria used in the classification of small projects:

The multiplicity of definitions of small projects from one country to another lies in the criteria used to determine them. These criteria can be defined as follows:

1. **Quantitative criteria:** This criterion is valid for statistical and regulatory purposes. It facilitates the collection of data on different projects and the delineation of small projects and large projects, helping regulators responsible for supporting small projects in accurately defining their scope of work.

These quantitative criteria include (number of employees, capital, value of assets, net value added, production value, sales value, and energy utilization rate), but the number of employees in the project is the most widespread and used at the global level for its ease of dealing and stability for a period of time.

2 - **Qualitative criteria:** This type of criteria depends on functional differences, and is suitable for conducting economic analysis and evaluate the efficiency of projects and determine the role of small and large projects in achieving economic development.

Among the most common criteria are:

- Funding for the project carried out by a person or group of persons.
- The geographical area of the project.
- Enterprise size.
- Continuity of work in production units.

Following quantitative and qualitative criteria, most countries resort to using both quantitative and qualitative criteria to determine whether the project is small or large.

3- Characteristics of small projects:

A small project is characterized by many features:

1. Centralization: They are characterized Small project are centralized in their work, as the owner himself manages the project.

2. Informalism: As it prevails the Informal activities on a small project, because of the small number of workers and the small size of projects. This leads to widespread cooperation between workers and management, who are often members of the same family.

3 - Low production capacity: Technological development has helped the possibility of fragmentation of production processes, which allowed the developing countries to enter other productive areas such as the chemical industry, which was limited to countries with large capacity.

4. Low wages: Small projects are characterized by low wages and lack of vulnerability to institutional factors that lead to higher wages in large projects.

5. The lower the absolute volume of capital.

6 - Dependence on local raw materials, which leads to a small need for small projects to import.

7. Small projects are a tool for social and economic development because artisans and small-scale industrialists are concentrated in urban areas where small-scale industrial inputs are present, which in turn are attractive points for other new industries, thus contributing to the expansion and spread of industrial development.

8. Job creation: Because these projects use uncomplicated production and operation methods, they help create jobs for the largest number of workers.

9 - Small projects are self-training centers for their owners and employees, as they are constantly working in the middle of the production processes and assume technical, marketing and financial responsibility, thus gaining more information, knowledge, and experience, which leads them to lead future investment projects beyond the size of their institutions.

2.2 Microfinance sources

Capital sources are divided into two types:

1) **Internal financing sources:** They are based on the following forms:

a) **Personal savings for owners:** It is the financing of the entrepreneur himself, whether at the beginning of the projector in the desire to expand it later. A Large proportion of small projects rely on this type of financing. In this process, funds are transferred from frozen savings to productive investments.

b) **Personal loans:** The small business owner turns to family, relatives, and friends to seek funding when needed, often providing loans without collateral and benefits due to personal relationships.

c) **Inventory:** means goods and materials in excess of the actual project needs, which must be disposed of and converted into cash for use in other purposes required for the project.

d) **Reserves and Retained Earnings:** Retained earnings are considered to be the most important sources of internal financing. Companies finance a large part of their financial needs from realizing profits, which are retained for the purpose of reinvesting them or distributing them to shareholders or retaining partitioning and distribution of the other part.

e) **Issuance of new shares:** When new shares are issued, means new owners enter the project and have the right to vote and manage within the project.

2) **External funding sources:**

It consists of several institutions, the most important of which are:

1-Grameen Bank: This grants a group loan to a group of poor people by guaranteeing the whole group, ie, the group

guarantees any individual unable to pay. The group pays for it. There are regular payment schedules at short intervals as a means of controlling borrowers' performance. As well as higher interest rates compared to commercial banks to cover all costs associated with microfinance programs.

2-The revolving lending and savings associations: These associations collect a number of small savings from a number of individuals in order to become a benefit for one person,, And then it is repeated monthly until each gets its role,, Often, the most in need of the initial role is to be replaced by another person the following month by agreement and consent or by lot and so on.. And These associations are widespread in many countries of the world, and their membership is among individuals with friendly, neighborly or close relations. This system is called Self Helping Communities and compassion groups [5].

3-Village banks are nongovernmental organizations that manage the loans and savings of group members. They are often initiated by local groups and with the assistance of a non-profit organization. And often the number of members of the association is about 50 members, who manage the bank and choose their heads and put their own regulations [6] .

The bank must become independent of the organization is established within a period of not more than 3 years, Bank FINCA is a village known in Latin America and Africa and one of the most famous village banks in the world.

4-Development and Employment Fund: This fund was established in 1990 and aims to provide easy loans for individuals to establish and operate small income-generating projects, It provides loans for all economic activities in areas with high rates of unemployment and poverty.

5-Agricultural lending institution: Established in 1959, which specializes in supporting the agricultural sector by providing funding for agricultural investments.to improve agricultural productivity, improve quality And work to raise the standard of living for farmers.

6-Artisans Fund: Established in 1975, it provides loans to small craft and handicraft groups in order to encourage industrial enterprises. It offers 50-75% of the value of land and capital with an interest rate of 11% and a repayment period of 5-8 years.

2.3 The role of small projects in achieving the development process in Iraq

Small projects are the backbone of any economy in the world, including Iraq, for their active role in development processes, thus raising the country's economic growth rate.

In order to determine the impact of these small projects on the Iraqi economy, several things should be addressed: The extent to which they contribute to economic activity, the problems they face and the potential for enhancing the role of such projects.

First: The extent of the contribution of small projects in the Iraqi economy: Small projects contribute to the

promotion of development through: -

1. Their ability to promote economic independence, because they depend on resources and available local capabilities and only a small proportion of production inputs are imported. Unlike the large industries in Iraq,

which are characterized by its dependence on imported inputs and capital equipment. This dependence on the foreign industry made the fate of the industrial production process in Iraq dependent on import conditions, which faced many economic and political difficulties after the mid-1980s. Which led to low utilization rates of production capacity, high production costs and thus the emergence of partial or total discontinuities of many industrial establishments [7].

2. Help them to solve the problem of unemployment, as these projects provide employment opportunities for a broad base of the labor force estimated at about a third of the workforce or more.
3. Strengthened the state of industrial integration, As it was directed to work as secondary branches of large industries, and to enhance the case of duplication in the industrial structure.
4. The lack of capital or advanced technology, a high level of skills, productive and managerial skills make it commensurate with the limited investment, technical and administrative capabilities in Iraq, This will allow a large number of members of society to enter these industries, which will help to expand the size of the middle class and reduce the size of the poor class, while the investment in large industries need huge investment potential, and will push towards increasing the social class inequality.
5. Its ability to adapt Iraq's current conditions in terms of the lack of infrastructure and other social capital elements. In particular the shortage of electricity, fuel, water, and poor transportation.
6. These industries are characterized by the flexibility of deployment on-site, which makes them an important element in the process of achieving balanced development and reducing the disparities between the various regions in Iraq.
7. The volume of its contribution to the value added of the manufacturing sector is as follows: During the period (1980-2002) and in the fields of food industry was its percentage(22%), maintenance and repair (24%), textile industries (20%), construction materials industry (15%), chemicals and dyes industry (11%), wood and furniture (5%), and the paper industry (3%).

From the above, small projects in practice use a limited number of the labor force, under the regulations in force in the Iraqi economy, and these small enterprises are projects with less than ten workers and capital of no more than a certain amount. These projects represent a large segment that can absorb all economic activities In Iraq, including the industrial, agricultural, service and other sectors.

So thus leaving much room for freedom of movement of the private sector, and contributing directly to the process of economic development.

Therefore, the process of developing these projects certainly contributes to the development of the role of the

private sector in the Iraqi economy and in any other economy, especially as Iraq is now undergoing an economic transition to a free economy, which is based mainly on the private project [8].

Second: Problems facing small projects in Iraq:

Despite the achievements of small projects in Iraq, But we find that they suffered from many obstacles to their growth, including:

1-Funding difficulties are:

- A. They depend mostly on self-financing and their limited financial potential.
- B. It is difficult for them to increase their funds by offering shares to issue bonds for borrowing.
- C. The reluctance of commercial banks to grant short or long term loans.

2-Marketing and administrative difficulties are:

- A. Poor marketing efficiency due to its inability to provide information on the local and external market and tastes of consumers, in addition to the problems of high transport costs, delays of customers in paying the value of sales, and insufficient support of the national product.
- B. Lack of regular marketing outlets to identify local and external consumers with the products and services of these institutions as well as the narrowness of the local market.
- C. Local consumer preference for foreign products which limits the volume of demand for local products.
- D. Some foreign institutions follow the policies of dumping to provide their products to local markets at prices that the local product cannot maintain, which leads to the weak competitive position of these industries.
- E. The high marketing burdens borne by these industries, as a result of their resorting to direct selling to the end consumer or the industrial user or selling to small retailers.
- F. Failure to follow the modern methods of management, due to the presence of the owner-manager, who usually combines the functions of management, finance, and marketing.
- G. Most of these industries suffer from poor knowledge of rules and methods of dealing with official administrative bodies, which complicating the procedures related to the completion of transactions.
- H. Lack of information and statistics available in these institutions regarding competitive institutions, terms, and specifications of produced goods, labor regulations and social security.

3-Technical difficulties are:

- A. Weak experience of owners of these institutions, which leads to failure to achieve their objectives, and thus limit their ability to export.
- B. They resort to the use of primitive equipment compared to large industries and do not follow the maintenance methods that help them to improve the quality of their products to comply with international standards.
- C. Its selection of raw materials and production requirements may not be subject to well-considered technical and engineering standards.

Third: Ways to promote the reality of small projects in Iraq:

In order to face the challenges facing the implementation of small projects in Iraq, the following actions must be taken:

1. Instructing investors to select projects that are appropriate to the country's situation.
2. Provide regulatory and legal cover for small industries.
3. To work towards finding an integrated financing system to assist and support these institutions by strengthening the role of the Industrial Bank in providing loans to these institutions on easy repayment terms while reducing the required guarantees.
4. Ensuring the implementation of international standards adopted in the field of improving the quality of production.
5. Strengthen the efforts of these institutions in the search for new markets at home and abroad, and benefit from the programs of support and technical cooperation provided by international and regional institutions.
6. Increased facilities and government support to these institutions, taking into account the following:
 - A-Increased attention to the development of various facilities in industrial areas, enabling them to reduce production costs and increase their competitiveness.
 - B- Reduce the cost of advertising, and promotion of the products and services of these institutions, and facilitate their participation in the annual and seasonal exhibitions.
7. Formation of partnership patterns between government agencies, banks, and other financial institutions, on the one hand, and small to medium-sized projects and their professional associations, on the other, as part of a well-defined, clear and informed government strategy to develop these projects.
8. Emphasize the importance of the role played by the chambers of commerce, industry and agriculture and their professional associations in providing a variety of services for small enterprises, including marketing, technical, training, and advisory services.
9. The need to pay attention to agricultural credit and related activities in terms of increasing its volume, diversification and increasing its time limits, and making it compatible with agricultural production systems.
10. To encourage the establishment of the banks of the poor, to establish development and employment funds as well as programs to finance the poor, to support microcredit mechanisms and to support the institutional building needed to revitalize nongovernmental organizations and professional associations to provide incentives for the poor to change their lifestyles and encourage them to contribute to economic work.

3. CONCLUSION

The activation of the Iraqi economy requires the creation of investments that drive development, and work on the rise of society in various fields, As the importance of this emerged after the economic transformations witnessed by Iraq today as a result of the political change that took place after 9/4/2003, Which created the crisis of building the Iraqi economy because of weak production apparatus. This has led Iraq to pursue the policy of activating

investment in infrastructure, ie the institutions that are easy to finance, especially in small projects, which have emerged as important in achieving sustainable development, which must include all the different regions of the country, by reducing unemployment and providing job opportunities, provision of raw materials for large investments and the disposal of products of large enterprises. In addition to it helps to increase the volume of sales and distribution, which reduces the cost of storage, and the absorption of the benefits of idle funds, savings and work to operate and participate in the rotation of capital,

As well as training and building a leadership class in communities and increasing their efficiency and innovation in services and products provided.

This trend is reinforced by the opening of grants and loans for small projects by the internal financing institutions as well as external financial institutions, ie international institutions.

The key characteristics of investments in small projects are the low capital requirements, the small loans required and the risks involved, the existence of a limited market and a distinct number of consumers that allow rapid market coverage, and the shortage of manpower required, achieving team spirit, reducing costs relatively, and free market access and exit, these have formed the right direction for economic and social growth.

Despite all these privileges, however, these projects have not received the attention required by the government. That does not seem strange since the deteriorating situation in the country since the occupation of Iraq has so far been the result of neglect and lack of interest in the country's affairs in general, and preoccupation with them in the interests of the Government, not the people.

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